Admiral Group plc
Annual Report and Accounts 2019

Admiral offers motor, household and travel insurance. Other businesses in the UK include comparison website Confused.com, law firm Admiral Law Limited and Admiral Financial Services Limited offering personal loans and car finance.

Outside of the UK, Admiral owns four insurance and six comparison businesses.

Group Highlights

Group's statutory profit before tax (£m)

£522.6m

2019	£522.6m
2018	£476.2m
2017	£403.5m

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

£526.1m

2019	£526.1m
2018	£479.3m
2017	£405.4m

Earnings per share[1] (pence)

148.3p

2019	148.3p
2018	137.1p
2017	117.2p

Return on equity[1] (%)

52%

2019	52%
2018	56%
2017	55%

Net revenue (£bn)

£1.35bn

2019	£1.35bn
2018	£1.26bn
2017	£1.13.bn

Turnover[2] (£bn)

£3.46bn

2019	£3.46bn
2018	£3.28bn
2017	£2.96bn

Customers (million)

6.98m

2019	6.98m
2018	6.51m
2017	5.73m

Full year dividend per share[3] (pence)

140.0p

2019	140.0p
2018	126.0p
2017	114.0p

Solvency ratio (post dividend)[4]

190%

(2018: 194%)

Diversity split across the Group

51% Female, 49% Male

(2018: 51% Female, 49% Male)

Emissions (tonnes CO_2e per employee)

0.36 tonnes

(2018: 0.39 tonnes)

Reevoo Score (% customers would buy again)

98%

(2018: 98%)

1. Alternative performance measure (APM) – refer to the Glossary for definition and explanation
2. Alternative performance measure (APM) – refer to Glossary for definition and explanation, and to note 13 for reconciliation to Financial Statements
3. 2018 dividend includes an additional dividend of 11 pence per share relating to the increase in post-tax profits from the change in Ogden discount rate assumption.
4. Unaudited: refer to capital structure and financial position section on pages 38 to 39 for further information.

Contents

www.admiralgroup.co.uk

Our Purpose

Admiral Group's purpose is to provide:

Good value financial products

Excellent and convenient service

A great place to work

Good returns for our shareholders

... whilst building a sustainable business for the long term

How our purpose adds value

Driven by our purpose, our business model focuses on our unique core competencies to create value for our customers, our people, our shareholders and our wider stakeholder community.

See our business model **on pages 16 to 17**

Admiral Group is one of the UK's largest and most recognised motor insurance providers, with market leading financial results.

About Us

Admiral Group is a UK based company, specialising in motor, home, and travel insurance.

Other businesses in the UK include comparison website Confused.com, law firm Admiral Law Limited and Admiral Financial Services Limited offering personal loans and car finance. Outside of the UK Admiral owns four insurance and six comparison businesses.

Staff employed globally

11,000+

Customers worldwide

6.98m

What we do

- UK Insurance
- Comparison
- International Insurance
- Loans

Brands

1. UK
- Admiral
- Bell
- Diamond
- Elephant.co.uk
- Confused.com
- Admiral Household
- Gladiator
- Admiral Law Limited
- Admiral Loans
- Admiral Van
- Admiral Travel
- Veygo

2. France
- L'olivier Assurance
- LeLynx
- Homebrella

3. Italy
- ConTe

4. Spain
- Balumba
- Qualitas Auto
- Rastreator
- Seguros.es

5. USA
- Elephant Auto
- Apparent
- Compare.com

6. Canada
- Admiral

7. India
- Admiral Solutions
- Admiral Technologies
- GoSahi.com

8. Turkey
- Tamoniki.com

9. Mexico
- Rastreator.mx
- Tamoniki.com

Global
- Preminen

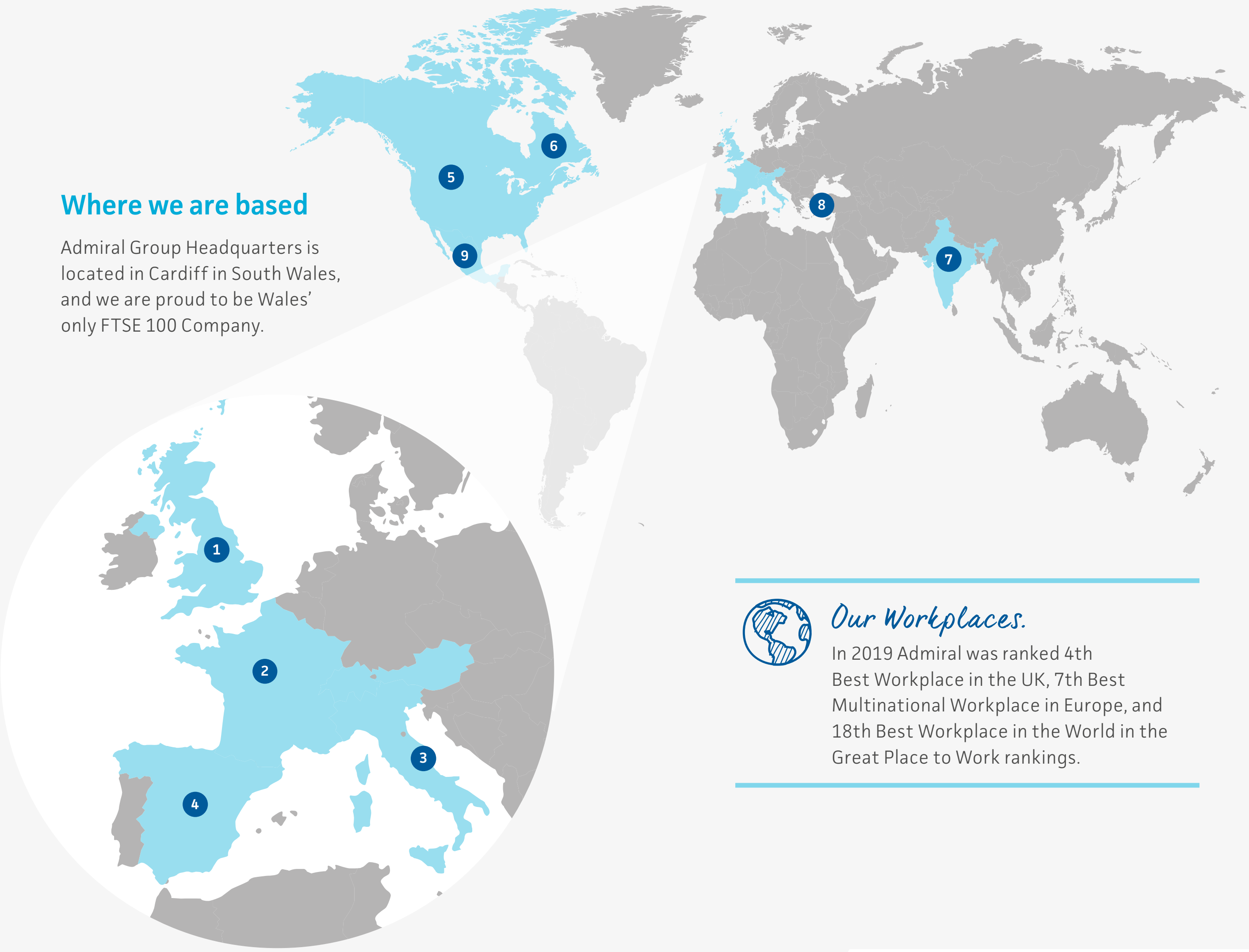
The Investment Case

Read more in our **Business Model on page 16 to 17**

- Excellent customer service
- Cost conscious culture
- Efficient claims management
- Test and learn approach
- Risk mitigation: unique reinsurance and co-insurance partnerships

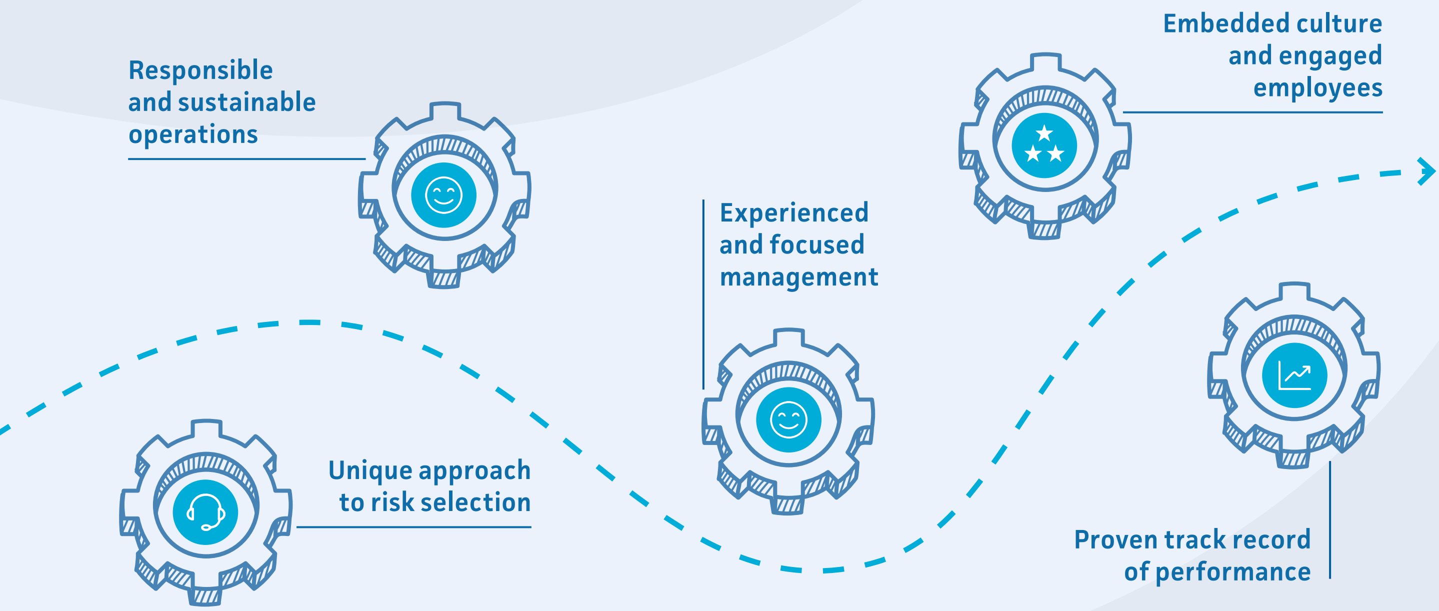
Where we are based

Admiral Group Headquarters is located in Cardiff in South Wales, and we are proud to be Wales' only FTSE 100 Company.



Our Workplaces.

In 2019 Admiral was ranked 4th Best Workplace in the UK, 7th Best Multinational Workplace in Europe, and 18th Best Workplace in the World in the Great Place to Work rankings.



What we do

Admiral Group has five insurance and seven comparison businesses. It has nearly 7 million customers and employs over 11,000 staff globally.

UK Motor Insurance

Admiral is one of the largest car and van insurers in the UK.

Admiral
Gladiator
Diamond
Bell
elephant
veygo

Customers

4.37m

(2018: 4.32m)

Turnover*[1]

£2.45bn

(2018: £2.42bn)

Net Insurance Premium Revenue

£453m

(2018: £453m)

UK Motor review

Read more **on page 45**

UK Household Insurance

Admiral has a growing UK Household Insurance business.

Admiral

Customers

1.01m

(2018: 0.87m)

Turnover*[1]

£171m

(2018: £146m)

Net Insurance Premium Revenue

£37m

(2018: £31m)

UK Household review

Read more **on page 49**

Customers (2018: 6.51m)

6.98m

Turnover*1 (2018: £3.28bn)

£3.46bn

Net Revenue (2018: £1.26bn)

£1.35bn

International Insurance

Growing insurance businesses in Spain, Italy, France and the US.

Customers

1.42m

(2018: 1.22m)

Turnover*1

£624m

(2018: £539m)

Net Insurance Premium Revenue

£169m

(2018: £142m)

International Insurance review

Read more on page 50

Comparison

Confused.com, one of the UK's leading comparison websites, profitable operations in Spain and France, and a developing business in the US.

Customers

24m quotes

(2018: 22m quotes)

Turnover*1

£172m

Revenue (2018: £151m)

Comparison review

Read more on page 54

Other Group Items

Admiral Loans and other costs.

Loan Balances

£455m

(2018: £300m)

Total interest income on loans

£31m

(2018: £15m)

Other Group Items review

Read more on page 58

*1. Alternative Performance Measure (APM) – refer to Glossary for definition and explanation, and to note 13 for reconciliation.

Focusing on our

Customers

“Customers are at the heart of what we do”

We strive to provide dependable and efficient customer service and work hard to ensure that customers can get the most suitable products for their needs.

See our **Stakeholder Engagement Section on pages 18 to 23**

Our Purpose in action

Cristina's Commentaries

Cristina Nestares, our UK Insurance CEO, shares a customer commentary every month in which she talks about customer stories, changes to processes that have helped improve the customer experience, and comments that we’ve received. Cristina also awards the title of monthly Customer Champion to one of our customer facing agents who have received 10/10 on all questions asked in SMS feedback.

Additionally, Cristina’s presentation at the 2019 Staff General Meeting (SGM) centred on the customer and the importance of delivering great service.

National Customer Service Week

In October we hosted National Customer Service Week, to raise further awareness of the importance of customer service and to celebrate the great service that our staff deliver. We shared several news articles on our staff Intranet, the results of our recent customer surveys, and ongoing customer initiatives from across the business. We also shared a series of videos across the week, which demonstrated how the customer is valued across the business.

Kudos

Kudos is a customer experience measurement programme, used across all our customer facing contact centres. The programme focuses on three key areas which directly impact, or are influenced by, our customers. These areas are: average speed of answer, customer SMS feedback and external call monitoring by senior management.

Through external call monitoring, senior managers evaluate customer calls on a monthly basis and provide feedback to agents about the service the customer received. Over 5,000 calls were monitored by senior managers in 2019, and our average internal feedback score was a pleasing 80%.

Satisfied Customers

We strive to ensure that our customers are satisfied with our service. One way we measure this is through feedback, as demonstrated by the results below.

97% **of customers were happy with their service[1] (2018: 96%)**

98% **of customers would buy again[2] (2018: 98%)**

Continuous Improvement

We are always looking to improve our services. In 2019, we saw improvements to both our average call answer rate and the average call waiting time in Customer Services.

96.8% **average call answer rate[3] (2018: 96.3%)**

70 seconds

average waiting time for a Customer Services call (2018: 74 seconds)

External Recognition

In 2019 we were named Best Motor Insurance Provider at the Personal Finance Awards for the seventh year in a row. We were also named Best Home Insurer and Best Big Insurance Company at the Insurance Choice Awards.

INSURANCE CHOICE AWARDS WINNER 2019 BEST BIG INSURANCE COMPANY

WINNER Moneyfacts Consumer Awards 2019 Home Insurance Provider of the Year

1 Average Reevoo score for 2019. Based on 9,325 responses 2 Average Reevoo score for 2019. Based on 27,211 responses 3 For UK-based Customer Services

Key to our Purpose

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The Above and Beyond Initiative

We actively encourage our staff to exceed our customers' expectations. An example of this can be seen with our 'Above and Beyond' initiative within our New Business department. Last summer one of our Canadian call handlers, Mary-Ellen, spoke to a UK customer who commented how nice it would be to have some Canadian Kraft Peanut Butter.

Mary-Ellen decided to accept the mission. Mary-Ellen purchased a large jar of peanut butter, which was brought back to the UK by a visiting trainer and posted to the customer along with a card thanking them for choosing to insure with us!

Customers Matter Project

In 2019, we introduced a new cross-departmental project called Customers Matter. This project aims to improve the way we interact with our customers by tracking metrics such as average speed of answer, kudos scores, SMS feedback scores, and complaint percentages. As part of this project we also asked our employees to submit selfies representing their thoughts on the meaning of service, using the hashtag #CustomersMatter.

Customer Service Awards

In November, we held the Admiral Customer Service Awards for the first time, a night dedicated to the celebration of outstanding customer service throughout the business. Awards included: 'Most Customer Centric Team', 'Consistently Cares' award and 'Best Use of Insight and Feedback'. We welcomed 160 staff from the Group's customer-facing departments to celebrate and received over 200 award nominations across 13 categories.

At the event, senior managers shared insights from their own careers, and the night concluded with the crowning of the winners, marking another fantastic year of dedicated service.

Valuing our

People

“People who like what they do, do it better”

At Admiral, we strive to create an environment where people look forward to coming to work. We want our employees to feel happy, supported, and willing to give that little bit extra. We truly believe that our unique culture is integral to our success as a business.

See our **Stakeholder Engagement Section on pages 18 to 23**

The four pillars of our culture are: Communication, Equality, Reward & Recognition and Fun

Work/Life Balance

In 2019 the Group was recognised as a ‘Centre of Excellence in Wellbeing’ by the Great Place to Work Institute. We received high scores in areas including: Fulfilment at work, interpersonal relationships, work-life balance and mental and physical health and more.

86% of our employees think that our Facilities contribute to a good working environment.

Embracing challenges and changes

Admiral aims to protect its data by implementing the necessary measure to withstand a cyber-attack. In 2019 we provided all employees – including contractors – with three security training sessions. The training covered a variety of topics, which included password complexity, tailgating, risks of USB devices, data classification, suspicious emails, and phishing. In addition to this, we provided further targeted training for those identified as high-risk users.

We are also audited by external auditors on an annual basis, carry out regular security risk assessments and we operate in accordance with the NIST Cyber Security Framework.

Annual Staff General Meeting (SGM)

Since 1998, all UK-based employees are invited to attend the SGM to listen to lively and engaging presentations about company performance and forward-looking business plans. Our senior managers address everyone, including our offices around the globe, via a live streaming link.

Our SGM is informative and fun, and extremely important to us in terms of communicating the same message directly to all employees together. We find this to be a powerful and effective way to promote a renewed sense of pride in Admiral each year.

Development

We recognise that our future success relies on our ability to develop and retain our people. Our Admiral Academy offers support, learning opportunities, and career advice to all employees. We have a team of over 100 learning and development professionals across the Group, with the skills necessary to support the needs of our business and our people.

979 courses hosted by the Admiral Academy in 2019

Diversity

Our Diversity and Inclusion Working Groups include forums for LGB+, gender, age, ethnicity, social mobility, and disability to ensure that we recruit, develop, and retain a diverse group of employees. We work with organisations such as Autism Spectrum Connections Cymru to offer placements for people with autism within Admiral.

96% of our staff believe people at work are treated fairly regardless of their race or ethnic origin[1]

Share Scheme

Our share ownership scheme aims to reward and recognise our employees for their own progress, as well as the overall performance of the Group.

All employees employed at Admiral for one year or more receive the same number of shares through our Approved Free Share Plan (SIP). Some management receive additional shares through the Discretionary Free Share Scheme (DFSS).

100% of UK based employees employed for more than one year, own shares in Admiral Group[2]

1 Group-wide results to the 2019 Great Place to Work Survey. Results were based on 8,543 responses. 96% responded positively, 3% responded as neutral and 1% as negative
2 More detail surrounding the SIP and the DFSS can be found on page 108

Key to our Purpose

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'Ask David'

'Ask David' is an initiative available to all employees via the Admiral intranet, which promotes direct communication with the Group CEO. Employees can ask David any questions that they might have, and suggest business improvements. One request that David received in 2019 was a request for the business to create a Multi-faith room in Admiral Group House in Swansea; a private space for persons of any faith (or none) to spend time in prayer.

Similar rooms already existed at Ty Admiral Cardiff and Admiral Group House in Newport, and David was quick to instruct our facilities team to create a similar space at our Swansea location. The room was available for use from August 2019 onwards.

Movers, Shakers and Legacy Makers

At Admiral, we pride ourselves on celebrating the differences among our people.

In 2019, our BAME (Black, Asian, Minority, Ethnic) forum met regularly to prepare for Black History Month Wales (BHMW) and to sponsor the 2019 BHMW National Youth Awards. These important awards highlighted the achievements of young people from African and African Caribbean heritage living in Wales, aged between 13 and 20 years of age.

This year was BHMW's 12th anniversary and their theme was 'Movers, Shakers and Legacy Makers' which we thought was very apt for our culture.

Family Focus: Parent's Open Day

We pride ourselves in providing our people with a happy, supportive, and productive working environment, and run a variety of initiatives that encourage our employees to involve their families in our company culture.

In 2019, Admiral Seguros opened its office to parents and close relatives, with the aim to provide them with an understanding of a day in the working life of their loved one, and to share insights about our history, business, and culture.

After a tour of the office, visitors were invited to spend time with their family members and learn more about their roles. Feedback from the open day was positive and helped our employees better communicate with their families about their roles and responsibilities within the Group.

Engaging with our

Communities

“Giving back to our communities is an integral part of Admiral’s culture”

Our employees play a key role in how we engage with our communities, and we continuously support initiatives suggested by our employees to drive change both inside, and outside of, the business.

See our **Stakeholder Engagement Section on pages 18 to 23**

Our Purpose in action

Ministry of Giving

In 2018, Admiral committed £400,000 to fund four charity projects in South Wales across 2019 and 2020. The charities were chosen following suggestions put forward by employees and a vote. One of those chosen is Llamau, a charity supporting young people at risk of homelessness.

In 2019, Llamau launched a Learning 4 Life programme in Newport and, with our support, they were able to employ a full-time tutor to deliver training. The centre currently welcomes eight learners each week and provides support to help improve their basic skills and to progress through further learning, employment and volunteering.

Admiral Seguros – Charity support

In Spain, Admiral Seguros collaborated with Pulseras Rosas (Pink Bracelets), an association that supports patients and families throughout cancer treatment.

Admiral Seguros’ support for Pulseras Rosas ranges from monthly donations from staff to support for specific projects such as providing free psychological therapy for people affected by cancer and their families.

Pride Cymru

This year, as part of our longstanding partnership with Pride Cymru, we were headline sponsors of Wales’ largest annual celebration of LGBT+ equality and diversity: Pride Cymru’s Big Weekend.

Over 50 employees along with their partners, family, and friends participated in the Cardiff parade accompanied by our Inspire Choir, which is made up of employees from offices across Wales. After the parade, the choir rounded up the weekend with a performance on the main stage.

Meaningful Contributions

Giving back to our communities is an important part of our culture and translates into the initiatives we take to drive positive impacts for those in need.

£400,000+

to be donated to four charities over 2019 and 2020

Depth of Relationships

With so many of our employees coming from the communities we operate in, we feel a strong sense of responsibility to foster and maintain deep community relationships through outreach programmes; such as developing employability skills and promoting diversity.

85%

of our employees feel good about the work we do in our communities[1]

Sustainable Impact

We aim to reduce our emissions as much as possible and, where possible, we procure our electricity from renewable sources. In circumstances where we can't source renewable energy, we work hard to reduce our environmental impact, aligning our environmental policy with sustainable growth and efficient resource management.

0.36

tonnes CO_2e per employee (2018: 0.39 tonnes)

1 Group-wide results to the 2019 Great Place to Work Survey

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Admiral Green Week

Every year, Admiral's Green Team organises a Green Awareness Week in Ty Admiral, our Cardiff head office, raising awareness about the ways in which employees can act more sustainably. In 2019, a range of local, environmentally-friendly businesses were invited to Ty Admiral, demonstrating alternative ways in which our staff can minimise their environmental impact.

These initiatives, along with the wider awareness campaigns of the Green Team, are important parts of our strategy to support our communities and the environment.

Admiral Law – Fundraising for Headway

In 2019, Admiral Law's serious injury team supported the charity Headway, a brain injury association set up to help people with brain injuries. Through their fundraising efforts the team contributed to essential services, that provide assistance to patients and their families.

The serious injury team were recognised for their efforts by being awarded 'Headway Champions for Cardiff and the South East.'

ConTe Charity

This year, our ConTe office in Italy raised funds for two important children's shelters: La Casa di Andrea and La Grande Casa di Peter Pan, which host children from all over the world in need of care. The funds were used to help restore their facilities so that they can provide a better environment for the children.

In 2019, ConTe employees also dedicated time to various projects around Rome, such as renovating stables for horses used in rehabilitation programmes and restoring a playground in Rome's suburbs.

"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 2019."

2019 marks another year of very strong results for Admiral, and also the announcement of a change of leadership. It is hard to sum up the amazing contribution that David has made to the Group over the last 27 years. As one of the founders he has overseen the business grow from a standing start to become one of the UK's largest motor insurers, employing over 11,000 people, serving almost seven million customers and with a market value today of over £6 billion.

David isn't going just yet and I don't want to use up all my accolades until he actually steps down in 12 months' time. David brings a unique combination of great brainpower, integrity, innovation, caring and humility. As an individual, his compassion for colleagues and customers alike encapsulates Admiral's approach and ethos. Suffice to say, it continues to be a real pleasure to work with him.

Having been through a comprehensive and robust succession process, the Board is confident that in Milena we have a natural successor and a leader for the next generation. We have a wealth of management talent at Admiral and bringing this through has always been a central pillar to Admiral's management philosophy as the business evolves alongside its customers. Milena brings a deep appreciation of the special Admiral culture, entrepreneurial spirit, commercial track record and people development skills.

Looking back at 2019

I am delighted to report another year of strong performance in 2019, beating many records. This is once again due to our people. They make the real difference at Admiral. Their focus on serving our customers, the distinctive culture and their contribution to the communities in which Admiral operates is what makes Admiral truly different.

The Group has continued to grow with turnover increasing by 5% to £3.5 billion, whilst customer numbers are 7% higher than 2018 at 6.98 million. The Group's share of pre-tax profit increased by 10% to £526 million driven by UK Motor Insurance, with strong releases of prior year claims reserves. Once again we were impacted by Ogden (the Personal Injury Discount Rate). Although the final rate was set at -0.25%, and therefore lower than our expectations, we were able to deliver significantly increased profits resulting in an early trading update to notify the market of higher than expected profit. Earnings per share rose by 8% and return on equity was 52%. The Group's solvency ratio remains robust at 190% (194% at the end of 2018).

This strong performance was due to contributions from businesses across the Group. Particularly of note was UK Insurance (Motor, Household, Travel), European Insurance and Confused.com. Our Loans business continues to develop well and we continue to build this business with our usual cautious approach. We have encountered more challenges in the US, so we still continue to strengthen fundamentals there.

Focusing on the UK, we maintained a disciplined approach and prioritised profitability over growth, by increasing prices as a result of continued claims inflation. This led to modest growth over the period. The regulatory environment in the UK continues to evolve, with whiplash reform and the FCA market pricing study being key features of 2019 and 2020. Approximately 80% of Admiral customers shop around at renewal, so we are encouraged that the majority choose to remain with us as an indicator of our good customer experience and competitive pricing.

As a result of our Brexit restructuring, 1 January 2019 marked the start of operations for our European insurance hub in Madrid. The hub allows us to underwrite and support our growing European insurance businesses and ensures that we are well placed for a full range of potential circumstances without disrupting our customers.

Dividend

Our dividend policy remains that we pay a normal dividend of 65% of post tax profit and distribute each year the available surplus over and above what we retain to meet regulatory requirements, the future development of our business and appropriate buffers. The Directors have recommended a final dividend of 77 pence per share (2018: 66 pence per share) for the year to 31 December 2019 representing a distribution of 90% of our second half earnings.

This will bring the total dividend for the year to 140 pence per share, an overall increase of 11%. This represents a pay-out ratio of 94%. The Group has delivered a Total Shareholder Return (TSR) of 361% over the last 10 years (as illustrated in the chart on page 121).

Healthy Heads

We pride ourselves at Admiral Group on having a happy, supportive, and productive atmosphere, and we run several initiatives to help our employees stay both physically and mentally healthy.

In 2019 we reviewed our Mental Health Strategy, and appointed Charlotte Bennett, Chair of Admiral's Diversity and Inclusion Forum, as our 'Healthy Heads Ambassador'.

In 2019 we also improved upon our comprehensive suite of manager training sessions, to include courses on 'Stress Awareness' and 'Emotional Resilience.'

All of our people services executives are trained in Mental Health First Aid and Suicide intervention skills training. Our Employee Assistance Programme (EAP) also offers guidance and signposting relating to concerns, whether financial, relational, legal or other.

Group Board in 2019

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

We reviewed our Group strategy in 2019 which remains straightforward and highly focused on building customer-centric, sustainable businesses for the long term. We strive to keep doing what we're doing, and do it better year after year.

In our UK insurance business, we remain determined to strengthen our core competitive advantages and pursue our culture of innovation and test and learn approach. For example, we are continuing to deploy technology relating to digital and self-service to improve the customer experience and overall efficiencies.

We also continue to take what we do well and what we learn to new markets and new products, both in the UK and abroad. We are agile enough to adapt to evolving business environments and encourage entrepreneurial initiatives to solve challenges and offer the best outcome to our customers, people and investors. One example is the launch of Household insurance in France.

From a governance perspective, we have applied the principles of the new Corporate Governance Code which ensures that we will continue to take on board the views of all of our stakeholders in our discussions and decision making. As you would expect, we already have strong links with our people and in 2019, the Board revisited and enhanced several areas of focus including our culture, engagement, diversity, our impact on the environment and climate change, and how we give back and participate in the communities in which we operate through our Ministry of Giving.

To ensure that we further enhance the strong links between the Board and Admiral employees, we have set up an Employee Consultation Group (ECG). This group, elected by employees, meets on a regular basis and provides a two-way link between the Board and wider staff. I and other members of the Board have had the privilege of attending these sessions and I am impressed by the passion and energy our people have for continuing to shape the business and a real desire to ensure that we remain a great company to work for. An example of this is considering ways in which we can better use flexible working.

There is further work to do to ensure that views of our international employees across the Group are better represented, so we will be building on this approach over the next 12 months.

Once again Admiral was recognised as a Great Place to Work in 2019. We were awarded the Sunday Times Best Company to Work For in the UK, 7th Best Multinational Workplace in Europe, 3rd Best Workplace for Women in the UK and 18th Best Workplace in the World! Of course, this doesn't happen by accident. We continue to believe that if people like what they do, they do it better. Our people feel involved because they have a voice, they are shareholders in our business, and they genuinely care.

Having our people as shareholders remains a distinctive element of Admiral's incentive schemes. These are designed to ensure that decisions are made by management to support long-term value 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 102 to 123.

During the year, I had the pleasure of visiting our operations in the UK, France, Italy, Spain and the US where I was able to engage with a wide variety of people. It is always wonderful to see the Admiral culture so deeply ingrained in offices across the globe. This culture was just as clearly embedded for me at the annual Staff General Meeting and the annual management off-site event. In 2019, the Board also attended a Claims education session in Newport as part of our ongoing Board education programme, and we each had the opportunity to engage with claims employees and visit a local repairer which was very insightful in seeing more evidence of our service in practice.

The Board and I feel that there is a good balance of experience, skills and knowledge to support and challenge the management team, and that operations are supported by effective governance and control systems. There have been no changes to the Board composition in 2019 following three new appointments in 2018 but the Board and I expect to appoint an additional Non-Executive Director with a technology background in early 2020. We will continue to review all aspects of diversity to ensure that we are well-prepared to guide the Group through our next phase of growth.

During the year the Board and each of its Committees undertook reviews of their effectiveness. As part of the three-year cycle we undertook an external effectiveness review of the Board in 2019, including consideration of the principles of the 2018 Corporate Governance Code. The conclusions provided useful feedback on its performance. Further details are provided in the Corporate Governance Report on pages 74 to 87.

Our focus areas for the Board remain to:

- Continue to build on the remarkably special Admiral culture and in so doing putting our people, customers and wider impact on the community at the heart of what we do
- Continue the history of growth, profitability and innovation

- Invest in the development and growth of our people – we have focused on the quality and development of our senior management team, added to our talent base with some external hires, and reviewed our succession pipeline
- Ensure excellent governance and the highest standards

Our role in Society

Admiral takes its role in society very seriously and has an active approach to Corporate Responsibility (more information in Corporate Social Responsibility Report on the Admiral website.) We are proud to be Wales' only FTSE 100 headquartered company and employ over 7,000 people in South Wales. Our people play an active part in the communities in which we operate. We carefully consider our impact on the community and environment, including factors such as the green credentials of our buildings, raising funds for multiple charities, and considering the impact of climate change across the business.

This year we reviewed our responsible investment policy with regard to our ESG positioning. We aim to be an economically strong and responsible business over the long term, guided by a clear purpose, to make a positive and significant impact not just to our customers and our people but to the economy and society.

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 2019. I would also like to thank our shareholders for their support and confidence. Most of all I would like to thank our customers for placing their business with us.

Annette Court
Group Chair
4 March 2020

Listening to the voice of our employees

Ensuring there is a constant flow of communication in all directions is integral to our culture.

We have always encouraged our employees to ask questions, provide feedback and communicate with our senior managers via initiatives such as the Friendly Forums, Employee Surveys, Tea Parties and Online Chats.

At the start of 2019, we launched the Employee Consultation Group (ECG). The ECG views employees as key stakeholders and acts as a platform for two-way communication between Admiral Group Board and the employees of its UK businesses.

Through open debate and interactions with Group Board and senior management, employees can be confident that their views and opinions are discussed at the highest level.

How does it work?

- Each department elects a colleague as an ECG representative
- Employees submit questions or topics to their ECG representative in person, or via Atlas (our online portal)
- The Employee Consultation Group meets quarterly
- At each meeting, a Non-Executive Director of the Admiral Group Board attends[1]
- Our Coffee Morning managers (senior managers), are also regularly invited to attend, as are our Executive Directors
- Elected ECG members are invited to present recommendations at Group Board meetings
- ECG representatives remain visible and accessible to employees, to discuss topics raised and addressed
- The Board can add actions to the ECG agenda to explore, and vice versa[2]
- The visibility and transparency of employee opinion is increased and strengthened

> "It's great to have Directors and employees from various departments in the same room, on a regular basis, having healthy and open debate on different topics."

Stuart Morgan
Chair of the Employee Consultation Group

1 Non-Executive Directors (NEDs) participate on a rotational basis to maximise two-way communication and to access the expertise and knowledge of different Board members.
2 In 2019, at least one NED attended three of the five ECG meetings, and at least one senior manager attended every meeting.

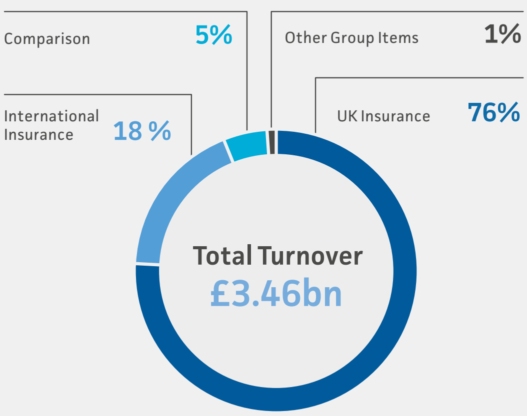
We value customers above everything else and strive to design products that customers want and that represent value for money.

Our Purpose

- Good value financial products
- Excellent and convenient service
- A great place to work
- Good returns for our shareholders
- … whilst building a sustainable business for the long term

What we do

- UK Insurance
- International Insurance
- Comparison
- Loans



What sets us apart

Efficient capital employment

Admiral shares a large proportion of risk with co- and reinsurance partners – and these relationships are generally underpinned by strong underwriting results. Sharing risk allows Admiral to hold less capital as it bears less risk, resulting in a superior return on capital for Admiral shareholders whilst also providing protection for losses.

Focus on sustainable profitability

Admiral focuses on bottom-line profitability in the short, medium and long term, and this perspective guides decisions made across all of our business operations. The business continues to innovate and improve key competitive advantages including cost efficiencies, pricing and claims management.

Controlled test and 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 challenges and the effectiveness of our solutions, and then to learn from that experience.

Unique company culture

We go out of our way to make this 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, can learn and develop, and provide a great service to customers.

Shareholder returns

We are committed to returning excess capital to shareholders. We believe that with limited cash, management remains 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.

Satisfied and loyal customers

Driven by our purpose, our business model builds on core competencies that set us apart in order to create value for our customers, our people, our shareholders, and our wider stakeholder community.

How we maximise value/ core competencies

Risk mitigation – attractive returns for shareholders

Customer centric culture

Measured and prudent approach to success

Good value products

Motivated and engaged employees

Focused management team

Sustainable operations

The assessment of the business model also includes an assessment of the projected solvency of the business as part of the capital plan and ORSA assessment, which includes consideration of the principal risks facing the Group, as well as consideration of emerging risks such as climate change.

Creating sustainable value in 2019

Our People

First Best Big Company to Work for in the UK in 2019, Sunday Times Best Company Awards

Third Best Workplace for Women in the UK, Great Places to Work

Our Shareholders

Management, Board and Investor Relations regularly interact with shareholders through conferences, roadshows and meetings

ROE **52%** (2018: 56%)
EPS **148.3p** (2018: 137.1p)
DPS **140.0p** (2018: 126.0p)

Our Customers

Best Motor Insurance Provider and **Best Insurance Provider: Customer Service** – Personal Finance Awards, 2019

Home Insurance Provider of the Year
Moneyfacts Consumer Awards

Our Community

£400k+ to fund charities (of employee choice) in South Wales in 2019/2020

Headline sponsor of Pride Cymru 2019

Proactive provider of **skills training for young people**

Our Partners

Strategically aligned partnerships with reinsurers providing consistently good returns

Comprehensive, reliable supplier network

Our Environment

100% UK Energy sourced from green energy sources

0% of recyclable waste sent to landfill (UK)

A Responsible Business

Stakeholder Engagement

Our commitment to Section 172(1)

Section 172(1) Statement

At the start of 2019, we undertook a review to assess and capture how the Board incorporates the views of key stakeholders in the decisions made for the long term success of the Group.

In January 2019, the Group's lawyers, gave a presentation to remind the Board of their responsibilities under s172(1) and how their duty should be fulfilled.

The Board discussed their current approach to corporate governance and engagement in relation to; the interests of our people, employees, communities, stakeholders, external partners, and our impact on the environment. The Board reviewed a stakeholder map and agreed that the six below stakeholder groups were of strategic importance to the Group's operations. Key discussions were held related with the internal relationship owners within Admiral Group, on our existing engagement methods, feedback processes, and the activities and plans for the year. The Board also considered how improvements in the effectiveness of our engagement strategies could be made.

The table below highlights the interests of our key stakeholders, our integrated engagement methods and examples of actions taken during the year. We also share how we measure our approach to incorporating stakeholders in decision making, and show how our purpose ultimately benefits our key stakeholders.

	Why we engage	Examples of how we engage
OUR CUSTOMERS	Customers are at the heart of our business operations, and we are committed to providing them with good value financial products, and excellent and convenient service. We perceive that key material issues for our customers generally relate to good value financial products, excellent customer service, and fair and reasonable treatment. The Board recognises the growing trend in digital and automation capabilities across the financial services sector and is taking steps to prepare the Group for long term success in a digital world.	We engage with our customers in a variety of ways, through: • Our Customer Service teams • New Business and Renewals teams • Our Claims teams • Customer feedback – comment forms, surveys, SMS • Our Complaints teams • Customer focus groups • Direct conversations • Perception studies • Social media The Board receives updates on the treatment of existing customers, and on ensuring fair outcomes throughout the customer journey. Customer and employee feedback is fed into Board discussions which ultimately shapes strategic decisions, including plans related to digital investment and future diversification. The Board also received annual feedback on the Conduct Risk framework.
OUR PEOPLE	We believe that a happy workplace inspires employees to give that little bit extra. We want employee insights to continue to play a part in facilitating the Admiral Group Board discussions and decision-making processes. We perceive that key material issues for our people generally relate to a friendly and productive workplace where staff are engaged, and where their views are heard and considered. Our priorities consider; open lines of communication, fair treatment, opportunities for career progression, reward and recognition. We aim to retain our reputation as a desirable and attractive place for our people to work.	Staff are encouraged to engage across multiple channels including website chats and face-to-face. We also engage via: • 1:1 meeting with managers • Employee Consultation Group (ECG) meetings • Staff surveys • Feedback schemes such as 'Ask David' and 'Speak Up' • An open door policy and open plan offices • Participation in Great Places to Work survey • Group's Share Incentive Plan (SIP) • Group's Discretionary Free Share Scheme (DFSS) The Board receives updates relating to gender and diversity, and the maintenance of the corporate culture and values. The Group CEO and CFO host our Staff SGM (which allows for questions to be raised to the Board), and also host numerous forums with staff members.

The Board reviewed how stakeholder interests are taken into account at Board meetings and reflected on how our corporate governance structure maintains and protects our reputation for upholding high standards of business conduct.

A Board agenda planner set out the matters to be considered by the Board during the year, and this was subsequently reviewed and updated at each Board meeting in 2019.

All Board papers during the year were accompanied by a separate document outlining which stakeholders could be affected or impacted by the paper presented, along with an explanation of how stakeholder interests were considered prior to raising the matter at the Board meeting. The accompanying papers also shared the likely consequence of any Board decision on each stakeholder group identified, and how the impact on stakeholders could be monitored.

Key to our Purpose

- Good value financial products
- Excellent and convenient service
- A great place to work
- Good returns for our shareholders
- A sustainable business for the long term

Examples of actions taken in 2019	How we monitor the impact of our actions	Examples of stakeholder outcomes	Purpose
We decided to launch a new insurance product for landlords, as part of the UK Household book. We invested in staff training and digital automation, to ultimately improve the customer experience. We joined the ABI Vulnerable Customer Working Group (established 2019.) In 2019, all customer-facing staff (over 6,000 individuals) were trained to enhance our identification and support of vulnerable customers.	• We track and monitor our NPS score • Ongoing monitoring of customer satisfaction scores • Feedback and insight relating to products and services from all customer facing teams across the business • Activity levels on the MyAccount Portal • Call volumes • Ombudsman feedback 98% **of our customers are satisfied with their service experience**	Excellent customer service, (as demonstrated by our Reevoo score.) Increased range of products available (such as Landlord Insurance, new products from Veygo.) Improved digital and self-service options, including the revamp of the MyAccount portal. All customer facing staff are trained to support vulnerable customers, and customers can be assured that appropriate measures are in place to treat all customers fairly. The decision to bring our international comparison platforms together under one management platform will improve our customers experience as the Group benefits from leveraging technology and data.	**Find out more:** Chair's Statement page 12 Directors' report page 124 Our Customers page 06 Our Business Model page 16
Formal launch of the Employee Consultation Group, with NEDs attending on a rotational basis. In 2019 our staff completed over 200,000 online courses, and 96 employees gained Institute of Leadership and Management (ILM) qualifications through the Admiral Academy. We undertook a Mental Health Strategy review and appointed a 'Healthy Heads Ambassador.' Training sessions for staff to better understand neurodiversity were introduced too. In 2019 we created a Workplace Support Team to provide support for those with physical disabilities. We also began research to publish a Diversity and Inclusion Report in 2020.	• #1 Best Big Company to Work for UK in 2019 • #3: Best Workplace for Women in the UK, Great Places to Work • ECG outcomes and employee feedback • Gender targets • Diversity metrics • Number of completed training courses via the Admiral Academy • Groupwide feedback on our Annual Culture Paper • Results relating to the Annual Culture Matrix Report (a review of culture related metrics and tolerances) 96% **Employees who think Admiral is a friendly place to work**	The ECG met five times in 2019 and several improvement suggestions relating to ways of working were put forward, and have since been addressed and actioned by People Services and Facilities. We have taken positive steps to further enhance our employee policies relating to gender, diversity and inclusion. In 2019 we expanded our manager training to include 'Stress Awareness' and 'Emotional Resilience,' to further support our employees. Our staff are rewarded with fair and competitive pay and remuneration structure, and benefit from various reward and recognition schemes.	**Find out more:** Directors' Report page 124 Our People page 08 Being a Responsible Business page 60 Our Business Model page 16

Our commitment to Section 172(1) continued

	Why we engage	Examples of how we engage
OUR COMMUNITY	We are Wales' largest private sector employer and believe it is our responsibility to provide employment opportunities for those in the local area whilst training and developing our staff. We are committed to promoting and recognising diversity both within Admiral, and in the communities in which we operate. A culture of giving and a sense of responsibility for the community is shared across the whole group. We perceive that key material issues for our communities generally relate to; support and ongoing dialogue, financial and resource-based contributions, and consistency and integrity relating to our promises	Our employees drive our community engagement, because they both nominate and choose which initiatives we support. We engage in a number of ways, including: • Partnerships with recruitment bodies • Partnerships with educational bodies • Staff volunteering • Charity initiatives • Sponsorship of various community events • Fundraising • Funding projects through our Community Chest Programme We also signed a pledge with Cardiff Commitment to help young people from various social backgrounds progress in education, employment and training. The Board receives updates on the key community initiatives of our UK, European and Global operations and provides direction on how the Group can continue to make long lasting, positive impacts.
OUR SHAREHOLDERS	The Group engages regularly with shareholders through frequent and open dialogue. Investor engagement fosters long term strategic understanding of Admiral's strategy. We perceive that key material issues for our shareholders generally relate to; financial returns, two-way communication, viability of long term success and products and services that are fit for purpose. The Board also recognises the growing importance of ESG factors in investment decision making.	Our Investor Relations calendar consists of various activities. Examples of how we engage directly and indirectly include: • Roadshows • Conferences • Analyst and Investor phone calls • 1:1 meetings • Group meetings • Investor visits to Cardiff • Annual General Meeting • Annual Report • Results announcements and presentations • Staff General Meetings • The Chair and Senior Independent Director also host meetings with shareholders The Board receive feedback and use it to shape their approach to Corporate Governance, ensuring that any issues or concerns raised are considered and addressed.

Key to our Purpose

Good value financial products | Excellent and convenient service | A great place to work | Good returns for our shareholders | A sustainable business for the long term

Examples of actions taken in 2019	How we monitor the impact of our actions	Examples of stakeholder outcomes	Purpose
Our International businesses actively participated in fundraising activities for a number of charities. Over £25,000 was raised and donated by our UK operations to a charity dealing with homelessness on the streets of South Wales. Admiral Seguros in Spain hosted a 'Parents Open Day', where parents of employees were invited to learn more about our culture and history, whilst promoting the importance of work/life balance. We hosted an exhibition of Welsh LGBT+ Icons and Allies at our Head Office in Cardiff. We also delivered employability training to over 400 children across nine schools in Wales.	• Feedback from charities, recruitment and educational bodies • Feedback from employees • Financial donations contributed • Hours recorded for volunteering activities • Community feedback • Dialogue with organisations including Stonewall, Stop Smoking Wales and NHS Direct • Feedback from the Welsh Assembly Government 85% **of our staff feel good about the ways in which we contribute to communities**	We have a dedicated Ministry of Giving that will donate £400k over 2019/2020 to four charities chosen by employees. A range of third parties benefit from consistent financial contributions, volunteering activities and increased visibility. For example, in Cardiff, we sponsored Pride for the 20th year in a row. Our Community Chest fund had a budget of £130,000 in 2019 to support staff and their families who are involved with local charities, clubs and organisations. Aside from financial contributions, Admiral provides a wealth of learning, development and employment opportunities. The sense of support for the community is shared across the Group. Throughout 2019 we held the Gold Health Standard award, awarded by the Welsh Assembly Government (after gaining re-accreditation in 2017).	**Find out more:** Our Communities page 10 Being a Responsible Business page 60 Our Business Model page 16
The Chair and Senior Independent Director met with large shareholders at Corporate Governance meetings. Feedback relating to investor meetings, roadshows and conferences were all recorded by the IR team and shared with the Board.	• Broker feedback • Analyst feedback • Shareholder feedback • Feedback from proxy firms • AGM voting results 300+ **Number of Investor Relations activities undertaken in 12 months**	Accurate and timely information for all shareholders. Accessible management and Board members. Robust share price performance. Fair treatment of all shareholders. The Board considers the long term consequences of its investment strategies for its stakeholders and ensures that all of our external asset managers are signatories to the Principles for Responsible Investment.	**Find out more:** Chair's Statement page 12 Being a Responsible Business page 60 Our Business Model page 16 Dividend Policy page 38

	Why we engage	Examples of how we engage
OUR EXTERNAL PARTNERS	The Group's relationship with its reinsurers continues to be an integral part of the Group's business model and plans. A number of major suppliers are also deemed to be of strategic importance to the Group. We perceive that key material issues for our external partners generally relate to; being treated fairly during the sourcing stage, solid two-way communication channels, financial returns and timely financial payments, strong collaborative relationships and meeting our cyber security requirements.	Key parties have internal relationship managers responsible for ongoing dialogue, for example with co- and reinsurance partners, and strategic partners. The Group's dedicated Regulatory Relationship teams maintain channels of communication with the FCA and PRA in the UK, and all our international regulated intermediaries and insurers. We have supervisory teams that have oversight for the Group, who provide ongoing reviews of key and strategic suppliers, and Group procurement functions and systems. The Board receives regular updates on; • all proportional risk sharing agreements including co-insurance and reinsurance contracts • all insurance and comparison businesses • Loans business and other Group items • matters relating to partnerships and opportunities • relationships with key partners • procurement efficiencies • regulatory, technological and consumer trends • electric vehicle technology The Board takes all updates into account when considering the long term consequences of its strategies and business plan.
OUR ENVIRONMENT	The Board is mindful that it is increasingly important to demonstrate responsible business behaviour with regards to the environment. We perceive that key material issues for our environment generally relates to; the direction of travel and progress relating to environmental concerns, awareness of topical issues and the sharing of best practice, reducing carbon emissions and the Group's overall environmental footprint, and the creation of a sustainable business for the future.	We aim to reduce our environmental footprint and encourage responsible behaviour. Employee directed activities include; • Regular updates from the 'Green Team', an internal working group • Internal promotion of 'Green Week' • Promoting video and telephone conferencing systems between the international businesses to reduce travel • Various recycling initiatives across our offices • Installation of scooter parking with charging sockets (Admiral Seguros) • Cycle to work scheme for employees • Monthly meetings of our Climate Change Project Group At Board level; • Directors receive updates on our Responsible Investment Policy, and give feedback relating to investments and topics for consideration. • Directors are kept up to date with UK, European and Global initiatives on ESG matters. • The Group Risk Committee and the Board receive updates from our Climate Change Project Group, on which our CFO and CRO both sit.

Principal Decisions

Proposed acquisition (Rastreator/Acierto)

In April the Board considered the proposed acquisition of Spain's second largest price comparison business that, it was intended, would combine with the Group's existing price comparison business in Spain (Rastreator). The Board considered the acquisition in the context of the impact on the Group's stakeholders including Rastreator's employees, suppliers and partners in Spain as result of the merger, and also discussed whether the transaction was in the best commercial interests of the Group's shareholders as a whole. The Board concluded that the long term value creation of Rastreator combining with Acierto was a transaction from which shareholders and stakeholders would benefit in the long term as the combined business grew and contributed more materially to Group profit. However, due to unforeseen time delays and costs relating to the regulatory approval process, the Board concluded that it was in the best interests of the Group not to proceed with the acquisition.

Rastreator

Key to our Purpose

Good value financial products | Excellent and convenient service | A great place to work | Good returns for our shareholders | A sustainable business for the long term

Examples of actions taken in 2019	How we monitor the impact of our actions	Examples of stakeholder outcomes	Purpose
The CFO provides regular updates on the activities related to the renewal of the Group's reinsurance and quota share contracts, including maintaining the ongoing strategic relationship with Great Lakes co-insurance partners. The Board visited the Group's garage network to understand why and how it has changed, and why it needs to evolve further as repairs become more complex and sophisticated. Arrangements relating to the global procurement of the Group's IT equipment were agreed over a four-year term.	• Successful renewal of risk sharing agreements and contracts • Feedback from co-insurance and reinsurance partners • Feedback from strategic suppliers and partners • Compliance and audit activities • We track efficiency savings in procurement activities **The Groups reinsurance and co-insurance partners are integral to the Group's five-year business plan.**	Insights and new developments are shared between our garage partners and internal teams relating to how vehicles are becoming more technically complex and sophisticated. The Board monitors announcements and developments by the UK government on matters of strategic interest – for example the banning of sales of diesel and petrol cars, and the rising trend of electric vehicle technology is on the Board agenda for ongoing discussion. Our compliance, audit, procurement and due diligence frameworks outline our expectations for responsible business behaviour and provide insight into our culture and approach.	**Find out more:** Being a Responsible Business page 60 Our Business Model page 16 Strategy in action page 26
In June 2019, the Group Board approved the updated Responsible Investment Policy. In 2019 the Climate Change Project Group was established. We successfully reduced CO_2e emissions per employee, and Group-wide emissions in 2019. Partnership with envoPAP (to use carbon neutral paper across all of our UK offices).	• Our facilities department measures and monitors key aspects of our environmental performance and regularly reviews progress • We track and measure CO_2e emissions per employee and at Group level • Our Cardiff and Newport offices are rated BREEAM Excellent for exceeding sustainability benchmarks above regulatory requirements • 85% of our staff believe we are working to reduce our environmental footprint • Ensuring our asset managers are signed up to the PRI guidelines 100% **All our UK non-recyclable waste is converted into energy**	Ongoing improvements relating to recycling and energy usage. Increased awareness and understanding of environmentally responsible behaver among our employees. Our facilities team are exploring ways in which a third party can verify our emissions in 2020. In 2019 the Board decided to formalise our environmental policy. The Board reviewed and amended the Group's purpose statement in 2019, to include '...whilst building a sustainable business for the long term.' This reflects a commitment that the Company's operations will consider the impact on the community and the environment, both now and into the future.	**Find out more:** Directors' Report page 124 Being a Responsible Business page 60 Our Business Model page 16

Proposed development of a separate entity

In April the Board received a strategy review update which included the proposal to develop a separate entity, to allow for the development and consideration of potential new products that might be beneficial to the Group and its stakeholders in the future. The Board noted that the primary purpose of setting up the proposed entity was for the benefit of customers by giving them access to more financial products and services that were appropriately priced and would be offered with excellent customer service. The proposal was also determined to be consistent with the Group's goal of product diversification.

In October 2019, the Board approved the proposal and agreed that setting up the strategic entity to develop new products would benefit customers and would create long term value for the Group, which in turns creates value for customers, staff and shareholders.

How we do it – Our Strategy

The underlying strategy for Admiral remains unchanged and is highly focused on building customer-centric, sustainable businesses for the long-term. We strive to keep doing what we're doing, and do it better year after year. The Board and senior management team undertake a focused annual review of our strategy and our approach, as well as a consideration of potential challenges and risks.

Investing in our Core

Ensure Admiral remains one of, if not, the best insurers in the UK.

Strategic Objective	Risk Reference	2019 Progress
Sustained Competitive Advantage Maintain our focus on efficient claims management and pricing to underwrite profitable business, a cost-conscious culture and great customer service.	1	• Market leading combined ratio • Voted Best Motor Insurer for the 7th year in a row, and Best Insurance Provider – Customer Service for the 2nd year in a row in the Personal Finance Awards 2019 • Continued Defaqto five star rating on UK Insurance products
Continued Growth and Profitability Profitably grow our UK private Motor and Household insurance operations.	2	• Disciplined, rational approach to growth and prioritising profitability • Household Insurance grows to more than one million customers
Continued Product Development Maximise the value of our core business and lay the foundation for future growth with new products.	3	• Strengthening foundations in short-term Van Insurance businesses, resulting in continued growth • Leading telematics provider • Voted Best Home Insurer in the 2019 Insurance Choice Awards • 6% improvement in customer net promotor score (NPS) • MyAccount online servicing further enhanced, increasing the number of customers who reach us through digital channels

Investing in our future

Demonstrate that Admiral can be a great insurer beyond the UK and develop sources of growth and profits beyond insurance.

Strategic Objective	Risk Reference	2019 Progress
Comparison Develop websites that allow consumers to compare a range of general insurance, financial services and other products.	4	• Formed Penguin Portals platform combining Comparison businesses outside the US to allow for greater learning and synergies
International Insurance Develop profitable, growing, sustainable insurance businesses that mirror the UK model.	5	• Overall, customers grew by 16% across our International Insurance businesses • Improvements in digital and self-service offering for customers
New Product Diversification Develop a competitive advantage in products in insurance and beyond.	6	• Launch of niche Household Insurance product in France, named 'Homebrella' • Growth of Loans business in UK, with lower losses

Ensure Admiral remains a great place to work

At Admiral, we have created an environment where our employees look forward to coming to work and providing great service to customers. As responsible employers we aim to create an inclusive working environment and to support our employees wherever possible.

Strategic Objective	2019 Progress
People Driven Workplace Motivating our people to do things better for our customers and the wider community, leading to better service and good returns for our shareholders	• Listed in the Sunday Times Best Big Companies to Work For Ranking for the 20th year in a row • Named 1st in the Sunday Times Best Big Companies to Work For in 2019 • 3rd Best Large Employer for Women in the UK (Great Place to Work) for the 2nd year in a row • Over 200,000 online courses and almost 1,000 classroom sessions completed by UK employees in 2019

Principal risks have been considered against each of our strategic objectives. For more information on Principal Risks and Uncertainties, please refer to page 66.

2020 Focus	KPIs (Financial and non-financial)
• Maintain strong performance of our UK Insurance business • Respond to market conditions through effective pricing and growing at the right time • Continue to be an efficient business with a focus on expenses and costs	£597.4m **UK Insurance profit (Group's share of profit before tax)**
• Continue to take advantage of growth opportunities in UK Motor and Household • MultiCover and MultiCar growth • Focus on customer retention by putting customers at the front of all that we do	5.38m **UK Motor and Household customer numbers**
• Identify and develop new products for customers that add value • Take advantage of new technologies to improve our customers' experience, including improved digital and self-service offering • Continue to maximise and leverage data-based decision making	16% **increase in UK Van customers**

• Continue to develop and grow a multi-product strategy in Europe and beyond • Continue to provide a platform that attracts customers and improves the customer experience	8% **increase in Comparison Quotes**
• Continue our path towards long-term value creation in Europe and the US • In the US, continue to focus on attracting customers that stay with us in the long term, using technology to improve efficiencies and protecting margins	1.42m **International Insurance customers**
• Further develop Admiral Loans and offer UK customers a better range of products and an improved online buying experience • Launch of L'olivier Household insurance in France	52% **growth in loans balances, with lower loss of £8.4m (2018: loss of £11.8m)**

• Build on our strong track record of encouraging diversity across the Company • Continue to develop our people by offering opportunities for training and development, as well as providing interesting career opportunities • Continue to encourage and respond to employee feedback and improve • Ensure our people enjoy coming to work	#1 **Best Big Company to Work For (UK) in 2019**

Risks that could impact investing in our core include:

- Reserving Risk in the UK and international insurance
- Premium Risk and Catastrophe Risk
- Reduced availability of co-insurance and reinsurance arrangements
- Erosion of competitive advantage in UK Motor Insurance
- Potential diminution of other revenue
- Failure of geographic and/ or product diversification
- Reliance on the UK Comparison channel
- Counterparty Risk
- Market Risk
- Operational Risk
- Legal and Regulatory Risk

Investing in our core

Investing in our core for sustained competitive advantage

We constantly look at efficiencies and improvements in order to support our position as a market leader of products and services. One area of growing significance in 2019 included digital and self-service.

In 2019, we worked hard to increase the digital contact options available to our customers and have seen over a 70% uplift in the percentage of customers who contact our customer services department digitally. This includes expanding our webchat capabilities, and in 2019 we have seen over a 170% increase in the number of customers who contact our customer services department via this channel.

In 2019, we enabled Admiral customers to instantly update more of their policy and payment details online through the MyAccount portal. This is a continuation of our journey into true self-service and we will continue to offer additional self-service options in the future. MyAccount has been used more and more by customers, with a 60% uptake in the volume of online self-service amendments made in 2019.[1]

1 Source: Management Information

Investing in our core for continued growth

We launched our Household business in the UK in 2012, with the ambition to deliver growth and profits beyond Car Insurance in the UK. In December 2019, less than seven years later, we were delighted to welcome our one millionth customer on cover!

During this seven-year period, we also answered more than 4.2 million customer calls, were voted as the Best Home Insurer in 2019 in the Insurance Choice Awards and launched a Landlord Insurance product in 2019. Looking ahead, we aim to build upon the successes of our MultiCover product and InstaQuote (quick quote) channel.

In 2008, Henry Engelhardt, then CEO of Admiral Group, commented that 'Our strategy is simple: continue our profitable growth in the UK and take what we know and do it elsewhere.'

Today, we can certainly attribute a proportion of our success to our 'test and learn' culture, further demonstrated in 2019 with the launch of our niche Household insurance offering in France under the brand 'Homebrella.'

Risks that could impact investing in our future include:

- Reserving Risk in the UK and International Insurance
- Reduced availability of co-insurance and reinsurance arrangements
- Failure of geographic and/ or product diversification
- Reliance on the UK Comparison channel
- Credit Risk
- Operational Risk
- Legal and Regulatory Risk

Investing in our future

Comparison Platforms

In 2019, we brought our comparison businesses outside the US together under the management of one organisation named Penguin Portals[2] – creating the largest network of comparison businesses for financial services.

From a strategic perspective, this will enable us to realise operational synergies, particularly with regard to our use of technology. The ultimate objective is to provide transparency on available products which will help our customers make decisions and improve their experience.

Penguin Portals has both the advantage of understanding the needs and expectations of local markets, and access to global data-insights to identify shared opportunities for success across geographical borders. The Group will also be able to leverage experience gleaned from the launch of Confused.com in 2002, the first comparison platform in the UK.

2 Penguin Portals network brings together Confused.com, Rastreator.com, LeLynx.fr, Rastreator.mx, Tamoniki.com, GoSahi.com

Building on Economies of Scale

Within our International Insurance operations, 2019 was a year of building on our competitive advantages, collaborating closely with each other and improving a range of online functionality features.

ConTe, Admiral Seguros, L'olivier and Elephant all made strides with their respective digital offerings by increasing the range of features available to customers[3].

During the year, all our International Insurance businesses allowed customers to purchase polices online and to download policy documents without speaking to a customer service representative. These developments in functionality improved the overall satisfaction scores of our customers in these markets[4], and we expect the trend to further improve expense efficiencies in the longer term.

Meanwhile in the UK, our loans business (AFSL) announced that they would be running an Open Banking trial for referred customers. This trial is helping us understand customer appetite for sharing their information through Open Banking and will also help our credit risk and pricing team review new sources of data to see how predictive of risk it is.

Looking ahead, AFSL aims to continue developing their risk selection, product development and expense control processes. Additionally, AFSL trains and develops employees to help improve the customer experience and take-up rates for successful applicants.

3 See page 21 of HY19 Results Presentation 'Expanding on the functionality'
4 NPS improvement scores (Management information)

"Consistently happy staff, consistently happy customers. Reassuringly stable outcomes, that are fundamental to our relentless forward momentum; a momentum fuelled by a sustainably healthy culture."

The combination of a new decade and an imminent, if not immediate, change of leadership at Admiral provides me with a valid excuse to comment across a longer time period than a typical CEO statement in an annual report

Almost a decade ago, my predecessor, Henry, with his inimitable talent for a colourful phrase to light up a CEO statement, described the Company as a "snowball going like a freight train – downhill" (2010's CEO statement). I know I'm not alone in having enjoyed Henry's CEO statements, with his penchant for colourful, often gastronomic, analogies. I confess, however, in this instance, I might have avoided both "snowball" – with associations of fragility and transience – and "downhill" – with associations of, well.. "downhill"; neither of which entirely reassured on the sustainability of Admiral's model.

But I did love "going like a freight train". A freight train – not racy, not glamorous (who needs a glamorous insurance company); but progressing ever onwards with a relentless, implacable forward momentum.

That relentless forward momentum has seen us grow, year in year out, over the decade with the number of customers we serve growing from 1.9 million to 7.0 million overall, and from just over 100k to 1.4 million beyond the UK, while also growing our profits from £206 million to £526 million.

Did 2019 itself fit into this narrative of relentless momentum?

Very much so. In so many ways.

It was a year which saw profits exceed £500 million for the first time, on the back of substantial reserve releases. We crossed the million mark in household policyholders and sold our first household policy beyond the UK. By year end, we had almost sold our 100,000th loan (and have, at time of writing, done so). We believe (hard to prove it) we have become the biggest (non-fleet) van insurer in the UK, only 2.5 years after starting to underwrite van insurance.

Group Customers (2018: 6.51m)

6.98m

Group Turnover[1] (2018: £3.28bn)

£3.46bn

Group Profit Before Tax (2018: £479m)

£526m

Alongside this rapid progress on many fronts, some data points were stubbornly stable. The number of consecutive years amongst the top performers in the "Best Places To Work" only nudged up from 19 years to 20.

The percentage of staff saying they are proud to work for Admiral was stuck in a narrow band in the mid-90's. As was the percentage of customers who said they wanted to renew with Admiral following a claim.

Consistently happy staff, consistently happy customers.

Reassuringly stable outcomes, that are fundamental to our relentless forward momentum; a momentum fuelled by a sustainably healthy culture:

- A culture that, in many different ways, attracts and retains people, at all levels, who are simply better at their jobs than most of their peers in the industry
- A culture that respects and promotes a set of fundamental skills in risk selection, claim handling, customer support and expense control that are core to success in insurance
- A culture that emphasises the long term over the short term; long-term prosperity ahead of short-term financials; a sustainable balance in the outcomes for staff, customers and shareholders

It is a source of huge satisfaction to me, as I contemplate the end of my period of stewardship of Admiral, that I will leave a wonderful Company in the hands of a wonderful top management team in Geraint, Cristina, Scott & Elena, very ably supported by great leaders running important subsidiaries and key Group functions. They are collectively more than capable, of not just sustaining, but also of evolving, Admiral's potent culture. And I am particularly glad that, in Milena, I have a successor who has the intelligence, the values, the track record and the clarity of vision to take on the role of Group CEO; to reinterpret the culture, to maintain its relevance over the next decade; to reinforce the elements that remain key to our future success; and, equally importantly, to set aside elements that will inevitably slip past their sell-by date.

Thereby ensuring that Admiral will continue to "go like a freight train" in the years to come.

David Stevens, CBE
Group Chief Executive Officer
4 March 2020

1. Alternative performance measure (APM) – refer to Glossary for definition and explanation, and to note 13 for reconciliation to Financial Statements

2019: A Year in Pictures

New European Insurance Hub

Following Brexit, our new European Insurance Hub (AECS) began trading in January 2019, providing underwriting services for our European businesses.

We're number one!

We were named the Best Big Company to Work For in the UK at the Sunday Times Best Companies Awards.

Sponsorship of the Newport Half Marathon

2019 marked Admiral's 6th year sponsoring the Newport Half Marathon, an event which helps to raise funds for St David's Hospice care in South Wales.

Admiral Rewards is launched

Admiral Rewards helps our customers pay for their insurance premiums via cash rewards from thousands of big-name brands.

Festival of Rugby

In May, Admiral and the Welsh Rugby Union hosted a Festival of Rugby, a fun filled afternoon of rugby activities for over 200 children.

Our managers go on the phones

Renewals Operations Managers took to the phones to better understand the complexities that frontline employees face and to look for ways in which we can improve.

Launch of Landlord Insurance

With a growing demand and a clear market gap, Admiral's Household team developed a brand-new product launched in July: Landlord Insurance.

Homebrella Insurance launch

This year we expanded our product portfolio in France with the roll out of 'Homebrella' our niche household insurance product.

Admiral sponsors Swansea Bay's 10K Run

In September, over 150 employees took part in the Admiral Swansea Bay 10K run, an event which has become a firm fixture in the UK's running calendar.

Customer Care Week Celebrations

We celebrated National Customer Service Week in October, highlighting ways in which different departments all contribute to the service that we provide.

Admiral's 1st Active Awards

December marked the first 'Admiral Active Awards' to celebrate how staying active can contribute to teamwork, better physical and better mental health.

UK Household Insurance reaches one million customers

In December our UK Household Insurance team reached one million customers on cover, a testament to our long-term sustainable approach to growth.

Q&A

with David, Milena, Geraint and Cristina

> "Our people are shareholders in the business, and are highly motivated to improve processes, better serve customers, as well as maintain a culture of cost efficiency."

Q 2019 was another challenging year for pricing and claims inflation in the UK Motor market – have we reached the turning point, how has Admiral reacted, and what are your expectations for pricing in 2020? [Cristina]

A Although there are potential early signs of a turn in the cycle towards market prices increasing, there are also several moving pieces that lead to uncertainty.

Claims inflation experienced in recent years continued in 2019, particularly for damage claims and Large Bodily Injury (BI). In addition, the increase in the cost of excess of loss reinsurance creates additional pressure for prices to increase. 2019 also saw clarity in the Ogden rate, which was announced slightly less favourably than expected and was set for up to five years at -0.25% (previously at -0.75%).

Admiral prioritised margin over volume in 2019, and given these market pressures, increased prices throughout the year.

The above-mentioned factors are likely to impact prices in 2020, however there are also elements which may influence prices in the opposite direction. From a regulatory perspective, the focus is on the customer, where whiplash claims are likely to result in a decrease in average premiums as the hoped-for savings are passed on to consumers. In addition, the FCA are conducting a market pricing study to ensure customers are not penalised for loyalty and are fairly priced – the outcome of the study is expected in the first half of 2020, and may put pressure on some insurers to adjust, and potentially lower premiums for some or all of their customer base.

It is thus difficult to say with certainty that market prices are turning, and to what extent – although early signs do seem to show a slight increase overall which would not be surprising given the claims inflation the market has experienced.

Q This was a particularly strong set of results with another record profit and record dividend – what are the drivers, and can we expect similar performance in the future? [Geraint]

A This was a very strong set of results, mainly driven by exceptional reserve releases in UK Motor due to better than expected development of prior years. The main factor contributing to this result is the increased Ogden certainty (rate was set at -0.25% in August 2019 for up to five years after several years of uncertainty) which led to an increased speed of large bodily injury settlements in the latter part of 2019. In addition, we were able to settle a few unusual large claims in 2019 which resulted in substantial releases.

Although this was an exceptional year for reserve releases, the strong performance also reflects a rigorous and prudent approach to underwriting and reserving. The margin held within the reserves remains consistent and strong year-on-year.

I cover the breakdown of the results in more detail in my CFO commentary on page 34.

Q The UK Motor expense ratio has increased in 2019 – what are the drivers, and are you able to maintain your competitive advantage for expense efficiency in the market? [Geraint]

A Admiral has always had a very cost-conscious culture, and that has not changed. Our employees are shareholders in the business, and they understand the importance of maintaining our competitive advantage which includes expense efficiency.

The main driver for the expense ratio increase was external levies, particularly the FSCS levy.

In addition, we have invested internally to strengthen our technology, analytics and cyber capabilities for the future. This also includes an investment in skilled staff to better service our customers and strengthen our IT capabilities.

As customer needs change with a desire to do more business online, Admiral continues to work on enhancing digital and online capabilities and the underlying IT infrastructure. This strategy inevitably leads to an investment in the early phase, but we hope to reap the rewards in the medium to long term as more customers use our online platform. Ultimately our objective is to increase conversion, offer better customer experience, and improve efficiencies.

David Stevens, CBE

Milena Mondini de Focatiis

Geraint Jones

Cristina Nestares

David, on the US, do you believe Elephant has achieved enough in 2019, especially given the loss ratio deterioration and impairment? [David]

A lot has been achieved in 2019 in Elephant, our US insurer. The technology we deploy in the US is arguably the most advanced in the Group, and the technology team the most agile. We offer, and our policyholders regularly use, a wider array of self-service options. We know from feedback from distribution partners that our click-to-sale ratio is industry leading, on the back of a very effective online and offline journey. Our customer satisfaction ratings continue to climb month after month.

However, the financial outcome has been less satisfactory, partly because of loss ratio challenges and partly because of a cyclical increase in competitor marketing spend. We have responded to the former by aggressive pricing action, which has paused our growth. These factors, along with Admiral's instinctive conservatism and the use of shorter-term projections (five-year cash flows) have led us to a write down in the carrying value of the US insurance business.

Milena, you have recently taken leadership of both the UK and EU insurance business – what are the potential synergies? [Milena]

We conducted a Group strategic review in 2019, which I was very involved in as the strategy of the UK and European business is fundamental to the long-term future of the Group. The outcome of this review was a reinforcement of our core competencies as we continue to strengthen the foundations in each of these businesses. At the same time, we continue to focus on the future both from the perspective of keeping up with various trends such as technology and ways of working, and product diversification to drive growth.

In all of these areas, the potential synergies for learning and transferring skills are high across the UK and European businesses, and we will continue to focus on building our digital and online self-service capabilities as well as take advantage of new product opportunities in a test and learn environment until we are confident of the relevant potential.

In addition, I strongly believe that the power of the team is greater than the individual, and so the European CEOs and I have worked together closely and focused on transferring learning and leveraging operational synergies over the past few years. This has resulted in several initiatives such as the team in ConTe (Italy) sharing their sophisticated fraud capabilities, and the establishment of a team that supports information technology across the European businesses. The UK forms an extension of this, where key learnings from our core and most developed business are transferred to our smaller operations, and vice versa.

There has been an increased focus on ESG and Sustainability in the past year or so – what is Admiral doing to ensure a sustainable business with a positive impact on the wider environment? [David]

Admiral has always been committed to running a business that is sustainable over the long term. This includes having a positive impact on all our stakeholders including our customers, people and shareholders, as well as our partners and the wider community and environment. The Board remains committed to good governance practices and has ensured adherence to the Corporate Governance Code.

This commitment to have a wider positive impact has continued to be an important part of the business in 2019, and we have taken several steps forward – for example, with the formalisation of our Employee Consultation Group to create a platform for employees to engage with management and Board, the creation of a Climate Change project working group to consider the impact of Climate Change, a formalised Responsible Investment policy, and continued efforts to engage with the Community and provide a platform for employees to give back.

We are very proud to create a working environment where our people feel motivated and engaged to come to work – as we believe that people who like what they do, do it better. From this perspective, being named as the Best Big Business to Work for in the UK by the Sunday Times in 2019 was a real honour.

Our Corporate Social Responsibility report covers further initiatives that we are working on in more detail – you can find this on our website.

"Admiral of course is (and I believe always should be) consistently prudent in setting reserves and normally expects significant releases, but 2019 has been well above average."

Group share pre-tax profit £m

£m	2019	2018	Change
UK Insurance	597	556	+41
International Insurance	(1)	(1)	–
Comparison	18	9	+9
Admiral Loans	(8)	(12)	+4
Share scheme cost	(53)	(49)	(4)
Other	(27)	(24)	(3)
Profit	526	479	+47

A headline 10% increase in pre-tax profit – to a new record level – is a really pleasing result, and so I'll start my review by looking at what's driving that very positive move.

The standout item is the £41 million improvement in UK Insurance profit. £11 million of that comes from an improved household result (more below). UK Motor profitability moved ahead by around £30 million to £591 million.

When trying to assess the change, it's important to remember that the Ogden Discount Rate (see page 38 for more detail) has distorted both years' results. Firstly, 2018 was positively impacted (£66 million) when we changed our assumption of the rate ahead of its announcement from -0.75% to 0% at year end. When the new rate (-0.25%) was announced (mid-2019), 2019's result took a hit of around £33 million to adjust for our slight optimism. That means that the underlying profit move is bigger than the £47 million in the table above, though the changes in the Ogden rate during the period make meaningful comparison difficult. Thankfully we should see some stability in Ogden in the coming years.

What is clear is that UK Motor profit is materially higher in 2019 than prior years. That has been driven by unusually high UK Motor reserve releases that resulted from improved reserve estimates across a number of years. This in part is due to some 'unclogging' of large claims settlements caused by the recent certainty, but also generally much more positive trends on big claims than we expected. Admiral of course is (and I believe always should be) consistently prudent in setting reserves and normally expects significant releases, but 2019 has been well above average (29% v 21% over the previous five years). Profit commission revenue was also well ahead of recent years.

2019 revenue versus 2018

UK Insurance Profit Before Tax (2018: £555.6m)

£597.4m

International Insurance Profit/ Loss Before Tax (2018: £(1.1)m)

£(0.9)m

Comparison Profit Before Tax (2018: £8.8m)

£18.0m

To give an idea of quantum, if the reserve release for 2019 (defined as reserve releases on Admiral's original net share of the business as a percentage of current year net premium revenue) was in line with the average of the prior five years, Group profit would have been around £430 million to £450 million.

It's also worth noting that the level of conservatism in the reserves (we usually think of it in terms of the margin above best estimate in percentage terms) is unchanged year-on-year. We were expecting it to reduce somewhat at 2019 year end, but the scale and nature of the positive moves on the back years has led us to continue being as cautious as at the end of 2018 for the time being.

We would expect (though can't guarantee of course) significant releases again in 2020, though possibly not quite of the magnitude seen in 2019. We might expect the level of conservatism within the reserves to reduce if 2020 trends are a bit more usual.

A few other observations from the results:

- Within the UK Insurance result above, our Household business made a profit of around £8 million. Still relatively small to the Group (it would be over twice as big if the cost of quota share reinsurance was excluded), but a decent £11 million or so improvement on 2018's weather-impacted result. The business continued to grow nicely, with 17% more customers insured. We're hoping for some improvement in the non-weather loss ratio in the coming years
- In contrast (and a bit disappointingly), the International Insurance result remained flat at a £1 million loss in 2019. This comprised a better European result (£9 million v £7 million) offset by a higher US loss (£10 million v £8 million). This four-point-higher-loss-ratio-driven US result is discussed further opposite, whilst the overall international result needs to be considered alongside a very healthy 16% growth in the number of active policies at year end
- The Comparison segment produced a very pleasing (stellar even?) doubling of profit (£18 million v £9 million). Confused.com led the way and more detail on that is below. Revenue growth was also strong at 14%
- Admiral Loans grew its outstanding balances to around £455 million (+52%) whilst revenue doubled. Importantly, headcount was basically flat, a nice insight into the efficiency of the business. The loss reduced to £8 million in line with expectation and arrears were also in line with plan
- Finally, 'other' costs were up around £8 million on last year. The biggest component as you can see is the Admiral share scheme charge which increased (£49 million to £53 million) as a result of improved vesting assumptions (improved financial results and strong shareholder return) and the higher share price. We will also pay all our employees a cash bonus of £500 in recognition of the huge contribution to the Group's strong 2019 results (around £6 million)

Further details on the numbers are set out throughout the strategic review section of the report.

Highlight – Confused.com

Picking a highlight from such a strong set of results was reassuringly tough. Options included a good turnaround in UK Household profit (plus decent growth, surpassing one million customers), strong growth and an improved result at L'olivier in France, continued great progress in Admiral Loans (not forgetting the UK Motor profit). But there's one standout for me, so let's hear a bit more about Confused.com.

The improvement in performance under Louise and team's leadership over the past two years has been stark:

	2017	2018	2019	2019 v 2017
Revenue	£87.1m	£95.1m	£112.7m	+29%
Operating profit	£10.1m	£14.3m	£20.4m	+102%
Operating profit %	12%	15%	18%	+50%

A number of factors have contributed to that very nice doubling of profit v 2017 – even more focus on profitability and cost efficiency, very notable improvements in marketing, customer experience and product.

From a marketing perspective, brand awareness has significantly improved and, in particular, spontaneous awareness almost doubled in 2019. No doubt you'll have enjoyed Confused.com's sponsorship of the Rugby World Cup on TV whilst desperately hoping for a Welsh win (😢) Marketing efficiency was also improved.

Confused.com's product offering is better than it was two years back, as is the customer journey. Results from products beyond car insurance comparison have improved significantly.

Great work Louise plus Andy, John, Karen, Sam, Steve, Tamsin and the whole Confused.com team!

Less pleasing – Elephant Auto

For balance and as hinted above, a disappointment in 2019 was the reversal in the trend of improving financials for Elephant Auto and associated write down of the carrying value in the parent company financial statements.

The last few years have seen some great progress at Elephant. Some examples from 2019 include notable improvements in service levels (leading to a big increase in Net Promotor Score) and technology (online self-service as one example), launching a second brand and diversifying distribution channels, amongst others.

But 2019 will probably be most remembered for a deterioration in loss ratio (2019 underwriting year is projected around 77% v 74% for 2018 at the same point of development) when we were expecting the opposite. Much action is being, and has been, taken (including underwriting rule changes and significant rate increases) and improving the loss ratio will continue to be a (or actually, the) major area of focus in 2020. Some additional conservatism has also been built into the booked reserves at the end of 2019.

Partly because of the result being worse than plan, we changed to using shorter-term projections for the carrying value impairment test. Whilst we remain confident that Elephant's result will improve in the short term, and the business will go onto profitability in the (ideally) not too distant future, this led us to conclude that further impairment to the carrying value was required and a £66 million charge was taken in the 2019 parent company accounts.

I have faith in our team in Richmond to improve the results in 2020 (no pressure Alberto!).

Finally, I should also give an update on the status of our internal capital model. Our team has continued its intensive work, with key tasks during 2019 including remediation of previous findings and having the updated model retested, by independent internal and external validators. Positively, none of that work has moved the overall capital position materially.

In terms of next steps – we expect to move into a pre-application phase with the PRA and Gibraltar regulators in the middle of 2020. That process involves an assessment of our application against the requirements and can last six months. After that there would be a further number of months for us to fix any issues that came out of that review. Then we'd be in a position to make a formal application, and realistically we'd now expect that to be in 2021.

In March 2016's CFO statement I counted myself very lucky to have worked for Admiral's first CEO, Henry Engelhardt, who was about to retire after a reasonable 25 year shift in charge. The exact same sentiment applies to my current boss – Admiral's second CEO and cofounder, David. We'll pay fuller tribute when David actually steps down after the transition, so I'll just say that I'm very delighted we've been able to name Milena as David's successor. Having sat back-to-back to her for a year or so (occasionally getting a word in 😉), I know she'll do an amazing job as Admiral's third CEO and I'm really looking forward to working with her and continuing to be part of Admiral's leadership team for the foreseeable. Congratulations Milena!

Geraint Jones
Chief Financial Officer
4 March 2020

Climate Change Project Group

In 2019, a Climate Change-Related Risks Project was initiated by the Board, to understand current and potential future risks arising from climate-related change, to understand disclosure and reporting requirements (as compared to current practices), and to ensure that there is appropriate governance around managing climate-related risks.

The project steering group consists of senior managers across the business, including our Group CRO, Group CFO, Head of Investor Relations and Head of Facilities, amongst others. Our Group Strategic Risk Lead drives the steering committee, ensuring that the group meets on a monthly basis, is updated on regulatory and market developments, and that the project progresses towards incorporating climate-related risks into business as usual risk management. The Chair of our Group Risk Committee is kept updated on related developments on an ad hoc basis, and the Admiral Group Board are to expect updates and progress updates as deemed suitable by the steering group.

During the year, Admiral completed three climate change stress tests for submission to the PRA as part of the 2019 General Insurance Stress Test programme.

Looking ahead, we intend to further investigate the impacts to claim costs, and the wider business and investment performance.

For more information relating to how the Group views risk relating to climate change please refer to page 97.

Group Financial Review

"The main driver of the strong growth in Group profit was a higher UK insurance result."

2019 Group Overview

£m	2019	2018	2017
Turnover (£bn) *1, *2	3.46	3.28	2.96
Underwriting profit including investment income*1	238.0	211.2	177.7
Profit commission	114.9	93.2	67.0
Net other revenue and expenses	182.3	183.1	170.2
Operating profit	535.2	487.5	414.9
Group Statutory profit before tax	522.6	476.2	403.5
Group's Share of profit before tax*1	526.1	479.3	405.4
UK Insurance	597.4	555.6	465.5
International Insurance	(0.9)	(1.1)	(14.3)
Comparison	18.0	8.8	7.1
Loans	(8.4)	(11.8)	(4.4)
Other	(80.0)	(72.2)	(48.5)
Group's Share of profit before tax*1	526.1	479.3	405.4
Key metrics:			
Group loss ratio*1,*2	64.9%	67.3%	66.2%
Group expense ratio*1,*2	23.7%	22.9%	21.5%
Group combined ratio*1	88.6%	90.2%	87.7%
Customer numbers (m)	6.98	6.51	5.73
Earnings per share	148.3p	137.1p	117.2p
Dividends	140.0p	126.0p	114.0p
Return on Equity*1	52%	56%	55%
Solvency Ratio	190%	194%	205%

*1 Alternative Performance Measures – refer to the end of this report for definition and explanation.
*2 See note 13 for a reconciliation of Turnover and reported loss and expense ratios to the Financial Statements.

Key highlights of the Group's result in 2019 are as follows:

- Continued growth in turnover (£3.46 billion, up 5% on 2018) and customer numbers (6.98 million, up 7% on 2018)
- Group's share of pre-tax profits of £526.1 million (2018: £479.3 million) and statutory profit before tax of £522.6 million (2018: £476.2 million)
- The main driver of the strong growth in Group profit was a higher UK Insurance result, which benefitted from very positive development in prior years claims costs and elevated reserve releases and profit commission, partially offset by higher central costs
- UK Insurance turnover and customers both increased by 2% and 4% respectively to £2.63 billion and 5.5 million (2018: £2.58 billion and 5.2 million), as the business continued to prioritise margin over volume by increasing rates ahead of the market
- UK Household saw strong growth in turnover and customer numbers, with an improved result of £7.5 million (2018: £3.0 million loss) after more benign weather experience in 2019 in comparison to 2018
- The European insurance businesses delivered a higher profit of £8.7 million (2018: £6.4 million), offset by an increased loss in the US insurance business (£9.6 million in 2019 v £7.5 million in 2018). The overall international insurance loss was £0.9 million (2018: £1.1 million loss).
- The Comparison businesses recorded aggregate profits (excluding minority interests' share) of £18.0 million (2018: £8.8 million), with the increase mainly driven by a very strong profit from Confused.com of £20.4 million (2018: £14.3 million)

Change in UK discount rate ('Ogden')

Following the announcement in mid-2019 by the UK Government, the Ogden discount rate, which is used in setting personal injury compensation, was changed to -0.25% from the existing -0.75% rate that had been in place since February 2017. The change came into effect on 5 August 2019 and the -0.25% rate is expected to remain in place for up to the next five years.

Admiral assumed a 0% rate in setting best estimate claims reserves at 31 December 2018 and 2018's pre-tax profit was positively impacted by £66 million as a result of the move from minus 0.75%. As a result of the actual rate being 25 basis points lower than the assumed 0%, 2019's profit before tax is adversely impacted by around £33 million.

Earnings per share

Earnings per share increased by 8% to 148.3 pence (2018: 137.1 pence), with growth slightly lower than the pre-tax profit growth of 10% due to an increase in the weighted average number of shares.

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 capital requirements including management internal risk appetite above the regulatory minimum.

The Board has proposed a final dividend of 77.0 pence per share (approximately £222 million), split as follows:

- 56.3 pence per share normal dividend, based on the dividend policy of distributing 65% of post tax profits; plus
- A special dividend of 20.7 pence per share

This final dividend is 17% ahead of the 2018 final dividend (66.0 pence per share), with a pay-out ratio of 90% for H2 2019. .

The total dividend for the 2019 financial year is 140.0 pence per share, reflecting an 11% increase on 2018 and a 94% pay-out ratio.

The payment is due on 1 June 2020, ex-dividend date 7 May 2020 and record date 11 May 2020.

Return on equity

The Group's return on equity was 52% in 2019, lower than the 56% in 2018. Whilst the Group's share of post tax profits grew by 9%, the Group's share of average equity grew faster at 19% resulting in a lower overall return. The significant growth in profits in the second half of 2019 contributed to the increase in the Group's share of equity.

Capital structure and financial position

The Group's co-insurance and reinsurance arrangements for the UK Car Insurance business are in place at least until the end of 2020. The Group's net retained share of that business is 22%. Munich Re will underwrite 40% of the business, through co-insurance (30%) and reinsurance (10%) arrangements, until at least the end of 2020. Extensions beyond 2020 are expected to be confirmed during the first half of 2020.

Similar longer-term arrangements are in place in the Group's International insurance operations and the UK Household and Van businesses.

The Group continues to manage its capital to ensure that all entities 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 Group continues to develop its partial internal model to form the basis of future capital requirements and expects to enter the PRA's pre-application process during 2020. Formal application for regulatory approval to use the model is expected to follow in 2021. In the interim period before submission, the current capital add-on basis will continue to be used to calculate the regulatory capital requirement.

The estimated and unaudited regulatory Solvency II position for the Group at the date of this report is as follows:

Group capital position (unaudited)

Group	£bn
Eligible Own Funds (pre 2019 final dividend)	1.42
2019 final dividend	0.22
Eligible Own Funds (post 2019 final dividend)	1.20
Solvency II capital requirement*1	0.63
Surplus over regulatory capital requirement	0.57
Solvency ratio (post dividend)*2	190%

*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 10 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.

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)

	2019	2018
UK Motor – incurred loss ratio +5%	-23%	-27%
UK Motor – 1 in 200 catastrophe event	-1%	-2%
UK Household – 1 in 200 catastrophe event	-2%	-2%
Interest rate – yield curve down 50 bps	-5%	-12%
Credit spreads widen 100 bps	-8%	-5%
Currency – 25% movement in euro and US dollar	-3%	-3%
ASHE – long-term inflation assumption up 0.5%	-3%	-10%
Loans – 100% worsening in experience	-3%	-1%

The sensitivity to interest rates and long-term ASHE inflation is lower at the end of 2019, compared to the previous year end. This reflects a reduction in the assumption of the number of open claims that are expected to settle as periodic payment orders.

Taxation

The tax charge reported in the consolidated income statement is £94.2 million (2018: £85.7 million), equating to 18.0% of pre-tax profit (2018: 18.0%).

Investments and cash

Investment strategy

Admiral Group's underlying investment strategy remains the same – the main focus is on capital preservation, with additional priorities including low volatility of returns, high levels of liquidity and appropriate matching of asset/liability duration and currency. All objectives continue to be met. The Group's Investment Committee performs regular reviews of the strategy to ensure it remains appropriate.

Admiral's investment approach evolved in two main ways during 2019:

- Formal adoption of a responsible investment strategy which focusses on ensuring Environmental, Social and Governance criteria are considered within investment decision making
- Widening the opportunity set of investments to achieve greater returns without material change in market risk capital allocated to investments. Examples included high quality (AAA) asset backed securities, private debt assets and global bond strategies, actively managed on a total return basis

Cash and investments analysis

£m	2019	2018	2017
Fixed income and debt securities	1,957.8	1,568.6	1,493.5
Money market funds and other fair value instruments	1,160.2	1,301.1	1,074.3
Cash deposits	116.5	100.0	130.0
Cash	281.7	376.8	326.8
Total	3,516.2	3,346.5	3,024.6

Investment and interest income in 2019 was £35.3 million, a decrease of £0.7 million on 2018 (£36.0 million). 2019 investment income is negatively impacted by an accrual of £12.9 million relating to quota share reinsurance arrangements (2018: nil). Excluding this, investment and interest income in 2019 was £48.2 million, an increase of £12.2 million compared to 2018 due to higher average balances and an increase in the average rate of return in 2019, partly due to the changes noted above. Fixed income was increased by rebalancing other holdings, and new mandates including very high-quality asset backed securities and senior private debt.

The underlying rate of return for the year (excluding accruals related to reinsurance contract funds withheld) on the Group's cash and investments was 1.4% (2018: 1.2%).

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	2019	2018	2017
Operating cash flow, before movements in investments	518.1	488.5	617.6
Transfers to financial investments	(188.7)	(248.8)	(229.4)
Operating cash flow	329.4	239.7	388.2
Tax payments	(92.8)	(55.6)	(55.9)
Investing cash flows (capital expenditure)	(33.6)	(23.9)	(22.7)
Financing cash flows	(392.4)	(346.8)	(310.0)
Loans funding through special purpose entity	85.9	220.2	–
Net contributions from non-controlling interests	1.6	19.3	–
Foreign currency translation impact	6.8	(2.9)	0.6
Net cash movement	(95.1)	50.0	0.2
Movement in unrealised gains on investments	34.6	(26.6)	11.2
Movement in accrued interest	41.5	49.7	37.0
Net increase in cash and financial investments	169.7	321.9	277.8

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

£m	2019	2018	2017
Profit after tax	428.4	390.5	331.6
Change in net insurance liabilities	50.4	176.6	53.2
Net change in trade receivables and liabilities	27.4	14.9	195.2
Change in loans and advances to customers	(168.7)	(242.9)	(65.2)
Non-cash income statement items	86.4	63.7	30.9
Taxation expense	94.2	85.7	71.9
Operating cash flow, before movements in investments	518.1	488.5	617.6

Net cash and investments have increased by £169.7 million or 5% (2018: £321.9 million, 11%). The main drivers include the Group's share of increase in funding for the Admiral Loans business, increased tax payments in 2019 (due to timing) and increased dividend payments.

The Group's results are presented in the following sections as:

- UK Insurance – including UK Motor (Car and Van), Household, Travel
- International Insurance – including L'olivier (France), Admiral Seguros (Spain), ConTe (Italy), Elephant (US)
- Comparison – including Confused.com (UK), LeLynx (France), Rastreator (Spain), Compare.com (US), Preminen (emerging markets)
- Other Group Items – including AFSL (Loans)

"Our 2019 strategy review has strengthened our belief that sustainable growth for Admiral Group will be achieved by building on our competitive advantages and driving product diversification in all the countries in which we operate."

Insurance Highlights

Group share of Profit Before Tax

£526.1m

(2018: £479.3m)

International Insurance turnover

£623.6m

(2018: £538.7m)

International Car Insurance – vehicles insured at year end

1.42m

(2018: 1.22m)

What an eventful year! I'm sure that 2019 will remain particularly memorable for breaking the half billion profit record. In the UK, unusually high reserve releases in UK Motor was the driver, whilst the European operations showed a combined profit for the second year.

While in the UK, the theme was 'discipline' and we slowed growth in a high claims inflation environment, in Europe, the focus was 'growth' (still with discipline) in order to reach economies of scale and gather more data to improve technical results and customer outcomes.

Our 2019 strategy review has strengthened our belief that sustainable growth for Admiral Group will be achieved by building on our competitive advantages and driving product diversification in all the countries in which we operate. On both points, it has been great to witness stronger collaboration amongst our insurance businesses across the world over the past 12 months.

Most ongoing business priorities are similar in the different countries: a better digital experience for our customers, excellence in analytics, continuous improvements in technology and new product development, all enabled by new ways of working.

At the same time, we increased focus on product diversification, with a view to deploy our core competencies and to better serve our customers.

In the UK, we saw our Household team hit a key milestone of one million customers, and continued growth in our Van and Travel Insurance businesses. In Europe, we expanded into the Household Insurance market with the launch of Homebrella in France, a renter focused product, prior to the launch of a fully-fledged renters and owner proposition in early 2020.

Overall, 2019 was a good year focusing on what we do best, and what we do next – supported by a strong team and an even stronger focus to continue to build a long-term business for the future.

Milena Mondini de Focatiis
Group CEO Designate
4 March 2020

Admiral Olympics

To encourage teamwork and collaboration across our European businesses (along with a little healthy competition!), the European operations decided to host the 'Admiral Olympics' in 2019.

ConTe, Admiral Seguros, and L'olivier hosted tournaments across three office-based sports, namely ping-pong, darts, and table football.

The best three players from each country were invited to Lille to play a tournament against their rivals. This was a great opportunity to build team spirit and spend time with colleagues in the other operations.

After a few nail-biting rounds, L'olivier narrowly swept into the lead, claiming victory. Well done to L'olivier!

UK Insurance Review

“This year's results are a new high for the business, as very strong back year developments have resulted in record releases and our highest ever recorded profits.”

UK Insurance Highlights

Group share of UK Insurance Profit Before Tax

£597.4m

(2018: £555.6m)

UK Motor Insurance Profit Before Tax

£591.5m

(2018: £561.7m)

UK Household Insurance Profit Before Tax

£7.5m

(2018: £3.0m loss)

One of the things I enjoy most about my role at Admiral is that I get an opportunity to visit the various sites we have across South Wales, Canada and India and to spend time with the people that really make this Company. And by that, I mean the people who sell our policies, talk to our customers, and most importantly help them when they need it most – whether that's to get insurance for their new car or dealing with their needs if their home has been flooded.

It's our people's enthusiasm to come to work that makes Admiral's culture a little bit different and makes it a great place to work, which drives forward our desire to improve the service and products we offer to customers. And ultimately, providing great service and keeping our customers happy (along with strong, disciplined underwriting capability, of course) drives and delivers our results each year.

This year's results are a new high for the business, as very strong back year developments have resulted in record releases and our highest ever recorded profits. Whilst this release is much higher than we've seen in recent years and largely influenced by increased settlement speeds due to Ogden certainty, I believe that it also demonstrates our market-leading ability to price risks and our effective claims handling processes.

Moving forward with automation and digital capabilities is fundamental if we're to ensure that Admiral maintains its position at the forefront of the insurance market in the UK, and we've made strong strides this year that will help us into the future.

An example is the launch of our InstaQuote Household product. Throughout our history, we've recognised that our customers want quick, efficient and value-for-money services, which is exactly what this tool provides. It's dramatically reduced the time taken to get a price, which makes life easier for the customer, and has helped us to break through the one million customers mark just seven years after launching! We also won the Moneyfacts Personal Finance Best Household Insurer award in 2019!

In addition to improving the Household customer journey, we've also been enhancing our Motor Insurance journey by opening more digital communication routes to help customers interact with us and make changes via the web and to register claims electronically. The traditional channels are still available, of course, but many of our customers (both young and old) favour quicker, more flexible channels of interaction, which have the added benefit of efficiency for us.

In the last couple of years, this increased investment has contributed to the slight increase in our expense ratio (albeit from a very low base, and with additional levies being the greatest contributor to the expense ratio increase in 2019). However, these changes leave us well placed to deal with the challenges and customer demands of 2020 and beyond. The development of digital channels and automating our back-office processes are also important for the claims reforms (or Civil Liability Bill) that come into force in the second half of 2020, which should allow us to service claims under the lower cost regime and pass the savings to customers whilst maintaining our competitive advantage.

Whilst on the topic of regulation and customers, we welcome the pricing study that is being undertaken by the FCA, particularly in relation to the household market where many customers' policies have stagnated at a single provider and increased in price for many years. When we launched Confused.com in 2002, we saw that customers wanted pricing transparency and the best price, and the comparison channel has delivered most of our Motor and Household customers ever since. We're therefore very pleased that changes to encourage customers to shop around (as most of our Motor and home customers already do) will provide Admiral with further opportunity to grow the Household customer base towards its second million!

In conclusion, I'd like to thank our people for their hard work in 2019 and our customers for their trust in us – as ultimately, we are here to serve our customers!

Cristina Nestares
CEO, UK Insurance
4 March 2020

UK Insurance financial performance

£m	2019	2018	2017
Turnover*1	2,635.0	2,575.7	2,354.0
Total premiums written	2,321.7	2,269.8	2,098.0
Net insurance premium revenue	533.2	523.9	491.6
Underwriting profit including investment income*1	257.4	227.7	206.2
Profit commission and other income	340.0	327.9	259.3
Group's share of UK insurance profit before tax*1	597.4	555.6	465.5

*1 Alternative Performance Measures – refer to note 13 at the end of this report for definition and explanation

Split of UK Insurance profit before tax

£m	2019	2018	2017
Motor	591.5	561.7	461.4
Household	7.5	(3.0)	4.1
Travel	(1.6)	(3.1)	–
Group's share of UK insurance profit before tax	597.4	555.6	465.5

Key performance indicators

	2019	2018	2017
Vehicles insured at year end	4.37m	4.32m	3.96m
Households insured at year end	1.01m	0.87m	0.66m
Travel policies insured at year end	0.09m	0.05m	–
Total UK Insurance customers*1	5.47m	5.24m	4.62m

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

Key highlights for the UK Insurance business for 2019 include:

- Modest growth in Motor customers but continued strong growth in Household with Admiral increasing rates ahead of the market throughout 2019 for Motor and maintaining rates for Household
- A 5% increase in UK Motor profit to £591.5 million (2018: £561.7 million) primarily as a result of increased reserve releases due to an increase in the speed of settlements of large bodily injury claims and increased certainty post the change in the Ogden rate in mid-2019
- This is partially offset by an adverse change in the 'one-off' Ogden impacts (favourable impact in 2018, adverse impact in 2019). Refer to the UK Motor section below for further analysis of the underlying growth on key metrics such as loss ratio, reserve releases and profit commission
- Household profit of £7.5 million (2018: £3.0 million loss) as a result of more benign weather experience in 2019
- Travel Insurance product saw a lower loss of £1.6 million (2018: £3.1 million loss)

UK Motor Insurance financial review

£m	2019	2018	2017
Turnover[*1]	2,455.3	2,423.1	2,246.9
Total premiums written[*1]	2,158.5	2,132.1	2,001.5
Net insurance premium revenue	452.6	452.5	433.2
Investment income[*2]	30.4	32.2	32.6
Net insurance claims	(164.7)	(189.2)	(214.2)
Net insurance expenses	(74.7)	(72.0)	(59.7)
Underwriting profit including investment income[*3]	243.6	223.5	191.9
Profit commission	112.2	95.0	64.7
Underwriting profit and profit commission	355.8	318.5	256.6
Net other revenue[*4]	235.7	243.2	204.8
UK Motor Insurance profit before tax	591.5	561.7	461.4

*1 Alternative Performance Measures – refer to the end of this report for definition and explanation.
*2 Investment income includes £2.8 million of intra-group interest (2018: £0.7 million; 2017: nil).
*3 Underwriting profit excludes contribution from underwritten ancillaries (included in net other revenue).
*4 Net other revenue includes instalment income and contribution from underwritten ancillaries and is analysed later in the report.

Key performance indicators

£m	2019	2018	2017
Reported motor loss ratio[*1,*2]	60.7%	63.5%	64.1%
Reported motor expense ratio[*1,*3]	19.1%	18.4%	16.2%
Reported motor combined ratio	79.8%	81.9%	80.3%
Written basis Motor expense ratio	18.5%	17.5%	15.8%
Reported loss ratio before releases	87.6%	88.1%	85.3%
Claims reserve releases – original net share[*1,*4]	£121.7m	£111.4m	£92.1m
Claims reserve releases – commuted reinsurance[*1,*5]	£121.7m	£109.6m	£73.8m
Total claims reserve releases	£243.4m	£221.0m	£165.9m
Other Revenue per vehicle	£66	£67	£64
Vehicles insured at year end	4.37m	4.32m	3.96m

*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 13b.
*3 Motor expense ratio is calculated by including claims handling expenses that are reported within claims costs in the income statement. Reconciliation in note 13c.
*4 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.
*5 Commuted reinsurance shows releases, net of loss on commutation, on the proportion of the account that was originally ceded under quota share reinsurance contracts but has since been commuted and hence reported in underwriting profit rather than profit commission.

Key performance indicators continued

UK Motor profit increased by 5% during 2019 to £591.5 million (2018: £561.7 million) and vehicles insured rose very modestly to 4.37 million (2018: 4.32 million), whilst the reported combined ratio improved to 79.8% (2018: 81.9%). Net insurance premium revenue was consistent with the prior period. The results were impacted by a number of factors:

- The current period loss ratio was 87.6% (2018: 88.1%). As highlighted below, there are a number of offsetting movements that net to the overall improvement of 0.5 ppts[1]:

Reported Motor Loss Ratio

	Current Period Loss Ratio	Releases on Original Net Share	Reported Loss Ratio
2018	88.1%	-24.6%	63.5%
Prior period impact of Ogden change (-0.75% to 0%)	–	+4.0%	+4.0%
Change in underlying current period loss ratio	-1.5%	–	-1.5%
Change in underlying claims reserve release	–	-8.7%	-8.7%
2019 (excluding Ogden change)	86.6%	-29.3%	57.3%
Add Impact of Ogden change (0% to -0.25%)	+1.0%	+2.4%	+3.4%
2019	87.6%	-26.9%	60.7%

- The unfavourable Ogden change in 2019 (0% to -0.25%) increased the current period loss ratio by 1.0 ppt. Excluding this impact, the current period loss ratio is 86.6%, which can be compared to the 2018 ratio of 88.1% (both at Ogden 0%). The underlying improvement of 1.5 ppts reflects a slightly lower level of margin held above the projected ultimate outcome for the current accident year, when compared to 2018 at the same point.
- Reserve releases on Admiral's original net share of business improved the reported loss ratio by 26.9 ppts in 2019. Excluding the adverse Ogden impact increases this to 29.3 ppts which is 4.7 ppts higher than in 2018 (24.6 ppts) and well above historical results. The underlying increase, after excluding the favourable one-off Ogden impact in 2018 is 8.7 ppts.
- This underlying improvement in the level of reserve release is unusually large and the main driver of the increase in reported profits. It is the result of a significant level of favourable development in ultimate projections of prior underwriting years which in turn can be broadly attributed to an increase in the speed of settlements in larger bodily injury claims following the confirmation of the new Ogden rate.
- Despite the significant level of reserve release (in both projected ultimate and financial statement loss ratios), the margin held above ultimate outcomes in the financial statement reserves remains both significant and prudent. In both absolute and relative terms, the aggregate level of margin held across current and prior underwriting years, remains consistent with that held at the end of 2018.
- Reserve releases from commuted reinsurance and profit commission were higher in 2019, as follows:

£m	Reserve releases – commuted reinsurance	Profit commission	Total
2018	109.6	95.0	204.6
Prior period Impact of Ogden change (-0.75% to 0%)	-17.2	-18.4	-35.6
Change in underlying commuted releases	+11.3	–	+11.3
Change in loss on commutation	+27.0	–	+27.0
Change in underlying profit commission	–	+44.5	+44.5
2019 (excluding Ogden change)	130.7	121.1	251.8
Add Impact of Ogden change (0% to -0.25%)	-9.0	-8.9	-17.9
2019	121.7	112.2	233.9

- Releases on reserves originally reinsured but since commuted is higher at £121.7 million (2018: £109.6 million)
- There are a number of offsetting underlying movements, including a lower impact of the accounting loss on commutation (2019: £4.9 million; 2018: £31.9 million) and an underlying improvement in the level of commuted releases in line with the favourable development noted above, offset by an unfavourable net impact of one-off Ogden changes in both years
- The trend is similar for profit commission which improved to £112.2 million (2018: £95.0 million). Underlying profit commission improved by £44.5 million, primarily as a result of the favourable development of prior underwriting years

1 Refers to percentage points

- Investment income was slightly lower than 2018 at £30.4 million (2018: £32.2 million) with an underlying increase of £11.1 million (due to both an increase in yield and growth in the asset base) more than offset by notional investment income accruals on reinsurance funds withheld balances of £12.9 million (2018: £nil)
- The written and reported basis expense ratios increased in 2019 with a number of factors impacting: non-acquisition costs was the main driver primarily through levies and to a lesser extent, investment in IT and claims as the skills and foundations to build further competitive advantages in these areas are strengthened
- Other revenue (including ancillary products underwritten by Admiral) and instalment income decreased to £235.7 million (2018: £243.2 million) primarily resulting from lower contribution from optional ancillaries

Market prices remained subdued during the year with some evidence of increases in the later months as a result of elevated levels of claims inflation. Admiral continued to prioritise margin over growth, and increased prices ahead of the market. As a result, slight new business growth and good retention contributed to customer numbers (2019: 4.37 million; 2018: 4.32 million) and turnover (2019: £2.46 billion; 2018: £2.42 billion) being both up by 1%.

Claims and reserves

Notable claims trends for Admiral and the market in 2019 were similar to 2018, including a slow-down in the reduction in small injury claims frequency and continuing inflation in damage claims costs. The first projection of the impact of large bodily injury claims on the 2019 loss ratio is consistent with the projection of 2018 at the end of 2018.

The Group continues to reserve conservatively, setting claims reserves in the Financial Statements well above actuarial best estimates to create a margin held to allow for unforeseen adverse development.

As noted above, the Group experienced continued positive development of claims costs on previous underwriting years as a result of increased speed of large bodily injury settlements and increased certainty related to the Ogden rate, in addition to a small number of positive very large claims settlements. These factors led to another significant release of reserves in the Financial Statements in the period (£121.7 million on Admiral's original net share, up from £111.4 million). The margin held in reserves is prudent and significant and remained at a consistent level year-on-year.

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.

Munich Re and its subsidiary entity, Great Lakes will underwrite 40% of the UK Motor business until at least 2020, with future extension options available to Munich Re until 2022. 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 2020 covering 38% of the business written and expects to extend these or similar arrangements beyond 2020 during the first half of 2020.

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 2019 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. The level of cover purchased for 2020 reduced slightly compared to 2019 due to significant increases in market prices for cover.

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.

Note 5c to the Financial Statements analyses profit commission income by business, type of contract and 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 after 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.

During the first half of 2019, the majority of the 2017 quota share contracts were commuted. At 31 December 2019, quota share reinsurance contracts remained in place for a small portion of 2017 and the full 2018 and 2019 underwriting years. No further contracts were commuted in the second half of 2019 (as is usual).

As noted above, in 2019 Admiral recognised reserve releases from commuted reinsurance contracts of £121.7 million (2018: £109.6 million).

Refer to note 5d(v) of the Financial Statements for analysis of reserve releases on commuted quota share reinsurance contracts.

Other Revenue and Instalment Income

UK Motor Insurance Other Revenue – analysis of contribution:

£m	2019	2018	2017
Contribution from additional products & fees	202.1	206.5	187.3
Contribution from additional products underwritten by Admiral*1	13.9	13.6	15.0
Instalment income	83.9	81.4	56.1
Other revenue	299.9	301.5	258.4
Internal costs	(64.2)	(58.3)	(53.6)
Net other revenue	235.7	243.2	204.8
Other revenue per vehicle*2	£66	£67	£64
Other revenue per vehicle net of internal costs	£56	£57	£54

*1 Included in underwriting profit in income statement but re-allocated to Other Revenue for purpose of KPIs

*2 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.

The most material contributors to net Other revenue continue to be:

- Profit earned from motor policy upgrade products underwritten by Admiral, including breakdown, car hire and personal injury covers
- Revenue from other insurance products, not underwritten by Admiral
- Fees such as administration and cancellation fees
- Interest charged to customers paying for cover in instalments

Overall contribution (Other revenue net of costs plus instalment income) decreased to £235.7 million (2018: £243.2 million). This is in line with the half year expectation of a small reduction. Whilst there were a number of smaller offsetting changes within the total, the main reasons for the decrease is reduced optional ancillary contribution and fees, which reflects an increase in transactions completed digitally and changes to the customer journey. This was slightly offset by an increase in instalment income primarily due to the growth in the underlying book and an increase in customers paying by instalments.

Other revenue was equivalent to a decrease to £66 per vehicle (gross of costs; 2018: £67), as a result of the factors mentioned above. Net Other Revenue (after deducting costs) per vehicle was £56 (2018: £57).

UK Household Insurance financial performance

£m	2019	2018	2017
Turnover[*1]	171.3	146.0	107.1
Total premiums written[*1]	154.9	131.1	96.5
Net insurance premium revenue	37.2	31.2	23.1
Underwriting profit/(loss)[*1,*2]	0.7	(6.3)	(0.8)
Profit commission and other income	6.8	3.3	4.9
UK Household insurance profit before tax	7.5	(3.0)	4.1

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

*2 Underwriting profit/(loss) excluding contribution from underwritten ancillaries

Key performance indicators

	2019	2018	2017
Reported household loss ratio[*1]	69.1%	92.3%	73.5%
Reported household expense ratio[*1]	28.9%	28.1%	30.0%
Reported household combined ratio[*1]	98.0%	120.4%	103.5%
Impact of extreme weather and subsidence[*1]	–	19.1%	–
Households insured at year end[*1]	1,011,900	865,800	659,800

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

The number of properties insured increased by 17% to 1.01 million (2018: 0.87 million). Turnover increased by 17% to £171.3 million (2018: £146.0 million). New business market volumes continued to increase, customer retention remained strong, and shopping increased via the comparison channels.

2019 saw more benign weather than in 2018. A combined ratio of 98% (2018: 120%) resulted in a small net underwriting profit of £0.7 million (2018: underwriting loss of £6.3 million), which was supplemented by net other revenue and profit commission of £6.8 million (2018: £3.3 million).

UK Household Insurance – reinsurance

The Group's Household business is supported by long-term proportional reinsurance arrangements 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) which regulate the Group's UK registered subsidiaries including EUI Limited (an insurance intermediary) and Admiral Insurance Company Limited (AICL; an insurer); and
- the Financial Services Commission (FSC), which regulates the Group's Gibraltar-based insurance company (Admiral Insurance (Gibraltar) Limited, AIGL), in that territory.

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.

"It has been great to witness stronger collaboration amongst our insurance businesses across the world over the past 12 months."

Milena Mondini de Focatiis
Group CEO Designate

Pascal Gonzalvez
Acting CEO, Admiral Seguros
(Sarah Harris is on maternity leave)

Spain

In 2019, Admiral Seguros accelerated its growth despite difficult market conditions and we finished the year with more than 290,000 customers.

We managed to increase our new business sales by 16% while the comparison market was shrinking. This was made possible by the structural changes on Rastreator where the user experience was significantly improved by guaranteeing the final price to customers, having a significant impact on conversion. Our strategy to diversify our acquisition channels has also been bearing fruit with the development of a broker channel that is contributing to the accelerated growth.

It was pleasing to see our overall technical results moving in the right direction despite challenges in the cost of growth. Loss ratios are improving on prior years as expected, whilst being slightly higher than anticipated for the 2019 underwriting year as a result of new business growth. This was offset by a decrease in our expense ratio as we improved internal efficiencies.

In 2020, we're planning to keep exploring alternative acquisition channels. In our core business, we're about to launch new initiatives to improve loss ratio (e.g. improved anti-fraud capabilities and innovation in risk selection). We'll also be accelerating in improving customer experience through digital capabilities (self-service) and operational optimisation (automation).

Pascal Gonzalvez
CEO, L'olivier Assurance

France

2019 was another year of strong performance for L'olivier Assurance.

It was a year of fast growth despite unfavourable market conditions. Our portfolio increased by 32%, while at the same time the aggregator market (our main acquisition channel) was shrinking. We're pleased to see our efforts on brand awareness, direct acquisition, and conversion showing progress and paving the way for further development in the coming years.

Not only did we grow fast, but we also grew stronger. Our portfolio grew while having some significant operational improvements. As a consequence, our customers like us more and more! The benefits of our investments toward an effortless customer journey started to materialise with peaks in customer satisfaction (net promoter score), persistency, and referrals, to name a few.

On the claims side, loss ratios have developed well for prior years, resulting in reserve releases. However, the business experienced a deterioration in the 2019 loss ratio, partly due to the strong growth of new business in 2019.

2020 is the beginning of a new chapter for L'olivier as we embark on our multi-product journey and the launch of a new household insurance product. After launching our insurtech named Homebrella (a home insurance product for renters and expats in France) in 2019, we'll also launch a broader household product under the brand L'olivier in early 2020.

We look forward to continuing to #makeithappen. 🙂

Costantino Moretti
CEO, ConTe

Italy

ConTe closed 2019 with a profit for the sixth year in a row, whilst also achieving significant growth in turnover of 16% year-on-year.

The direct market wasn't particularly favourable and we experienced single digit growth and challenging competition, especially via comparison panels. Despite this context, ConTe was able to grow by leveraging on its competitiveness and on the improvements in the digital journey, particularly focused on mobile.

ConTe is strengthening its competitive positioning in the Italian Market and continuing to invest in the brand which is steadily increasing awareness among Italian drivers. In 2019 a new advertising campaign was successfully launched, endorsed by Mr. Carlo Conti, who is one of the most popular Italian TV anchors.

Our growth is bringing a significant benefit towards achieving scale and is driving an improved expense ratio. Efficiencies were also gained thanks to investment in technology: digital, robotics and automation are delivering the expected benefits and continue to offer interesting opportunities for the future.

Other key metrics of the business improved which demonstrates that ConTe continues to stay focused on its 'sustainable growth' strategy. Although the 2019 loss ratio deteriorated, favourable prior year development resulted in strong reserve releases.

In a perfect Admiral-style, our people and culture continue to make the difference. We have been recognised for another year in a row as one of the best large companies to work for!

Alberto Schiavon
CEO, Elephant Auto

USA

Over the last year Elephant has continued with our strategy to focus on customer retention, to service these customers efficiently by leveraging technology, and to make Elephant a great insurer for our shareholders, customers and staff.

While we undoubtedly made some great improvements on many fronts, we have also seen some significant headwinds in our loss experience, slowing down our speed of progress.

As mentioned at our half year results presentation, Elephant saw a higher than expected claims ratio, deteriorating by four points compared to 2018. The main driver was increased claims frequency as well as general market inflation, in particular in damage claims and medical costs. As a consequence, we took a defensive approach towards margins, at the expense of growth. We responded with numerous initiatives, including significant rate increases, especially towards certain lower-performing segments; and a reduction in our acquisition spend. With regard to the first point, some segments of the book have seen sharp increases with obvious impact on sales and cancellations while allowing us to have better performance on the loss ratio in the coming years. As per the second point, we have been more selective in some distribution channels, favouring some online advertising and doing less on traditional media, enabling us to be more efficient in our spend.

The effect of those efforts is visible in our top line numbers: while vehicles in force remained flat year-on-year, our turnover grew to £233 million (2018: £214 million). Most of this turnover growth comes from a high performing renewal book, giving confidence in our long-term strategy. The lack of policy growth meant that we couldn't fully leverage economies of scale on our platform, and as a result delivered a slightly improved expense ratio.

At the same time, Elephant made some significant progress in a number of areas: we further developed our self-servicing functionalities, especially in claims management; we expanded our acquisition channels to include some agency business; and we deployed some important new features to our risk selection. We expect that these will ultimately translate into further growth, within profitable segments, at very good incremental costs. Finally, I am grateful to all Elephant employees for their high level of commitment in delivering such a high volume of projects, and for building such a strong foundation for a sustainable long-term business.

International Car Insurance financial performance

£m	2019	2018	2017
Turnover*1	623.6	538.7	449.8
Total premiums written*1	562.6	484.3	401.4
Net insurance premium revenue	168.6	141.7	123.0
Investment income	1.5	1.3	0.6
Net insurance claims	(137.2)	(104.0)	(94.1)
Net insurance expenses	(53.0)	(55.8)	(58.0)
Underwriting result*1	(20.1)	(16.8)	(28.5)
Net other revenue	19.2	15.7	14.2
International Car Insurance result	(0.9)	(1.1)	(14.3)

Key performance indicators

	2019	2018	2017
Reported Loss ratio*2	77%	76%	76%
Expense ratio*2	37%	40%	45%
Combined ratio*3	114%	116%	121%
Combined ratio, net of Other Revenue*4	104%	105%	109%
Vehicles insured at period end	1.42m	1.22m	1.03m

*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 2019: 113%; 2018: 113%; 2017: 124%.

*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 2019: 102% 2018: 102%; 2017: 112%.

Geographical analysis*1

	Spain	Italy	France	US	Total
2019					
Vehicles insured at period end (m)	0.29	0.69	0.23	0.21	1.42
Turnover*1 (£m)	78.2	204.2	108.1	233.1	623.6
2018					
Vehicles insured at period end (m)	0.25	0.59	0.17	0.21	1.22
Turnover*1 (£m)	67.6	176.8	80.5	213.8	538.7

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

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

The operations continued to grow strongly in 2019, with customer numbers increasing by 16% to 1.42 million (2018: 1.22 million) and combined turnover rising by 16% to £623.6 million (2018: £538.7 million).

The key features of the International Car insurance results are:

- An aggregate loss of £0.9 million (2018: £1.1 million loss) reflecting an improvement in performance of the European businesses offset by a deterioration in the US business;
- A record profit in the Group's Italian business ConTe, which also grew its customer base by 18%;
- A deterioration in Elephant Auto's result (increased loss from £7.5 million to £9.6 million year-on-year)
- A relatively flat combined ratio (net of other revenue) of 104% (2018: 105%) reflecting reduced acquisition costs, pricing improvements and operational efficiencies as well as positive back year development in Europe offset by a deteriorating loss ratio in Elephant Auto
- Continued investment and improvements in technology, people and the customer experience across all operations

The combined International expense ratio improved to 37% (2018: 40%) as all businesses grew, and continued to pursue operational efficiencies, albeit growth was slower in Elephant as prices were increased in response to the loss ratio pressure.

The European insurance operations in Spain, Italy and France insured 1.21 million vehicles at 31 December 2019 – 20% higher than a year earlier (31 December 2018: 1.01 million). Turnover was up 20% at £390.5 million (2018: £324.9 million). The consolidated result of the businesses was a profit of £8.7 million (2018: £6.4 million) consisting of continued (and higher) profitability in Italy and lower losses in France and Spain. The combined ratio net of other revenue (excluding the impact of reinsurer caps) improved to 92% from 98% due to the improved claims experience and expense ratio.

Elephant insured 212,100 vehicles at the end of 2019, broadly flat year-on-year though higher prices meant turnover was up 9% to £233.1 million (2018: £213.8 million). Elephant's loss increased for the period to £9.6 million from £7.5 million in 2018, as a result of adverse claims development.

Elephant responded with enhancements in underwriting and rate increases resulting in a slowdown of growth in the second half of 2019. The expense ratio improved slightly through increased operational efficiency, a focus on customer experience improvements, and enhancement of the digital online journey. Elephant continues to see improvements in persistency as a result of the focus on higher retaining customers. The combined ratio net of other revenue was 118% (115% in 2018).

In 2019, a non-cash impairment charge of £65.9 million was recognised in the Financial Statements of the parent company with respect to the carrying value of the parent's investment in Elephant Auto. This follows a change to using shorter-term projections as a result of the adverse loss ratio experience in 2019. The impairment charge is recognised in the income statement of the parent company (Refer to note 4 of the Parent Company Financial Statements for further details) and has no impact on the Group's consolidated profit for the period or the Group's 2019 regulatory capital position.

Elephant continues to focus on improving fundamentals in 2020 with a focus on loss ratio, expense efficiencies and continued improvement in the customer experience.

International Car Insurance co-insurance and reinsurance

In 2019 Admiral retained 35% (Italy), 30% (France and Spain) and 33% (USA) of the underwriting risk respectively. The arrangements for 2020 will remain the same in Italy, France and Spain. In the USA, 50% of the risk will be retained within the Group.

International Car Insurance regulatory environment

Admiral's European Insurance operations are now primarily regulated by the Spanish insurance regulator, the DGS. This shift is a result of restructuring completed ahead of Brexit. More information on Company changes due to Brexit can be found on page 59.

The Group's US insurer, Elephant Insurance Company, is regulated by the Virginia State Corporation Commission's Bureau of Insurance.

Both insurers are required to maintain capital at levels prescribed by the regulator and hold a surplus above these requirements at all times.

Elena Betés
CEO, Comparison Businesses

Global

2019 was a good year for our Comparison businesses. Recognising the benefits of scale in digital markets, we set up a European corporate structure named Penguin Portals, that gives us not only the framework to achieve our ambition to lead our key European markets, but also a working environment to deliver scale beyond these markets. This also allows our seven comparison platforms to take advantage of operational and technological synergies and share expertise.

Operationally, each Comparison platform is supported by two technological centres of excellence, Confused.com in Cardiff and Admiral Technologies in Delhi, allowing for a shared architecture to facilitate further collaboration and rapid innovation.

Our goal to empower the world to choose better has not changed. We continue to focus on service diversification and geographic expansion, driven by a desire to innovate the customer experience leveraging technology and data.

In Europe, we had a strong year, fuelled by Confused.com and growth at LeLynx and with all our businesses improving margins. We successfully diversified our product offering, took some key verticals in-house, delivered new verticals, reinforced our use of data and grew a B2B infrastructure whilst continuously improving the customer experience. I'd especially note Rastreator's effort to provide more transparency to Spanish customers with accurate prices.

Preminen, our comparison incubator, continues our path of organic expansion in emerging markets. In 2019 we welcomed GoSahi.com in India as the newest member of our comparison family. Rastreator.mx in Mexico was awarded the best ecommerce start-up of the year (e-awards), Tamoniki.com in Turkey is in the process of building the panel and we will soon be incorporating a new Penguin into the colony.

In the USA, we downsized the business to adjust to market conditions, allowing for increased agility whilst we further develop our customer proposition.

The results are moving in the right direction and I'm confident that we have a strong foundation to build upon our successes in 2019 into the future.

Louise O'Shea
CEO, Confused.com

UK

It's been 18 years since Confused.com was formed, and we're still making history. In 2019, our revenue exceeded £100 million for the first time.

We achieved this by standing firmly on the side of our customers and continuing to differentiate ourselves against the competition. Confused.com is the brand that cuts through the noise and confusion in order to help people make clear decisions. Our marketing was more effective, and more focus was placed on the products our customers need and want beyond car insurance. Making better use of our data has helped our insurance partners deliver the right product to the right customer for the right price at the right time. All of this and the dedication of the Confused.com team has resulted in our revenue and profit growing by 19% and 43% year-on-year, respectively, and our profit margin improving to over 18% (2018: 15%).

It wasn't a year without challenges. The highly competitive market continues to necessitate focus on marketing channel effectiveness and diversification which in 2019 saw us introduce a successful B2B offering and drive innovation in the customer experience.

In 2020 we'll continue to make decisions based on what is best for our customers, empowering them to choose better.

Comparison Review Highlights

Group share of profit before tax

£18.0m
(2018: £8.8m)

Total Comparison revenue

£171.6m
(2018: £151.0m)

Confused.com profit before tax

£20.4m
(2018: £14.3m)

Fernando Summers
CEO, Rastreator

Spain

At Rastreator, 2019 has been a year of hard work.

We substantially enhanced the customer experience with our Price Accuracy strategy for insurance, meaningfully improving our net promoter score. More efficient traffic acquisition led to a 13% increase in profit.

The proposed joint venture with Acierto and Oakley Capital was a focus area for management in 2019, but due to challenges in completing the transaction within a reasonable timeframe related to the anti-trust process and associated costs, the final decision was not to proceed. We delivered modest revenue growth, mainly due to our mortgage broker and data businesses.

We are optimistic about our future in the context of a large market opportunity.

We will be working on further improving the customer experience, increasing customer support through our processes and we will continue developing our broker capabilities – not only for finance products but also for some insurance products.

I would like to thank the fantastic and enthusiastic team who are always hungry for growth and to improve the experience for our customers, for all their support in a challenging year. We are looking forward to the opportunities we see in 2020 and beyond.

Itzal Arbide
CEO, LeLynx

France

2019 was an excellent year full of milestones for LeLynx. We made significant improvements in our operational structure and business approach, achieved key product enhancements to better serve our users and signed new important commercial agreements to improve our offering. As a result, LeLynx finished 2019 with revenue growth of 19% and also improved profitability.

While motor Insurance comparison mainly benefited from a better online user experience which improved conversion, energy comparison (launched in 2018) saw great operational improvements and moved past test and learn phase to become an integrated product for LeLynx in 2019 in line with our diversification strategy.

Improving the customer experience has been a focus, from improving user pain points and providing more information, to further improving the journey to allow customers to make the best choice and receive the best possible service. I am enthusiastic about the evolution of LeLynx as we head into 2020 and beyond. We will keep working on user-centric new projects to improve our customer experience and to strengthen our product base.

The French market is large and slowly evolving and LeLynx is perfectly placed to capture that opportunity.

Allie Feakins
CEO, Compare.com

USA

2019 was a somewhat volatile year for Compare.com. Facing stronger headwinds in cost efficient customer acquisition and scalability in the US auto insurance market, we took action to reduce the fixed costs of the business to allow a more agile approach.

While we expected to realise some of the benefits of this decision in 2019, we were also pleasantly surprised by performance improvements in the second half of the year. Insurers are facing the very same acquisition cost headwinds, so we made progress expanding our panel and improving our own revenue potential as well.

In 2019, we completed an upgrade to the experience for our customers, improving their journey whether they are using our website to find information or pursuing our quote journey to view real-time auto insurance prices. We also continued to invest in our technology platform to enable our marketing partners to leverage our insurer panel and to enable our insurance partners to leverage our competitive intelligence data.

In 2020, we don't expect the competitive environment to ease up, but our objectives will shift slightly from 2019 as we change our marketing approach, messages and campaigns to explore opportunities for building deeper customer and partner relationships.

I am optimistic about the future of Compare.com and look forward to 2020 in my new role as CEO.

Pedro Tabernero
CEO, Preminen

Emerging Markets

Preminen had an exciting year of growth and saw the launch of a new comparison business. In Mexico, Rastreator.mx continues to see positive signs of growth and we are confident in the sustainability of the business.

All relevant insurers have joined, and the customer proposition is well accepted. Tamoniki.com in Turkey has been trading for almost one year, mainly focused on building the panel with a slow but positive evolution.

A new market approach is being tested in India with the launch of Gosahi.com in February 2019, a loan comparison portal that enables users to compare online and get full support during their off-line loan application (a complex process in the market) with the collaboration of relevant financial brokers.

2020 is expected to be the year of consolidation for Rastreator.mx, growth for Tamoniki.com and Gosahi.com and to also deliver further geographic expansion. Thanks to the Preminen team for the hard work – we're looking forward to an even better 2020!

Comparison Review Highlights

Comparison financial review

£m	2019	2018	2017
Revenue			
Car insurance comparison	119.4	110.1	108.8
Other	52.2	40.9	34.8
Total revenue	171.6	151.0	143.6
Expenses	(156.9)	(144.4)	(138.2)
Profit before tax	14.7	6.6	5.4
Confused.com profit	20.4	14.3	10.1
International comparison result	(5.7)	(7.7)	(4.7)
	14.7	6.6	5.4
Group's share of profit before tax*1			
Confused.com profit	20.4	14.3	10.1
International comparison result	(2.4)	(5.5)	(3.0)
	18.0	8.8	7.1

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

Admiral has comparison businesses in the UK (Confused.com), Spain (Rastreator), France (LeLynx) and the US (Compare.com). In addition, Preminen, the Group's joint venture holding company for comparison ventures in new markets, oversees operations in Mexico (Rastreator.mx), Turkey (Tamoniki.com) and India (GoSahi.com).

Admiral Group owns 75% of Rastreator, 59% of Compare.com and 50% of Preminen.

In 2019, the Group established a holding company for the European businesses named Penguin Portals, facilitating greater collaboration and sharing of best practices across the businesses to support customer growth and new product development.

Combined revenue grew by 14% to £171.6 million (2018: £151.0 million) and the businesses made a combined profit (excluding minority interests' shares) of £18.0 million (2018: £8.8 million).

The key features of the Comparison result are:

- In the UK, Confused.com saw market share increases in motor and home insurance comparison and efficient media spending leading to significantly increased profit of £20.4 million (2018: £14.3 million)
- A loss of £4.3 million (2018: £6.9 million) at Compare.com in the US (Admiral Group share). Statutory loss before tax was also lower at £7.2 million (2018: £10.0 million). The results reflect lower sales volumes due to a reduced marketing spend and lower fixed costs
- The continental European comparison businesses reported an increased profit of £3.5 million (2018: £1.4 million) reflecting improved customer experience through the digital customer journey and product diversification, with strong growth at LeLynx in France
- Costs for Penguin Portals, and Preminen (which was previously recorded under business development costs in 'Other Group items') are included in the Comparison segment result in the 'other' section

The UK comparison market remains very competitive with increasing advertising spend across all marketing channels, however increases in market share across products and a focus on customer experience resulted in a 19% increase in turnover for Confused.com to £112.7 million (2018: £95.1 million).

The combined revenue from the European operations increased by 8% to £50.1 million (2018: £46.3 million), reflecting continued growth in traffic and customer quotes in LeLynx, and improved customer experience and product diversification across both operations.

Compare.com lowered losses to £4.3 million (2018: £6.9 million) as a result of downsizing to allow for a more agile approach, together with reduced marketing spend and increased efficiencies. A non-cash impairment of £2.0 million in the second half of 2019 (full year impairment total of £27.7 million) was recognised by the parent company in respect of its investment in Compare.com. This impairment is in line with the reduction in Compare.com's net assets since half year 2019. The impairment charge is recognised in the income statement of the parent company and has no impact on the Group's consolidated profit for the period or the Group's 2019 regulatory capital position.

Preminen, the Group's comparison venture with Mapfre, continues to explore comparison in new markets overseas. Rastreator.mx in Mexico and Tamoniki.com in Turkey have focused on panel development and growth, while GoSahi.com in India was launched in 2019.

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.

Rastreator and LeLynx are now locally licensed in Spain and France post the finalisation of Brexit preparations. Further information on the impact of Brexit on our European operations can be found on page 59.

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 review

£m	2019	2018	2017
Share scheme charges	(52.7)	(49.0)	(35.2)
Admiral Loans loss before tax	(8.4)	(11.8)	(4.4)
Other interest and investment return	6.0	2.9	8.4
Business development costs	(2.1)	(4.3)	(5.2)
Other central overheads	(20.0)	(10.5)	(5.1)
Finance charges	(11.2)	(11.3)	(11.4)
Other Group items	(88.4)	(84.0)	(52.9)

Share scheme charges relate to the Group's two employee share schemes (refer to note 9 to the Financial Statements). Charges increased by £3.7 million in 2019, to £52.7 million reflecting the improved vesting outcomes resulting from the increased level of profit in 2019 and a higher share price.

Other interest and investment income increased to £6.0 million in 2019 (2018: £2.9 million). 2019 includes a lower level of unrealised losses relating to forward foreign exchange contracts compared to 2018 (2019: £0.1 million, 2018: £2.3 million). The higher number in 2019 was also driven by increased investment return due to the increased cash holding in the parent company.

Business development costs include costs associated with potential new ventures. The costs associated with Preminen have now been included in the Comparison section, contributing to the decrease in business development costs in 2019.

Other central overheads of £20.0 million continue to reflect the cost of a number of significant group projects. In addition, a £6 million cost relating to a one-off cash bonus of £500 per employee, is included in 2019 (2018: £nil).

Finance charges of £11.2 million (2018: £11.3 million) represent interest on the £200 million subordinated notes issued in July 2014 (refer to note 6 to the Financial Statements).

Scott Cargill
CEO, Admiral Financial Services Limited

Loans

We can look back at 2019 with pride at what we delivered but knowing there is still much more to do with an exciting outlook for the coming years.

In just over two years Admiral Loans has built up a prime loan book totalling £455 million and is now a relevant participant in what is a large market in the UK. The progress in 2019 was particularly pleasing, with customer growth of over 70% – importantly, still within risk appetite. We improved our economics as we started to benefit from economies of scale. Our customers and employee scores were strong. And the loss of £8 million was in line with expectation.

Turning to 2020, we expect to benefit from a continued market shift to comparison and credit score marketplaces which now account for over 20% of personal loans distributed in the UK. I would therefore expect to see continued growth in our loan balances towards the £700-900 million range in the next two years that we identified at the 2019 half year results.

We remain acutely aware of and responsive to the macro-economic backdrop in the UK and anticipate continued investment in our people, technology, product and risk selection capabilities. I'd like to thank all our staff in Admiral Loans for the tremendous progress we made last year.

£m	2019	2018	2017
Total interest income	30.8	15.0	1.6
Interest expense*1	(9.1)	(4.3)	(0.4)
Net interest income	21.7	10.7	1.2
Other fee income	1.9	0.4	–
Total income	23.6	11.2	1.2
Expenses	(32.0)	(22.9)	(5.6)
Admiral Loans result	(8.4)	(11.8)	(4.4)

*1 Includes £2.8 million intra-group interest expense (2018: £0.7 million; 2017: £nil)

Background

Admiral Loans launched in 2017 and provides unsecured personal loans and car finance products primarily through the comparison channel.

Loan balances increased during the year to £455 million (2018: £300 million), with just over 5% of the book being used for car loans and over 15% being to existing Admiral insurance customers. The 12-month default experience remained in line with 2018 at around 2% during 2019 and the business has continued to invest in its operational capabilities and technology.

Admiral Loans is funded through a combination of internal and external funding. The external portion funds approximately 60% of the current balance through securitisation. The risk and reward of the securitised loans is considered to remain with Admiral.

Result

Admiral Loans recorded a pre-tax loss of £8.4 million in 2019 (decreased from £11.8 million in 2018). The lower loss predominantly reflects the increased interest income in the period, offset to an extent by increased provisions against the loan book due to its growing size.

UK Exit from the European Union ('Brexit')

Admiral adopted a prudent approach to Brexit and set up new entities in Europe under which the European operations have traded since 1 January 2019. All of the Group's European insurance business is now underwritten by a regulated entity in Spain, Admiral Europe Compania Seguros (AECS). The Group's European comparison businesses Rastreator and LeLynx have successfully been merged into comparison companies established in Spain (Comparaseguros Corredia de Seguros) and France (LeLynx SAS) respectively.

Brexit continues to bring risks to the Group including:

- The potential for market volatility, and 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; and Admiral Loans has adopted a cautious approach to volumes and credit quality in advance of Brexit);
- As part of the Own Risk and Solvency Assessment ("ORSA") process, the Group has performed a stress testing exercise for its assessment of the stressed macroeconomic conditions on the UK and EU insurance and financial service businesses that may result from Brexit, including the potential increase in claims costs following a spike in inflation. This includes negative movement in interest rates, currency, investment yields and inflation which could be experienced post Brexit. Given the results of the stress testing the Group is comfortable that it is able to manage the potential outcomes of such scenarios should they occur;
- Potential changes to the rules relating to the free movement of people between the UK and the remaining EU member states. The Group has followed external advice on planning for the small number of EU citizens working within the UK and UK citizens working in the EU, for the Group;
- Potential for impact on the import of car parts with potential impact on claims costs. A working group is in place to manage and review this risk, with commercial negotiations ongoing to mitigate risks arising from a "no deal" Brexit;
- Potential operational impacts for the provision of Green Cards for UK customers to continue driving in the EU. Procedures have been established to manage the operational impacts and ensure suitable communication to customers.

At present, the Group does not foresee a material adverse impact on day-to-day operations (including customers or employees). Whilst the Group is comfortable that it is able to manage potential outcomes following the review of the stress testing noted above, it recognises the uncertainties that exist post Brexit and the potential for adverse impacts to the Group's capital position and future dividend payments. Sensitivities to the Group's regulatory solvency ratio are presented earlier in this report, including a number of specific market risk sensitivities. The cost of the restructuring activity was not material to the Group.

Coronavirus (COVID-19)

Admiral is closely monitoring government updates in relation to the coronavirus during recent months and is considering any potential impacts on the business.

The response to date has focused on the wellbeing of staff in the Group's offices and also in ensuring that appropriate plans are in place to ensure that Admiral's operations can continue to service customers.

Ongoing stress testing work, overseen by the Group Risk Committee, is focused on operational resilience plans and potential financial impacts. As the situation develops Admiral will implement appropriate business continuity plans to mitigate potential impacts.

“We strive to have a positive, long lasting impact on our customers, our community, our people and our environment.”

Our Customers

Read more **on page 61**

6.98 million

customers globally

Our Community

Read more **on page 62**

Admiral Community Chest fund allocated

£130,000

in 2019

Our Environment

Read more **on page 64**

0.36 tonnes

CO_2e per employee (2018: 0.39 tonnes)

Our People

Read more **on page 62**

1st

Best Big Company to Work for in the UK at the Sunday Times Best Companies award in 2019

Our External Partners

Read more **on page 63**

100%

of our External Asset Managers are signatories to the PRI[1]

Our Shareholders

Read more **on page 63**

Full year dividend for 2019 confirmed at

140.0p

per share

1 The United Nations-supported Principles for Responsible Investment

"We believe economic success and being a responsible business work hand in hand with each other."

David Stevens, CBE
Group Chief Executive Officer

Our Approach

At Admiral we pride ourselves on being different. We adopt a fair and principle-based responsible approach across our business to create positive impacts for our stakeholders and the wider community.

By considering the needs of, and feedback from, our immediate stakeholders and the wider communities in which we operate, we strive to continually enhance our approach to being a responsible business.

In 2019 we initiated a Climate Change Risk Project with a steering committee meeting monthly to understand the current and potential future risks and impact on the business. We also published our first Diversity and Inclusion report and made strides in reducing waste and energy consumption. From an investment perspective, we also formalised our Responsible Investment Policy, which includes ensuring that all of our external asset managers are signatories to the PRI and that we consider sustainability factors when making our investment decisions.

Operationally, 2019 was a year of continued investment to sustain our competitive advantage and improve the customer journey. Across our international operations we continued upon our path towards long-term value creation by replicating the sustainable insurance business model that we have refined in the UK.

Strategically, we continued to improve our understanding of ever evolving customer expectations and to build upon our digital and automation capabilities. We also considered the move towards electric vehicles and the impact on the industry and our supply chain.

The following section seeks to provide colour on some activities that we undertake, as a responsible business that considers key stakeholders; Our Customers, our People, our Communities, our Shareholders, our External Partners and our Environment.[2]

2 For more information please refer to our 2019 Corporate Social Responsibility (CSR) report

3 Refer to page 06 in Our Customer section

Our customers

Putting the customer at the heart of what we do

We strive to provide exceptional service and an effortless experience for our customers. From our front-line employees to our senior managers, all levels of the business act with customer satisfaction in mind, as reflected by initiatives such as Kudos and The Above & Beyond Initiative[3].

As technology has evolved, we have adapted to provide new and effective methods for us to stay connected with our customers. For example, this year we launched our revamped MyAccount Portal, which enables customers to quote for, and accept, policy changes online and in real-time.

97% **customers were happy with their service in 2019**

Here, there and Alistair

In 2019 Alistair Hargreaves, UK Insurance Chief Operating Officer, started an initiative to visit different departments within our claims function each month to listen to calls, and discover cases with excellent outcomes for both the customer and the business. Alistair then shares his learnings with the rest of the business through our internal intranet.

Focus Areas

- Continue to improve upon the products and services that we offer to customers
- Continue to improve customer experience through leveraging technology and data
- Continue to improve our Net Promoter Score (NPS)
- Continue to improve our digital and automation capabilities

Our People

People who like what they do, do it better!

We ensure that we have a talent development pipeline with skills and knowledge to maintain the long-term success of our business. We also strive to offer our employees an inclusive environment where our people feel happy, supported and motivated within their roles. We maintain the Group's unique culture with the help of Admiral's four pillars:

- Communication: Effective and transparent communication is at the heart of our culture and is promoted across all levels of the organisation
- Reward and Recognition: All our people receive the same number of shares[4] through our Approved Free Share Plan (SIP). Managers additionally receive shares through a DFSS bonus, linked to company performance
- Equality: Promoting a sense of fairness and equality in Admiral and representing people of all genders, sexual orientation, ethnicities and abilities
- Fun: We celebrate as many events and occasions as possible to build strong relationships and boost morale

90%

of our employees believe that People care about each other here[5]

Training and Development

We offer bespoke training to our people at all levels of the business. From comprehensive induction periods, online courses, talent development plans and sponsorship for professional qualifications, we have a range of initiatives in place so that our people have the skills and knowledge they need to develop professionally and succeed in their roles.

Focus Areas

- Our Group Board aims to maintain a minimum of 33% of its members as women and aims to achieve this ratio in subsidiary boards
- We commit to increase female representation at executive level to 40% by 2023
- Continue to train and develop our people
- Continue to be a great place to work

For more information please refer to page 07 of our 2019 Corporate Social Responsibility (CSR) report

Our Community

Driving positive and meaningful impact in our communities

Our community engagement builds on long-standing financial support programmes such as the Admiral Community Chest scheme. In 2019, over 350 initiatives submitted by employees received either grants or matched funding, totalling £130,000. Our People Services department also signed a pledge with Cardiff Commitment to help young people from various social backgrounds to develop their employability skills, demonstrating that both departments and individuals are encouraged to engage in active community outreach.

Various initiatives across the Group promote diversity and inclusion, such as our headline sponsorship of Pride Cymru over the summer. Importantly, as a global business with growing international operations, our community impact now increasingly stretches across different parts of the globe.

85% **of our employees feel good about the ways in which we contribute to communities[5]**

Festival of Sport

In 2019, over 200 Admiral employees volunteered at the Festival of Sport in Margam Park (Wales) where children with disabilities get involved in sports, activities and games.

Focus Areas

- Complete our Ministry of Giving commitment to give £400,000 to fund four charity projects in South Wales over 2019 and 2020
- Continue to engage with our community through charity and employment initiatives
- Continue to empower our people to give back to our local communities through initiatives such as optional charity breaks[6], Community Chest and volunteering opportunities

4 Shares are given to our people who have been employed for one year or more; prorated for part-time employees

5 Great Place to Work Survey 2019

6 Our people are entitled to up to one-month unpaid leave to carry out charity work every three years

Our Shareholders

We recognise the importance of openly and actively engaging with our shareholders

In 2019 we undertook over 300 Investor activities, including roadshows across London, New York, Boston and Toronto, and frequent conferences and investor meetings in Cardiff. In addition, The Chair, Senior Independent Director, Group CEO and Group CFO also hosted face to face meetings with some of our largest shareholders.

In 2019 members of our senior leadership team and our Board, met with several of our largest shareholders to discuss a range of topics relating to the Company and its performance in an open and honest fashion. The insights that such discussions provide reinforce the importance of two-way communication as a key element of our stakeholder engagement programme.

52%	148.3p	140.0p
ROE	EPS	DPS

All our employees are shareholders

All of our people who have been fully employed for one year receive the same number of shares (pro-rated for part time employees) through our Approved Free Share Plan (SIP). Some management additionally receive shares through the DFSS scheme.

Focus Areas

- The Investor Relations team, senior management and Group Board will continue to hold regular meetings and engage with our investors
- Continue to treat all shareholders fairly by providing accurate and timely information
- We will continue our dividend policy to pay 65% of post tax profits as a normal dividend

Our External Partners

Building and maintaining strong, long-term relationships with our external network of partners and suppliers

Our key external stakeholders include (but are not limited to); Co- and Reinsurance Partners, Regulators, Government/Welsh Assembly, the FCA, the PRA, trade bodies, distribution partners, tax authorities, procurement partners, garage networks, suppliers and advisers. The Group seeks only to engage with suppliers and partners that meet our high standards and adhere to our best practice policies[7]. By working closely with strategic partners, we can further demonstrate our commitment to be a market leader of products and services.

Global procurement agreement with external IT hardware provider

In 2019, Admiral entered into a three-year global agreement with our external IT hardware provider. The global sourcing arrangement means that we have improved our agreement with the IT provider and increased their coverage across the Group, so that all businesses and brands of the Admiral Group will now have access to the same hardware equipment. The pricing agreement is based on consolidated volumes and will contribute to several internal efficiencies and cost savings.

Focus Areas

- Continue to actively engage with our co- and reinsurance partners
- Continue to actively engage with our garage network partners
- Track efficiency savings through procurement activities

7 To find out more about our third party and supplier policies refer to our CSR report

Our Environment

Playing an active role in building a sustainable future for all

As a global business, we have taken steps to explore the growing impact of climate change and to mitigate our impact on the environment. As an insurance and financial services provider our environmental footprint mainly stems from our office operations and business travel. We continuously work to minimise our footprint and raise awareness through our Green Teams, who are aligned with our vision for sustainable growth and our focus on profitability, as outlined by our Group business model and strategy on pages 16 and 17 of this report.

3,720 Tonnes CO_2e

Total carbon emissions (2018: 3,925 Tonnes CO_2e)

Climate Change Project

In 2019, Admiral established a Climate Change working group, with the aim of understanding the risks climate change could mean for the business and broader trends likely to impact us in the future[8]. For more information read our case study on page 36.

Focus Areas

- Externally verify our CO_2e emissions in 2020
- Set Group-wide emission reduction targets in 2020
- Continue to explore best practice developments and to mitigate our impact on the environment
- Continue to improve recycling and energy usage
- Further develop our Group Environmental policy

8 For more information on the Climate Change working group refer to page 97

Achieving our commitments

The Admiral Group Board constantly considers the Group's key stakeholders and engagement methods, and reflects on how best to integrate our stakeholders' interests at the heart of our decision making.

Our approach to being a responsible business remains grounded in our founding principles. We maintain our embedded 'test and learn' approach across the entire business, driving sustainable, long-term growth whilst also ensuring the daily needs of the business and our stakeholders are always considered, and the impact of our decisions closely monitored.

Our 2019 awards and achievements are a testament to achieving our commitments:

- **Voted Best Motor Insurer and Best Insurance Provider** in the 2019 Personal Finance Awards
- **Voted Best Home Insurer** in the 2019 Insurance Choice Awards
- **Number one** in the Sunday Times Best Big Companies to Work For ranking
- **Number seven** in the Great Place to Work Best Workplaces in Europe ranking
- **Recognised as a Centre of Excellence in Wellbeing** by the Great Place to Work Institute
- **Headline sponsor** of Pride Cymru's 2019 Big Weekend
- Our Cardiff office has achieved a BREEAM ranking of **'Excellent'**

Environmental, Social and Governance Priorities

We have four main Board Committees:

- Remuneration Committee
- Nomination Committee
- Audit Committee
- Group Risk Committee

We are signatory to the following initiatives:

- Inclusive Behaviours in Insurance Pledge
- 30% Club
- Women in Finance Charter
- Race in Work Charter
- Social Mobility Pledge

We also have several ESG-related policies in place including:

Anti-bribery and Corruption Policy

- We prohibit any inducement which results in a personal gain and is intended to influence action which may not be solely in the interests of the Group.

Modern Slavery Policy

- Admiral Group, and all its subsidiaries and branches, is opposed to the exploitation of people in any way and has a zero-tolerance approach to modern slavery.

Whistleblowing Policy

- We ensure our employees feel comfortable raising any concerns, provide guidance on ways to report issues and assure employees that all concerns are dealt with seriously.

Responsible Investment Policy

- Admiral has fully integrated a Responsible Investment Policy which is applicable to all investments.

Procurement Policy

- We provide policy and framework guidelines for all Admiral Group procurement activity in order to maintain the highest standards of integrity.

Environmental Policy

- As part of our vision for sustainable growth and our focus on profitability, we continuously work to better measure, record and reduce our Greenhouse Gas emissions.

For an overview of these policies, please see our **corporate website**.

Board Diversity Policy

- The Group Board aims to maintain a minimum of 33% of its members as women and aims to achieve this ratio in subsidiary boards as well.

Equality, Diversity and Dignity and Work Policy

- We are committed to ensure any type of unfair discrimination including harassment, victimisation, favouritism and bullying is not accepted.

Sexual Harassment Policy

- Admiral does not tolerate any form of sexual harassment in the workplace or at work related events and is committed to treating all complaints and incidents seriously.

For more information relating to these policies, please see our corporate website.

ESG – Our Focus

Admiral continues to consider its stakeholders to ensure it builds a long-term sustainable business for the future in terms of Environmental, Social and Governance (ESG) factors. We have incorporated our response to ESG considerations throughout our Annual Report and Corporate Social Responsibility (CSR) Report and are engaging in active dialogue with various ESG indices and the Carbon Disclosure Project (CDP) to establish if there are any areas where we can better communicate what we are doing.

Non-Financial Reporting Statement

Stakeholders can find information as required under the regulations on reporting non-financial information in the following sections:

- Being a Responsible Business
- Directors' Report
- Principal Risks and Uncertainties

The Board, with support from the Group Risk Committee and the Group Risk function, undertakes a regular and robust assessment of the principal and emerging risks facing the Group. 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.

This section also includes a description of Admiral's approach to identify, manage and govern emerging risks.

Principal risks (A–K)

Principal risks have been considered against each of our strategic objectives.

Risks that could impact investing in our core include:

Insurance Risk:

- A Reserving Risk in the UK and international insurance
- B Premium Risk and Catastrophe Risk
- C Reduced availability of co-insurance and reinsurance arrangements
- D Potential diminution of other revenue

Group Risk:

- E Failure of geographic and/or product diversification
- F Erosion of competitive advantage in UK Motor Insurance
- G Reliance on the UK Comparison channel

Credit Risk:

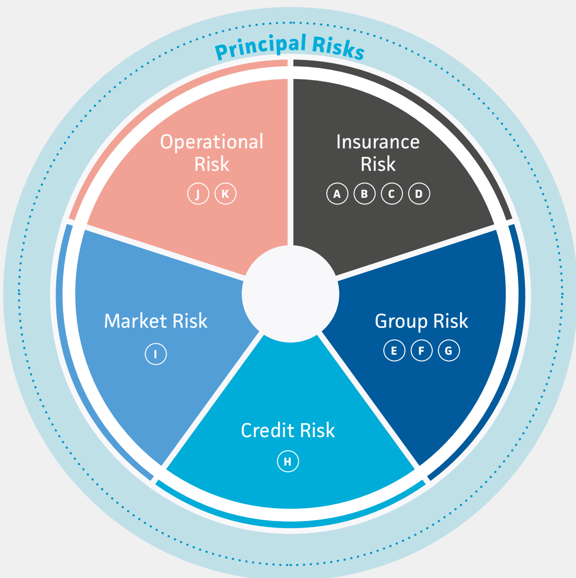
- H Credit Risk

Market Risk:

- I Market Risk

Operational Risk:

- J Legal and Regulatory Risk
- K Operational Risk



Linking risks to our strategic drivers

For more information refer to pages 24 to 27

Investing in our core

1. Sustained Competitive Advantage
2. Continued Growth and Profitability
3. Continued Product Development

Investing in our future

4. Comparison
5. International Insurance
6. New Product Diversification

Insurance Risk

A Reserving Risk in the UK and international insurance

Risk: 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 Periodical Payment Orders. The update to the Ogden discount rate in 2019 reduces the likelihood of a further change in 2020.

Possible impact on our strategy: 1 2 5

Impact	Mitigating Factors
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.	The Group continues to reserve conservatively, setting claims reserves in the Financial Statements well above actuarial best estimates to create a margin held to allow for unforeseen adverse development. 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 analysis provided as part of the external reserving process. Admiral's investment strategy is the result of a structured, disciplined and transparent investment process which considers settled and potential future PPOs.

B Premium Risk and Catastrophe Risk

Risk: The Group is exposed to the risk that inappropriate premiums are charged for its insurance products leading to either insufficient premiums to cover claims cost or uncompetitive rates leading to reduced business volumes.

The risk of increased claim costs and reduced business volumes could be driven by potential economic, environmental, regulatory or political change such as the UK's withdrawal from the European Union.

Admiral is exposed to the risk of higher losses than anticipated due to the occurrence of man-made catastrophes or natural weather events, potentially increased in frequency and severity due to climate change.

Possible impact on our strategy: 1 2 3

Impact	Mitigating Factors
Higher claims costs and loss ratios, resulting in reduced profits or underwriting losses. A large flood or windstorm causing extensive property damage (both motor and household) to a significant proportion of the portfolio, could lead to a larger than anticipated total claims cost.	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; and • Admiral monitors the impact arising from Climate Change risks, covering both physical and transitional risks, that are captured as Emerging Risks. Admiral purchases excess of loss reinsurance, designed to mitigate the impact of very large individual or catastrophe event claims.

Insurance Risk continued

C Reduced availability of co-insurance and reinsurance arrangements

Risk: 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 or at an uneconomical price 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.

Possible impact on our strategy: 1 2 3 5 6

Impact	Mitigating Factors
A potential need to raise additional capital 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.	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 a number of different reinsurers some of which are amongst the world's largest. These long-term arrangements are in place throughout the UK and International businesses.

D Potential diminution of other revenue

Risk: Admiral earns other revenue from a portfolio of products and services in addition to the core insurance products.

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

Possible impact on our strategy: 1 2 3

Impact	Mitigating Factors
Lower profits from business operations and lower return on capital.	Admiral continuously assesses the value to its customer 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 regulatory or market changes or changes in consumer behaviour which might affect a particular product or income stream.

Group Risk

E Erosion of competitive advantage in UK Motor Insurance

Risk: 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.

Possible impact on our strategy: 1 2 3

Impact	Mitigating Factors
A worse UK Motor Insurance result and lower return on capital employed. A sustained and uncorrected erosion of competitive advantage could affect the ability of Admiral to maintain its reinsurance arrangements, which might in turn require Admiral to hold more capital.	Admiral's focus remains on the wide range of factors that contribute to Admiral's combined ratio outperformance of the UK Motor 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; and • Keen focus on maintaining a low-cost infrastructure and efficient acquisition costs.

F Failure of geographic and/or product expansion

Risk: As per the Group's diversification strategy, 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 developing businesses could exceed the scale of infrastructure of the operation.

Possible impact on our strategy: 3 4 5 6

Impact	Mitigating Factors
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.	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 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 seeks to establish strategic partnerships for developing new businesses 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.

Group Risks continued

G Reliance on UK Comparison distribution channel

Risk: Admiral is dependent on the four main UK 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.

Possible impact on our strategy: 1 2 3 4

Impact	Mitigating Factors
A potentially material reduction in UK Motor Insurance new business volumes. However, a more competitive market might benefit the car insurance business through lower acquisition costs.	Admiral also contributes materially to the revenues of other comparison businesses and has a strong brand presence and therefore it is not considered probable that a material source of new business would be lost. Admiral continues to grow its multicover and multicar products, with a direct offering to new and existing customers.

Credit Risk

H Credit Risk

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 could suffer significant losses leading to a credit default.

AFSL exposes the Group to credit risk in relation to customer defaults on its lending business.

Possible impact on our strategy: 2 6

Impact	Mitigating Factors
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. Increased defaults would lead to a growth in bad debt provisioning which could impact future profitably and lending capabilities.	Admiral only conducts business with reinsurers of appropriate financial strength. In addition, major 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. Admiral continuously monitors the credit quality of our counterparties within Board approved limits, adjusting its credit rules and pricing accordingly. Continuous monitoring of the credit quality of our counterparties within approved set limits.

Market Risk

I Market Risk

Risk: Market risk arises as a result of fluctuations in the value of market prices of investment assets, liabilities, or the income from our investment portfolio.

Possible impact on our strategy: 2

Impact	Mitigating Factors
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.	The investment strategy 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 and other similar 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 investment strategies. This includes consideration of hedging options for these liabilities, with hedging arrangements recently implemented for settled PPOs. The creation of the Spanish insurance company AECS has not materially altered the exposure to net assets and liabilities in currencies other than pounds sterling which remain relatively low for the Group.

Operational Risk

J Legal and Regulatory Risk

Risk: Legal and Regulatory risk may arise where Admiral fail to comply with legal or regulatory requirements and/or changes in an accurate, timely manner, such as the introduction of IFRS 17 and the FCA review in General Insurance Pricing Practices.

As Admiral operates globally, it is exposed to a number of differing legal jurisdictions and regulators.

Possible impact on our strategy: 1 2 3 4 5 6

Impact	Mitigating Factors
Exposure to regulatory intervention, censure and/or enforcement action through fines and other sanctions.	Regular review of the Group's compliance with current and proposed requirements and interaction with regulators by Executive Management and the Board. Assurance is gained through external reviews and benchmarking exercises ensuring Admiral is compliant with legal and regulatory requirements. Enhanced project governance is a key control in managing regulatory change.

Operational Risk continued

K Operational Risk

Risk: Operational Risk arises within all areas of the business.

The principal categories of operational risk for Admiral are:

- Conduct Risk
- Processes
- IT Systems
- Project Risk
- Information Security/Cyber Risk
- People
- Business Continuity
- Outsourcing

Possible impact on our strategy: 1 2 3 4 5 6

Impact	Mitigating Factors
Potential customer detriment and/or potential regulatory censure/enforcement and/or reputational damage as a result of Admiral's action. Admiral being unable to service its customers or making poor business decisions due to lack of system availability, data integrity and data confidentiality. The risk of reductions in earnings and/or value, through financial or reputational loss, from inadequate or failed internal and outsourced projects, processes and systems, or from people related or external events. Risk to Admiral occurs through the losses that could materialise if the internal control framework managing these business processes fails.	At each stage of the customer journey, customer outcomes are monitored, managed and reported in order to mitigate customer detriment. Admiral continues to invest in its Security Programme in order to mitigate Information Security risks, including evolving Cyber risk. Within IT there is a major incident team which is tasked with maintaining system availability, with business continuity and disaster recovery plans in place which are regularly tested. Data is backed up to allow for its recovery in the event of corruption There are regular reviews of the effectiveness of the Group's IT capability by Executive Management and the Board. Admiral operates the three lines of defence model for overseeing its products, processes and service. Internal controls are in place and monitored to mitigate risks and the control framework is regularly reviewed. The internal audit function has an agreed cycle of testing of the adequacy and effectiveness of controls. 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. Enhanced project governance and oversight of new systems implementations with external specialist review and assurance where required. Admiral monitors its outsourced and offshore activities, through ongoing supplier relationship and performance management, with regular due diligence reviews. Admiral purchases a range of insurance covers to mitigate the impact of a number of operational risks.

Emerging Risks

Risk: Admiral Group monitors emerging risks which are defined as issues that are perceived to be potentially significant, but which may not be fully foreseen, assessed or allowed for in strategic and operation business decisions. By their very nature, emerging risks are many and varied. They arise from changing political, social, economic, environmental and technological landscapes, impacted by changing legal and regulatory considerations, and are characterised by a complex interaction between these drivers. The timescale of their impact is unknown, but frequently is for longer than standard business planning cycles. They are considered to have potentially significant impact to the Group, with a high degree of uncertainty around the likelihood of occurrence, severity and/or timescales.

The management of emerging risks is a key element of Admiral's strategic risk management. Admiral has developed a framework for monitoring Emerging Risks, based on the guidelines of the International Risk Governance Council and the CRO Forum Emerging Risks Initiative. The framework documents the management practices and procedures in managing emerging risks: identifying and assessing risks thorough analysis and the quantification of the potential impact to Admiral, as well as the precautionary deployment of management actions and mitigating controls.

Emerging Risks are represented graphically, capturing an assessment of their impact and date of crystallization ranging from less than one year to greater than five years, while also categorising them into the following four broad segments: (a) legal and regulatory, such as IFRS 17; (b) socio-political and economic, such as Brexit; (c) environmental, such as physical and transition climate change risks; and (d) technology, capturing advances in vehicle technology.

Reporting on such emerging risks and opportunities is provided to the GRC and relevant Boards and is incorporated into the Group ORSA Report.

David Stevens CBE
Group Chief Executive Officer
4 March 2020

Introduction from the Chair

"On behalf of the Board, I am pleased to present the Group's Governance Report for the financial year ended 31 December 2019."

Dear Shareholder,

Governance has been a key area of focus for the Board, given the changes to the corporate governance landscape brought about by the introduction in July 2018 of the revised UK Corporate Governance Code which applies to the Group with effect from 1 January 2019. In order to ensure that the Board was fully prepared for the changes set out in the revised Code, a project was initiated, led by the Company Secretary, which included scheduling presentations, updates and training for the Board throughout the year to ensure that the Group's governance framework and standards of good corporate governance were aligned with the requirements set out in the Code.

During the year, the Board and the Nomination and Governance Committee led a comprehensive and transparent selection process for a new CEO. Following suitable candidate interviews and presentations, Milena Mondini de Focatiis was selected as the preferred CEO candidate. Further details of the selection process are set out later in this report on page 84.

The Board reviewed and agreed the Group's purpose, which sets out the Group's values and strategy, to ensure that it was aligned with the Group's culture and supported the Group's long-term sustainable strategy. A number of sessions were held during the year at which the Board spent time reflecting on the Group's unique culture and reviewed the measures that had been put in place to make sure it was appropriately monitored so that it remained aligned with the Group's purpose and values. The Board considered how the Group's purpose and values had been embedded in the Group's policies and procedures and were satisfied that management had taken the appropriate steps to communicate values and expected behaviours widely and clearly across the Group and that reward structures provided appropriate incentives that encourage desired behaviours and responsible risk-taking. The Group's purpose is set out on page 01.

During the year the Board focused on enhancing communication with its staff to ensure that the mechanisms in place for engagement with them remained appropriate. In this context, the Board engaged with the employees through the Employee Consultation Group (ECG) which was launched successfully, comprising elected staff representatives from across the Group with one of the Non-Executive Directors attending, on rotation, three of the five ECG meetings held during the year. Going forward, it is intended that a Non-Executive Director will attend each ECG meeting. Non-Executive Directors were able to see how effectively the ECG was functioning as a forum for staff consultation, gathering staff opinion and fostering a safe environment to raise matters of interest and generate ideas. In addition, attendance at ECG meetings also gave the Non-Executive Directors an opportunity to feed back on specific agenda items that were discussed at the Board. Representatives from the ECG regularly attended Board meetings to update the Board on the matters and issues discussed at ECG meetings and to participate in relevant matters considered by the Board. Further information on the operation of the ECG can be found in the Directors' Report on page 124 and in the s172 statement in the Strategic Report at pages 18 and 19.

The Board also reflected on the importance of its key stakeholder groups and had a Board session in April at which all the Group's stakeholders were considered and engagement with them discussed to ensure that the views of stakeholders were properly considered in decisions made by the Board in compliance with s172(1) that the Directors should take stakeholder concerns into account in their decision making.

The customer remains central to our culture and we strive to ensure fair outcomes for all of the Group's customers and empower front-line staff to meet the needs of individual customers. The Board had a session in March on the treatment of existing customers, and in April on customer outcomes. Both sessions gave the Board valuable insight into how the needs of customers were evolving and how the development of customer experience and oversight was being monitored to ensure that our customer centric culture is maintained.

Succession planning and diversity remain key areas of focus for the Board and the Nomination and Governance Committee as we seek to ensure that the composition and balance of the Board is reviewed and refreshed where necessary; that continuity is maintained, and that Directors with the appropriate skills and experience and from a diverse range of backgrounds join the Board to bring fresh perspective and challenge to the Group's strategy in the markets in which it operates. The Board continues to focus on promoting diversity of gender and social and ethnic background to enhance diversity across its employees and executive pipeline.

During the year, an externally facilitated evaluation of the Board's performance was led by independent external consultant, Ian White, to ensure that the Board continued to operate effectively and that it was acting on the recommendations from its previous reviews. A summary of the outcomes of the Board's discussion and consideration of the results of the evaluation are set out in more detail at page 82 of this report.

The Board reviewed its objectives in December to ensure that they remained appropriate and that the Board's time could be allocated to those areas that will be most important to the Group in the coming year. The objectives will be kept under regular review to ensure that they remain appropriate for the challenges and issues that will need to be addressed as the business continues to evolve and develop.

Annette Court
Group Chair
4 March 2020

A diverse Board with a breadth of skills and experience.

				
Annette Court Chair	**David Stevens, CBE** Chief Executive Officer	**Geraint Jones** Chief Financial Officer	**Mike Brierley** Non-Executive Director	**Karen Green** Non-Executive Director
Current Appointments				
Non-Executive Director of Sage Group plc	Trustee of the Waterloo Foundation	–	Chair of Admiral Financial Services Limited[1]	Non-Executive Director of Phoenix Group Holdings plc Council Member, Lloyd's of London Vice President, Insurance Institute of London
Background and experience				
CEO of Europe General Insurance for Zurich Financial Services and a member of the Group Executive Committee from 2007-2010. Former CEO of Direct Line Group (formerly RBS Insurance) and member of the RBS Group Executive Management Committee. Previously a member on the Board of the Association of British Insurers (ABI).	David is a founder Director of Admiral and helped to set up the Admiral business in 1991. Prior to joining Admiral David worked at McKinsey & Company, in the Financial Interest Group, and Cadbury Schweppes in the UK and the USA. David has an MBA from INSEAD and he was awarded a CBE in 2010 for services to business and the community in Wales.	Geraint joined Admiral in 2002 and held several senior finance positions including Head of Finance, before being promoted to Deputy Chief Financial Officer in January 2012 and Chief Financial Officer in August 2014. Geraint is responsible for finance, investments and investor relations. A Fellow of the Institute of Chartered Accountants in England and Wales, Geraint spent the early part of his career as an external auditor at Ernst & Young and KPMG.	Mike was CFO of Metro Bank PLC between 2009 and 2018, helping lead the business from start-up to listing on the FTSE. He spent seven years at Capital One Europe in various roles including CFO Europe, CFO UK and Chief Risk Officer Europe. He has also served as CFO for Royal Trust Bank, Financial Controller at Industrial Bank of Japan, London Branch, Director Business Risk at Barclaycard and was Co-founder and CFO of Gentra Limited. Mike is a Fellow of the Institute of Chartered Accountants in England and Wales. In 2019 Mike was appointed Chair of Admiral Group subsidiary, Admiral Financial Services Limited (AFSL).	Karen Green is the former CEO of Aspen UK, comprising the principal UK insurance and reinsurance companies of Aspen Insurance Holdings. Other senior Aspen positions included Group Head of Strategy, Corporate Development, Office of the Group CEO and she was a member of the Group Executive Committee for 12 years. Prior to that, she held various corporate finance, M&A and private equity roles at GE Capital Europe and Stonepoint Capital having started her career in investment banking at Baring Brothers and Schroders.
Appointed				
Appointed to the Board in 2012, appointed to Chair in 2017	Appointed to the Board in 1999, appointed to CEO in 2016	Appointed in 2014	Appointed in 2018	Appointed in 2018

1 Admiral Group subsidiary entity

Committee Membership

- Audit Committee member
- Group Risk Committee member
- Remuneration Committee member
- Nomination and Governance Committee member
- C Committee Chair
- Senior Independent Director

Justine Roberts, CBE
Non-Executive Director

CEO & Founder, Mumsnet.com & Gransnet.com

Non-Executive Director of The Open Data Institute

Justine founded Mumsnet in 2000 and is responsible for creation, strategic direction and overall leadership. In May 2011, Justine founded Gransnet, a sister site to Mumsnet, for the over-50s. Before that Justine was a freelance football and cricket journalist for the Times and Daily Telegraph, after working for Deutsche Bank, managing the South African equity operation in the US.

Appointed in 2016

Owen Clarke
Non-Executive Director

Chairman of Equistone Partners Europe, 'Equistone' (formerly Barclays Private Equity, 'BPE')

Owen was Chief Investment Officer of Equistone from 2011 to 2017. He previously led several management buy-outs for BPE in the insurance and consumer finance sectors, including BPE's participation in the Management Buy Out of Admiral and was a Director of Admiral from 1999 to 2004. He also led BPE's own buy out from Barclays to form Equistone in 2011.

Appointed in 2015

Jean Park
Non-Executive Director

Non-Executive Director of Murray Income Trust plc

Non-Executive Director of the National House Building Council

Jean was Group Chief Risk Officer at the Phoenix Group from 2009 until June 2013, during which time she held responsibility for the Group's relationship with the regulator and founded the Board Risk Committee. Previously, she was Risk Management Director of the Insurance and Investments division of Lloyds TSB and, before that, Head of Compliance and Audit at Scottish Widows.

Jean is a Member of the Institute of Chartered Accountants of Scotland.

Appointed in 2014

Manning Rountree
Non-Executive Director

Chief Executive Officer and Director of White Mountains Insurance Group, Ltd

Director of Build America Mutual Assurance Company

Manning joined White Mountains in 2004 and is the former President of White Mountains Advisors and White Mountains Capital. Prior to joining White Mountains, Manning spent two years with Putnam Investments and three years with McKinsey & Company.

Appointed in 2015

Andy Crossley
Non-Executive Director

Non-Executive Director and Chair of Audit Committee at Vitality Health Ltd and Vitality Life Ltd

Chair of EUI Limited[1]

Andy was Chief Financial Officer at Domestic & General Group from 2014 to 2017. He spent 14 years at Prudential plc from 2000 as Director, Group Finance; Group Chief Risk Officer; and CFO and Deputy Chief Executive Officer of Prudential UK. He previously held senior manager roles at Legal & General Group plc, where he was Group Financial Controller, and Lloyds Bank plc. Andy is a Fellow of the Institute of Chartered Accountants in England and Wales.

Appointed in 2018

Compliance with the UK Corporate Governance Code

The UK Corporate Governance Code 2018 (the Code) was applicable for the Group during the year under review, and the Group applied the principles and complied with the provisions of the Code except for parts of provisions 36 and 41 that relate to the introduction of a post employment shareholding policy and engagement with the workforce to explain alignment of Executive remuneration with wider Company pay policy, respectively.

Employees are not specifically consulted on Executive remuneration, however all employees are encouraged to participate in Admiral's annual staff survey, which provides valuable insight to the Board on a range of topics, including compensation. Relevant feedback is shared with the Group Remuneration Committee. In addition, the Employee Consultation Group provides a regular forum for employee queries to be discussed with senior management, by way of elected representatives. The Chair of the Group Remuneration Committee joins the Employee Consultation Group meetings annually. The Group will be seeking shareholder support for a revised Remuneration Policy at the 2021 AGM and as part of the review process in 2020, the Committee anticipates adopting a post employment shareholding policy.

Set out in the following pages is an explanation of how we have applied the principles and related provisions of the Code during the year.

Our Responsible Investment Policy

In 2019 Admiral fully integrated a Responsible Investment Policy related to our investment portfolio.

The purpose of the Policy is to consider Environmental, Social and Governance (ESG) factors and risks, and to achieve more sustainable long term returns. In particular, the Policy requires ESG considerations to be integrated in each step of investment decision-making and Admiral has set requirements for the asset managers it employs.

These requirements include being signatories to the UN Principles of Responsible Investing, having an integrated ESG analysis to inform decision making, and having ESG reporting in place. Admiral will also monitor the ESG-risks carefully and for the impact investments, monitor versus the social impact target. Through time, monitoring and analysis of underlying securities may lead to disinvestment, and the Policy may evolve as opportunities arise and responsible investment practices develop.

Board Leadership and Company Purpose

The Board is responsible for promoting the long term, sustainable success of the Group and its shareholders and is the principal decision-making forum for the Group, providing entrepreneurial leadership, both directly and through its Committees, and delegating authority to the Executive team. The Board has determined the Group's purpose which represents its values and strategy and is satisfied that it is aligned with the culture of the Group.

The Board is responsible for organising and directing the affairs of the Group in a manner that generates and preserves value over the long term. Through the strong governance framework that it has in place the Board is able to deliver on its strategy of providing strong sustainable financial and operational performance. The Board is also accountable for ensuring that in carrying out its duties the Group's legal and regulatory obligations are being met; and for ensuring that it operates within appropriately established risk parameters.

The Group's UK regulated entities are accountable to the Financial Conduct Authority (FCA) and the Prudential Regulatory Authority (PRA) for ensuring compliance with the Group's UK regulatory obligations and that dealings with the FCA and PRA are handled in a constructive, co-operative and transparent manner. Similar provisions apply in respect of the Group's international businesses with regard to the relevant regulatory authorities in those overseas jurisdictions in which the Group also operates.

The Board has adopted a formal schedule of matters reserved for the Board's consideration. This is monitored by the Company Secretary and reviewed by the Board on an annual basis. Specific matters reserved to the Board include the approval of:

- The Group's long-term objectives and corporate strategy
- Operating and capital budgets, financial results, and any significant changes to accounting practices or policies
- The Group's capital structure
- Results and financial reporting
- The system of internal control and risk management
- The Group's overall risk appetite
- Changes to the structure, size and composition of the Board, including new appointments
- Succession plans for the Board and senior management
- Dividend policy and proposals for dividend payments
- Major acquisitions, disposals, and other transactions outside delegated limits
- The annual review of its own performance and that of its Board Committees
- Annual review of the Group's Board policies
- The review of the Group's overall corporate governance arrangements

Board activity during 2019

The Board met on eight occasions in 2019 with all these meetings being held over one or two days and one of the meetings being a separate strategy meeting held offsite.

Principal areas of focus for the Board during 2019

Governance
- Standing agenda item at each Board for an update from the Company Secretary on the project that had been initiated to ensure that the requirements of the UK Corporate Governance Code were fully met;
- Update from the Group's lawyers, Clifford Chance, on Directors' responsibilities under the Companies Act and s172 in particular;
- Considered the results of the external Board Effectiveness Review;
- Succession planning and Group talent management update;
- Reviewed and approved revised Matters Reserved for the Board;
- Update session on the implementation of Senior Managers & Certification Regime (SM&CR)

Stakeholders
- Updates from the Chair of the Employee Consultation Group in January, April, August and December with representatives from the ECG attending the Board in August and December;
- Update on culture and people;
- Updates on gender and diversity at the meetings in January and June;
- In March, an update on Group talent management;
- Board session in March on the impact of climate change and its importance for the Group;
- Presentation on customer outcomes and consideration of a stakeholder map that identified the Group's main stakeholders and engagement processes and mechanisms that were in place;
- Presentation on distribution partners.

Strategy
- Strategy review update in January and June;
- Group Strategy Review at the Group strategy session in October which also considered product diversification and motor evolution.

Regulatory Updates
- Internal Model Application Process (IMAP) Updates
- Own Risk and Solvency Assessment Report (ORSA) review
- FCA attended the October Board

Operational Performance
- Updates on cyber security and the measures in place across the Group
- Presentation from the Group's European Insurance businesses
- Presentation from the Group's US insurance and Comparison business
- Comparison update
- Presentation from the Group's Loans business
- Consideration and approval of the Group's 5 Year Plan

On the agenda for 2020
- Continued focus on maintaining the Group's culture to ensure the Group remains a great place to work for its employees;
- Monitor the evolution and development of the Employee Consultation Group (ECG) that was operational in 2019 to ensure that the views of the staff are fully considered by the Board and that there is appropriate interaction between the Board and the members of the ECG to ensure that the views of staff on matters raised at the ECG are properly considered by the Board in decisions that are made by it;
- Ensuring that gender and diversity are appropriately considered and that there is a diverse pipeline of talent available for succession planning for senior roles;
- Ongoing review of the agreed objectives of the Board to ensure that they are appropriately covered in the Board timetable for the year;
- Continue to keep under review the Group's technology and digital capabilities to ensure they are appropriate as the Group looks to explore opportunities beyond car insurance;
- Understand more deeply our competitors' capabilities in the important markets in which we operate and gain a deeper understanding of our customers across the Group and what insights this brings;
- Ensure that there is continued Board oversight of the Group's Environmental Social and Governance (ESG) responsibilities with particular focus on the impact of climate change;
- Continue to devote Board time to consideration of the views of the Group's key stakeholders in implementing the Group's strategy and ensure there is regular engagement through appropriate channels.

At each scheduled meeting the Board receives updates from the Chief Executive Officer and Chief Financial Officer as to the financial and operational performance of the Group and any specific developments in the areas of the business for which they are directly responsible and of which the Board should be aware. In addition, there is an update provided at each Board on the matters discussed and considered at each of the Group's principal subsidiary Board meetings. An annual schedule of agenda items is reviewed and updated at each meeting to ensure that items are considered at the appropriate point in the financial and regulatory cycle. Meetings are structured so as to allow for consideration and debate of all matters. The Group CEO Designate and the CEO of UK Insurance (respectively Milena Mondini de Focatiis and Cristina Nestares) together with the Chief Risk Officer (James Armstrong) are invited to attend every Board meeting and regular Board dinners. This has proved an effective means of ensuring that senior managers below Board level have exposure to and gain experience of the operation of the Board.

In addition to the regular consideration of financial and operating performance and risk management and compliance, the Board received presentations on a variety of topics including updates from the management teams of each of the Group's businesses and regular reviews of Solvency II related activities such as progress of the Internal Model Application Process (IMAP).

In addition to her visits to the Group's UK operations, the Chair has sought to visit each of the Group's overseas operations this year and Non-Executive Directors are invited to join either her or the Chief Executive Officer on one or more of their overseas visits each year. The Non-Executive Directors and the Chair met during the year without the Executive Directors being present. Non-Executive Directors also attended briefing sessions in Cardiff and Newport on different aspects of the Group's UK business. In order to increase their understanding of the depth and breadth of management across the Group below Board level, the Non-Executive Directors and the Chair also attended a dinner with members of the Group's senior management team without the Executive Directors being present. When management teams present to the Board on their operations, they are also invited to join the Board for dinner which gives the opportunity for informal interaction between Directors and management.

Meetings and attendance

Directors are expected to attend all meetings of the Board and the Committees on which they serve and to devote sufficient time to the Group to perform their duties. Where Directors are unable to attend meetings they receive papers for that meeting giving them the opportunity to raise any issues with the Chair in advance of the meeting. The number of scheduled Board meetings and Committee meetings, of which they are a member, attended by each Director during 2019 is provided in the table below. In addition to the seven scheduled Board meetings held during the year, there was an additional Board meeting held in June 2019 that was called at short notice and was attended by all Board members. Similarly, the ten Audit Committee meetings, set out in the table below, includes three additional Audit Committee meetings that were called at short notice.

	Board meetings	Audit Committee meetings	Group Risk Committee meetings	Nominations and Governance Committee meetings	Remuneration Committee meetings
Total meetings held	8	10	8	7	8
Annette Court (Chair)	8		8	7	
David Stevens (Chief Executive Officer)	8				
Geraint Jones (Chief Financial Officer)	8				
Owen Clarke	8	10		7	8
Karen Green	8	10			
Jean Park	8		8		8
Manning Rountree	8		7		
Justine Roberts	8			6	7
Andrew Crossley	8	10			
Michael Brierley	8	10			

Justine Roberts was unable to attend the Remuneration Committee meeting on 20 February as she was overseas and, due to technical difficulties, was not able to dial in to the meeting as anticipated. Due to a prior commitment, Justine was also unable to attend the Nomination and Governance Committee on 19 November which was an additional meeting that was called at short notice.

Due to a prior commitment, Manning Rountree was unable to attend an additional Risk Committee meeting that was called at short notice as part of the Internal Model Approval Process (IMAP).

Agendas and papers are circulated to the Board electronically in a timely and secure manner in preparation for Board and Committee meetings. The Board agenda is structured by the Chair in consultation with the Company Secretary and Chief Executive Officer. Routine Board papers are supplemented by information specifically requested by the Directors from time to time. All Board and Committee meetings during the year were held in an open atmosphere conducive to robust and constructive challenge and debate. All Directors have, therefore, been able to bring independent judgement to bear on issues such as strategy, risk management, performance, and resources. Additional meetings are called when required and there is contact between meetings, where necessary, to progress the Group's business.

All the Directors have access to the advice and services of the Company Secretary. He has responsibility for ensuring that Board procedures are followed and for advising the Board, through the Chair, on governance matters. The Company Secretary provides updates to the Board on regulatory and corporate governance issues, new legislation, and Directors' duties and obligations. The appointment and removal of the Company Secretary is one of the matters reserved for the Board.

During the year, the Board received assurance from management that it had effectively embedded the Group's purpose within operational processes and policies and the alignment of value to rewards and incentives. This is achieved through a framework of embedding that considers Group policies, procedures and processes to determine how the Group purpose is delivered, how outcomes are monitored and reported, and performance reviewed by the Board. The Board was also satisfied that the incentives, rewards and promotion were aligned with the Group's values.

Culture: Monitoring and Assessment

It is critical that our culture evolves and adapts as the business environment we operate in changes but it is also critical that those parts of our culture which have given us a competitive advantage and been a driver of success in the past are maintained. The culture of providing our customers with great products and services whilst caring for our employees and other key stakeholders in the business is key to what we do. Our culture is embedded and reinforced by The Four Pillars (Communication; Reward and Recognition; Fun and Equality) which are built into the fabric of our training, communication and the way we do business. We recognise the need to ensure that our employees are highly skilled and motivated and have a recognition culture where our employees can thrive, be innovative and contribute to the future success of the Group.

In January, the Board received an update on culture and people which considered the Group's culture and how it related to the Group's purpose, values and culture, the approach to investing in and rewarding employees and how culture was monitored across the Group. The Board reviewed the variety of initiatives that have been introduced to support the Group's culture including: a compensation and promotion structure based on meritocracy, star lunches where staff are recognised for their performance and are invited to attend a lunch with a senior manager, Group Top 10 competition in which all departments compete in a highly contested Group wide competition to present to a panel of senior managers on a different subject each year in order to be awarded the best department, Annual Manager Awards, local reward and recognition programmes and High five feedback programmes where employees can submit feedback on colleagues across departments who have given great service.

In addition to staff participation in regularly monthly staff surveys together with an annual employee engagement survey – Best Companies and Great Places to work survey, there are a number of the mechanisms that the Group uses to monitor culture including regular culture audits conducted by Internal Audit that include survey results, policies and processes; "Meet the Manager" meetings; "Ask David" scheme and regular online manager chats. All are felt to be valuable methods of capturing the mood of employees and to gauge the health of our culture.

The Board continues to keep under review the monitoring of Group culture to ensure that it is aligned with the Group's purpose, values and strategy as the business continues to evolve and develop. In October, the Board approved a culture scorecard matrix to provide a benchmark to monitor culture across the Group, to ensure it is aligned with our purpose and values; and provide greater Board insight through formal reporting of both areas of strength and potential areas of development. The scorecard matrix is produced quarterly and reported through the Group's Conduct Risk Framework and shared with the Board for challenge and review. The scores are supported by comments made by staff relating to specific survey questions to provide further insight. Tolerances are set at a level to ensure we continue to work hard to maintain our great culture and challenge us to improve.

Board Evaluation

Having last carried out an external Board evaluation in 2016, and in accordance with the Code requirement that FTSE 350 companies should carry out an externally facilitated evaluation of the Board at least every 3 years, this year the Board evaluation process was led by Ian White. Ian is an independent external consultant with experience of evaluating and making recommendations to enhance Board effectiveness of a number of listed and other companies. Other than being a customer of one of the Group's subsidiaries, Ian has no connection with the Group or any of the Board Directors.

The focus of the independent evaluation was on the dynamics of the Board and Committees to assess their effectiveness and, where applicable, to make some practical suggestions for enhancements. Matters considered included: the dynamics, behaviour and culture including relationships around the Board table; the Board's decision making and strategic approach; the process for Board Succession; together with individual feedback to the Chair and Committee Chairs on their particular roles.

The evaluation process comprised the completion of an online questionnaire that was sent to all Board members and regular Board attendees. The questionnaire considered:

- Board composition together with the utilisation of the experience and expertise of Board members;
- Board dynamics and the interaction between the Chair, Non-Executive Directors and management;
- Leadership and succession planning including the oversight of the Group's processes for managing, developing and retaining talent;
- Understanding by the Board of the prevailing culture within the Group;
- Quality, timeliness of delivery and presentation of Board papers and Board support;
- Time management and operational performance of Board and Committee meetings;
- Risk management and the effectiveness of the Board in considering the Group's risk management framework and internal controls;
- The effectiveness of the Board's strategic and operational oversight;
- Priorities for change that would enhance Board performance.

The results of the questionnaire were then discussed in one to one interviews with Ian and Board members and regular Board attendees. Any particular areas of focus that came out of the results of the questionnaire were discussed together with an assessment of progress since the previous reviews and any material matters identified in the individual questionnaire results. Ian also met a selection of employees to ask about their views on the Board.

As part of the evaluation process, Ian also had access to the papers for and attended, as an observer, one Group Board meeting and one meeting of each of the Group Audit, Remuneration, Nomination and Governance, and Risk Committees in order to assess, at first hand, the dynamics and effectiveness of each meeting.

Ian presented the results of the review to the Board in December 2019 and the Board discussed the specific recommendations that had been proposed to enhance the Board's effectiveness. The Board agreed that good progress had been made in implementing the recommendations identified in the internal evaluation carried out in 2018, particularly around understanding the views and requirements of the Group's stakeholders; improvements in the quality of Board papers; and increased Board focus on customer insight and experience and technological issues facing the Company.

Key recommendations identified in the 2019 review to enhance the Board's effectiveness included:

- increased focus on the need to enhance the Board's expertise in technology;
- ensuring that there continued to be appropriate challenge from the Board on the matters discussed and consideration given to ways this could be enhanced;
- increasing the number of scheduled NED only sessions to ensure that there was appropriate opportunity for the NEDs to discuss matters affecting the Group without management present;
- continued focus on using Board and Committee time more effectively through making sure that Board papers and meeting agendas are drafted appropriately to allow for effective consideration of the matters to be discussed;
- further enhancement to the use of Board paper templates and existing guidelines for the production of Board papers to ensure that the Board's time was used effectively;
- existing induction plans for new Board Directors should be tailored to ensure they are appropriate for the level of experience of the new Board members;
- the number of Board education and training sessions should be regularly reviewed to ensure that the needs of the Board in certain areas was being addressed.

Overall the results of the review concluded that the Board continues to operate effectively. The dynamics of the Board are of a collegiate Board with a good balance of experience, who work well together and are keen to promote the success of the Company. The Board operates as an open and transparent forum for discussion and debate. Everyone has an opportunity to be heard and is encouraged to participate, which contributes to a positive and supportive culture. In addition, the Board has a good understanding of the matters it must focus on and is in touch with its major stakeholders.

The performance of the Chief Financial Officer is appraised annually by the Chief Executive Officer, to whom he reports. The Chair, taking into account the views of the other Directors, reviews the performance of the Chief Executive Officer.

The performance of the Chair is reviewed by the Board led by the Senior Independent Director ("SID"). Following the latest review, the SID considered and discussed with the Chair the comments and feedback that had been received from the Directors as part of the Chair's evaluation questionnaire and was able to confirm that the performance of the Chair is effective and that she demonstrates appropriate commitment to her role. As the Chair will reach her nine year tenure as a Non-Executive Director on the Group Board in March 2021, the Board considered the position of the Chair remaining in post for a period beyond the nine year term. To facilitate effective succession planning and the continued development of a diverse Board and given the performance of the Chair, it is intended, that subject to annual approval by shareholders, she will remain as Chair for up to three years beyond March 2021, with the expectation that she would serve two years.

Division of Responsibilities

The Chair is primarily responsible for leading the Board, setting its agenda, promoting a culture of openness and debate and monitoring its effectiveness. The Chair is supported by the Senior Independent Director, who acts as a sounding board and serves as an intermediary for the other Directors. Neither are involved in the day-to-day management of the Group.

Save for the matters reserved for the Board, the Chief Executive Officer (with the support of the Executive Directors and the senior executives) is responsible for proposing the strategy to be adopted by the Group, running the business in accordance with the strategy agreed by the Board and implementing Board decisions.

The Board has approved a statement that sets out the clear division of responsibilities between the Chair, Chief Executive Officer and Senior Independent Director. This and matters reserved for decision by the Board are reviewed annually.

The Chair

- Runs the Board and sets its agenda, with an emphasis on strategic issues.
- Ensures the Board has effective decision-making processes and applies sufficient challenge to proposals.
- Ensures the Board has an appropriate balance of skills, knowledge, experience and diversity.
- Leads the induction and development plans for new and existing Board members.
- Communicates with major shareholders and ensures the Board understands their views.
- Ensures the Board receives accurate, timely and clear information.
- Leads the annual Board evaluation.

Senior Independent Director

- Supports the Chair in the delivery of their objectives.
- Acts as a sounding board for the Chair and serves as an intermediary for the other Directors.
- Available to shareholders if they have concerns that cannot be resolved through the normal channels.
- Works with the Chair and other Directors/shareholders to resolve significant issues where necessary.
- Leads the annual performance evaluation of the Chair.

The Chief Executive Officer

- Runs the Group's business and delivers its commercial objectives.
- Proposes and develops the Group's strategy, in close consultation with the Group's senior management, the Chair and the Board.
- Implements the decisions of the Board and its Committees.
- Ensures operational policies and practices drive appropriate behaviour, in line with the Group's culture.
- Leads the communication programme with key stakeholders, including staff.
- Ensures management provides the Board with appropriate information and necessary resources.

Board Succession

CEO Succession

In line with the Group's succession and development planning processes, the CEO succession process has been conducted over the last few years driven by the Nominations and Governance Committee and Group Board. This included evaluation and development of internal candidates and a thorough benchmarking of potential candidates using external evaluators.

A specialist Executive Search firm, Russell Reynolds Associates (RRA) was appointed to conduct a full external market search, working to a role specification approved by the Board, to identify potential external candidates and evaluate internal candidates.

Following candidate interviews and presentations, Milena Mondini de Focatiis was selected as the preferred CEO candidate, subject to regulatory approval.

The Board are satisfied that a transparent, robust and comprehensive succession and selection process has been followed. The Board is confident that, in Milena, the Group has a natural successor and a leader for the next generation. Milena brings a deep appreciation of the special Group culture, entrepreneurial spirit, commercial track record and people development skills.

Milena joined Admiral in 2007 and was appointed Group CEO Designate in July 2019. She has been a member of the leadership team throughout her time at Admiral, has extensive experience of the Group's operations and has attended and actively contributed at Board meetings as an observer since 2011. Her previous roles include being CEO of ConTe.it, Admiral's Italian insurance business which she founded in 2008.

Board composition, balance and independence

Careful consideration continues to be given to the independence, composition and balance of the Board. As a result, the Group continues to monitor the need to refresh Board and Committee membership in an orderly manner so as to maintain the continuity of Board process and the strength of personal interaction which underlies the effectiveness of the Board as a team. The Board remains satisfied that it has the appropriate balance of skills, experience, independence and knowledge of the Group to enable it and its Committees to discharge their duties and responsibilities effectively, as required by the Code. In addition, the Directors are aware of their legal duties to act in a way they consider, in good faith, will be most likely to promote the success of the Company for its shareholders, as well as considering the interests of other stakeholders.

The table below details the length of service of the Chair and each of the Non-Executive Directors and illustrates the balance of experience and fresh perspectives.

Director	Date of appointment	Current length of service as a Non-Executive Director at 31 December 2019
Annette Court	21 March 2012	7 years 9 months
Jean Park	17 January 2014	5 years 11 months
Manning Rountree	16 June 2015	4 years 6 months
Owen Clarke	19 August 2015	4 years 4 months
Justine Roberts	17 June 2016	3 years 6 months
Andy Crossley	27 February 2018	1 year 10 months
Mike Brierley	5 October 2018	1 year 3 months
Karen Green	14 December 2018	1 year

The Board currently comprises ten Directors, the Chair (who was independent on appointment), two Executive Directors, and seven independent Non-Executive Directors. As can be seen from the Directors' biographies on pages 76 to 77, the Directors have a broad range of skills and experience and can bring independent judgement to bear on issues of strategy, performance, risk management, resources and standards of conduct which are integral to the success of the Group.

Appointments to the Board are the responsibility of the Board as a whole, acting on the advice and recommendations of the Nomination and Governance Committee. The Nomination and Governance Committee seeks to balance the retirement and recruitment of Non-Executive Directors ahead of their replacement so as to avoid dislocation of Board process by losing experience and skills. The Board is mindful of the need to promote diversity in appointments to the Group Board and across the Group. Appointments are made on merit and against objective criteria, having due regard to the benefits of diversity, including gender, with a view to ensuring the Board has the appropriate mix of personality, skills, and experience. Further information on the process used in relation to appointments and the approach to succession planning and how both support the development of a diverse pipeline are set out in the report of the Nomination and Governance Committee at page 99.

Manning Rountree is the Chief Executive Officer for White Mountains Insurance Group Limited (White Mountains) and acts as Board Observer for White Mountains on the Board of the Group's US price comparison subsidiary, in which White Mountains has a minority shareholding. Given the relatively small size of White Mountains' shareholding in an overseas Group subsidiary company, the Board has determined that Manning Rountree remains independent in character and judgement and that his attendance at Inspop USA LLC Board meetings does not affect his ability to present an objective, rigorous and constructive challenge to the assumptions and viewpoints presented by management and the Board. A process for managing any potential conflicts has been agreed by the Board such that Manning Rountree will recuse himself from any Group Board discussions where a potential conflict of interest with his role with White Mountains has been identified.

The Board, having given thorough consideration to the matter, considers the seven Non-Executive Directors to be independent and is not aware of any relationships or circumstances, other than the above, which are likely to affect, or could appear to affect, the judgement of any of them. It is the view of the Board that the independent Non-Executive Directors have sufficient time available to perform their duties and are of sufficient calibre and number that their views carry significant weight in the Board's decision making.

Independent Non-Executive Directors are currently appointed for fixed periods of three years, subject to election by shareholders. The initial three-year period may be extended for two further three-year periods subject to re-election by shareholders. Their letters of appointment may be inspected at the Company's registered office or can be obtained on request from the Company Secretary.

Owen Clarke was the Senior Independent Non-Executive Director (SID) for the year under review. The Board is satisfied that Owen has the requisite knowledge and experience gained through his Board position, his Chairmanship of the Remuneration Committee, his membership of the Audit and Nomination and Governance Committees. In addition, Owen has financial services experience, gained through his appointment as Chairman, and formerly Chief Investment Officer of Equistone Partners Europe. Owen is available to shareholders if they have concerns that contact through the normal channels of Chair, Chief Executive Officer, or Chief Financial Officer have failed to resolve or for which such contact is inappropriate. As Chair of the Remuneration Committee, Owen is also available to discuss remuneration matters with shareholders. He is also responsible for leading the Board's discussion on the Chair's performance and the appointment of a new Chair, as and when appropriate.

As set out in the Group's Articles of Association, all Directors will retire and offer themselves for re-election at each AGM, in accordance with the UK Corporate Governance Code and the Company's current practice. Therefore, all Directors will be submitting themselves for re-election by shareholders at the forthcoming AGM. The Board is satisfied that all are properly qualified for their reappointment by virtue of their skills and experience and their contribution to the Board and its Committees.

The Directors are given access to independent professional advice at the Group's expense, should they deem it necessary to carry out their responsibilities.

Professional development

On appointment, Directors take part in a comprehensive induction programme whereby they receive financial and operational information about the Group; details concerning their responsibilities and duties; as well as an introduction to the Group's governance, regulatory and control environment.

This induction is supplemented by visits to the Group's head office in Cardiff and certain overseas offices, and meetings with members of the senior management team and their departments. Development and training of Directors is an ongoing process. Throughout their period in office the Directors are regularly updated on the Group's business; legal matters concerning their role and duties; the competitive environments in which the Group operates; and any other significant changes affecting the Group and the industry of which it is a part.

The Board receives presentations from senior managers within the Group on a regular basis and Non-Executive Directors are encouraged to make informal visits to different parts of the Group to meet with local management.

Whistleblowing

The Board has in place arrangements by which members of staff can raise concerns in confidence and if necessary, anonymously. During the year, the Board reviewed and approved the Group's Whistleblowing Policy and were satisfied that the arrangements in place were proportionate for independent investigation of the matters raised and supported an ethical business culture where employees felt safe raising concerns. In addition, the Board received regular updates from the Chair of the Audit Committee (the Group's regulatory Whistleblowing Champion) in respect of reports arising from matters that had been raised by employees under the Policy.

Stakeholder engagement[1]

During the year, the Board has focused on ensuring that there is effective engagement with its stakeholders. Detailed information is set out in the Strategic Report as to how the Board has discharged its duties under s172(1), particularly as regards how the Group has sought to engage with its employees.

Communication and interaction with shareholders remain very important and engagement with them occurs on a regular basis. Open and frequent dialogue with investors enables them to understand fully the Group's strategy, objectives and governance. The Investor Relations team has day-to-day primary responsibility for managing communications with institutional shareholders through a combination of briefings to analysts and institutional shareholders, both at the half-year and full-year results and on other occasions such as roadshows and conferences. A number of analysts and investors visited the Group's Cardiff office during the year to meet with the Executive Directors and senior management in order to get a better understanding of how the Group operates and how it intends to achieve its strategic and operational objectives. Senior executives from the Group's overseas businesses also visit the UK in order to present to, and meet with, analysts and investors. Site visits and individual discussions with the Executive Directors are also arranged throughout the year with individual shareholders.

In addition, the Chair and Senior Independent Director had individual meetings during the year with major shareholders to understand their views on governance and performance against strategy and reported to the Board on any significant issues raised with them.

This is supplemented by feedback to the Board on meetings between management and investors. The Investor Relations team also regularly produces a report on their activities in the previous quarter which is circulated to the Board for their consideration. The Report contains an analysis of share price performance; a summary of analyst reports received during the month and of meetings that have been held with investors and analysts; together with details of any significant changes to the shareholders' register.

The Senior Independent Director has specific responsibility to be available to investors who have any issues or concerns, and in cases where contact with the Chair, Chief Executive Officer and Chief Financial Officer has either failed to resolve their concerns, or where such contact is inappropriate. No such concerns have been raised in the year under review.

All shareholders are invited to attend the Company's Annual General Meeting (AGM). The Chairs of the Audit, Remuneration, Nomination and Governance and Group Risk Committees attend the AGM along with the other Directors and are available to answer shareholders' questions on the activities of the Committees they chair. Shareholders are also invited to ask questions during the meeting and have an opportunity to meet with Directors after the formal business of the meeting has been concluded. Details of proxy voting by shareholders, including votes withheld, are made available on request and are placed on the Company's website following the meeting.

The Group maintains a corporate website (www.admiralgroup.co.uk) containing a wide range of information of interest to institutional and private investors. The major shareholders of the Company are listed in the Directors Report on page 126.

Engagement with other stakeholders

The regular channels of communication with both the FCA and PRA that existed throughout the year were supplemented by the FCA and PRA being invited to attend Board meetings in 2019. The FCA attended the Board in October 2019 which gave the Board an opportunity to hear directly the views of the regulator and to understand, and challenge them on, the rationale for their decisions to the extent that they impact the Group.

1 For more information please refer to pages 18 to 23 of the Strategic Report

Group conflicts of interest

In compliance with the requirements of the Companies Act 2006 regarding Directors' duties in relation to conflicts of interest, the Group's Articles of Association allow the Board to authorise potential conflicts of interest that may arise and to impose such limits as it thinks fit. The Group has put in place a Conflicts of Interest Policy to deal with conflicts of interest and this was reviewed and approved by the Board in December 2019. The Policy sets out the process and procedure by which the Board manages potential conflicts of interest that may arise at Board level and within Board Committees, and within the Group's Subsidiary Boards. Following this review, the Board concluded that the process continued to operate effectively. In addition, each Board member is asked to complete, annually, a conflicts of interest questionnaire that sets out any situation in which they, or their connected persons have, or could have, a direct or indirect interest that could conflict with the interests of the Company. Any current directorships that they, or their connected persons hold, any advisory roles or trusteeships held, together with any companies in which they hold more than 1% of the issued share capital are also disclosed.

Board Committees

The Board has delegated authority to a number of permanent Committees to deal with matters in accordance with written Terms of Reference. The principal Committees of the Board – Audit, Remuneration, Group Risk and Nomination and Governance all comply fully with the requirements of the Code.

All Committees are chaired by an independent Non-Executive Director, except the Nomination and Governance Committee which is chaired by the Chair of the Board and comprise a majority of independent Non-Executive Directors. Appointments to the Committees are made on the recommendation of the Nomination and Governance Committee and are for a period of up to three years, which may be extended for two further three-year periods, provided the Director remains independent. The Committees are constituted with written Terms of Reference that are reviewed annually to ensure that they remain appropriate and reflect any changes in good practice and governance. These Terms of Reference are available on request from the Company Secretary and can also be found on the Company's website: www.admiralgroup.co.uk.

Directors are fully informed of all Committee matters by the Committee Chairs reporting on the proceedings of their Committee at the subsequent Board meeting. Copies of Committee minutes are also distributed to the Board. Committees are authorised to obtain outside legal or other independent professional advice if they consider it necessary. The Chair of each Committee attends the Annual General Meeting to respond to any shareholder questions that might be raised on the Committee's activities. An evaluation of the performance of each Committee against the duties set out in each terms of reference is carried out annually.

The Audit Committee

Meeting our responsibilities throughout the year

"This has been my first full year as Chair of the Group Audit Committee, and I am pleased to set out in this report an update on the main activities of the Committee in 2019."

Karen Green **Chair of the Audit Committee**

Committee members
Karen Green (Chair)
Mike Brierley
Andy Crossley

Meetings

10

Attendance information can be found in the table on page 81

Dear Shareholder,

This has been my first full year as Chair of the Group Audit Committee, and I am pleased to set out in this report an update on the main activities of the Committee in 2019. I would also like to take this opportunity on behalf of the Committee to thank Owen Clarke, who stepped down from the Committee at the end of December 2019, having been a member for four years, for his input and contribution. Owen Clarke remained a member of the Committee following his appointment as the Senior Independent Director in December 2018 to provide continuity given the appointment of three new Committee members between February and December 2018.

Providing support to the Board in its oversight of financial reporting and the control environment across the Group has remained a key area of focus of the Committee during the year. The setting of insurance claims reserves to ensure consistency with the Group's agreed reserving methodology is a key accounting judgement in the Group's Financial Statements (as set out in note 3 to the Financial Statements), and the Committee continues to place considerable focus on this area and also monitors the Group's reserving process. The Committee challenged the key reserving assumptions and judgements, movements, emerging trends and analysis of uncertainties underlying the analysis of outstanding claims proposed by management alongside that of the Group's external actuarial advisers and external auditor, Deloitte. The Committee reviewed the announcement by the UK Government that with effect from 5 August 2019, the Ogden discount rate, which is used in setting personal injury compensation, would be changed to minus 0.25% from the existing minus 0.75% rate that had been in place since February 2017, and challenged management's assessment of the impact of the new discount rate on the cost of claims.

The Committee continued to spend time considering the valuation of the parent company's investment in its subsidiaries and the results of management's impairment testing, in particular the appropriateness of the underlying assumptions and forecasts used, and the stresses applied to the forecasts. Impairment testing considerations in relation to the Group's US businesses, Compare.com and Elephant, received particular attention during the year as the Committee reviewed management's recommendation to impair the carrying value of the Group's investment in these businesses.

The Committee undertook a comprehensive evaluation of the performance of the external auditor and concluded that Deloitte continued to work effectively as external auditor. The Committee spent time considering the audit fee proposed for 2019 and discussed with Deloitte the rationale for the year-on-year increase. The Committee also reviewed the position in relation to its external audit services contract and considered the timing of tendering for the external audit.

Although the introduction of the new insurance accounting standard, IFRS 17 *Insurance Contracts* has, at the time of writing, been deferred to January 2022, the Committee has continued to focus on management's preparedness for its introduction and, the implications for the Group to ensure these are well understood. In this context the Committee received several updates on the introduction of IFRS 17. The Committee also had a separate education session, recapping on the implementation of IFRS 9 and considered the Group's financial assets, including loans, within its scope. In addition, the Committee held an education session, which included a "deep dive" on insurance claims reserving, with presentations from the Group's Actuarial Reserving and Claims Management teams on the Group's case reserving process and methodology and from the Group's external actuarial experts to provide further insight into their reserving review methodology and process. The Committee also reviewed management's proposals to transition to using Admiral's internal actuarial estimates for UK Motor Insurance claims reserving in 2020. In addition, the Committee received an update on the Group Finance function and the key systems involved in the financial reporting processes.

The Committee considered and reviewed the Group's whistleblowing policy and received updates on the use of the policy and the instances of whistleblowing that had been raised across the Group during the year. The Group's whistleblowing policy was recommended to the Board for approval and, after discussion and review, the Board concluded that the current whistleblowing arrangements were an appropriate means by which staff could raise concerns in confidence and anonymously.

In addition, the Committee continued to monitor the appropriateness of the Group's system of risk management and internal control and reviewed the Group's Minimum Control Standards' Framework to ensure that these continued to develop in line with the business and that a consistent approach to the control frameworks was deployed across the Group. The Committee maintained a close focus on the UK insurance business and also reviewed overseas subsidiaries and the Group's loans business.

The Committee also considered a letter from the Financial Reporting Council (FRC) relating to certain aspects of the Group's Annual Report and Accounts 2018. The Committee reviewed and agreed the comprehensive response proposed by management, with input from the external auditor, to the questions raised by the FRC. As a result, a small number of enhancements have been made to the accounting disclosures in the Financial Statements.

The Committee also continued to keep under review the proposed changes to the external audit market following the publications of the CMA, Kingman and Brydon reviews.

I hope you find the above summary, and the more detailed report, both useful and informative.

K.A. Green

Karen Green
Chair of the Audit Committee
4 March 2020

Membership

Membership of the Committee at the end of the year was: Karen Green (Chair), Andy Crossley and Mike Brierley. As referenced above, Owen Clarke stepped down as a member of the Committee with effect from 31 December 2019, and I would like to thank him for his input and contribution. Two of the Committee's members are Fellows of the Institute of Chartered Accountants in England and Wales. Given the insurance and financial services experience of the members of the Committee, the Board considers that they have a broad range of skills, experience and knowledge of the insurance sector, which represents the principal market in which the Group operates, and also the area of consumer lending in which the Group has a small but emerging business, such that they are able to effectively analyse, challenge and debate the issues that fall within the Committee's remit. The Board is satisfied that the Committee as a whole has competence relevant to the sectors in which the Group operates and further considers that a number of its members have recent and relevant financial experience. The Company Secretary acts as Secretary to the Committee. The Committee meets at least six times per year and has an agenda linked to events in the Company's financial calendar and other important issues that arise throughout the year, which fall for consideration by the Committee under its remit.

The Committee is kept up to date with changes to Accounting Standards and relevant developments in financial reporting, company law, and the various regulatory frameworks through presentations from the Group's external auditor, Chief Financial Officer and Company Secretary. In addition, members attend relevant seminars and conferences provided by external bodies. The Terms of Reference of the Audit Committee include all the matters required under the Code and are reviewed annually by the Committee.

Other individuals such as the Chair of the Board, Chief Executive Officer, Chief Financial Officer, Chief Risk Officer, Chief Actuary, Heads of Compliance and Internal Audit, and representatives of different parts of the Group may be invited to attend all or part of any meeting as and when appropriate. The Chair of the Audit Committee meets privately with the Head of Internal Audit on a regular basis and the Committee also held a private meeting with the Head of Internal Audit. The external auditor was invited to attend all of the Committee's meetings held in 2019, excepting those agenda items when its own performance/appointment was to be reviewed. In addition, two private meetings were held between members of the Committee and the auditor. The Chair and other Committee members also held several private meetings with the auditor during the year.

The Audit Committee's primary responsibilities are to:

- Monitor the integrity of the Group's Financial Statements and any formal announcement relating to the Group's financial performance, reviewing any significant financial reporting judgements which they contain;
- Keep under review the effectiveness of the Company's internal financial controls, internal control and risk management systems;
- Review the Group's procedures for handling allegations from whistleblowers and for detecting fraud;
- Monitor and assess the role and effectiveness of the Group's Internal Audit functions in the context of the Group's overall internal control and risk management systems;
- Consider and make recommendations to the Board, to be put to shareholders for their approval at the AGM, in relation to the appointment, reappointment and removal of the Group's external auditor;
- Review the external auditor's independence and objectivity and the effectiveness of the audit process;
- Review the policy on the engagement of the external auditor to provide non-audit services, considering the relevant regulatory guidance regarding the provision of non-audit services by the external auditor.

Summary of key activities during 2019

The agenda for the meetings taking place during the year are agreed by the Committee Chair and detail the matters to be discussed and considered at each meeting. There were seven scheduled Committee meetings held during the year (with two of these meetings focused on reserving matters in conjunction with the half year and full year reporting). In addition, there were three additional meetings that were called to address particular issues that had arisen during the year. The agendas are updated regularly to allow for new items to be included.

During the year the Committee reviewed the following:

- The Annual Report and interim results, including key accounting judgements and disclosures;
- The Group Solvency and Financial Condition Report;
- Reports from the Internal Audit departments within the Group on the effectiveness of the Group's risk management and internal control procedures, approval of the 2020 Audit Plan including resourcing levels, details of key audit findings, and actions taken by management to manage and reduce the impact of the risks identified;
- Performance and effectiveness of the Internal Audit department;
- A summary of the key findings from all reports from Internal Audit including management responses to the conclusions set out in the reports;
- Reports from the external auditor including the management letter highlighting system and control recommendations, key accounting and audit issues and conclusions on the half year and full year reporting;
- A Report from the Chair of the Group Risk Committee on the principal risks faced by the Group and the work undertaken by the Group Risk Committee to ensure risk is appropriately managed;
- Presentations from the Group's external actuarial experts to assist the Committee in concluding on the adequacy of the Group's reserves;

- Reports on the risk transfer analysis underpinning the Group's use of reinsurance in its business model;
- Reports from Deloitte, the external auditor, on their proposed audit scope, plan and findings;
- Proposed external audit fee and the drivers of the year-on-year increase;
- Confirmation of the external auditor's independence;
- The effectiveness of the Group's Whistleblowing Policy which sets out the arrangements for raising and handling allegations from whistle blowers and receiving regular reports on instances of whistleblowing that have been raised;
- Reports on the controls in place, including any breaches or incidents, in respect of the Group's overseas subsidiaries and in relation to cyber security;
- Updates from the European Head of Internal Audit and subsequently from the Chair of the European Audit Committee (of the Group's subsidiary Admiral Europe Compañía de Seguros, S.A., which underwrites the Group's European insurance businesses) on the activities of that committee;
- The Committee also had presentations and discussions on a range of important issues including: the impact of the forthcoming IFRS 17 accounting changes, an accounting update on the Group's loans business focused on the requirements and implementation of IFRS 9, an update on the implementation of Group Minimum Control Standards' framework and Solvency II Technical Provisions and other Solvency II reporting;
- A separate Committee "deep dive" session on reserving by the Group's claims management and actuarial reserving teams and external actuary;
- Letter and response from management to the Financial Reporting Council (FRC) letter on the 2018 Annual Report & Accounts dated 16 October 2019;
- Its own Terms of Reference;
- Its own effectiveness;
- Meetings held with the external auditors and also with the Head of Internal Audit without management being present.

Significant issues considered by the Committee

After discussion with both management and the external auditor, the Audit Committee determined that the key risks of misstatement of the Group's Financial Statements related to valuation of insurance claims reserves and the valuation of the projected excess of loss reinsurance recoveries.

These significant issues were discussed with management during the year and with the external auditor at the time the Committee reviewed and agreed the external auditor's Group audit plan; when the external auditor reviewed the interim Financial Statements in August 2019 and also at the conclusion of the external audit of these full year Financial Statements.

Valuation of insurance claims reserves

The Committee continued to spend significant time reviewing and challenging the approach and methodology adopted by management in setting reserves for insurance liabilities in the Financial Statements to ensure that it remained consistent with the Group's stated reserving approach to set claims reserves at a prudent level. In this context, the Committee challenged management on the important judgements and assumptions used in estimating outstanding claims. Further information is set out in more detail in the critical accounting judgements section of Note 1.

The Committee held separate meetings with the Group's UK external actuaries, at which there was challenge and debate on the best estimates developed by the external actuaries. At these meetings management provided further information on the reserving levels proposed and were challenged by the Committee as to their adequacy and level of inherent prudence.

The Committee monitored the uncertainty around the changes to the Ogden discount rate, which is used in setting personal injury compensation, and reviewed the impact on the Group's Financial Statements of the new discount rate of minus 0.25% that was announced in July 2019 and was applicable from 5 August 2019. The Committee compared this to the previous rate of minus 0.75% that had been applicable since February 2017 and the assumed rate of 0%, which was adopted in the Group's 2018 year end Financial Statements and challenged management's assessment of the impact of the new discount rate on the cost of claims.

Whilst acknowledging that the setting of reserves for claims which will settle in the future is a complex and judgemental area and having had the opportunity at the separate meetings referred to above to consider and question the recommended best estimates, the Committee is satisfied that an appropriate process has been followed and that there has been sufficient scrutiny, challenge and debate to give confidence that the reserving levels set provide an appropriate margin above best estimates, noting the consistent level of prudence that remains within the reserves.

The Committee also received an update from the auditor regarding their challenge that they had applied to management's qualitative and quantitative justifications for the margin held over actuarial best estimate reserves through review of management's accounting judgement papers. Based on their review of these procedures the auditor was satisfied that the booked reserves remain appropriate and were consistent with the Group's prudent accounting policy.

Valuation of the projected excess of loss reinsurance recoveries

The Committee considered the changes made by the Group's independent actuarial experts to the methodology that they used for modelling excess of loss reinsurance recoveries during the first half of 2019, that were carried out as part of the regular enhancements to the reserving methodologies used in projecting both the large bodily injury claims in the gross analysis and the excess of loss recoveries arising from these projected claims. In this context the Committee challenged the external actuary on the judgemental actuarial methodology they had applied to their analysis of projected excess of loss reinsurance recoveries on large bodily injury claims.

The auditor, through its own actuarial specialist, obtained assurance over the objectivity and competence of the Group's external actuary and had challenged the appropriateness and implementation of the methodology to ensure that consistency in approach to excess of loss reinsurance recoveries within the best estimate reserves was appropriate.

Impairment testing on the Group's investment in subsidiaries

The Committee reviewed and challenged the results of management's impairment testing of the Group's investment in subsidiaries, performed where indicators of impairment were present. A total impairment charge of £93.6 million has been recognised in relation to the Group's investments in its US comparison business, Compare.com (£27.7 million) and its US insurance business, Elephant Auto (£65.9 million).

The impairment in Compare.com reflected the reduction of the previous carrying amount (£32.8 million) of the Group's investment to its recoverable amount (£5.1 million), being its fair value less costs to sell and equivalent to Group's share of net assets of the business at 31 December 2019. In performing its review, the Committee challenged the cash-flows supporting value in use calculations and the use of net asset value as fair value less costs to sell.

The impairment in Elephant Auto of £65.9 million reflected the reduction of the previous carrying amount (£105.8 million) to its recoverable amount, being value in use. The Committee reviewed and challenged the cash-flows supporting the value in use calculations, including the underlying financial forecasts and key assumptions supporting the cash-flows such as forecast loss and expense ratios. Key assumptions within the cash-flows were challenged, including the discount rate, tax rate and terminal value of the business. The Committee also heard from its auditor on the results of its audit tests performed on management's projections.

The Committee was comfortable that management performed a thorough and robust process in line with the relevant accounting standard.

Further information is set out in the critical accounting judgements section of Note 1 to the parent company financial statements.

Misstatements

No material unadjusted audit differences were reported by the external auditor. The Committee confirms that it is satisfied that the auditor has fulfilled its responsibilities with diligence and appropriate professional scepticism.

After reviewing the presentations and reports from management and consulting where necessary with the auditor, the Committee is satisfied that the Financial Statements appropriately address the critical judgements and key sources of estimation uncertainty (both in respect to the amounts reported and the disclosures). The Committee is also satisfied that the significant assumptions used for determining the value of assets and liabilities have been appropriately scrutinised, challenged and are sufficiently robust.

Non-audit fees

The Committee reviewed and approved its policy on non-audit services in February 2019 and was satisfied that it was aligned with current regulatory guidance. Under the policy, the Group's statutory auditor would only be engaged to carry out non-audit services in exceptional circumstances or where there was a regulatory request and where agreed by the Committee.

Unless required by law, or regulation any non-audit services will: a) be subject to prior approval from the Committee and b) in aggregate, shall not cost more than 70% of the average statutory audit fee for the past three financial years. In considering whether to approve such non-audit services, the Committee shall ensure that:

- There is no direct effect, or in the view of an objective, reasonable and informed third party, would have an inconsequential effect, on the audit services on the Group's Financial Statements;
- The estimation of the effect on the Financial Statements is comprehensively documented and explained in a report to the Committee;
- The non-audit services provided comply with the principle of independence; and
- The audit firm must not place significant reliance on the output of the non-audit services for the audit work.

The Committee will continue to monitor regulatory developments in this area, noting the introduction of a revised Ethical Standard effective from 15 March 2020, to ensure that its policy on non-audit fees adheres to current guidance and best practice.

Effectiveness of the external audit process

The Committee undertakes an annual review to assess the independence and objectivity of the external auditor and the effectiveness of the audit process, taking into consideration relevant professional and regulatory requirements, the progress achieved against the agreed audit plan, and the competence with which the auditor handled the key accounting and audit judgements. As part of its review, the Committee considered, inter alia, the following: the output of an online questionnaire completed by all Committee members and relevant members of the Group's Finance and Internal Audit functions; the findings of the FRC EQA published in July 2019 and the external auditor's firm wide transparency report, an updated version of which was published in 2019. Following this review, the Committee concluded that the auditor, Deloitte LLP, remained independent and provided a service that was robust and fit for purpose. Mark McQueen has been Deloitte's senior statutory audit partner for the Group since Deloitte were appointed the Group's external auditors in April 2016.

Audit fee

During 2019, the Committee reviewed and approved the audit fee proposal for the 2019 year end Group audit. The agreed fee for the audit and other assurance related services for 2019 is £1.3 million (2018: £0.9 million), with the increase reflecting changes to the scope of the audit, resulting from growth in and changes to the Group's businesses.

The Committee approved the fee increase having discussed with the auditor the rationale for the costs proposed and any potential inefficiencies within the audit process.

Audit Tender

The Group last completed an audit tender in 2015 for the 2016 year end when, following the completion of a transparent and independent audit tender process, Deloitte LLP were recommended to shareholders as the Group's auditor at the AGM in April 2016 and a resolution passed to that effect.

In last year's Annual Report and Accounts the Committee reported that they had reviewed the arrangements with the current external auditor and had considered whether it was appropriate to initiate a tender process in order that the current arrangements could be reviewed against those offered by other audit firms in the market.

The Committee considered the results of various reviews and consultations on the audit services market as well as other factors relating to a potential tender process and concluded that it was appropriate to continue with the planned tender timetable.

As such, a recommendation from the Committee was put to the Board for a tender process to be initiated in Q2 2020 for an appointment (or reappointment) to be made with effect from 2021, coinciding with the rotation of the current audit partner. As the Committee has primary responsibility for conducting the tender process and making recommendations to the Board, regarding the appointment, reappointment and removal of the external auditor, it will lead the proposed tender process. The Committee intends to engage with the Group's major shareholders to get their views on the firms that will be invited to participate in the tender and the timetable that has been agreed for the tender process.

The Committee confirms it is in compliance with the provisions of the Statutory Audit Services for Large Companies Market Investigation Order 2014.

Internal Audit

The Group Head of Internal Audit attended all scheduled Audit Committee meetings and provided a range of presentations and papers to the Committee, through which the Committee monitors the effectiveness of the Group's internal controls. The Committee reviewed and approved the Group Internal Audit Terms of Reference which set out the role; objectives; reporting lines and accountability; authority; independence; and objectivity of the Internal Audit function. The role and competence of each Internal Audit function across the Group was also assessed and considered by the Committee. The Group Head of Internal Audit continues to have responsibility to ensure the quality of the Internal Audit activities in the Group's overseas locations.

During the year, the Committee considered and approved the appointment of a new Group Head of Internal Audit. Following a thorough search process, supported by an external search firm, an internal candidate was appointed pending the requisite regulatory approvals.

Members of the Committee also receive all issued audit reports, enabling them to challenge the reports' content and related recommendations. The Committee approves the Internal Audit programmes at the start of each calendar year whilst the effectiveness and workload of the Internal Audit functions and the adequacy of available resources are monitored throughout the year.

In accordance with agreed parameters, the overseas operations in Spain, Italy, France and the US have their own locally based internal auditors, who report to their respective country heads. All reports are evaluated by the Group Head of Internal Audit to ensure the quality and effectiveness of the reported findings. In addition, the UK Internal Audit department carries out high level governance reviews of all foreign operations, assessing the internal control frameworks and system of risk management. The overseas internal auditors attend Committee meetings periodically and the Committee received an update from the internal auditor of the Group's insurance business in Italy on the activities of the audit function and the audit reports and recommendations that had been issued.

Committee effectiveness review

As part of the Committee's detailed annual review of its performance and processes, each Committee member completed a comprehensive questionnaire designed to provide objective assessment of the Committee's performance, including its effectiveness in monitoring internal and external audit. The Committee discussed the results of the review at the meeting in December and concluded that, overall, the Committee and the audit process were effective; that the Committee had full access to all the information it required; that the Committee had appropriate Terms of Reference; and that it was adequately discharging its responsibilities.

The Group Risk Committee

Statement from Jean Park, Chair of the Group Risk Committee

"As Chair of the Group Risk Committee, I am pleased to present the Committee's report for 2019."

Jean Park Chair of the Group Risk Committee

Dear Shareholder,

During the year the Committee reviewed the Board's risk strategy and risk appetite across the Group. This included updates on the UK Insurance business as well as developments within the other businesses as a key part of the Group's Enterprise Risk Management Framework ('ERMF'). The developments focused on the establishment of the European insurance entity, Admiral Europe Compañía de Seguros S.A. (AECS) and the growth of Admiral Financial Services Limited (AFSL). A further refresh of the suite of Key Risk Indicators with associated triggers and limits was completed, reflecting the updates to the Group risk appetite.

Against the background of political uncertainty in 2019, the Committee received confirmation of the successful completion of the AECS related portfolio transfer at the beginning of the year, mitigating the potential risks associated with a "no deal" Brexit for the Group's customers in Europe. 2019 started with the trading of that business and Spanish based Intermediary, Admiral Intermediary Services (AIS). Throughout the year, the Committee also received updates on the progress of the initial governance and management actions of AECS. In the UK, the Committee received regular updates on preparations for Brexit in the lead up to anticipated departures from the EU in October 2019 and January 2020. Given Admiral's consistently prudent approach to Brexit, the Committee considered the potential requirements for a "no deal" outcome and associated operational management decisions.

A significant amount of time has been spent overseeing the development of the Admiral Internal Model ("AIM") which is used to capture and quantify all material risks within the Group and calculate the solvency capital requirement. Much of 2019 has been focused on the enhancement of the model following feedback from previous independent validation cycles. The current cycle of validation is being supported by Ernst & Young (EY) for the first time.

The Group continues to maintain a regulatory capital add-on to cover risks not captured within the Standard Formula. The Committee has also reviewed the Group's proposed dividend level, capital plan and capital buffer in line with the capital policy. The review considered several sensitivities, stress tests and scenarios including assessing the uncertainty around future changes to the Ogden discount rate. The Group continues to make use of Undertaking Specific Parameters (USPs) for Admiral Insurance (Gibraltar) Limited (AIGL) and the Volatility Adjustment (VA) across its UK insurance entities.

The Committee challenged and reviewed the setting of, and outputs from the regular stress and scenario testing and reverse stress testing, with a greater emphasis on the principal risks and uncertainties facing the Group as well as the on-going legal, regulatory and political uncertainty. The output was incorporated into the Own Risk and Solvency Assessment ('ORSA') report for 2019, which the Committee also reviewed prior to Board approval.

The Group's project governance framework has enabled the Committee to have oversight of the material projects and change programmes within the Group. The Committee oversaw key developments to these projects, with regular updates provided throughout the year. Detailed project reviews were facilitated as required by the Committee, in particular, those related to cyber security and the use of Cloud based technology.

The on-going focus on monitoring and reporting customer outcome risks was enhanced through the continued embedding of the Group conduct risk framework. The Group minimum standards were enhanced to reflect the continued growth of non-UK insurance businesses.

The Committee also continues to focus on key operational risks that affect the Group. The governance of the risk event process continues to improve, providing greater assurance to the Committee regarding the management of major risk events. The Committee has continued to spend time reviewing material risk events reported during the year.

Jean C Park

Jean Park
Chair of the Group Risk Committee
4 March 2020

Composition of the Group Risk Committee

Membership at the end of the year was: Jean Park (Chair), Annette Court, and Manning Rountree with Mark Waters acting as Secretary to the Committee.

The Committee held five scheduled meetings during the year with a further three meetings dedicated to the Internal Model process.

Duties and Responsibilities of the Group Risk Committee

The duties and responsibilities of the Committee are set out in Terms of Reference that were reviewed and approved by the Board.

The responsibilities of the Committee are:

- Overseeing the development, implementation and maintenance of the Group's overall Risk Management Framework and ensuring that it is in line with emerging regulatory, corporate governance and best practice guidelines.
- Monitoring the Group's prudential risk exposure, which includes ensuring that the Group's capital resources and liquidity profile are appropriate to its needs whilst meeting minimum regulatory requirements, including overseeing and challenging the design and execution of the Group's stress and scenario testing.
- Monitoring the Group's current and future conduct risk exposure.
- Ensuring the adequacy and effectiveness of the Group's systems and controls for the prevention of financial crime, data protection systems and controls.
- Monitoring the adequacy and effectiveness of the Group's Compliance functions.
- Reviewing the Group's compliance with Solvency II.
- Reviewing compliance with Group policies.
- Considering and recommending to the Board for approval the Group's risk appetite, including any changes to the appetite for each material type of risk faced by the Group.
- Approving the annual plans for the Group Risk and Compliance functions which include reviewing regulatory developments and regular meetings with the PRA and FCA.
- Reviewing the ORSA report each year with recommendations being provided to the Group Board for approval.
- Reviewing and approving the Solvency II Actuarial Function Reports on Reinsurance and Underwriting each year.
- Reviewing and approving the remuneration report from the Chief Risk Officer (CRO) prior to Remuneration Committee sign off.

The Committee Chair reports formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities, as set out in previously circulated minutes to the Board. The Committee Chair also reports on the activities of the Committee in a formal written report that is submitted to and discussed by the Board annually.

The work of the Committee is supported by more detailed work undertaken by executive Risk Management Committees in each of the Group's operational entities. At each meeting, the Risk Management Committees consider significant movements in the operation's risk profile, any risks that have arisen and any emerging risks. Risk Management Committees also assess and monitor any regulatory issues, ensuring that their resolution and the action taken are appropriately recorded. The Risk Management Committees receive regular information on Conduct Risk, such as complaint handling reports and other related management information. The Group Risk Management function reviews and collates information from across the Group for consideration by the Group Risk Committee (GRC).

Summary of key activities in 2019

During the year the Committee:

- Reviewed the Group's updated risk strategy, risk appetite and associated triggers and limits in the context of the Group's agreed strategic objectives.
- Received regular monitoring reports on customer outcome risk and reviewed updates to the Group Minimum Standards and Policy Framework.
- Reviewed the Group's proposed dividend level, capital plan and capital buffer in line with the capital policy.
- Reviewed the Group's regulatory capital add-on application as part of Solvency II capital requirements.
- Through stress and scenario testing and reverse stress testing, considered in-depth analysis of a number of the Group's most significant risk areas.
- Considered the adequacy of risk mitigation measures and contingency plans including a review of the Group's reinsurance provisions.
- Recommended to the Board approval of the 2019 ORSA Report prior to submission to the regulator and approved the ORSA policy.
- Dedicated a significant amount of time to developing the Admiral Internal Model, receiving regular updates on the progress of the IMAP project and providing challenge to key project work streams, in particular the model validation.
- Received regular risk monitoring reports on performance of Key Risk Indicators within the overall risk management framework.
- Received updates on the impact of a number of notifiable risk events throughout 2019.
- Received regular updates in relation to key programmes of work including IT Strategy, IT Security, GDPR and Brexit as part of the Group's enhanced project governance framework.

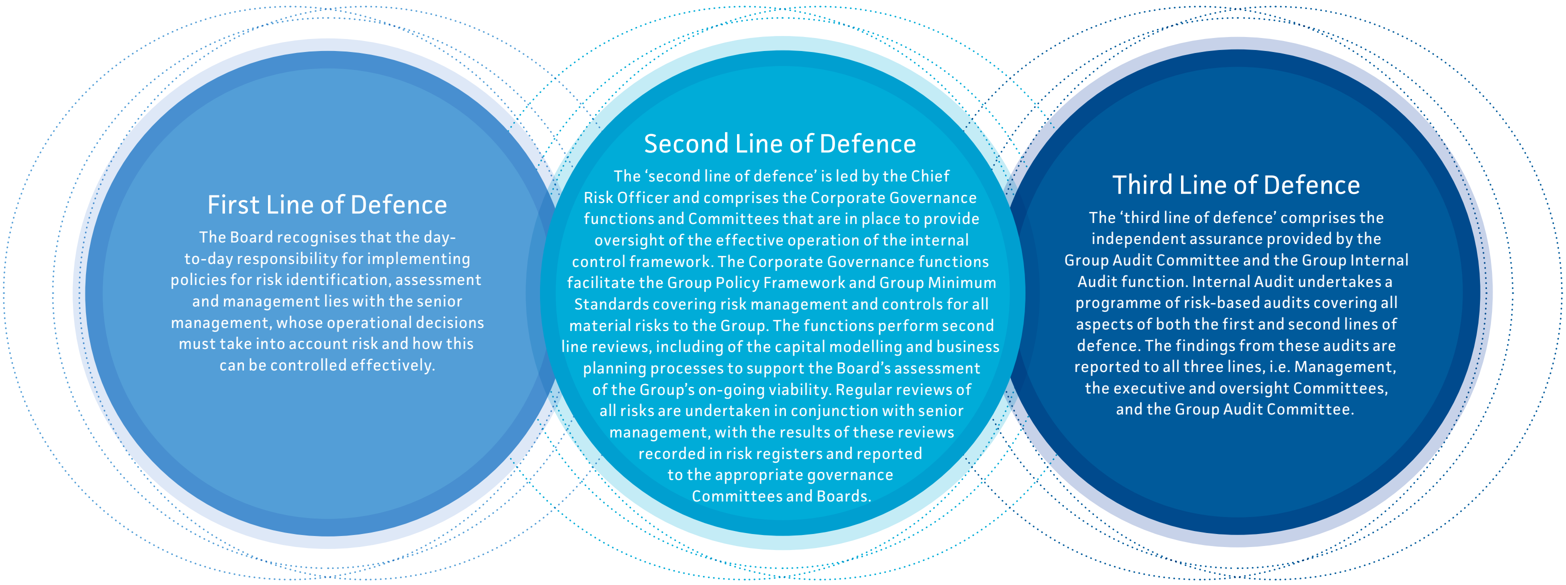
Internal Control and Risk Management Statement

The system of risk management and internal control over insurance, operational, market, credit and group risks is designed to manage rather than eliminate the risk of failure to achieve business objectives and breaches of risk appetites and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board is ultimately responsible for the Group's system of risk management and internal control and, through the Audit Committee, has reviewed the effectiveness of this system.

The Board is of the view that there is an ongoing process for identifying, evaluating and managing the Group's risks and internal controls; that it has been in place for the year ended 31 December 2019; and that, up to the date of approval of the Annual Report and Accounts, it is regularly reviewed by the Board and accords with the internal control guidance for Directors provided in the 2018 UK Corporate Governance Code.

The Board confirms that it has performed a robust assessment of the Group's principal and emerging risks. These risks, along with explanations of how they are being managed and mitigated, are included in the Strategic Report on pages 66 to 73. The Board is responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives. This assessment supports the Board in monitoring the integrity of the Group's reported Financial Statements.

The Group operates a ‘three lines of defence’ approach to Risk and Internal Control.



The Board meets at least seven times a year to discuss the direction of the Group and provide oversight of the Group’s risk management and internal control systems.

The Board has delegated the development, implementation and maintenance of the Group’s overall risk management framework to the GRC. The GRC reports on its activities to the Board and the Audit Committee, supporting the overall assurance provided by the Audit Committee that the Group’s internal control, risk management and compliance systems continue to operate effectively.

The Board has delegated to the Audit Committee the review of the adequacy and effectiveness of the Company’s internal financial controls, internal control and risk management systems.

The subsidiary boards, GRC, UK and overseas Risk Management Committees receive reports setting out key performance and risk indicators and consider possible control issues brought to their attention by early warning mechanisms that are embedded within the operational units. They, together with the Audit Committee, also receive regular reports from the Internal Audit function, which include recommendations for improvement of the control and operational environment.

An annual assessment of the completeness of the risk management reviews and testing of internal controls is supported by the production of an Integrated Assurance Map, summarising the reviews performed and assurance provided by all three lines of defence, in relation to the key risks facing the Group. The Integrated Assurance Map is reported to the GRC at least annually. The Chair of the GRC provides a written report to the Group Board of the activities carried out by the Committee on an annual basis. In addition, the Group Board receives reports from the Chair of the Group Audit Committee as to its activities, together with copies of the minutes from subsidiary Board meetings and the Group Risk and Audit Committees.

The Group Audit Committee’s ability to provide assurance to the Group Board depends on the provision of periodic and independent confirmation, primarily by Internal Audit, that the controls established by management are operating effectively and where necessary provides a high-level challenge to the steps being taken by the GRC to implement the risk management strategy.

Viability

In accordance with Provision 31 of the 2018 UK Corporate Governance Code, the Directors have assessed the prospect of the Company over a longer period than the 12 months required by the ‘Going Concern’ statement. The Board reviews five-year financial projections twice a year, three-year solvency projections at least three times a year and approves a one-year financial budget for the forthcoming 12 months on an annual basis.

Every year, the Group undertakes an ‘Own Risk and Solvency Assessment’ (ORSA), which sets out a detailed consideration of the principal risks and uncertainties facing the Group over a three-year time horizon and considers current and projected levels of solvency and liquidity over the period. The ORSA is the main source of evidence used by the Board to assess viability. Given the additional uncertainty inherent in projecting beyond a three-year period, the assessment of viability has been performed over a three-year period.

The principal risks and uncertainties faced by the Group are set out on pages 66 to 73 and note 6i to the Financial Statements sets out the Group’s objectives, policies and procedures for managing financial assets and liabilities.

Quantitative and qualitative assessments of risks are performed as part of the ORSA process. The quantitative assessment considers how the regulatory capital requirements, economic capital needs, own funds and solvency position of the Group is projected to change over the three-year horizon, with a requirement to maintain a solvency ratio above the approved capital risk appetite buffer throughout the projection. The assessment also includes a series of sensitivity, stress and scenario tests and reverse stress tests which assess the Group's principal risks and uncertainties, identifying and quantifying the operational, financial and solvency impacts of these stresses alongside potential mitigating factors and management actions. The results of the stress tests also form part of the process to set the Group's capital risk appetite, which ensures that a buffer is held on top of the Group's regulatory capital requirement to protect its regulatory capital position against potential shocks and stresses.

Key strategic decisions including the setting of dividend payments, consider the solvency impact against the Board approved capital risk appetite of 130%, which is a key criterion for the Board in assessing viability. Refer to the Strategic Report for information on sensitivities to the reported 2019 solvency ratio position.

In order to mitigate the implications of a number of possible Brexit scenarios, the Group restructured the European Insurance and price comparison businesses, with the establishment of new insurance and intermediary companies in Spain. This ensures that the Group can continue servicing its European customers after the UK withdraws from the European Union. The governance of the new Spanish companies is now running effectively.

In the UK, procedures have been established to monitor and manage potential supply chain changes and communications to customers.

Based on the results of this analysis, the Directors have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due, for the next three years.

Climate Change

In 2019 the Group set up a Climate Change-Related Risks Project (discussed elsewhere in the Annual Report) in order to: (1) understand current and potential future risks and opportunities arising from climate-related change; (2) understand disclosure and reporting requirements; and (3) determine how to incorporate climate-related risks into BAU risk management. Climate change-related risks can broadly be categorised as physical risks, such as increasingly severe weather events which arise from changes in the climate, and transition risks which will arise from any move towards a low carbon economy. Admiral is following Task Force on Climate-related Financial Disclosures (TCFD) recommendations in identifying, managing, reporting and disclosing climate change-related risks.

Governance

The Group Board has ultimate oversight of climate-related issues. Climate change-related risks and disclosures are reviewed and discussed at several Committees and within the Board, including the GRC, the Group Audit Committee, and at subsidiary Boards and subsidiary Risk Management Committees.

The GRC retains primary oversight responsibility for climate change-related risks and opportunities, which are reported within the consolidated risk report (CRR). It has delegated authority from the Board for overseeing risk management activities. It advises the Board on Admiral's Principal Risks and Uncertainties (PR&U), as well as on emerging risks, and reviews the Company's management of these risks. It is anticipated that climate change-related risk will remain an emerging risk for the foreseeable future. Emerging risks are monitored and updated (as required) on a monthly basis. If deemed material enough, the impact from climate change-related risk will be included in Admiral's PR&U, which are updated on a biannual basis, and captured by the Enterprise Risk Management Framework. A similar process will be followed at subsidiary level, for those subsidiaries deemed to be exposed. The day-to-day responsibility for managing and reporting on climate change-related risk sits with the Group Risk team with overall responsibility held by the Group CRO.

Strategy

With varying degrees of impact, climate change will affect many of Admiral's PR&U. While the effects of physical risks and transition risks will be felt by different parts of the business, and over different time frames, taken together the largest impacts are expected to be in non-life premium (pricing) risk, reinsurance risk, and strategic risk. Other risks and opportunities have been considered, and their impacts assessed.

Physical risks will impact many lines of business, including motor, household and travel. Transition risks, however, may have the bigger impact in the short-to-medium term due to potential changes in government policy and consumer behaviour, especially in scenarios limiting post industrial temperature rises to 1.5 or 2 degrees (i.e. aligned with the 2016 Paris Agreement). Some climate change-related transition risks were holistically captured in Admiral's Group Strategy Review exercise, completed in 2019, and follow-on projects are ongoing to ensure that climate change is considered in setting the strategic direction of the Group.

Risk management, metrics and targets

The TCFD proposes a framework for understanding climate change-related risks, which Admiral Group follows. Risk management follows an internally developed framework for emerging risks. Risk identification incorporates both internal and external viewpoints: external sources are scanned for all possible risks posed by climate change, which are then narrowed and refined using internal expertise and knowledge of the Group's business model and strategy. Risks are then assessed using both qualitative analysis, to prioritise risks, and quantitative analysis, to understand their impact on the business.

Committee members

Jean Park (Chair)
Annette Court
Manning Rountree
Mark Waters (Secretary)

Meetings

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Attendance information can be found in the table on page 81

Summary of Key Activities in 2019

During the year the Committee:

Reviewed the Group's updated risk strategy, risk appetite and associated triggers and limits in the context of the Group's agreed strategic objectives.

Received regular monitoring reports on customer outcome risk and reviewed updates to the Group Minimum Standards and Policy Framework.

Reviewed the Group's proposed dividend level, capital plan and capital buffer in line with the capital policy.

Reviewed the Group's regulatory capital add-on application as part of Solvency II capital requirements.

Through stress and scenario testing and reverse stress testing, considered in-depth analysis of a number of the Group's most significant risk areas.

Considered the adequacy of risk mitigation measures and contingency plans including a review of the Group's reinsurance provisions.

Recommended to the Board approval of the 2019 ORSA Report prior to submission to the regulator and approved the ORSA policy.

Dedicated a significant amount of time to developing the Admiral Internal Model, receiving regular updates on the progress of the IMAP project and providing challenge to key project work streams, in particular the model validation.

Received regular risk monitoring reports on performance of Key Risk Indicators within the overall risk management framework.

Received updates on the impact of a number of notifiable risk events throughout 2019.

Received regular updates in relation to key programmes of work including IT Strategy, IT Security, GDPR and Brexit as part of the Group's enhanced project governance framework.

The Nomination and Governance Committee

Statement from Annette Court, Chair of the Nomination and Governance Committee

"The Committee focused its time on ensuring that the Group's policy on diversity and inclusion, gender balance of the Group's senior management and their direct reports and the approach to succession planning were appropriately considered during the year."

Annette Court Chair of the Nomination and Governance Committee

Committee members
Annette Court (Chair)
Justine Roberts
Owen Clarke

Meetings

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Attendance information can be found in the table on page 81

Dear Shareholder,

Given the role played by the Committee in the selection process for a new CEO, succession planning has inevitably been a key focus of the Committee and occupied most of the Committee's time during the year as the composition and experience of the Board at a Group and subsidiary level was regularly reviewed. The Committee also reviewed the leadership needs of the organisation and the pipeline of talent within the organisation.

The Committee continued to monitor the implementation of the recommendations contained in the external review of the Group's governance arrangements that was carried out in 2018. A further external governance review was also initiated during the year which focused on assessing the effectiveness of the implementation of the recommendations from the previous external governance review carried out in 2018. The Committee received regular updates from management on the progress of the review and, at the meeting in August, received an update from the senior members of the external team that were carrying out the review. The Committee also considered the results of the review and approved the plan proposed by management to implement the recommendations designed to strengthen the Group's existing governance arrangements.

Mindful of the changes introduced under the revised Corporate Governance Code that was applicable for the year under review, the Committee focused its time on ensuring that the Group's policy on diversity and inclusion, gender balance of the Group's senior management and their direct reports and the approach to succession planning were appropriately considered by the Committee during the year.

In line with the requirements of Solvency II, the Senior Insurance Manager Regime, and in accordance with the Group's Fit and Proper Policy, I also carried out the process of assessment for Group Non-Executive Directors, the Chairs of the Group's material subsidiaries and the CEO to ensure they meet the requirements in terms of qualifications, capability, honesty and integrity.

Annette Court

Chair of the Nomination and Governance Committee

4 March 2020

Membership

The membership of the Committee at the year end was Annette Court (Chair), Owen Clarke and Justine Roberts. The Company Secretary acts as Secretary to the Committee. The Committee invites the Chief Executive Officer and/or the Chief Financial Officer to attend meetings when it deems appropriate. The Committee met formally on seven occasions in 2019. In addition, members of the Committee corresponded and met informally on a number of occasions to consider and meet with individuals that the Committee had identified as possible candidates to join the Board.

Board Composition

The Committee reviewed the results of the external Board evaluation that was carried out this year by external consultant, Ian White. The Committee was satisfied that the evaluation was conducted in a comprehensive and diligent manner with Ian having face to face contact with all Board members and regular Board attendees. Ian discussed the results of the evaluation questionnaires that had been completed and considered any particular comments raised by Board members and attendees. At its meeting in January, the Committee considered the results of the evaluation relating to the composition of the Board. The Committee considered the specific recommendations which included that the Board should continue to keep diversity under regular review and should focus on introducing more innovative approaches to recruitment. In addition, in terms of skills, there was a recognition that technology was a key area that the Board should focus on and the Committee has initiated an external search for a new Board member with expertise in this area and who can enhance the breadth of skills and diversity currently represented across the Board.

The Committee also reviewed a skills matrix that identified the skills of current Board members that were already represented and to identify areas such as technology where enhancements to the composition of the Board in these areas were needed. The time commitments required of Non-Executive Directors were also considered by the Committee and the conclusion reached that each Director was able to devote sufficient time and commitment to the performance of their duties.

Board Appointments

The Committee leads the process for making appointments to the Board or where the appointee is likely to become a Board member. The policy on Board appointments involves the Committee developing an appropriate specification that identifies the required skills and experience for the role and, in most instances, engaging external recruitment consultants, to lead the recruitment process and identify suitable candidates. Interviews of the shortlisted candidates are held with the Chair and members of the Committee. After consideration by the Committee, a recommendation is made to the Board to appoint the preferred candidate. The Committee is satisfied that this constitutes a formal, rigorous and transparent process for the appointment of new Directors to the Group Board and its subsidiaries embracing a full evaluation of the skills, knowledge and experience required of Directors.

Succession planning and talent management

The Committee ensures plans are in place for orderly succession for appointments to the Board and reviews the succession plans for other senior management positions. Responsibility for making senior management appointments rests with the Chief Executive Officer.

Talent management continues to be a key area of focus and the Board, at its meeting in March 2019, considered talent management within the Group and discussed the initiatives that were being put in place to progress the development of an internal "talent list" to ensure that highly talented individuals across the Group are properly recognised and are encouraged to progress. Identifying talented and high-potential staff below existing manager level, allows for a more tailored approach to meet their development needs, which ensure that their potential is recognised and maximised. In addition, our existing training and development opportunities have been enhanced to include more tailored programmes and the introduction of a more comprehensive mentoring programme. A wide-ranging project is also underway to redesign our end-to-end performance management process, which will underpin many of these initiatives to identify and maximise talent across all levels of the business.

There have also been several NED only sessions during which the Group's internal talent management capabilities have been discussed and considered. The Committee remains satisfied that succession plans for Directors and senior management are in place to ensure the continued ability of the Group to implement strategy and compete effectively in the markets in which it operates.

Gender and Diversity

The Committee reviewed the gender balance of those in senior management and their direct reports and considered the initiatives that have been proposed to focus on improving gender balance. In this context, the Group continues to focus on meeting the Hampton Alexander Review target of 33% women's representation across executive committees below Board level and direct reports to those committees and despite the fact that the percentage of women in this combined group has marginally fallen, the Group still remains close (32%) to meeting the target. This is shown in more detail in the gender diversity table on page 125. The Group has already exceeded the target set by both Lord Davies in his report: Women on Boards, and the Hampton Alexander Review (that builds on the Davies Review) which encourages FTSE 350 companies to achieve at least 33% women on Boards by 2020 as women already constitute 40% of our plc Board.

In April, the Committee reviewed the Group's Board Diversity and Inclusion Policy and discussed the appropriateness of the measurable targets to increase diversity and inclusion across the Group. The Policy sets out the approach to Board diversity for Boards within the Admiral Group and supports the principle of boardroom diversity and inclusion and the promotion of diverse board composition. Measures that are covered under the Policy include: having one member of the senior executive team who is responsible and accountable for gender diversity and inclusion; setting internal targets for gender diversity in senior management; publishing progress annually against these targets in reports on the Group's website; and linking the pay of the CEO to the progress made against these internal targets on gender diversity. The Committee seeks to ensure that a clear recruitment strategy for Board appointments is in place and is aligned to this Policy.

In addition, in April the Committee received an update on the activities of the Group's Diversity Forum that meets regularly with the purpose of exploring ways to further improve diversity and inclusion across the Group. The Diversity Forum is made up of six workstreams focusing on: gender, ethnicity, disability, LGBT+, age and social mobility. A number of initiatives have been introduced for each workstream such as reviewing and overhauling relevant policies including improvements made to the parental leave and maternity policies and greater awareness of the consideration of flexible working in certain positions. In addition, initiatives have been introduced to consult and engage with staff who are members of minority groups to understand how they feel and what would make a difference to them in the workplace. A review of our literature, websites and social media was also carried out to ensure that, as an employer, we portray an image to potential new joiners that supports our diverse and inclusive culture.

The Board continues to monitor the requirements of the Parker Review's report on ethnic diversity in the context of the composition of its Group and subsidiary Boards, the initiatives that are being implemented to increase diversity and discussed how measures to develop a diverse pipeline of talent as regards Board appointments could be developed and monitored.

However, the Group remains strongly supportive of the principle of boardroom diversity, of which gender and ethnicity are important, but not the only, aspects. What is important is diversity of thought, experience and approach and each new appointment must complement what already exists at the Board table. Accordingly, appointments will always be made on merit against objective criteria, including diversity and gender, and not just to achieve an externally prescribed number.

The Group also continued to focus on achieving the goals of the Women in Finance Charter, which the Group signed up to in 2018. The Charter is a government initiative that encourages participating firms in the financial services sector to support the progression of women into senior roles by focusing on the executive pipeline and the mid-tier level of management. The Group remains committed to meeting the target of 40% women in the Senior Executive team by December 2023 and to improving on the current position of 32%.

In 2018 the Chair and CEO also signed up to the 30% Club, which aims to develop a diverse pool of talent for all businesses through the efforts of its Chair and CEO members who are committed to better gender balance at all levels of their organisations with a minimum target of 30% women at senior management level by 2020.

The Group remains committed to providing equal opportunities, eliminating discrimination, and encouraging diversity amongst its employees both in the UK and overseas. A breakdown of the gender of Directors and senior employees at the end of the financial year together with details of the Group's Equality, Diversity and Dignity at Work Policy are set out in the Directors' Report on page 125.

The Group's Gender Pay Gap is already materially lower than the UK average and the industry average for the financial services sector, however, the Group remains committed to reducing it further through a number of initiatives that are being introduced to address the current imbalance of men and women at differing levels of the business.

Neurodiversity training

Admiral is proud to be a diverse workplace and is always looking at the ways in which we support our staff members to help them succeed.

In 2019 Admiral Academy introduced training around dyslexia and other areas of neurodiversity. The training aims to increase awareness, challenge perceptions, and highlight examples of support or adjustments that may benefit individuals in the workplace.

In the second half of 2019, Admiral Academy trained 159 management employees including trainers, coaches, and operations managers. An additional 126 employees in non-management positions were trained on a condensed course enabling a safe space for individuals to ask questions about their own experiences or that of family, children, or partners. The Academy has received positive feedback, and this training will be delivered to more staff members in 2020.

The Remuneration Committee

Statement to Shareholders from the Chairman of the Remuneration Committee

"Admiral has a simple remuneration structure which reinforces our unique culture and creates strong alignment with our shareholders"

Owen Clarke Chairman of the Remuneration Committee

Committee members
Owen Clarke (Chair)
Jean Park
Justine Roberts

Meetings

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Attendance information can be found in the table on page 81

Dear Shareholder,

I am pleased to introduce the Directors' Remuneration Report for the year ended 31 December 2019, which has been prepared by the Remuneration Committee (the 'Committee') and approved by the Board.

I would also like to thank our shareholders for approving our Annual Report on Remuneration at the April 2019 AGM which was approved by 99.8% of our shareholders.

Recap of remuneration structure at Admiral

Admiral has a simple remuneration structure which reinforces our unique culture and creates strong alignment with our shareholders:

- Base salaries are targeted at the lower end of our peer group, and Executives are encouraged to build up significant shareholdings in the Group to maximise shareholder alignment.
- Pensions for the Executive Directors are fully aligned with that offered to the workforce, set at a maximum level of 6% of base salary subject to an overall maximum employer contribution of £15,000.
- Our main incentive plans are the Share Incentive Plan ('SIP'), which encourages wide share ownership across our employees, and the Discretionary Free Share Scheme ('DFSS'). DFSS primarily incentivises Earnings per Share growth, Return on Equity and Total Shareholder Return vs. the FTSE 350 (excluding investment companies) over a three-year period. For the CFO, vesting is also dependent on performance against a scorecard of risk and customer-based measures. In some business units the Group-wide performance measures are replaced by business unit measures.
- Shareholder alignment is further reinforced by granting DFSS awards as a fixed number of shares, ensuring the value at grant is directly aligned with the shareholder experience. The Committee reviews award sizes annually, taking into account factors such as the shareholder dilution impact of all employee share schemes and share price movement since the last award, in particular, whether a material share price increase has resulted from general market, or other external, factors.
- We pay a bonus (the 'DFSS Bonus') that is equivalent to the actual dividends paid out to shareholders calculated on the number of unvested DFSS awards held. It is important to note that this is in place of, not additional to, a conventional cash bonus scheme. This approach is aligned to Admiral's culture by prioritising collective, longer term success after short term, individual performance and also provides a direct link to shareholder pay-outs. The DFSS bonus payable to the CFO for the 2019 performance year onwards will be subject to a +/- 20% adjustment based on performance against a scorecard of risk and customer-measures.
- Our CFO's remuneration package includes an annual award of 'salary shares', released over a 5-year period; similar to the DFSS structure, this award is based on a fixed number of shares, with Committee discretion to reduce the number in the event of material increases in share price through external factors.

The Committee recognises that some aspects of the structure of pay at Admiral are unusual compared to the typical practice at other large UK-listed companies, but we believe that the structure contributes to our culture of focusing on collective success, and is aligned with our philosophy around the efficient use of capital and distribution of surplus profits, all of which aligns to shareholder interests. The remuneration structure also reflects individual and business unit performance through the allocation of DFSS awards and, for certain senior managers, the application of adjustments to their vesting and DFSS bonus.

Admiral's business performance

2019 has again been a positive year for the Admiral Group. Earnings per share in the year were 148.3 pence (2018: 137.1 pence) and return on equity was 52% (2018: 56%). Total dividends for the financial year (including the proposed final dividend of 77.0 pence per share) will be 140.0 pence per share (2018: 126.0 pence per share).

Decisions made by the Remuneration Committee in 2019 on Executive Director compensation

Taking into account the approved remuneration structure and Admiral's business performance, the Committee made the following decisions during 2019:

- Based on performance to 31 December 2019, 88.8% of the DFSS award granted in 2017 will vest. The EPS condition was achieved, vesting at 100% of this element and the ROE condition was partially achieved, vesting at 97.9% of this element. The TSR condition vested at 68.4% of this element. This means that 44,400 of the 50,000 DFSS shares awarded to Geraint Jones, will vest on 26 September 2020. The Committee reviewed this vesting outcome and concluded that it was appropriate.
- Geraint Jones also received a DFSS bonus of £201,600. This bonus is equivalent to dividends that would have been paid during the year on all outstanding DFSS and salary shares awarded but not yet vested plus a +/- 20% adjustment for performance against a set of risk and customer measures. The 2019 performance year was the first year in which the DFSS bonus for the CFO was adjusted (within a +/- 20% range) for performance against a scorecard of risk and customer measures which include four different categories of measures covering assessment against conduct risk management information ('CRMI') metrics, customer feedback, governance outcomes and internal stakeholder feedback. In addition, the payment of the DFSS Bonus was subject to an overall adjustment to take into account any risk events which were considered to have a material customer, regulatory or financial impact. The full details of the DFSS Bonus calculations are on page 117.
- Geraint Jones received an award of 5,000 salary shares, equivalent to £108,050, in two tranches of 2,500 shares on 18 March 2019 and 30 August 2019. This compares with an award of 5,000 salary shares equivalent to £98,225, in 2018. The Committee intends that the number of salary shares granted to Geraint Jones each year is fixed at 5,000, unless the Committee believes that a reduction should be made to take into account exceptional factors impacting the share price. In 2019, the Committee determined that no such reduction was required. In line with Policy, these shares will vest after three years subject to continued employment. An additional two-year holding period will apply and malus and clawback provisions will apply during the vesting and holding periods. Further details on these shares can be found on page 115.
- The Committee anticipates that Geraint Jones will continue to receive 5,000 salary shares during 2020, in two equal tranches. The Committee has reviewed the size of the award and has concluded that no change should be made to reflect any exceptional factors impacting the share price. The value of the 5,000 salary shares granted to Geraint Jones will be disclosed in next year's Annual Report.
- In September 2019, Geraint Jones was also granted an award under the DFSS of 45,000 shares, equivalent to £945,000 or 376% of his cash salary. This compares with an award of 50,000 shares, equivalent to £1,020,000 in 2018. Whilst the general intention is to keep the number of DFSS shares granted to individual participants the same each year, during 2019 the Committee reviewed the aggregate quantum of DFSS awards offered to all employees and concluded that a 10% reduction in the number of shares awarded to most participants was appropriate to help ensure dilution to shareholders from the employee share schemes is managed effectively. This award will vest on three-year EPS growth vs. LIBOR, TSR vs. FTSE 350 (excluding investment companies), ROE and the average outcomes of the scorecard risk and customer measures used to assess DFSS bonus adjustments over the performance period. David Stevens again declined an award of DFSS shares given his significant shareholding. Further details on the CFO's award can be found on page 117. Geraint Jones will receive a DFSS award in 2020 which will be in line with the approved Policy. Further details can be found on page 119.
- David Stevens's salary will be increased by 2.5% to £426,449 effective from 1 September 2020 and the cash element of Geraint Jones's salary was also increased by 2.7% to £258,000, effective from 1 January 2020. These increases are below the average increase across the Group for 2019.

Remuneration for the wider workforce and the CEO pay ratio

During the year, the Committee also reviewed the remuneration arrangements and structure offered to the wider workforce and used this as an input in its decisions on Executive compensation. Overall the Committee found that the remuneration offered to the wider workforce was consistent with that offered to the Executive Directors and senior management and supported the unique culture of the Company including focus on collective success. The approach to salary reviews is consistent throughout the organisation as is the employer pension contribution which is up to 6% of salary (up to a £15,000 cap) for all Admiral employees based in the UK including the CEO and CFO. Further details can be found on page 120.

For the second year, Admiral has disclosed a CEO pay ratio comparing the remuneration of the CEO and that of the UK employee population. As our CEO receives only fixed pay and does not participate in the DFSS, the usefulness of this ratio (required by legislation to be disclosed) is limited. We therefore also disclose a CFO pay ratio, as Geraint Jones's pay structure is more consistent with that of the wider workforce. The Committee references these pay ratios when considering the Executive Directors' pay outcomes, and is satisfied that current ratios are reasonable taking into account the size of the business.

Other activities

During the year ended 31 December 2019, additional to its regular activities, the Committee also:

- Reviewed the DFSS vesting and bonus arrangements for Executive Directors, senior management and relevant staff (Material Risk Takers) covered under Solvency II
- Reviewed workforce remuneration, including alignment of the Group's current remuneration structure with the Living Wage
- Reviewed Admiral's Gender Pay reporting statistics
- Reviewed risk events and their impact on variable pay
- Undertook an evaluation of the Committee's performance during the yearReviewed the Committee's terms of reference
- Approved the Group's Malus and Clawback Framework
- Reviewed external remuneration trends and market conditions
- Reviewed the customer and risk measures introduced for adjustment of variable pay

2020 Remuneration Policy Review

The current Remuneration Policy was approved by shareholders at the 2018 AGM, effective for a maximum of 3 years. Consequently, the Committee will be seeking shareholder support for a revised Remuneration Policy at the 2021 AGM. During 2020, the Committee will review the existing Remuneration Policy with a view to consulting major shareholders at the end of the year to discuss proposed changes. This review will take into account alignment of Admiral's strategic priorities as well as best practice including new provisions of the UK Corporate Governance Code. The Committee already complies with most of the provisions adopted by the new code including malus and clawback provisions, and pension contributions aligned to the workforce. Employees are not specifically consulted on Executive remuneration, however all employees are invited to participate in Admiral's annual staff survey, which provides valuable insight to the Board on a range of topics including compensation. Relevant feedback is shared with the Committee. The Committee anticipates adoption of a post employment shareholding policy, as required by the Code, as part of the 2020 review.

The Annual Report on Remuneration (subject to an advisory vote) will be put to our shareholders at the AGM in 2020. We do hope that you vote in favour of the report. I am available to discuss our Remuneration Policy and Annual Report on Remuneration with shareholders.

Owen J Clarke

Owen Clarke
Chairman of the Remuneration Committee
4 March 2020

Remuneration at a glance

"I would like to thank our shareholders for approving our Annual Report on Remuneration at the April 2019 AGM which was approved by 99.8% of our shareholders."

How did we perform during 2019?

Earnings per share (pence)

148.3p

(2018: 137.1p)

Return on equity (%)

52%

(2018: 56%)

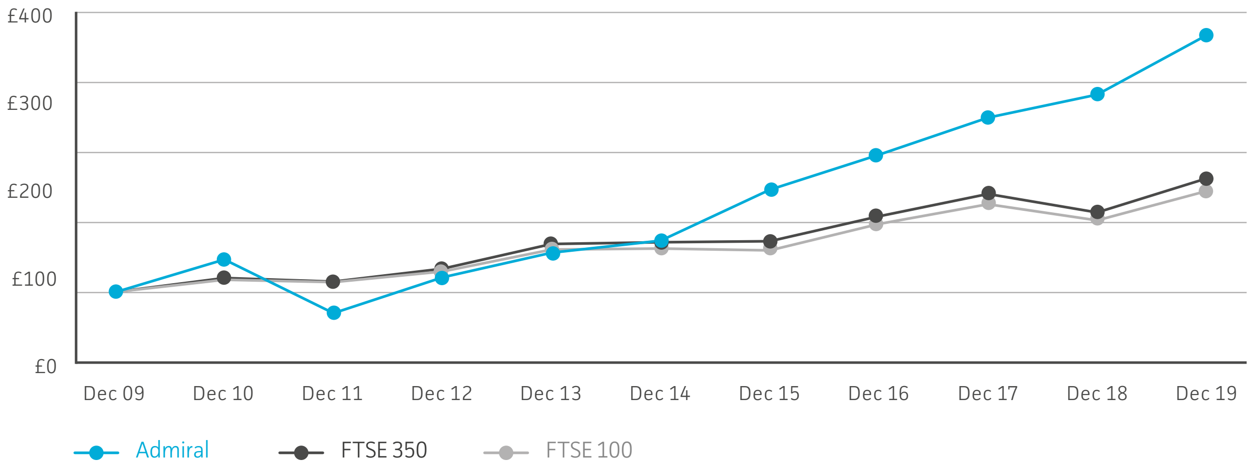
Full year dividend per share (pence)

140.0p

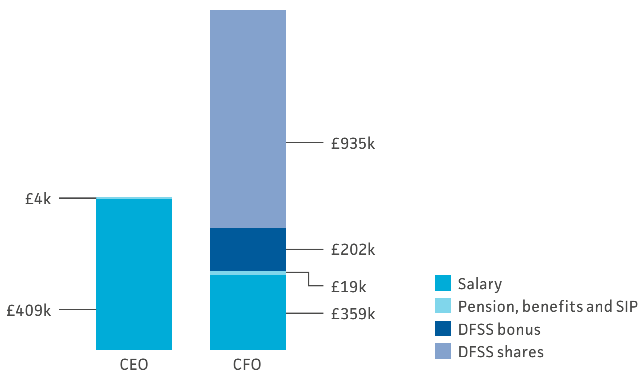
(2018: 126.0p)

10 year TSR performance: Admiral vs. FTSE100 and FTSE350 indices

Growth in the value of a hypothetical £100 holding over ten years to 31 December 2019



What did our Executive Directors earn in 2019?



- Salary for CFO includes 5,000 'salary shares'
- Pension, benefits and SIP includes 2019 pension contribution of £3,970 and £14,976 for the CEO and CFO respectively
- DFSS bonus of £201,600 for the CFO, including an adjustment for performance against the scorecard of risk and customer measures.
- DFSS value for the CFO relates to 88.8% of his 2017 DFSS award vesting

The Group is committed to the primary objective of maximising shareholder value over time in a way that also promotes effective risk management and excellent customer outcomes, and ensuring that there is a strong link between performance and reward.

Compliance Statement

This Remuneration Report has been prepared according to the requirements of the Companies Act 2006 (the Act), Regulation 11 and Schedule 8 of the Large and Medium-Sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2018 and other relevant requirements of the FCA Listing Rules. In addition, the Board has adopted the principles of good corporate governance set out in the UK Corporate Governance Code (the Code) and the guidelines issued by its leading shareholders and bodies such as ISS, the Investment Association, and the Pensions and Lifetime Savings Association.

Unless otherwise stated, information contained within this Remuneration Report is unaudited.

The following Remuneration Policy was approved, and therefore came into effect, at the April 2018 AGM. There have been only minor changes to the description of the Remuneration Policy since the 2019 AGM. These include clarification that DFSS awards and salary share awards are granted on a fixed share basis, clarification that the value of these awards will remain within the maximum opportunity detailed in the Policy, and rationale for the application of risk and customer measures to DFSS awards from 2019 onwards.

Key Principles of Admiral Remuneration Arrangements

The Group is committed to the primary objective of maximising shareholder value over time in a way that also promotes effective risk management and excellent customer outcomes, and ensuring that there is a strong link between performance and reward. This is reflected in the Group's stated Remuneration Policy of paying competitive, performance-linked and shareholder-aligned total remuneration packages comprising basic salaries coupled with participation in performance-based share schemes to generate competitive total reward packages for superior performance. The Board is satisfied that the adoption of this Policy continues to meet the objectives of attracting and retaining Executives of the highest quality across the Group.

The Committee reviews the remuneration framework and packages of the Executive Directors and the most senior managers and recognises the need to ensure that the Remuneration Policy is firmly linked to the Group's strategy, including its risk management approach. In setting the Policy and making remuneration decisions, the Committee takes into account pay and conditions elsewhere in the Group. The main principles underlying the Remuneration Policy are:

- **Competitive total package** – the Group aims to deliver total remuneration packages that are market-competitive, taking into account the role, job size, responsibility, and the individual's performance and effectiveness. Prevailing market and economic conditions and developments in governance are also considered, as are general salary levels throughout the organisation;
- **Significantly share-based** – our base salaries are targeted towards the lower end of market, but are combined with meaningful annual share awards that vest on long term performance to ensure strong alignment with shareholders and the long term interests of the Group. Executives are also encouraged to build up significant shareholdings in the Group to maximise shareholder alignment;
- **Long term perspective** – a significant part of senior Executives' remuneration is based on the achievement of stretching performance targets that support the delivery of the Group's strategy and shareholder value. The extended performance and vesting horizons promote a long term perspective that is appropriate to the insurance sector;
- **Effective risk management** – incentives are designed to ensure they do not encourage excessive risk-taking. They are aligned with the delivery of positive customer outcomes and reinforce the Group's risk policy;
- **Open and honest culture** – the Group has a strong culture of focusing on collective success, whilst still recognising individual contribution to the Group's performance, and this is reflected in our remuneration structure across the business; and
- **Transparency to stakeholders** – the remuneration structure is designed to be simple and easy to understand, and all aspects are clear to employees and openly communicated to employees, shareholders, and regulators.

Remuneration Policy table

This table describes the key components of the remuneration arrangements for Executive Directors.

Purpose and link to strategy	Operation	Opportunity and performance metrics
Base Salary		
To attract and retain talent by setting base salaries at levels appropriate for the business.	Salaries are reviewed annually or following a significant change in responsibilities. Salary levels/increases take account of: • Scope and responsibility of the position. • Individual performance and effectiveness, and experience of the individual in the role. • Average increase awarded across the Group. The CFO receives an annual award of 'salary shares' in addition to his cash salary. The salary share award vests after three years subject to continued employment, and an additional two-year holding period applies, during which time shares may not be sold, save to meet income tax, NI or other regulatory obligations. Malus and clawback provisions apply during the vesting and holding periods. The salary share award is not included in base salary when calculating the CFO's pension benefit.	Any salary increases are applied in line with the outcome of the review. In respect of existing Executive Directors, it is anticipated that increases in cash salary, or in the number of salary shares, will normally be in line with the increase for the general employee population over the term of this Policy. More significant increases may be awarded in certain circumstances including, but not limited to: where there has been a significant increase in role size or complexity, to apply salary progression for a newly appointed Executive Director, or where the Executive Director's salary has fallen significantly behind market. The salary shares are granted as a fixed number of shares. The number granted is reviewed and may be adjusted by the Committee if there has been a significant change in share price. Where increases are awarded in excess of that for the general employee population, the Committee will provide the rationale in the relevant year's Annual Report on Remuneration.
Pension		
To provide retirement benefits.	The Group operates a Personal Pension Plan, a Defined Contribution Scheme. This is available to all employees following completion of their probationary period.	In the UK, the Group matches employee contributions up to a maximum of 6% of base salary subject to an overall maximum employer contribution of £15,000, or provides the equivalent value in cash. Base salary is the only element of remuneration that is pensionable.
Other Benefits		
To provide competitive benefits.	Includes (but not limited to): • Death in service scheme. • Private medical cover. • Permanent health insurance. • Relocation, at the Committee's discretion. All benefits are non-pensionable.	Benefits may vary by role. None of the existing Executive Directors received total taxable benefits exceeding 5% of base salary during the most recent financial year, and it is not anticipated that the cost of benefits provided will exceed this level over the term of this Policy. The Committee retains the discretion to approve a higher cost in exceptional circumstances (e.g. relocation), or in circumstances driven by factors outside the Company's control (e.g. material increases in healthcare insurance premiums).

Purpose and link to strategy	Operation	Opportunity and performance metrics
Discretionary Free Share Scheme (DFSS)		
To motivate and reward longer term performance, aid long term retention of key Executive talent, use capital efficiently, grow profits sustainably and further strengthen the alignment of the interests of shareholders and staff.	Executive Directors may be granted awards annually at the discretion of the Committee. David Stevens has declined to participate given his significant shareholding. Awards may be in the form of nil or nominal priced options or conditional shares. Awards vest after a minimum of three years subject to Group performance and continued employment. For DFSS awards made in 2018 and subsequent years, a two-year holding period applies to vested awards, during which time Executive Directors may not sell the vested awards except to cover tax liabilities. Awards are subject to malus and clawback provisions, i.e. forfeiture or reduction of unvested awards and recovery of vested awards. Events which may lead to the application of malus and clawback are set out in the Group's Malus and Clawback Framework and include material financial misstatement, responsibility for conduct which results in significant losses, material failure of risk management and misconduct. The Remuneration Committee has discretion to adjust the formulaic vesting outcome to ensure the final outcome is a fair and true reflection of underlying business performance.	Maximum opportunity: £2,000,000. For awards above £1,000,000 a maximum of 600% of base salary (excluding any salary shares) applies. Threshold performance will result in vesting of up to 25% of the maximum award. DFSS shares are granted as a fixed number of shares (subject to the quantum limits of the plan, as described above). The number granted is reviewed and may be adjusted by the Committee, for example, if there has been a significant change in share price. Vesting of DFSS awards is subject to the Group's performance over a three-year performance period. The performance measures may include EPS, ROE and relative TSR, or other measures selected by the Committee, as appropriate. Measures will typically be weighted equally unless the Committee determines otherwise to reflect strategic priorities. Details of the measures, weightings and performance targets used for specific DFSS grants are included in the relevant year's Annual Report on Remuneration.
DFSS Bonus		
To further align incentive structures with shareholder interests through the delivery of dividend equivalent bonuses.	To incentivise shareholder value creation, in particular in the form of dividends, management participate in a bonus scheme which directly links their awards to dividends paid to shareholders. Bonus is calculated to be equivalent to dividends that would have been payable during the year on all outstanding DFSS shares awarded but not vested, including salary shares for the CFO. The DFSS bonus is subject to a +/- 20% adjustment based on performance against a set of risk and customer measures. The measures will be set each year for all significant areas of the business with specified targets to determine the amount of any DFSS bonus adjustment. Many of these measures will be directly related to customer outcomes. Whilst the bonus may be adjusted upwards or downwards by up to 20% in any given year, it is not anticipated that the adjustment will increase the Executive Directors' remuneration on average over the long term. The DFSS bonus is subject to malus and clawback provisions, i.e. forfeiture or reduction of unvested awards and recovery of vested awards. Events which may lead to the application of malus and clawback are set out in the Group's Malus and Clawback Framework and include material financial misstatement, responsibility for conduct which results in significant losses, material failure of risk management and misconduct.	Maximum opportunity: sum equal to the dividends payable during the year on awarded but unvested DFSS shares, subject also to a possible 20% increase based on performance against a set of customer and risk measures. No bonus is payable unless dividends are payable on Admiral shares.
Approved Free Share Incentive Plan (SIP)		
To encourage share ownership across all employees using HMRC approved schemes.	All eligible UK employees participate in the SIP (except David Stevens, who has declined to participate). Grants are made twice a year based on the results of each half year and vest after three years subject to continued employment.	The SIP is an all-employee scheme and Executive Directors participate on the same terms as other employees. The acquisition of shares is therefore not subject to the satisfaction of a performance target. Maximum opportunity is in line with HMRC limits.

Purpose and link to strategy	Operation	Opportunity and performance metrics
Shareholding Requirement		
To align interests of Executive Directors with shareholders.	Guideline to be met within five years of the later of the introduction of the guidelines and an Executive Director's appointment.	300% of base salary (base salary excludes any salary shares).

The Committee is satisfied that the above Remuneration Policy is in the best interests of shareholders and does not promote excessive risk-taking. The Committee retains discretion to make changes required to satisfy legal or regulatory requirements and other non-significant changes to the Remuneration Policy without reverting to shareholders.

Notes to the Remuneration Policy table

Payments from Existing Awards

Executive Directors are eligible to receive payment from any award made prior to the approval and implementation of the Remuneration Policy. This includes all outstanding awards under the previous 2015 Remuneration Policy, or any awards made prior to appointment to the Board. Details of any such payments will be set out in the Annual Report on Remuneration as they arise.

Selection of Performance Measures

Vesting under the DFSS is linked to financial metrics including EPS vs. LIBOR[1], ROE, and relative TSR. EPS vs. LIBOR has been selected as a performance measure as the Committee feels it is a strong indicator of both long-term shareholder return and the underlying financial performance of the business. It is transparent and visible and provides good line-of-sight to Executives. ROE has been selected as the Committee believes that a returns metric reinforces the focus on capital efficiency and delivery of strong returns for our shareholders, thereby further strengthening the alignment of incentives with Admiral's strategy. Relative TSR vs. the FTSE 350 (excluding investment companies) has been selected to reflect value creation for Admiral's shareholders as compared with the general market. For 2019 awards onwards, vesting of DFSS awards is also linked to non-financial customer and risk measures. The Committee believes that the additional emphasis on risk and customer reinforces Admiral's focus on risk management and our customers, whilst also more clearly demonstrating alignment of Group remuneration practices with the requirements of Solvency II.

The specific performance measures and their respective weightings in respect of each DFSS award may vary to reflect the strategic priorities at the time of the award.

Performance targets are set taking into account broker forecasts for Admiral and its insurance peers, the Company's strategic priorities and the economic environment in which the Company operates. The Committee believes that the performance targets set are stretching and motivational, and that maximum outcomes are available only for outstanding performance.

Remuneration Policy for Other Employees

The Company's approach to annual salary reviews is consistent across the Group, with consideration given to the role size, experience required, individual performance and pay levels in comparable companies.

In general, the Remuneration Policy which applies to other senior Executives is consistent with that for Executive Directors. Remuneration is typically linked to Company and individual performance in a way that reinforces shareholder value creation.

Around 3,300 employees from across the Group, as well as the CFO, participate in the DFSS. The Committee recommends for approval by the Board DFSS awards for those Executives within its remit and on an aggregate basis for all other participants in the DFSS. For the CFO, all DFSS share awards are subject to performance conditions. For other senior managers and employees at lower organisational levels, a proportion of awards (ranging from half to two-thirds) is subject to performance, with performance conditions either in line with those described above, or set based on key performance drivers of the individual's relevant business unit, and the remainder has no performance conditions attached other than the requirement that the recipient remains an employee of the Group at the date of vesting. Award sizes vary by organisational level and an assessment of both financial and non-financial individual and business unit performance.

All holders of DFSS awards receive the DFSS bonus with the bonus for a number of senior managers, being adjusted for performance against a scorecard of risk and customer measures.

The Company operates a personal pension scheme which is available to all employees once they have completed their probationary period. For all employees including the Executive Directors, the Company matches the contribution up to a maximum of 6% of salary up to an overall maximum of £15,000.

All UK employees who have served a minimum tenure at Admiral are eligible to participate in the SIP on the same terms. Most overseas employees receive an equivalent award to the UK SIP awards and these awards have no performance measures attached.

1 Or equivalent measure

Remuneration Arrangements for David Stevens (Founding Director)

David Stevens is a founding Director, and he and the Committee continue to hold the view that his significant shareholding provides sufficient alignment of his interest in the performance of the Group with the interests of other shareholders. In light of this, David Stevens' remuneration package consists only of a cash salary, benefits such as private medical cover, permanent health insurance and death in service cover, and matching pension contributions from the Company under the Group's Personal Pension Plan. David Stevens has not participated, nor is it intended that he participates, in any Group share schemes.

Service Contracts and Leaver/Change of Control Provisions

The Company's Policy is to limit termination payments on termination to pre-established contractual arrangements. In the event that the employment of an Executive Director is terminated, any compensation payable will be determined in accordance with the terms of the service contract between the Company and the employee, as well as the rules of any incentive plans. Under normal circumstances, Executive Directors are entitled to receive termination payments in lieu of notice based on base salary and compensation for loss of benefits. The Company has the ability to pay such sums in instalments, requiring the Executive Director to mitigate loss over the relevant period. The notice period for all Executive Directors is one year.

Executive Director	Date of appointment
David Stevens	22 October 1999
Geraint Jones	13 August 2014

There is no provision in the Executive Directors' contracts for compensation to be payable on early termination of their contract over and above the notice period element. The Executive Directors' service contracts are available to view at the Company's registered office.

When considering termination payments, the Committee reviews all potential incentive outcomes to ensure they are fair to both shareholders and participants. The table below summarises how the awards under the DFSS and DFSS bonus scheme are typically treated in specific circumstances, with the final treatment remaining subject to the Committee's discretion:

Plan	Scenario	Treatment of awards	Timing of vesting
DFSS	Resignation.	Awards lapse.	n/a
	Death, injury or disability, redundancy, retirement or any other reasons the Committee may determine.	Any unvested award will be pro-rated for time with reference to the proportion of the vesting period remaining at termination, and performance, unless the Committee determines otherwise.	Normal vesting date.
	Change of control.	Any unvested award will be pro-rated for time with reference to the proportion of the vesting period remaining at change of control, and extent to which the Committee determines that the performance conditions have been met or are likely to be met at the point of change of control, unless the Committee determines otherwise.	Immediately.
DFSS bonus	Resignation.	n/a	n/a
	Death, injury or disability, redundancy, retirement or any other reasons the Committee may determine.	Not payable after the event.	n/a
	Change of control.	Not payable after the event.	n/a

Plan	Scenario	Treatment of awards	Timing of vesting
Salary shares (CFO only)	Resignation.	Awards lapse.	n/a
	Death, injury or disability, redundancy, retirement or any other reasons the Committee may determine.	Any unvested award will be pro-rated for time with reference to the proportion of the vesting period remaining at termination, unless the Committee determines otherwise.	Normal vesting date, with Committee discretion to accelerate.
	Change of control.	Any unvested award will be pro-rated for time with reference to the proportion of the vesting period remaining at change of control, at the point of change of control, unless the Committee determines otherwise.	Immediately.

For all leavers (with the exception of in the event of termination for cause), in respect of vested DFSS and vested salary share awards that are still subject to a holding period, awards will normally be released in full at the end of the holding period, though the Committee has discretion to determine otherwise, taking into account the circumstances at the time.

Non-Executive Directors

The Company has entered into letters of appointment with its Non-Executive Directors (NEDs). Summary details of terms and notice periods are included below.

NED	Term	Initial date of appointment	Commencement of current contract	Notice period
Annette Court	3 years	21 March 2012	26 April 2017	Three months
Mike Brierley	3 years	5 October 2018	5 October 2018	One month
Owen Clarke	3 years	19 August 2015	19 August 2018	One month
Andy Crossley	3 years	27 February 2018	27 February 2018	One month
Karen Green	3 years	14 December 2018	14 December 2018	One month
Jean Park	3 years	17 January 2014	17 January 2020	One month
Justine Roberts	3 years	17 June 2016	17 June 2019	One month
Manning Rountree	3 years	16 June 2015	16 June 2018	One month

The NEDs are not eligible to participate in the DFSS or DFSS bonus scheme and do not receive any pension contributions.

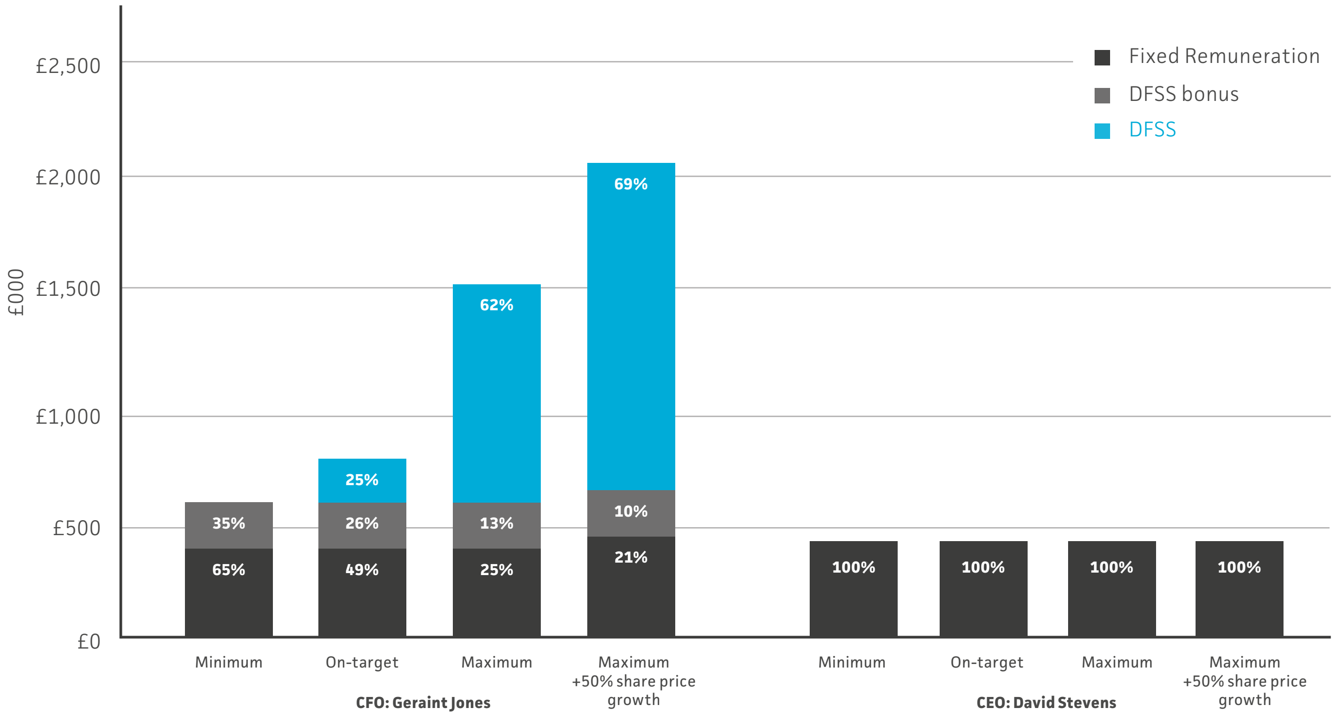
Details of the Policy on NED fees are set out in the table below:

Purpose and link to strategy	Operation	Opportunity and performance metrics
To attract and retain NEDs of the highest calibre with experience relevant to the Company.	Fees are reviewed annually. The Group Chairman fee is determined by the Committee after consultation with the Executive Directors. The NED fees are determined by the Group Chairman together with the Executive Directors. Additional fees are payable for acting as Senior Independent Director or as Chair or member of a Board Committee as appropriate, and may be payable as appropriate in relation to other additional responsibilities (e.g. attending meetings overseas). Fees are paid in a mix of cash and Company shares for the Company Chair, and in cash for other Non-Executive Directors. The Board retains discretion to vary the mix or determine that fees are paid entirely in cash or Company shares.	Fee levels are set by reference to NED fees at companies of a similar size and complexity. It is anticipated that NED fee increases will normally be in line with the increase for the general employee population over the term of this Policy. In the event that there is a material misalignment with the market or a change in the complexity, responsibility or time commitment required to fulfil a NED role, the Board has discretion to make an appropriate adjustment to the fee level. The maximum aggregate annual fee for NEDs is capped at the limit provided for in the Company's Articles of Association.

Pay-for-Performance: Scenario Analysis

The following charts provide an estimate of the potential future reward opportunities for the Executive Directors, and the potential split between the different elements of pay under four different performance scenarios: 'Minimum', 'On-target', 'Maximum' and 'Maximum with share price growth'.

As described above, Admiral's DFSS bonus is directly aligned with dividends received by our shareholders, with a final adjustment for risk. Whilst the CFO's final DFSS bonus outcome may be adjusted upwards or downwards for risk by up to 20% in any given year, it is anticipated that the average adjustment over the long term will be close to 0%. The figures shown in the chart below for the CFO's DFSS bonus therefore include the value of the actual DFSS bonus paid in 2019 as an illustration of the value he might receive. Under all scenarios, potential reward opportunities are based on the Remuneration Policy, applied to salaries as at 1 January 2020.



The value of DFSS awards is calculated based on the average share price in the last three months of 2019 (£21.05) and the number of DFSS shares awarded in 2019 (45,000 shares) and salary shares expected to be awarded in 2020 (5,000 shares).

Component	'Minimum'	'On-target'	'Maximum'	'Maximum with share price growth'
Base salary	• Annual cash salary and salary shares (CFO only) for 2020			• Same as other scenarios but with 50% share price appreciation on salary shares
Pension	• £15,000 annual contribution for CFO and CEO			
Benefits	• Taxable value of annual benefits provided			
DFSS	• 0% vesting	• 20% average vesting	• 100% vesting	• 100% vesting plus 50% share price appreciation
DFSS bonus	• Based on DFSS bonus paid in 2020 (for 2019 performance)			

Approach to Remuneration Relating to New Executive Director Appointments

External Appointments

In the case of appointing a new Executive Director, the Committee may make use of any of the existing components of remuneration as set out in the Policy Table. The Committee's policy is to set the remuneration package for a new Executive Director in accordance with the approved Remuneration Policy at the time of the appointment.

In determining the appropriate remuneration for a new Executive Director, the Committee will consider all relevant factors to ensure that arrangements are in the best interests of the Company and its shareholders. Where an individual is appointed on an initial base salary that is below market, any shortfall may be managed with phased increases over a period of time, subject to the individual's performance and development in the role. This may result in above-average salary increases during this period.

The Committee may also make an award in respect of a new Executive Director appointment to 'buy out' incentive arrangements forfeited on leaving a previous employer. In doing so, the Committee will consider relevant factors including any performance conditions attached to the forfeited awards and the likelihood of those conditions being met to ensure that the value of the buy-out award is no greater than the fair value of the awards it replaces. The Committee may also avail itself of Listing Rule 9.4.2 R if appropriate in respect of buy-out incentive arrangements.

Internal Appointments

Remuneration for new Executive Directors appointed by way of internal promotion will similarly be determined in line with the Policy for external appointees, as detailed above. Where an individual has contractual commitments made prior to their promotion to the Board, the Company will continue to honour these arrangements. Incentive opportunities for below-Board employees are typically no higher than for Executive Directors, but measures may vary if necessary.

Other Directorships

Executive Directors are permitted to accept appointments as Non-Executive Directors of companies with prior approval of the Group Chairman. Approval will be given only where the appointment does not present a conflict of interest with the Group's activities, and where the wider exposure gained will be beneficial to the development of the individual.

Considerations of Conditions Elsewhere in the Group

The Committee considers the pay and employment conditions elsewhere in the Group when determining remuneration for Executive Directors.

Considerations of Shareholder Views

When determining remuneration, the Committee takes into account best practice guidelines issued by institutional shareholder bodies. The Committee is open to feedback from shareholders on the Remuneration Policy and will continue to monitor trends and developments in corporate governance and market practice to ensure the remuneration structure for our Executive Directors remains appropriate.

Considerations of Regulatory Requirements

The Committee regularly reviews the Remuneration Policy and structure in the context of Solvency II remuneration guidance. The Chief Risk Officer periodically attends Committee meetings as part of this process and provides support to the Committee in understanding any risk-related implications of remuneration decisions. Whilst the Remuneration Policy includes several features which help ensure compliance with current regulatory guidance, the Committee reserves the discretion to adjust the Remuneration Policy, and its execution, to take into account any developments in such regulatory guidance.

This section of the report provides details of how Admiral's Remuneration Policy was implemented in 2019 and how the Remuneration Committee intends to implement the Remuneration Policy in 2020.

Remuneration Committee Membership in 2019

The Board sets the Group's Remuneration Policy and, through the authority delegated to it by the Board, the Committee is responsible for making recommendations to the Board on the structure and implementation of the Remuneration Policy across the Group with consideration to the prevailing economic climate within the economies in which the Group operates. Its remit includes recommending the remuneration of the Group Board Chairman, the Executive Directors and the Company Secretary; approving the remuneration of senior management; and reviewing the composition of and awards made under the performance-related incentive schemes.

At the end of 2019 the Committee consisted of Owen Clarke, Jean Park and Justine Roberts. The Committee met seven times during the year.

The Group Chairman, CEO, CFO and CRO are invited to meetings where the Committee considers it appropriate to obtain their advice on Group strategy and performance and Senior Executive pay strategy. The members of the Committee do not have any personal financial interests (other than shareholdings), or any conflicts, that relate to the business of the Committee. The Committee members do not have any day-to-day involvement in the running of the Group.

Adviser to the Committee

During the year, in order to enable the Committee to reach informed decisions on Executive remuneration, advice on market data and trends was obtained from independent consultants, Mercer Kepler. Mercer Kepler reports directly to the Committee Chairman, and is a signatory to and abides by the Code of Conduct for Remuneration Consultants (which can be found at www.remunerationconsultantsgroup.com). Other than advice on remuneration, no other services were provided by Mercer Kepler to the Company. The fees paid to Mercer Kepler in respect of work carried out in 2019 (based on time and materials) totalled £113,598 excluding expenses and VAT.

The Committee undertakes due diligence periodically to ensure that Mercer Kepler remains independent of the Company and that the advice provided is impartial and objective. The Committee is satisfied that the advice provided by Mercer Kepler is independent.

The Company Secretary also circulates market survey results as appropriate.

In line with good governance practice, the Committee will be reviewing suppliers by conducting a tender for remuneration advice services in 2020.

Summary of Shareholder Voting at the 2019 AGM

The table below shows the results of the binding vote on the Remuneration Policy at the 2018 AGM and the advisory vote on the 2018 Annual Report on Remuneration at the 2019 AGM.

		For	Against	Total votes cast	Abstentions
Remuneration Policy (2018 AGM)	**Total number of votes**	214,282,051	2,306,994	216,589,045	136,242
	% of votes cast	98.93%	1.07%		
2018 Annual Report on Remuneration (2019 AGM)	**Total number of votes**	231,253,416	452,145	231,705,561	2,122,374
	% of votes cast	99.80%	0.20%		

Total Single Figure of Remuneration for Executive Directors (audited)

The table below sets out the total single figure remuneration received by each Executive Director for the years ended 31 December 2019 and 31 December 2018.

Executive Director		1. Base salary	2. Benefits	3. Pension	Total fixed pay	4. SIP	5. DFSS	6. DFSS bonus	Total variable pay	Total remuneration
Geraint Jones	2019	£359,175	£471	£14,976	£374,622	£3,609	£934,620	£201,600	£1,139,829	£1,514,451
	2018	£343,225	£488	£14,700	£358,413	£3,600	£919,800	£180,000	£1,103,400	£1,461,813
David Stevens*1	2019	£409,283	£471	£3,970	£413,724	n/a	n/a	n/a	n/a	£413,724
	2018	£399,301	£488	£3,873	£403,662	n/a	n/a	n/a	n/a	£403,662

*1 David Stevens does not participate in any incentive plan given his significant shareholdings.

The figures have been calculated as follows:

1. Base salary/fee: amount earned for the year. For Geraint Jones, this also includes 2,500 salary shares awarded on each of 18 March 2019 and 30 August 2019 with a value of £54,375 and £53,675 which have been valued using closing share price at date of grant of £21.75 and £21.47 respectively. The 2018 values include the 2,500 salary shares granted on each of 9 March 2018 and 24 August 2018. These have been valued using closing share price at date of grant of £18.70 and £20.59 respectively. David Stevens received a salary increase of 2.5% on 1 September 2019 which increased his annual salary to £416,048.

2. Benefits: the taxable value of annual benefits received in the year.

3. Pension: the value of the Company's contribution during the year.

4. SIP: the face value at grant.

5. DFSS: the value at vesting of shares vesting on performance over the three-year periods ending 31 December 2019 and 31 December 2018. For the 2019 figures, given that vesting occurs after the 2019 Directors' Remuneration Report is finalised, the figures are based on the average share price in the last three months of 2019 (£21.05). The 2018 figures have been trued up based on the actual share price on vest (£21.00). For 2019, a favourable movement of £130,980 is included in the DFSS value, attributable to an increase in the share price over the vesting period. For 2018, £9,198 of the DFSS value is attributable to share price appreciation over the vesting period.

6. DFSS bonus: the bonus equivalent to dividends that were paid during the year on all outstanding DFSS shares awarded but not yet vested. The bonus is paid in two tranches annually. From the 2019 performance year the bonus is subject to a +/- 20% multiplier based on a scorecard of customer and risk measures. Due to these timings and this being the first year of implementation of the multiplier, the multiplier was only applied to the October 2019 payment which the Committee approved based on the outcomes of the scorecard of risk and customer measures over the first half of 2019. The Committee also approved an adjustment to the bonus expected to be paid in May 2020 based on the outcome of the scorecard of risk and customer measures over the second half of 2019. Due to an administration error, the actual application of the adjustment to the October 2019 award was not executed; this error will be rectified through the value of the adjustment (£8,593) being made to Geraint Jones's DFSS bonus paid in June 2020.

Total Single Figure of Remuneration for Non-Executive Directors (audited)

The table below sets out the total single figure remuneration received by each NED for the year ended 31 December 2019 and 31 December 2018.

	Total fees			
	2019		2018	
Director	Fees	Taxable benefits	Fees	Taxable benefits
Annette Court[1]	£318,249	£1,177	£319,438	£1,025
Owen Clarke[2]	£104,125	–	£88,100	–
Karen Green[3]	£81,500	£265	£33,171	–
Jean Park[4]	£106,500	£1,026	£101,500	£737
Justine Roberts	£70,500	£284	£60,500	£134
Manning Rountree	£73,100	£729	£73,100	£370
Andy Crossley[5,7]	£113,100	£1,281	£92,522	£481
Michael Brierley[6,7]	£113,100	£1,262	£47,125	£697
Colin Holmes[8]	n/a	n/a	£91,525	£702

1. The 2019 fee for Annette Court is £315,187 (a cash fee of £220,631 and a share fee of £94,556). The 2019 fee above includes a payment of £3,062 in respect of Annette Court's annual fee for 2018 which was paid for in 2019. The 2018 fee included an amount of £15,000 that related to 2017.
2. Owen Clarke became the Senior Independent Director on 31 December 2019. His fee for undertaking this role is £11,025 which was paid on top of his base fee and Committee fees.
3. Karen Green was appointed to the Board on 14 December 2018 and became the Chair of the Audit Committee. Her fee for 2018 includes fees paid for Board and Committee attendance from June 2018 prior to her formal appointment.
4. Jean Park's fees for 2018 and 2019 include additional fees relating to her position as Chair of the Group Risk Committee and is in recognition of the increased time commitment required of her as a consequence of Solvency II regulations and the Internal Model Application Process.
5. Andy Crossley was appointed to the Board on 27 February 2018.
6. Michael Brierley was appointed to the Board on 5 October 2018 and his fee includes fees paid for Board and Committee attendance prior to his formal appointment.
7. The fees for Andy Crossley and Michael Brierley include additional fees in relation to their positions as Chairman of the EUI Limited and Admiral Financial Services Limited Board of Directors respectively
8. Colin Holmes retired from the Board with effect from 14 December 2018.

Incentive Outcomes for Financial Year to 31 December 2019 (audited)

DFSS Awards Vesting on Performance to 31 December 2019

On 26 September 2017, Geraint Jones was granted an award under the DFSS of 50,000 shares with a value at the date of award of £905,000 (based on a grant date share price of £18.10), equivalent to 369% of salary at date of grant.

Vesting of the award was based 100% on the achievement of performance conditions, being EPS growth vs. LIBOR, TSR vs. FTSE 350 (excluding investment companies), and ROE, weighted equally and all measured over the three-year period 1 January 2017 to 31 December 2019. Over this period, the returns to our shareholders were strong, with TSR in the top of the second quartile versus FTSE350 companies and with ROE of 54%. The combination of these shareholder returns and EPS growth contributed to a vesting level of 88.8%.

The Committee reviewed this vesting outcome and concluded that it was appropriate.

The table below details the Company's performance against targets and the resulting vesting outcome.

	Performance range				
Performance measure	Threshold	Maximum	Vesting schedule	Actual outturn	Vesting outcome (% of maximum)
EPS growth vs. LIBOR (weighted 33%)	Growth in line with LIBOR	Growth of 36 points (equivalent to 10% p.a.) in excess of LIBOR	10% for achieving threshold with straight line relationship to 100% for maximum performance	86.6 points in excess of LIBOR	100%
TSR vs. FTSE 350 (excluding investment companies) (33%)	Median	Upper quartile	25% for median, with straight line relationship to 100% for upper quartile	64th percentile	68.4%
Return on Equity (ROE) (33%)	25%	55%	25% for achieving threshold with straight line relationship to 100% for maximum performance	54.2%	97.9%
Total vesting					88.8%

Based on performance, the total amount that will vest to Geraint Jones in September 2020 will therefore be 88.8% of his award (i.e. 44,400 shares), subject to his continued employment on the vesting date.

Vested DFSS awards are subject to clawback provisions. Events which may lead to the application of clawback are set out in the Group's Malus and Clawback Framework and include material financial misstatement, responsibility for conduct which results in significant losses, material failure of risk management and misconduct.

DFSS Bonus in Respect of 2019

In line with the Remuneration Policy, the Group paid a bonus to all holders of DFSS shares in 2019, which was equivalent to the dividend payable on all outstanding DFSS shares awarded but not yet vested. The 2019 Bonus for the CFO also includes a +/- 20% adjustment to the DFSS Bonus based on performance of a set of risk and customer metrics, which for 2019 was grouped into four categories measured over two six-month periods as follows:

Category	What was considered	Weighting
Conduct Risk Management Information (CRMI) metrics	11 different metrics covering claim settlement times, complaint volumes, complaint handling times, and % of fair customer outcomes identified through monitoring.	25%
Customer feedback	SMS customer scores.	25%
Governance outcomes	Metrics covering: risk event escalation, staff attrition, % of activity plans completed for Risk, Audit and Compliance, audit report outcomes and support of initiatives.	25%
Internal stakeholder feedback	Internal stakeholder feedback on Geraint Jones's performance relating to risk and customer outcomes.	25%

For the first three categories, quantitative data was assessed for various measures of performance relevant to the category and an overall outcome is determined for that category. For the stakeholder feedback element of the scorecard, input was obtained from a number of individuals within Admiral based on their assessment of the CFO's performance to determine the outcome of this element.

Precise details of the measures used in the scorecard are not disclosed as the Committee considers them to be commercially sensitive. The overall outcome was assessed to be a 108.8% multiplier to the DFSS Bonus paid for H1 2019 and a 113.3% multiplier to the DFSS Bonus paid for H2 2019 (to be paid in 2020).

In addition, Geraint Jones's DFSS bonus is subject to a further risk adjustment (negative only) to take into account risk events which are considered to have a material customer, regulatory or financial impact.

These outcomes reflect broadly on target performance across most of the categories set out above and a strong performance in H2 2019 on CRMI metrics, where the majority of the monthly assessments were deemed to be good with a small amount of ones for improvement.

The overall DFSS Bonus paid to Geraint Jones for 2019 was £201,600 (2018: £180,000).

David Stevens did not receive a DFSS bonus as he does not participate in the DFSS.

DFSS bonus payments are subject to malus and clawback provisions.

Scheme Interests Granted in 2019 (audited)

DFSS

In September 2019, Geraint Jones was granted an award under the DFSS of 45,000 shares (a reduction from 50,000 in 2018) with a value at the date of award of £945,000 (based on share price of £21.00, equivalent to 376% of base salary). Whilst the general intention for the DFSS is to keep the number of DFSS shares granted to individual participants the same each year, the Committee reviewed during 2019 the aggregate quantum of DFSS awards offered to all employees and concluded that a 10% reduction in the number of shares was appropriate to help ensure dilution to shareholders from the employee share schemes is managed effectively.

The three-year period over which performance will be measured is 1 January 2019 to 31 December 2021. The award is eligible to vest on the third anniversary of the date of grant (i.e. September 2022), subject to performance and to continued employment. Vested awards will be subject to an additional two-year post vest holding period. David Stevens again declined to be included given his significant shareholding.

The award will vest on three-year EPS growth vs. LIBOR†, TSR vs. FTSE 350 (excluding investment companies), ROE and a scorecard of risk and customer measures. The performance conditions are summarised in the table below.

Performance measure	Weighting	Performance range: Threshold	Performance range: Maximum	Vesting
EPS growth vs. LIBOR	26.67%	Growth in line with LIBOR	Growth of 36 points (equivalent to 10% p.a.) in excess of LIBOR	10% for achieving threshold with straight line relationship to 100% for maximum performance
TSR vs. FTSE 350 (excluding investment companies)	26.67%	Median	Upper quartile	25% for median, with straight line relationship to 100% for upper quartile
Return on Equity (ROE)	26.67%	25%	55%	25% for achieving threshold with straight line relationship to 100% for maximum performance
Scorecard of risk and customer measures	20%	Vesting of between 0% and 100% of this element is based on the aggregate outcomes of the scorecard of risk and customer measures, used to determine the DFSS Bonus adjustments, over the 3-year performance period. Further details of the aggregation of the scorecard of risk and customer measures will be provided upon vesting		

DFSS awards are subject to malus and clawback provisions, i.e. forfeiture or reduction of unvested awards and recovery of vested awards. Events which may lead to the application of malus or clawback are set out in the Group's Malus and Clawback Framework and include material financial misstatement, responsibility for conduct which results in significant losses, material failure of risk management, business failure and misconduct.

SIP

In March and August 2019, Geraint Jones was granted awards under the SIP of 84 shares with a face value of £1,827, and 83 shares with a face value of £1,782 respectively. The shares will vest on 18 March 2022 and 30 August 2022 respectively subject to continued employment only. David Stevens again declined to be included given his significant shareholding.

Exit Payments (audited)

No exit payments were made to an Executive Director during the year.

Payments to Past Directors (audited)

No payments were made to a past Director during the year.

Implementation of Remuneration Policy for 2020

Executive Directors

Salary, Pension and Benefits

Salaries for the Executive Directors in 2020 will be determined in line with the proposed Remuneration Policy, subject to shareholder approval. David Stevens' salary will be increased by 2.5%, effective 1 September 2020. The CFO's cash salary was increased by 2.7% effective 1 January 2020 to £258,000, and he will continue to be granted an award of 5,000 salary shares, unchanged from 2018 and 2019. These will be granted in two tranches of 2,500. The salary share award will vest after three years subject to continued employment. An additional two-year holding period will apply, during which time shares may not be sold, save to meet income tax, NI or other regulatory obligations. Malus and clawback provisions will apply during the vesting and holding periods. The salary share award is not included in base salary when calculating the CFO's pension benefit.

The Executive Directors will continue to participate in the Group Personal Pension Plan, where employee contributions are matched up to a maximum 6% of base salary with a cap on the maximum employer contribution of £15,000 p.a. The Company will offer individuals a choice between pension contributions and cash in lieu. Both Executive Directors will continue to receive benefits in line with the Policy.

† Or equivalent measure

DFSS

As in prior years, the Committee intends to make an award under the DFSS to Geraint Jones in September 2020. In advance of each DFSS cycle, the Committee reviews the appropriateness of the performance measures and corresponding targets. The Committee will determine the award size for the 2020 DFSS award closer to the award date (expected to be in September 2020). In determining whether the award size should differ from the number of shares offered under the 2019 award (45,000), the Committee will review if any large share price changes over the year is due to external factors out of management control. This will be disclosed in the 2020 Annual Report on Remuneration. It is currently anticipated that the vesting of 2020 DFSS award for the CFO will continue to be assessed across the three-year performance period depending 80% on three-year EPS growth vs. LIBOR†, TSR vs. FTSE 350 (excluding investment companies) and ROE, and 20% on customer and risk measures. As per award size, the Committee will determine the performance conditions and targets to be attached to the 2020 DFSS award closer to the award date, and will disclose them in the 2020 Annual Report on Remuneration.

DFSS bonus

As in prior years, Geraint Jones will be eligible to receive a DFSS bonus in 2020. The bonus is calculated to be equivalent to dividends that would have been payable during the year on all outstanding DFSS shares and any salary shares awarded but not vested. The DFSS bonus will include a +/- 20% adjustment based on performance against a scorecard of customer and risk measures. The details of the measures and any adjustment applied will be provided in the 2020 Annual Report on Remuneration.

Chair and Non-Executive Directors

Fees for the Board Chair and other Non-Executive Directors were reviewed in January 2020 having been last reviewed in 2018. Increases were made, effective 1 January 2020, to the Chair fee and the Remuneration Committee Chair fee to reflect the increased time commitment of these roles.

	2020 fee (p.a.)	2019 fee (p.a.)
Chair	£326,218[1]	£315,187
NED base fee	£65,000	£60,500
Additional fee for chairing:		
· Audit Committee	£21,000	£21,000
· Group Risk Committee	£41,000[2]	£41,000[2]
· Remuneration Committee	£19,000	£15,000
· Nomination and Governance Committee	£10,000	£10,000
Additional fee for membership of:		
· Audit Committee	£12,600	£12,600
· Group Risk Committee	£12,600	£12,600
· Remuneration Committee	£10,000	£5,000
· Nomination and Governance Committee	£5,000	£5,000
Additional fee for being Senior Independent Director	£13,500	£11,025

1. The 2020 fee for the Board Chairman increased by 3.5% from £315,187 to £326,218 and comprises a cash fee of £228,353 and a share fee of £97,865 with which the Chair is required under a Share Agreement entered into with the Group to use the net proceeds in two equal instalments to purchase Group shares after the Group's Full Year Results and Half Year Results are announced each year. The Board Chair does not receive any additional fees (e.g. for Committee membership) as these are included in the overall Chair fee.

2. The fee payable for 2019 and 2020 to Jean Park includes an additional fee of £20,000 per annum in recognition of the continued increased time commitment required as a consequence of the Solvency II regulations and Internal Model Application Process.

† Or equivalent measure

Percentage Change in CEO Remuneration

The table below shows the percentage change in CEO remuneration from 2018 to 2019 compared to the average percentage change in remuneration for all other employees. The analysis is based on a consistent set of employees, i.e. the same individuals appear in the 2018 and 2019 populations. As the CEO does not participate in the DFSS bonus scheme, to provide a meaningful comparison we have also included data for the CFO who receives DFSS awards.

	CEO			CFO			Other employees
	2019	2018	% change	2019	2018	% change	% change
Salary	£409,283	£399,301	+2%	£359,175	£343,225	+5%	+6%[2]
Taxable benefits	£471	£488	-3%	£471	£488	-3%	-3%
DFSS bonus[1]	–	–		£201,600	£180,000	+12%	-2%

1. DFSS bonus change represents the change in dividends paid plus any adjustment for performance against a scorecard of risk and customer measures for 2019 bonus for the CFO and other senior managers, which is the driver of the level of bonus payable to holders of unvested DFSS shares.
2. The employee salary change figure of 6% reflected increases, particularly in respect of employee basic pay, that were made to recognise movements in the Minimum Wage and adjustments to reflect local market pressures.

CEO and CFO pay ratio

The table below sets out the pay ratios for the CEO and CFO for the periods ended 31 December 2018 and 31 December 2019.

CEO Pay Ratio

Year	Method	Lower quartile	Median	Upper quartile
2019	Option A	17:1	15:1	10:1
2018	Option A	18:1	15:1	11:1

CFO Pay Ratio

Year	Method	Lower quartile	Median	Upper quartile
2019	Option A	62:1	54:1	38:1
2018	Option A	62:1	54:1	38:1

The lower quartile, median and upper quartile employees were determined using calculation methodology A which involved calculating the actual full-time equivalent remuneration for all UK employees for 2019. From this analysis, three employees were then identified as representing the 25th, 50th and 75th percentile of the UK employee population. Admiral chose this method as it is the preferred approach of the government and that of investor bodies and Admiral had the systems in place to undertake this method. It is also consistent with the approach used to calculate the ratios (on a voluntary basis) for 2018.

The Committee has considered the pay data for the three employees identified and believes that it fairly reflects pay at the relevant quartiles amongst our UK workforce. The three individuals identified were full time employees during the year. None received an exceptional incentive award which would otherwise inflate their pay figures. No adjustments or assumptions were made by the Committee with the total remuneration of these employees calculated in accordance with the methodology used to calculate the single figure of the CEO and CFO. It should be noted that the lower quartile and median employees were not in receipt of DFSS bonus and/or DFSS vesting in the year.

The employee pay levels for 2019 are detailed below:

	CEO	CFO	P25 (lower quartile)	P50 (median)	P75 (upper quartile)
Salary	£409,283	£359,175	£18,450	£22,990	£25,350
Total Remuneration[1]	£413,724	£1,514,480	£24,319	£27,980	£40,371

1. The single figure of remuneration for the CEO and CFO includes actual salary and pension costs paid during 2019, in line with The Companies (Miscellaneous Reporting) regulations 2018. For other employees, salary and pension costs are included on an FTE basis, in line with the legislation. While the basis of calculation differs between CEO/CFO and other employees, management considers this a fair comparison of remuneration.

The pay ratios for 2019 vs. 2018 have remained consistent. As the CEO declines to participate in the share schemes, movements in his remuneration and hence the CEO pay ratio are relatively modest. A significant proportion of the CFO's remuneration is dependent on the Company's performance and therefore it may vary more materially, resulting in movements in the CFO pay ratio from year to year. However, the reward policies and structures applying to the CFO are broadly aligned with those of the wider workforce and therefore consistent performance is likely to lead to a broadly consistent CFO pay ratio, as evident in 2019.

Relative Importance of Spend on Pay

The table below shows the percentage change in dividends and total employee remuneration spend from the financial year ended 31 December 2018 to the financial year ended 31 December 2019.

	2019 £m	2018 £m	% change
Distribution to shareholders	401	357	+12%
Employee remuneration	419	382	+10%

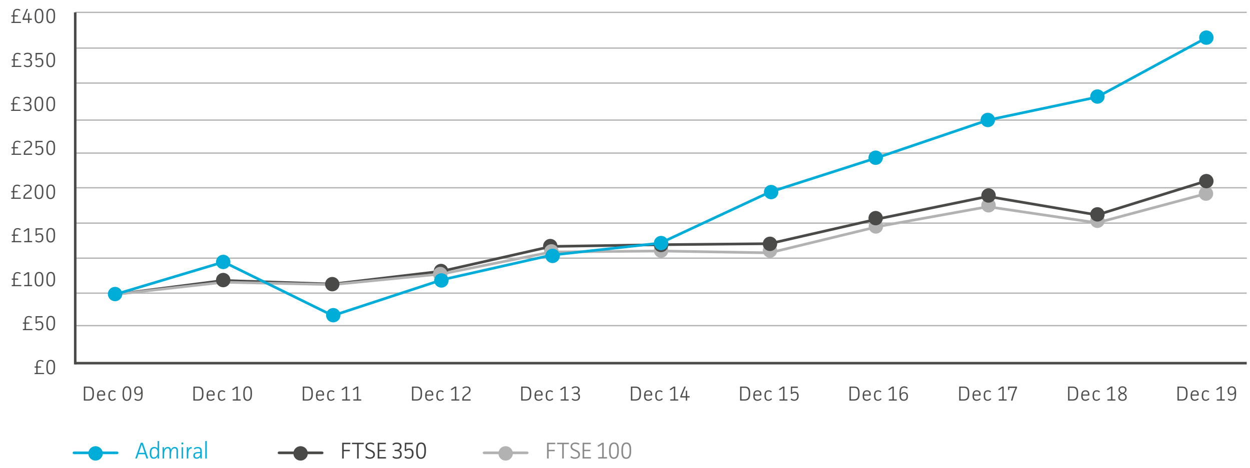
The Directors are proposing a final dividend for the year ended 31 December 2019 of 77.0 pence per share bringing the total dividend for 2019 to 140.0 pence per share (2018: 126.0 pence per share).

Pay for Performance

The following graph sets out a comparison of Total Shareholder Return (TSR) for Admiral Group plc shares with that of the FTSE 100 and FTSE 350 indices, of which the Company is a constituent, over the ten-year period to 31 December 2019. The Directors consider these to be the most appropriate indices against which the Company should be compared. TSR is defined as the percentage change over the period, assuming reinvestment of income.

10-Year TSR Performance: Admiral vs. FTSE 100 and FTSE 350 indices

Growth in the value of a hypothetical £100 holding over the 10 years to 31 December 2019



CEO	2010	2011	2012	2013	2014	2015	2016		2017	2018	2019
Incumbent	Henry Engelhardt	Henry Engelhardt	Henry Engelhardt	Henry Engelhardt	Henry Engelhardt	Henry Engelhardt	Henry Engelhardt[1]	David Stevens[2]	David Stevens	David Stevens	David Stevens
CEO single figure of remuneration	£343,106	£358,199	£373,759	£387,546	£393,260	£397,688	£148,776	£246,023	£395,019	£403,662	£413,724
DFSS vesting outcome (% of maximum)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

CFO	2010	2011	2012	2013	2014		2015	2016	2017	2018	2019
Incumbent	Kevin Chidwick	Kevin Chidwick	Kevin Chidwick	Kevin Chidwick	Kevin Chidwick	Geraint Jones[3]	Geraint Jones	Geraint Jones	Geraint Jones	Geraint Jones	Geraint Jones
CFO single figure of remuneration	£1,269,535	£1,048,130	£1,431,218	£1,444,443	£1,204,164	£363,551	£539,704	£599,139	£1,184,445	£1,461,813[4]	£1,514,451
DFSS vesting outcome (% of maximum)	100%	100%	100%	100%	70%	85%	69%	50% and 0%	74.2%	87.6%	88.8%[5]

1. Henry Engelhardt stepped down from the Board on 13 May 2016. His 2016 remuneration includes salary and benefits in respect of his service as CEO.
2. David Stevens was appointed as the CEO on 13 May 2016. His 2016 remuneration includes salary, pension and benefits in respect of his service as CEO.
3. Geraint Jones was appointed to the Board as CFO on 13 August 2014. His 2014 remuneration includes salary, pension and benefits in respect of his service as CFO, his full year DFSS and his full year DFSS bonus.
4. This figure has been trued up since the 2018 report for the value of the 2016 DFSS based on the actual share price on vest (£21.00).
5. 88.8% of Geraint Jones' 2017 DFSS award will vest in September 2020 subject to his continued employment on the vesting date.

There are no annual bonus outcomes to report in the table as the Admiral DFSS Bonus is not structured as a traditional annual bonus scheme and consequently a vesting outcome (as a percentage of max) is meaningless.

Dilution

The Company currently uses newly-issued shares to fund the DFSS, SIP and salary shares. The Company has controls in place to ensure that shares awarded under the incentive schemes operated by the Company within any rolling ten-year period do not exceed 10% of the number of ordinary shares in the capital of the Company in issue at the time of each award. It is currently anticipated that a combination of attrition and actual vesting will result in dilution of less than 10%. As required by the rules of our share schemes, the Company will in any event ensure that the actual dilution level does not exceed 10% in any rolling ten-year period by funding of any vested (and future) share scheme awards as appropriate with market-purchased shares.

Interests held by Directors (audited)

The Company has adopted Executive Director shareholding guidelines whereby all Executive Directors are required to acquire and retain a beneficial shareholding in the Company equal to at least 300% of base salary (excluding salary shares, where applicable), which can be built up over a period of five years from the later of the introduction of the guidelines and the individual's date of appointment. All Executive Directors currently hold shares in excess of the guideline.

As at 31 December 2019, the Directors held the following interests:

	Shares held					
Director	Beneficially owned outright	Subject to continued employment only	Subject to performance conditions	Shareholding requirement (% of salary)	Current shareholding (% of salary)	Requirement met?
Geraint Jones	78,509[1]	54,400[2]	95,000	300%	>300%	Yes
David Stevens	8,877,950	n/a	n/a	300%	>300%	Yes
Annette Court	8,760					
Owen Clarke	142,852					
Jean Park	4,000					
Justine Roberts	–					
Manning Rountree	–					
Andy Crossley	1,079					
Mike Brierley	2,321					
Karen Green	–					

1. Total includes SIP shares both matured and awarded.
2. Total reflects shares from the 2017 DFSS award (performance test has been applied, and award is due to vest in September 2020) and salary shares awarded in 2018 and 2019.

There have been no changes to Directors' shareholdings since 31 December 2019.

None of the Directors had an interest in the shares of any subsidiary undertaking of the Company or in any significant contracts of the Group.

Current CFO Geraint Jones' Interests in Shares under the DFSS and SIP and salary share awards (audited)

Type	At start of year	Awarded during year	Vested/ matured during year	At end of year	Price at award (£)	Value at award date (£)	Value at 31 Dec 2019 or maturity (£)	Date of Award	Final vesting/ maturity date
DFSS	50,000	–	43,800	–	£20.79	£1,039,500	£919,800[1]	26/09/2016	26/09/2019
DFSS	50,000	–	–	50,000	£18.10	£905,000	£1,154,500	26/09/2017	26/09/2020
DFSS	50,000	–	–	50,000	£20.40	£1,020,000	£1,154,500	26/09/2018	26/09/2021
DFSS	–	45,000	–	45,000	£21.00	£945,000	£1,039,050	26/09/2019	26/09/2022
Salary Shares	–	2,500	–	2,500	£18.70	£46,750	£57,725	09/03/2018	09/03/2021
Salary Shares	–	2,500	–	2,500	£20.59	£51,475	£57,725	24/08/2018	24/08/2021
Salary Shares	–	2,500	–	2,500	£21.75	£54,375	£57,725	18/03/2019	18/03/2022
Salary Shares	–	2,500	–	2,500	£21.47	£53,675	£57,725	30/08/2019	30/08/2022
SIP	92	–	92	–	£19.47	£1,791	£1,932	11/03/2016	11/03/2019
SIP	87	–	87	–	£20.51	£1,784	£1,880	02/09/2016	02/09/2019
SIP	95	–	–	95	£19.08	£1,813	£2,194	17/03/2017	17/03/2020
SIP	85	–	–	85	£21.08	£1,792	£1,963	18/08/2017	18/08/2020
SIP	96	–	–	96	£18.70	£1,795	£2,217	09/03/2018	09/03/2021
SIP	87	–	–	87	£20.59	£1,791	£2,009	24/08/2018	24/08/2021
SIP	–	84	–	84	£21.75	£1,827	£1,940	18/03/2019	18/03/2022
SIP	–	83	–	83	£21.47	£1,782	£1,916	30/08/2019	30/08/2022

1. The value at maturity relates only to shares vested.

The closing price of Admiral shares on 31 December 2019 was £23.09 per share.

By order of the Board,

Owen Clarke
Chairman of the Remuneration Committee
4 March 2020

The Directors present their Annual Report and the audited Financial Statements for the year ended 31 December 2019.

Statutory disclosures

Group results and dividends

The profit for the year, after tax but before dividends, amounted to £428.4 million (2018: £390.5 million).

The Directors declared and paid dividends of £367.8 million during 2019 (2018 £332.7 million) – refer to note 12b for further details.

The Directors have proposed a final dividend of £221.5 million (77.0 pence per share). Subject to shareholders' approval at the 2020 Annual General Meeting (AGM), the final dividend will be paid on 1 June 2020 to shareholders on the register at the close of business on 11 May 2020.

Employee policies

Detailed information on the Group's employment practices is set out in the Strategic Report and on the corporate website. The Group purchases appropriate liability insurance for all staff and Directors.

Engagement with employees

The Board recognises the importance of engaging with its workforce and does so through a combination of informal and formal channels. In order to ensure that there is an effective means by which the views of the workforce can be heard, the Board has sought to enhance and formalise its existing employee engagement arrangements with the establishment of an Employee Consultation Group (ECG). Membership of the ECG comprises elected staff representatives and the remit of the ECG is to act as a forum for staff consultation, gathering staff opinion and fostering a safe environment to raise matters of interest and generate ideas. There were five ECG meetings during the year with a range of topics discussed. The three meetings from June were each attended by a different Non-Executive Director who reported back to the Board on the matters discussed and the actions that had been agreed at the meeting. It is intended that there will continue to be a different Non-Executive Director attending each ECG meeting, on rotation. Having different Non-Executive Directors attending each meeting gives all of them an opportunity to engage with the workforce directly and to hear first-hand the issues and matters that are affecting employees.

In addition, representatives from the ECG, together with the Chair of the ECG, regularly attend Board meetings to highlight matters discussed and any areas of concern. Through this interaction, the Board has been able to have regard to the views of employees when making decisions such as measures introduced to safeguard the Group's culture such as increased flexible working opportunities for employees. Further work is ongoing to ensure that existing work forums for employees of the Group's overseas businesses are aligned with the operation of the ECG.

The Board has determined that the operation of the ECG is an effective means of engaging with employees in order to understand the matters that concern them and are able to have regard to the specific interests of employees in the decisions that are made at Board level. The Board will ensure that the ECG continues to develop and evolve as an effective employee engagement forum and that regular interaction with the Board is maintained.

Communication

There are a wide range of communication tools used by the Group to communicate matters that concern employees which assists in the understanding of business goals and objectives and economic and financial factors affecting the performance of the Group including; through the staff portal (Atlas), internal newsletters, videos, team briefings, suggestion schemes, staff forums, updates on the staff share scheme and the annual Staff General Meeting (SGM).

In the 2019 annual staff survey, 83% of staff were happy with the amount of information they receive about the Company (2018: 84%).

The transparency of our communication philosophy extends to senior managers and Directors, who sit amongst their teams which encourages a dialogue between staff of all levels of seniority across all areas of our business. Furthermore, our Chief Executive Officer (CEO) operates an 'open door' policy so if any member of our staff wants to ask him a question, they can email him directly through our 'Ask David' intranet initiative. Our senior managers and Directors also participate in regular online chats with staff.

For information on how the Directors have engaged with employees during the financial year and how Directors have had regard to employee interests during the financial year when making strategic decisions, please refer to the Strategic Report on page 15.

The Group encourages involvement in the performance of the business through the participation by the majority of the Group's employees in the Group's Share Incentive Plan (SIP) under which they are given shares in the Company. This share ownership gives employees a good understanding of the financial and economic factors that could affect the Company's performance.

Engagement with customers, suppliers and others

During the year, the Board has continued to focus on, and take into account in the decisions that it makes, the relationships with its customers, employees, suppliers, business partners, the wider community and other stakeholders. The Board recognises that there are a wide range of business relationships that are important to the long-term success of the business. Further information on Board engagement with the Group's stakeholders can be found in the s172 statement in the Strategic Report on page 18.

The customer remains central to the Group's culture and the Board considered customer outcomes at a presentation it received in April, which focused on the customer centric measures and monitoring that is already in place to ensure that customers are treated fairly and that their needs are met. As a result of the presentation the Board had a greater understanding of the need to invest in tools and initiatives that would enable customer service agents to have the ability to continue to provide excellent service for customers. In addition, the Board asked for a further update, which was provided to the Board in August. The update extended to cover the Group's pricing practices framework which was set up to produce fair outcomes for its customers, enabled the Board to understand the outcomes on customers of our pricing practices.

In addition, the Board also considered the channels to its distribution partners brought about by improvements in technology and disrupters entering the insurance market. During the year, the Board also visited one of the garages that forms part of the Group's garage repair network to see at first-hand how the Group's strategy for the future in this area was being implemented. The Board agreed that the visit had been extremely valuable in increasing their understanding of this part of the claims process and agreed that further such visits should be organised in the future.

The relationship with the Group's reinsurance and co-insurance partners are integral to the long term strategy decisions made by the Board, particularly as regards to the discussion and approval of the Group's five year business plan and the established reinsurance and co-insurance arrangements that the Group has in place which are a key part of the Group's business model.

Diversity, ethics and human rights

Admiral Group respects and values the individuality and diversity of every employee. The Group's Equality, Diversity and Dignity at Work policy ensures that every employee is treated equally and fairly and that all employees are aware of their obligations. The Group is fully committed to the health and safety and the human rights of its employees regardless of their background. In addition, the Group maintains a number of employee codes of conduct regarding appropriate ethical standards in the workplace.

The Group's principles of respect for human rights, diversity, health and safety and workplace ethical standards not only apply to staff directly employed by Admiral, but also to staff employed by the Group's outsourced partner in Bangalore, India. To meet this commitment, Admiral Group maintains regular contact with its outsourcer's management team and the Group's senior managers visit the outsourcer on a regular basis, whilst the Group also provides training and development to ensure that the team uphold these principles. In addition, Admiral Group has appointed a manager based permanently at the outsourced operation, who is responsible for ensuring that the Group's principles are adhered to by the outsourced partner, and that the wellbeing of outsourced staff is monitored.

Admiral has signed up to the Women in Finance Charter and was named the 3rd place in the Great Place to Work for Women in 2019. Our Diversity Forum promotes gender equality in the workplace and has been instrumental in driving improvements in the Group's parental leave policy. 2019 also marked the 20th year of Company sponsorship for Cardiff Pride and saw the launch of a social network for LGBT employees. The Company also celebrated LGBT History Month in February 2019 hosting an exhibition of Welsh LGBT+ Icons and Allies at the Cardiff office. February 2019 also saw the launch of training sessions for managers to raise awareness of gender identity.

Anti-Bribery

The Group's Anti Bribery policy strictly prohibits the solicitation or the acceptance of any bribe, whether cash or inducement, to or from any person or Company, wherever they are situated and whether they are a public official or body or private person or Company, by any individual employee, Board member, agent or other person or body on the Group's behalf. The Group's Anti Bribery Policy is reviewed and approved by the Board on an annual basis to ensure that the arrangements in place to prevent bribery are operating effectively and that the Policy supports the development of a culture where business is conducted fairly, honestly and openly.

All staff receive compulsory anti-bribery training when they join the Group and refresher training is provided on an annual basis. In addition, the Group has various forums that allow employees to communicate directly with managers on an informal, and, if necessary, an anonymous basis, that helps to create an environment where staff feel comfortable raising matters that are of concern to them.

Gender diversity

The table below provides a breakdown of the gender of Company Directors and employees at the end of the financial year:

	Male	Female
Company Directors[1]	6	4
Other senior managers[2]	29	15
All employees	5,498	5,748

Notes

1 Company Directors consists of the Board of Directors, as detailed on pages 76 to 77.

2 Other senior managers is as defined in the Companies Act 2006 (Strategic Report and Directors' Report) and includes persons responsible for planning, directing or controlling the activities of the Company, or a strategically significant part of the Company, other than Company Directors. Any other Directors of undertakings included in the consolidated accounts that are not considered strategically significant have not been included.

Further information on the Group's approach to diversity is also set out in the Nomination and Governance Committee section on page 100.

Disabled employees

Admiral Group gives full and fair consideration to applications for employment made by those with disabilities, having regard to their particular aptitudes and abilities. Admiral Group's UK businesses are Disability Confident Employers. This means they are recognised as going the extra mile to make sure disabled people get a fair chance.

The Group will support any employee who is disabled or has a life threatening illness and help them to contribute to the Group as long as their health allows.

Managers in the Group are sensitive to health concerns and special needs and will not knowingly allow any employee with a disabling or life threatening illness to suffer from discrimination at work. The Group provides staff with access to the EAP Care First confidential helpline which offers advice and support on a range of health issues.

Admiral has a Disability Forum to help promote inclusivity in the Group for those with a disability. In 2019 the Company was awarded Level 2 status of the Disability Confident Award. In June 2019 we created a Workplace Support Team to provide support for those with physical disabilities, neurodiversity and short-term mental health problems. Training sessions were also introduced for staff in 2019 to help better understand those with neurodiversity.

Contractual arrangements

The Group considers its co-insurance and reinsurance contracts, as described in the Strategic Report, to be essential to the running of the Group's business. A number of these arrangements include features that allow for reinsurers to recover losses incurred under certain scenarios considered remote by the Group Board. No other contractual arrangements are considered to be essential.

Financial instruments

The objectives and policies for managing risks in relation to financial instruments held by the Group are set out in note 6 to the Financial Statements.

Directors and their interests

The present Directors of the Company are shown on pages 76 to 77 of this Report, whilst Directors' interests in the share capital of the Company are set out in the Remuneration Report on pages 102 to 123.

Greenhouse gas emissions

The annual level of greenhouse gas emissions, resulting from activities for which the Group is responsible, was 3,720 CO_2e (2018: 3,926 CO_2e), equivalent to 0.36 tonnes (2018: 0.39 tonnes) per employee[*1]. In accordance with GHG Protocol Scope 2 guidance released 20 Jan 2015, Admiral is exempt from reporting greenhouse gas emissions from electricity supply to the three largest UK offices which meets the GHG Protocol Corporate Standard. Note that, L'olivier in France and Elephant in the USA, have been unable to provide data for 2019 and are excluded from the results in this and future reports until they are able to do so. LeLynx in France is also excluded but is immaterial to the overall view due to its size.

The data has been prepared with reference to the WRI/WBCSD Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition) and in accordance with the guidance for corporate reporting issued by the Department for Environment, Food and Rural Affairs (DEFRA).

There are no material exclusions from this data. Exclusions included figures for air conditioning from all sites because the information was not available from the managing agents of the Group's multiple office locations.

Detailed information on the Group's environmental performance and the methodology for the measurement of greenhouse gas emissions is available on the corporate website, www.admiralgroup.co.uk.

Going concern

Under Provision 30 of the 2018 UK Corporate Governance Code, the Board is required to report on whether the business is a going concern. In considering this requirement, the Directors have taken into account the following:

- The Group's projections for the next 12 months and beyond, in particular the profit forecasts, regulatory capital surpluses and levels and sources of liquidity.
- The risks included on the Group's risk register that could impact on the Group's financial position and performance, levels of liquidity and solvency over the next 12 months.
- The risks on the Group's risk register that could be a threat to the Group's business model and capital adequacy.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. The Strategic Report also includes the Group's principal risks and uncertainties. In addition, the governance report includes the Directors' statement on the viability of the Group over a three year period.

Following consideration of the above, the Directors have reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report, and that it is therefore appropriate to adopt the going concern basis in preparing the Financial Statements.

Share Capital, AGM and related matters

Major Shareholders

Other than as stated below, as far as the Company is aware, there are no persons with significant direct or indirect holdings in the Company. Information provided to the Company pursuant to the Financial Conduct Authority's (FCA) Disclosure and Transparency Rules (DTRs) is published on a Regulatory Information Service and on the Company's website.

At 31 January 2020, the Company had received notifications in accordance with the FCA's DTRs of the following notifiable interests in the voting rights in the Company's issued share capital:

	Number of shares	%
Munich Re	30,099,400	10.2
Henry Engelhardt & Diane Briere de l'Isle	28,105,472	9.6
BlackRock Inc	15,663,084	5.5
N.M. Rothschild & Sons Ltd.	13,068,697	4.5
Moondance Foundation	11,400,000	3.9
Orbis Group	8,212,592	2.8
The Vanguard Group, Inc	7,981,615	2.7

The interests of Directors and Officers and their connected persons in the issued share capital of the Company are given in the Remuneration Report.

*1 Average employee number excludes employees from offices for which data could not be collected

Additional information for shareholders

Where not provided previously in this Directors' Report, the following provides the additional information required for shareholders as a result of the implementation of the Takeovers Directive into UK law.

At 31 December 2019, the Company's issued share capital comprised a single class of shares referred to as ordinary shares. Details of the share capital and shares issued during the year can be found in note 12d.

The rights and obligations attached to the Company's ordinary shares are set out in the Articles of Association of the Company, copies of which can be obtained from Companies House.

On a poll, every member present in person or by proxy and entitled to vote shall have one vote for every ordinary share held. The notice of the general meeting specifies deadlines for exercising voting rights either by proxy notice or present in person or by proxy in relation to resolutions to be passed at general meeting. All proxy votes are counted and the numbers for, against or withheld in relation to each resolution are announced at the Annual General Meeting and published on the Company's website after the meeting.

There are no restrictions on the transfer of ordinary shares in the Company other than:

- Certain restrictions may from time to time be imposed by laws and regulations (for example, insider trading laws).
- Pursuant to the Listing Rules of the FCA whereby certain employees of the Company require the approval of the Company to deal in the Company's securities.

The Company has not purchased any of its own shares during the period.

There are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) that occurs because of a takeover bid.

There are a number of agreements that alter or terminate upon a change of control of the Company following a takeover bid, such as commercial contracts. None are considered to be significant in terms of their impact on the business of the Group as a whole except for the long-term co-insurance agreement in place with Great Lakes Insurance SE. Details relating to this agreement are contained in the Strategic Report

Power to issue shares

At the last Annual General Meeting, held on 25 April 2019, authority was given to the Directors to allot unissued relevant securities in the Company up to a maximum of £96,834, equivalent to one third of the issued share capital as at 18 March 2019. This authority expires on the date of the Annual General Meeting to be held on 30 April 2020 and the Directors will seek to renew this authority for the following year.

A further special resolution passed at that meeting granted authority to the Directors to allot equity securities in the Company (up to a maximum of 5% of the issued share capital of the Company) for cash, without regard to the pre-emption provisions of the Companies Act 2006. This authority also expires on the date of the Annual General Meeting to be held on 30 April 2020 and the Directors will seek to renew this authority for the following year.

In line with the new principles published by the Pre-Emption Group in March 2015, and their template resolutions published in May 2016, allowing a company the ability to seek authority over a further 5% of the issued ordinary share capital on a non-pre-emptive basis subject to certain conditions, it is the intention of the Company, at the AGM on 30 April 2020, to seek this additional authority by special resolution and will confirm in the Notice of AGM that such additional shares are only issued in connection with a specified acquisition or capital investment.

Appointments of Directors

The Company's Articles of Association (the Articles) give the Directors power to appoint and replace Directors. Under the Terms of Reference of the Nomination and Governance Committee, any appointment must be recommended by the Nomination and Governance Committee for approval by the Board of Directors. At the Group's AGM on 26 April 2018, new Articles of Association were approved by shareholders which provide that all Directors will retire and offer themselves for re-election at each AGM, in accordance with the UK Corporate Governance Code and the Company's current practice. Therefore, all Directors will be submitting themselves for re-election by shareholders at the forthcoming AGM.

Articles of Association

The Articles may only be amended by special resolution of the shareholders.

Power of the Directors

The Directors are responsible for managing the business of the Company and may exercise all powers of the Company subject to the provisions of relevant statutes, to any directions given by special resolution and to the Company's Memorandum and Articles. The Articles, for example, contain specific provisions and restrictions concerning the Company's power to borrow money. Powers relating to the issuing of new shares and buyback of shares are also included in the Articles and such authorities are renewed by shareholders at the Annual General Meeting each year.

Directors' indemnities and insurance

Directors and Officers insurance cover is in place for all Directors to provide cover against certain acts or omissions on behalf of the Company. A Deed Poll of Indemnity was executed in October 2015, indemnifying each of the Directors, and Company Secretary, in relation to certain losses and liabilities that they might incur in the course of acting as Directors of the Company. The Deed Poll of Indemnity is categorised as qualifying third party indemnity provisions as defined by Section 234 of the Companies Act 2006 and remains in force for all past and present Directors of the Company.

The Board is of the view that it is in the best interests of the Group to attract and retain the services of the most able and experienced Directors by offering competitive terms of engagement, including the granting of such indemnities. Neither the Deed Poll of Indemnity nor insurance cover would provide any coverage in the event that a Director is proved to have acted fraudulently or dishonestly.

Annual General Meeting (AGM)

It is proposed that the next AGM be held at City Hall, Cardiff on Thursday 30 April 2020 at 2.00pm, notice of which will be sent to shareholders with the Annual Report.

Reporting, accountability and audit

UK Corporate Governance Code

Admiral is subject to the UK Corporate Governance Code (the Code), published by the Financial Reporting Council (FRC) in July 2018 and available on their website, www.frc.org.uk. The Company's Annual Report and Accounts, taken as a whole, addresses the requirements of the 2018 Code.

The UK Corporate Governance Code 2018 (the Code) was applicable for the Group during the year under review, and the Group has applied the principles and complied with the provisions of the Code except with regard to non-compliance with the provisions as set out in the Corporate Governance Report on page 78.

The Directors confirm that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

The Board is ultimately responsible for the Group's system of risk management and internal control and, through the Audit Committee, has reviewed the effectiveness of the Group's internal control and risk management arrangements relating to the financial reporting process and the principal risks facing the business. The Board is satisfied that the Group's internal control and risk management framework is prudent and effective and that, through the Audit Committee and Group Risk Management Committee, risk can be assessed, managed and assurance given that all material controls are reviewed and monitored.

Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the Group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent company financial statements for each financial year. Under that law they are required to prepare the Group Financial Statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards, including FRS 101 Reduced Disclosure Framework.

Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of their profit or loss for that period. In preparing each of the Group and parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the Group Financial Statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent company financial statements, state whether applicable UK Accounting Standards, including FRS 101 Reduced Disclosure Framework, have been followed, subject to any material departures disclosed and explained in the parent company financial statements.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its Financial Statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Responsibility statement

The Directors confirm that to the best of their knowledge:

- the Financial Statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Disclosure of information to auditor

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

The Company's auditor, Deloitte LLP, has indicated willingness to continue in office and resolutions to reappoint it and to authorise the Directors to fix its remuneration will be proposed at the Annual General Meeting.

By Order of the Board,

Mark Waters
Company Secretary
4 March 2020

Geraint Jones
Chief Financial Officer
4 March 2020

Independent Auditor's Report

to the Members of Admiral Group plc

Report on the audit of the Financial Statements

Opinion

In our opinion:

- **the Financial Statements of Admiral Group plc (the 'parent company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2019 and of the Group's profit for the year then ended;**
- **the Group Financial Statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;**
- **the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and**
- **the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group Financial Statements, Article 4 of the IAS Regulation.**

We have audited the Financial Statements which comprise:

- the Consolidated and Parent Company Income Statements;
- the Consolidated and Parent Company Statements of Comprehensive Income;
- the Consolidated and Parent Company Statements of Financial Position;
- the Consolidated Cash Flow Statement;
- the Consolidated and Parent Company Statements of Changes in Equity;
- the related notes 1 to 13 to the Group Financial Statements, excluding the capital adequacy disclosures in note 12e calculated in accordance with the Solvency II regime which are marked as unaudited; and
- the related notes 1 to 12 to the Parent Company Financial Statements.

The financial reporting framework that has been applied in the preparation of the Group Financial Statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the Financial Statements section of our report.

We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the parent company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Valuation of gross insurance claims reserves; • Valuation of projected excess of loss reinsurance recoveries; and • Valuation of investment in subsidiaries (Admiral Group plc parent company only). Within this report, any new key audit matters are identified with ↑ and any key audit matters which are the same as the prior year identified with →.
Materiality	The materiality that we used for the Group Financial Statements was £26.1 million which was determined with reference to profit before tax.
Scoping	We identified eight reporting components which we determined should be subjected to audits for group reporting purposes this year. Specific audit procedures were completed in respect of two further components which, although not financially significant, did present some specific audit risks which needed to be addressed. The components within the scope of our audit procedures account for 97% of the Group's profits and losses before tax, 95% of revenue and 94% of the Group's net assets.
Significant changes in our approach	The main changes in component scoping since 2018 relate to the Brexit restructuring of the Group, whereby the European insurance business is now underwritten through the Group's Spanish incorporated underwriter Admiral Europe Compañía de Seguros ("AECS") which forms a significant component of the Group. Following the transfer of European insurance business, the Italian and Spanish divisions of the Group's underwriting entities, Admiral Insurance (Gibraltar) Limited ("AIGL") and Admiral Insurance Company Limited ("AICL"), were dissolved meaning that these no longer form significant components of the Group for the 2019 audit. During 2019, we have identified an additional key audit matter pertaining to the valuation of projected excess of loss reinsurance recoveries related to the UK Car Insurance business underwritten by the Group following an enhancement to the methodology applied in calculating such recoveries during the current period. We have also removed one key audit matter from the 2018 audit, being the recognition of profit commission income. This is because the profit commission calculation is mechanical in nature and has not been subject to change during either the current or prior period. Moreover, there have been no changes to the underlying profit commission agreements or any one-off adjustments which would result in additional complexity during the current period. Furthermore, we have identified an additional key audit matter in respect of the audit of the parent company financial statements related to the valuation of its investment in the Group's US insurance subsidiary, Elephant Insurance Company LLC ("Elephant"). We have determined this to be a key audit matter for the current period as Elephant's trading losses were larger than forecast in the year-ended 31 December 2019, which gave rise to an indication of impairment.

Conclusions relating to going concern, principal risks and viability statement

Going concern We have reviewed the directors' statement in note 2 to the Financial Statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them and their identification of any material uncertainties to the Group's and company's ability to continue to do so over a period of at least twelve months from the date of approval of the Financial Statements. We considered as part of our risk assessment the nature of the Group, its business model and related risks including where relevant the impact of Brexit, the requirements of the applicable financial reporting framework and the system of internal control. We evaluated the directors' assessment of the Group's ability to continue as a going concern, including challenging the underlying data and key assumptions used to make the assessment, and evaluated the directors' plans for future actions in relation to their going concern assessment. We are required to state whether we have anything material to add or draw attention to in relation to that statement required by Listing Rule 9.8.6R(3) and report if the statement is materially inconsistent with our knowledge obtained in the audit.	**We confirm that we have nothing material to report, add or draw attention to in respect of these matters.**
Principal risks and viability statement Based solely on reading the directors' statements and considering whether they were consistent with the knowledge we obtained in the course of the audit, including the knowledge obtained in the evaluation of the directors' assessment of the Group's and the company's ability to continue as a going concern, we are required to state whether we have anything material to add or draw attention to in relation to: • The disclosures on pages 66 to 73 that describe the principal risks, procedures to identify emerging risks, and an explanation of how these are being managed or mitigated; • the directors' confirmation on page 66 that they have carried out a robust assessment of the principal and emerging risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity; or • the directors' explanation on pages 96 to 97 as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions. We are also required to report whether the directors' statement relating to the prospects of the Group required by Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	**We confirm that we have nothing material to report, add or draw attention to in respect of these matters.**

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have identified one new key audit matter in the 2019 audit pertaining to the valuation of projected excess of loss reinsurance recoveries related to the UK Car Insurance business underwritten by the Group following an enhancement to the methodology applied in calculating such recoveries during the current period.

We have removed one key audit matter from the 2018 audit, being the recognition of profit commission income. This is because the profit commission calculation is mechanical in nature and has not been subject to change during either the current or prior period. Moreover, there have been no changes to the underlying profit commission agreements or any one-off adjustments which would result in additional complexity during the current period.

Furthermore, we have identified an additional key audit matter in respect of the audit of the parent company financial statements related to the valuation of its investment in the Group's US insurance subsidiary, Elephant Insurance Company LLC ("Elephant"). We have determined this to be a key audit matter for the current period as Elephant's trading losses were larger than forecast in the year-ended 31 December 2019, which gave rise to an indication of impairment.

Valuation of gross insurance claims reserves →	
Key audit matter description	The Group's gross insurance claims reserves total £2,899 million as at 31 December 2019 (2018 year-end: £2,740 million). The judgements which are made by management in determining the valuation of claims reserves are by far the most significant, in terms of their impact on the Group's financial position. Setting these claims reserves is an inherently subjective exercise and small changes in underlying assumptions such as average frequency or average severity may have a material impact on the overall year-end result reported. We therefore consider that this account balance contains potential fraud risks. Specifically, our significant areas of focus are management's selection of the frequency and severity assumptions for large bodily injury claims arising in the UK Car Insurance business. These particular claims result in higher individual claims reserves and are more judgemental, in terms of the development of the ultimate losses, due to the longer-term nature of the Group's exposure (compared to property damage claims). In line with the Group's accounting policy, management adds a margin to the actuarial best estimate to arrive at the booked gross claims reserves. This margin reflects the inherent uncertainty in estimating the ultimate losses on claims, over and above that which can be projected actuarially as a best estimate based on underlying claims development data. This is a significant area of management judgement and, therefore, a focus of our audit. Specifically, the consistency of the level of prudence within the margin for the UK Car Insurance reserves is our key area of focus. Refer to page 91 in the Audit Committee report where this is included as a significant issue and note 3 and note 5d in the Financial Statements which refer to this matter.
How the scope of our audit responded to the key audit matter	We have assessed the design and implementation and tested the operating effectiveness of relevant controls relating to the key actuarial assumptions identified and the setting of the reserve margin. These controls include those concerning the oversight and challenge of management's external actuarial expert by management and the Audit Committee. We inspected the reports from management's external expert actuary and involved our own Deloitte actuarial specialists to support our challenge of management's assumptions, including the frequency and severity assumptions for large bodily injury claims. We performed procedures to assess the objectivity and competence of management's expert. We benchmarked management's frequency assumptions against available industry working party data and considered the comparison in the context of the risk profile of Admiral's portfolio and the year-on-year changes in these assumptions. We undertook a graphical analysis of incurred development patterns to assess and challenge management's severity assumptions. We benchmarked the average cost per claim assumptions against available third party industry data in the context of this incurred development analysis. We challenged management's qualitative and quantitative justifications for the margin held over the actuarial best estimate reserves through review of management's accounting judgement papers and testing the internal controls governing the claims distribution model. We analysed the consistency of prudence within the booked margin against previous reporting periods in the context of the underlying uncertainty in incurred claims development and challenged management's support for the booked position.
Key observations	Based on the procedures described above, we consider that the booked reserves remain appropriate and in line with the Group's prudent accounting policy.

Valuation of projected excess of loss reinsurance recoveries ↑	
Key audit matter description	The projected excess of loss reinsurance recoveries on large bodily injury claims, related to the UK Car Insurance business underwritten by the Group, are inherently uncertain and their calculation is reliant upon the judgemental actuarial methodology applied in their projection. The total reinsurers' share of claims outstanding in the Group's Financial Statements is £1,354 million as at 31 December 2019 (2018 year-end: £1,220 million). The value of the excess of loss reinsurance recoveries depends on the number of claims that ultimately settle above the reinsurance retention and the placements in each layer which vary between individual underwriting years. Small changes in the frequency assumptions for excess of loss reinsurance recoveries can have a material impact on the final booked reserves and consequently represent a significant area of judgement and complexity. Management's external expert actuary enhanced their methodology for calculating excess of loss reinsurance recoveries during the first-half of 2019, as part of regular enhancements in the reserving methodologies used in projecting both the large bodily injury claims in the gross analysis and the excess of loss recoveries arising on these projected claims. The methodologies which are applied in determining the valuation of the excess of loss reinsurance recoveries are significant in terms of their impact on the Group's financial performance and therefore represent a key audit matter for the Group. Projecting such recoveries is an inherently subjective exercise and changes in methodologies may have a material impact on the reported year-end result for the Group. Refer to page 91 in the Audit Committee report where this is included as a significant issue and note 3 and note 5d in the Financial Statements which refer to this matter.
How the scope of our audit responded to the key audit matter	We have assessed the design and implementation and tested the operating effectiveness of relevant controls relating to the projection of the excess of loss reinsurance recoveries. These controls include those concerning the oversight and challenge of management's external expert actuary by management and the Audit Committee. We inspected the reports from management's external expert actuary and involved our own Deloitte actuarial specialists to support our challenge of management's assumptions and methodologies applied in projecting the excess of loss reinsurance recoveries. We performed procedures to assess the objectivity and competence of management's expert. Furthermore, with the involvement of our actuarial specialists, we performed additional diagnostics and reviewed the results to assess whether the methodology had been implemented as described. We compared management's frequency assumptions for excess of loss reinsurance recoveries against the frequency assumptions for large bodily injury claims to assess the consistency in the underlying assumptions applied to derive the gross and net insurance claims reserves.
Key observations	Based on the procedures described above, we consider that the methodology used to project the excess of loss reinsurance recoveries within the net best estimate reserves is appropriate.

In addition to the key audit matters for the Group audit, above, we have identified a further key audit matter for the parent company only audit of Admiral Group plc, being the valuation of the parent company's investment in its subsidiary Elephant Insurance Company LLC, as set out in the table below. This key audit matter does not affect the consolidated Group Financial Statements.

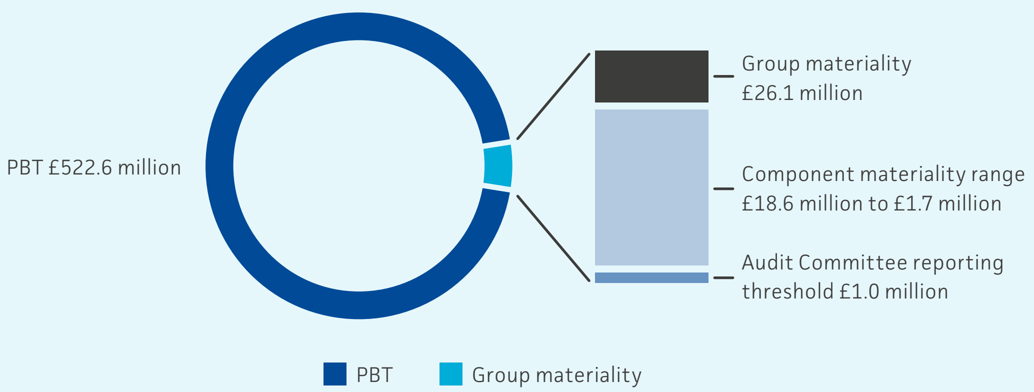
Valuation of investment in subsidiaries (Admiral Group plc parent company only) ↑	
Key audit matter description	Admiral Group plc, the Group's parent entity, holds its investment in the US insurance subsidiary, Elephant Insurance Company LLC ("Elephant"), at cost less impairment. The pre-impairment value of this investment was £106 million (2018: £106 million). Elephant's trading losses were larger than forecast in the year-ended 31 December 2019, which gave rise to an indication of impairment. An impairment should be recognised when the carrying value of an investment exceeds the recoverable amount, which is, itself, the higher of the value in use and the fair value less costs to sell. The value in use is determined using a discounted cash flow calculation, which involves significant management judgement. The most significant judgement is in projecting the cash flow forecasts for future years. Management's forecasts include profitable growth; for this reason, this is the focus of our audit challenge. The driver of this profit growth is increasing premiums, while decreasing the loss ratio (an industry measure of profitability, being claims divided by premiums in a given period). There is significant uncertainty around the future performance of the business and, therefore, it is possible that there may be further impairments in the future, or that the impairment may be reversed, based on how the business performs. Refer to page 92 in the Audit Committee report where this is included as a significant issue and note 1.5 and note 4 in the parent company financial statements which refer to this matter. The impairment charge recognised for 2019 totalled £66 million (2018: £nil) and consequently the carrying value of the investment in Elephant totals £40 million (2018: £106 million).
How the scope of our audit responded to the key audit matter	We have assessed the design and implementation of relevant controls relating to the impairment analysis performed by management. These controls include those concerning the oversight and challenge of management by the Audit Committee. We inspected the calculations and agreed that the cash flows used were based on the latest five-year plan approved by the Group board. In order to challenge the cash flow forecasts, we made enquiries with the senior management of Elephant, as well as with Group senior management, regarding the business plans, and vouched their assertions to corroborating evidence, including evidence of initiatives in place to increase efficiency and reduce claims leakage. We enquired of and challenged management on the business plans of Elephant, to assess whether they are consistent with the assumptions used in estimating future cash flows. We also sought independent audit evidence relating to the future of the US motor insurance market, utilising market research papers published by the Deloitte member firm in the US, and put this to management as part of our challenge, where this was contrary to their assertions. Finally, we considered whether events or transactions that occurred after the year-end but before the reporting date affect the conclusions reached on the carrying values of the assets and associated disclosures.
Key observations	Based on the procedures described above, we consider that the impairment booked and the carrying value of the investment in Elephant is appropriate.

Our application of materiality

We define materiality as the magnitude of misstatement in the Financial Statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the Financial Statements as a whole as follows:

	Group Financial Statements	Parent company Financial Statements
Materiality	£26.1 million (2018: £20.7 million)	£3.0 million (2018: £1.8 million)
Basis for determining materiality	5% of profit before tax (2018: 5% of profit before tax, adjusted for the movement due to the change in the Ogden rate assumption).	3% of two-year average of net assets (2018: 3% of net assets). We have adjusted the basis for the determination of materiality in the current period to use an average net asset measure in order to remove the volatility associated with the timing of dividend payments from the parent company.
Rationale for the benchmark applied	We consider profit before tax to be the critical benchmark of the performance of the Group and consider this benchmark to be suitable having compared to other benchmarks: our materiality equates to 1% of gross earned premium and 3% of equity (2018: 1% of gross earned premium and 3% of equity). In the prior period we adjusted our materiality basis to exclude the impact of the Ogden discount rate change in order to remove year on year volatility. Following the announcement of the new Ogden discount rate in July 2019 we are satisfied that no such adjustment is required for the 2019 audit.	The parent company primarily exists as the holding company which carries investments in group subsidiaries and is the issuer of listed securities. We consider that net assets is the critical benchmark for the company. The measure uses a two-year average of net assets which we consider appropriate given the inherent volatility associated with the timing of dividend payments. When determining materiality for the parent company, we also considered the appropriateness of this materiality for the consolidation of this set of Financial Statements to the Group's results.



We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the Financial Statements as a whole. Group performance materiality was set at 70% of Group materiality for the 2019 audit (2018: 70%). In determining performance materiality, we considered factors including:

- our risk assessment, including our assessment of the Group's overall control environment and that we consider it appropriate to rely on controls over a number of business processes; and
- our past experience of the audit, which has indicated a low number of uncorrected misstatements identified in prior periods.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £1.0 million (2018: £1.0 million), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the Financial Statements.

An overview of the scope of our audit

The eight financially significant components of the Group which were identified in our audit planning are Admiral Insurance (Gibraltar) Limited, Admiral Insurance Company Limited, EUI Limited, Inspop.com Limited, Admiral Financial Services Limited, Admiral Europe Compañía de Seguros, Elephant Insurance Company LLC and the Admiral Group plc parent entity itself.

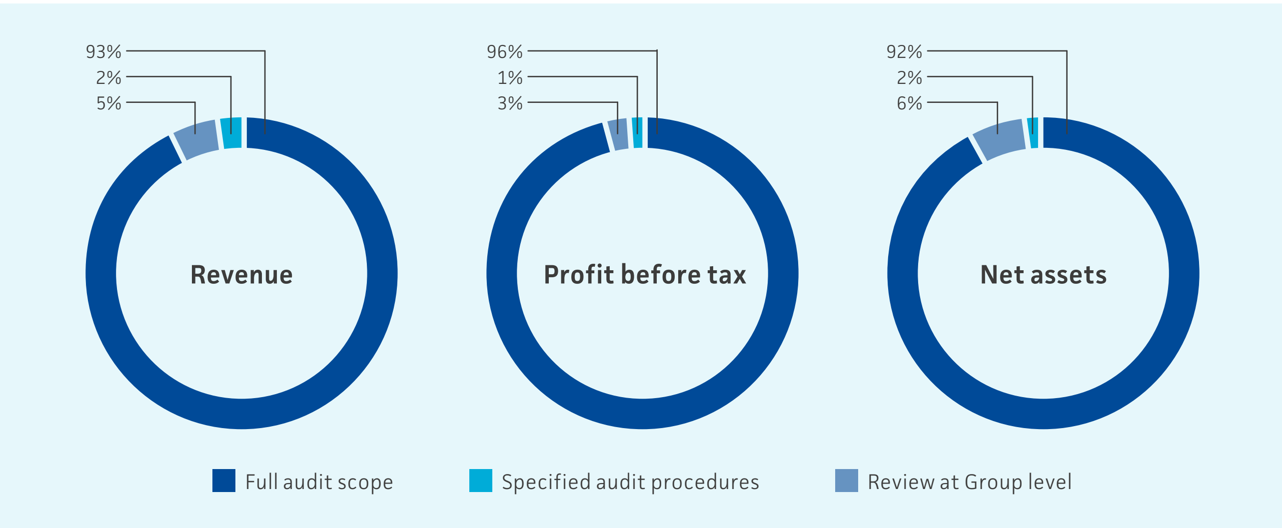
In 2018, we identified six of these as significant reporting components and nine in totality. The changes in component scoping since 2018 are in classifying the Group's overseas underwriting entities in Spain and US, Admiral Europe Compañía de Seguros and Elephant Insurance Company LLC respectively, as significant components of the Group due to the increase in their size relative to the consolidated group. The Italian divisions of Admiral Insurance (Gibraltar) Limited and Admiral Insurance Company Limited, as well as the Spanish division of Admiral Insurance Company Limited no longer form significant components of the Group following the transfer of European policies to Admiral Europe Compañía de Seguros effective from 1 January 2019.

Each of these significant components was subjected to a full-scope audit for Group reporting purposes, completed to individual component materiality levels which ranged from £1.7 million to £18.6 million (2018: £0.3 million to £14.1 million) dependent upon the relative significance of each individual component.

Additionally, we have completed specific audit procedures, designed to address specific audit risks, for two (2018: eight) further components.

We engaged local component auditors, being Deloitte member firms in the US and Spain, to perform the audit work in these respective territories on our behalf. We directed and supervised the work of the component auditors, including through visits to the operations in Rome, Madrid, Seville and Richmond and remote communication and review of their work.

For the remaining components, which were not subject to audit or specified audit procedures, we performed analysis at an aggregated Group level to re-assess our evaluation that there were no significant risks of material misstatement presented by any of these components. The components within the scope of our audit procedures account for 97% of the Group's profits and losses before tax, 95% of revenue and 94% of the Group's net assets (2018: 96% of profits and losses before tax, 95% of revenue and 94% of net assets).



Profit before tax coverage is stated in absolute terms – i.e. based on contribution to Group profit less Group loss.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the Financial Statements and our auditor's report thereon.

Our opinion on the Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Financial Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

In this context, matters that we are specifically required to report to you as uncorrected material misstatements of the other information include where we conclude that:

- *Fair, balanced and understandable* – the statement given by the directors that they consider the annual report and Financial Statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit;
- *Audit Committee reporting* – the section describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee; or
- *Directors' statement of compliance with the UK Corporate Governance Code* – the parts of the directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, the directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud are set out below.

A further description of our responsibilities for the audit of the Financial Statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

We identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- enquiring of management, internal audit, and the Audit Committee, including obtaining and reviewing supporting documentation, concerning the Group's policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations;
- discussing among the engagement team including significant component audit teams and involving relevant internal specialists, including actuarial, tax and IT specialists regarding how and where fraud might occur in the Financial Statements and any potential indicators of fraud. As part of this discussion, we identified potential for fraud in the following areas:
  - valuation of gross insurance claims reserves for UK Car Insurance;
  - valuation of projected excess of loss reinsurance recoveries for UK Car Insurance; and
  - valuation of investment in subsidiaries (Admiral Group plc parent company only).
- obtaining an understanding of the legal and regulatory frameworks that the Group operates in, focusing on those laws and regulations that had a direct effect on the Financial Statements or that had a fundamental effect on the operations of the Group. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, and relevant tax legislation. In addition, compliance with terms of the Group's regulatory capital requirements were fundamental to the assessment of the Group's ability to continue as a going concern.

Audit response to risks identified

As a result of performing the above, we identified the valuation of gross insurance claims reserves and valuation of projected excess of loss reinsurance recoveries as key audit matters. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the Audit Committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC, the Financial Conduct Authority and the Prudential Regulation Authority; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records Under the Companies Act 2006 we are required to report to you if, in our opinion: • we have not received all the information and explanations we require for our audit; or • adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or • the parent company financial statements are not in agreement with the accounting records and returns.	**We have nothing to report in respect of these matters.**
Directors' remuneration Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.	**We have nothing to report in respect of these matters.**

Other matters

Auditor tenure

Following the recommendation of the Audit Committee, we were appointed by shareholders' approval at the Annual General Meeting on 28 April 2016 to audit the Financial Statements for the year ending 31 December 2016 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is four years, covering the years ending 31 December 2016 to 31 December 2019.

Consistency of the audit report with the additional report to the Audit Committee

Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISAs (UK).

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Mark McQueen

Mark McQueen (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor
London, United Kingdom
4 March 2020

Consolidated Income Statement
For the year ended 31 December 2019

	Note	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Insurance premium revenue		2,198.4	2,079.6
Insurance premium ceded to reinsurers		(1,489.0)	(1,407.8)
Net insurance premium revenue	5	709.4	671.8
Other revenue	8	469.9	449.2
Profit commission	5	114.9	93.2
Interest income	7	30.8	15.0
Interest expense	7	(6.3)	(3.6)
Net interest income from loans		24.5	11.4
Investment return	6	35.3	36.0
Net revenue		1,354.0	1,261.6
Insurance claims and claims handling expenses	5	(1,568.1)	(1,513.8)
Insurance claims and claims handling expenses recoverable from reinsurers		1,208.8	1,163.7
Net insurance claims	5	(359.3)	(350.1)
Operating expenses and share scheme charges	9	(900.7)	(842.8)
Operating expenses and share scheme charges recoverable from co- and reinsurers	9	441.2	418.8
Net operating expenses and share scheme charges		(459.5)	(424.0)
Total expenses		(818.8)	(774.1)
Operating profit		535.2	487.5
Finance costs	6	(14.6)	(11.3)
Finance costs recoverable from co- and reinsurers	6	2.0	–
Net finance costs		(12.6)	(11.3)
Profit before tax		522.6	476.2
Taxation expense	10	(94.2)	(85.7)
Profit after tax		428.4	390.5
Profit after tax attributable to:			
Equity holders of the parent		432.4	395.1
Non-controlling interests (NCI)		(4.0)	(4.6)
		428.4	390.5
Earnings per share			
Basic	12	148.3p	137.1p
Diluted	12	148.0p	136.8p
Dividends declared and paid (total)	12	367.8	332.7
Dividends declared and paid (per share)	12	129.0p	118.0p

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2019

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Profit for the period	428.4	390.5
Other comprehensive income		
Items that are or may be reclassified to profit or loss		
Movements in fair value reserve	34.6	(24.0)
Deferred tax charge in relation to movement in fair value reserve	(1.5)	0.7
Exchange differences on translation of foreign operations	(8.9)	2.2
Movement in hedging reserve	(0.9)	(0.3)
Other comprehensive income for the period, net of income tax	23.3	(21.4)
Total comprehensive income for the period	451.7	369.1
Total comprehensive income for the period attributable to:		
Equity holders of the parent	456.1	373.7
Non-controlling interests	(4.4)	(4.6)
	451.7	369.1

Consolidated Statement of Financial Position

As at 31 December 2019

	Note	As at 31 December 2019 £m	As at 31 December 2018 £m
ASSETS			
Property and equipment	11	154.4	28.1
Intangible assets	11	160.3	162.0
Deferred income tax	10	–	0.2
Reinsurance assets	5	2,071.7	1,883.5
Insurance and other receivables	6	1,227.7	1,082.0
Loans and advances to customers	7	455.1	300.2
Financial investments	6	3,234.5	2,969.7
Cash and cash equivalents	6	281.7	376.8
Total assets		7,585.4	6,802.5
EQUITY			
Share capital	12	0.3	0.3
Share premium account		13.1	13.1
Other reserves	12	55.1	31.4
Retained earnings		840.9	713.5
Total equity attributable to equity holders of the parent		909.4	758.3
Non-controlling interests		9.2	12.8
Total equity		918.6	771.1
LIABILITIES			
Insurance contract liabilities	5	3,975.0	3,736.4
Subordinated and other financial liabilities	6	530.1	444.2
Trade and other payables	6, 11	1,975.9	1,801.5
Lease liabilities	6	137.1	–
Deferred income tax	10	0.4	–
Current tax liabilities	10	48.3	49.3
Total liabilities		6,666.8	6,031.4
Total equity and total liabilities		7,585.4	6,802.5

The accompanying notes form part of these Financial Statements.

These Financial Statements were approved by the Board of Directors on 4 March 2020 and were signed on its behalf by:

Geraint Jones

Chief Financial Officer

Admiral Group plc

Consolidated Cash Flow Statement

For the year ended 31 December 2019

	Note	Year ended 31 December 2019 £m	31 December 2018 £m
Profit after tax		428.4	390.5
Adjustments for non-cash items:			
– Depreciation of property, plant and equipment and right-of-use assets	11	23.8	12.0
– Amortisation and impairment of intangible assets	11	18.7	15.5
– Movement in provision for loans and advances to customers	7	13.8	8.9
– Share scheme charges	9	53.4	49.8
– Accrued interest income from loans and advances to customers		(0.6)	(1.4)
– Investment return	6	(35.3)	(36.0)
– Finance costs, including unwinding of discounts on lease liabilities		12.6	14.9
– Taxation expense	10	94.2	85.7
Change in gross insurance contract liabilities	5	238.6	422.5
Change in reinsurance assets	5	(188.2)	(245.9)
Change in insurance and other receivables	6, 11	(147.0)	(145.0)
Change in gross loans and advances to customers	7	(168.7)	(242.9)
Change in trade and other payables, including tax and social security	11	174.4	159.9
Cash flows from operating activities, before movements in investments		518.1	488.5
Purchases of financial instruments		(2,048.2)	(1,830.2)
Proceeds on disposal/maturity of financial instruments		1,847.9	1,573.4
Interest and investment income received	6	11.6	8.0
Cash flows from operating activities, net of movements in investments		329.4	239.7
Taxation payments		(92.8)	(55.6)
Net cash flow from operating activities		236.6	184.1
Cash flows from investing activities:			
Purchases of property, equipment and software	11	(33.6)	(23.9)
Net cash used in investing activities		(33.6)	(23.9)
Cash flows from financing activities:			
Non-controlling interest capital contribution		1.6	19.3
Proceeds on issue of loan backed securities		136.2	168.3
(Repayment)/proceeds from other financial liabilities		(50.3)	51.9
Finance costs paid, including interest expense paid on funding for loans		(14.0)	(14.1)
Repayment of lease liabilities		(10.6)	–
Equity dividends paid	12	(367.8)	(332.7)
Net cash used in financing activities		(304.9)	(107.3)
Net (decrease) / increase in cash and cash equivalents		(101.9)	52.9
Cash and cash equivalents at 1 January		376.8	326.8
Effects of changes in foreign exchange rates		6.8	(2.9)
Cash and cash equivalents at end of period	6	281.7	376.8

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Attributable to the owners of the Company								
	Share capital £m	Share premium account £m	Fair value reserve £m	Hedging reserve £m	Foreign exchange reserve £m	Retained profit and loss £m	Total £m	Non-controlling interests £m	Total equity £m
At 1 January 2018	0.3	13.1	36.4	–	16.0	580.3	646.1	9.7	655.8
Initial application of IFRS 9	–	–	0.4	–	–	(0.4)	–	–	–
Adjusted balance at 1 January 2018	0.3	13.1	36.8	–	16.0	579.9	646.1	9.7	655.8
Profit/(loss) for the period	–	–	–	–	–	395.1	395.1	(4.6)	390.5
Other comprehensive income									
Movements in fair value reserve	–	–	(24.0)	–	–	–	(24.0)	–	(24.0)
Deferred tax charge in relation to movement in fair value reserve	–	–	0.7	–	–	–	0.7	–	0.7
Movement in hedging reserve	–	–	–	(0.3)	–	–	(0.3)	–	(0.3)
Currency translation differences	–	–	–	–	2.2	–	2.2	–	2.2
Total comprehensive income for the period	–	–	(23.3)	(0.3)	2.2	395.1	373.7	(4.6)	369.1
Transactions with equity holders									
Dividends	–	–	–	–	–	(332.7)	(332.7)	(0.4)	(333.1)
Share scheme credit	–	–	–	–	–	56.7	56.7	–	56.7
Deferred tax credit on share scheme credit	–	–	–	–	–	3.3	3.3	–	3.3
Changes in ownership interests without a change in control	–	–	–	–	–	11.2	11.2	8.1	19.3
Total transactions with equity holders	–	–	–	–	–	(261.5)	(261.5)	7.7	(253.8)
As at 31 December 2018	0.3	13.1	13.5	(0.3)	18.2	713.5	758.3	12.8	771.1
Balance at 1 January 2019	0.3	13.1	13.5	(0.3)	18.2	713.5	758.3	12.8	771.1
Profit/(loss) for the period	–	–	–	–	–	432.4	432.4	(4.0)	428.4
Other comprehensive income									
Movements in fair value reserve	–	–	34.6	–	–	–	34.6	–	34.6
Deferred tax charge in relation to movement in fair value reserve	–	–	(1.5)	–	–	–	(1.5)	–	(1.5)
Movement in hedging reserve	–	–	–	(0.9)	–	–	(0.9)	–	(0.9)
Currency translation differences	–	–	–	–	(8.5)	–	(8.5)	(0.4)	(8.9)
Total comprehensive income for the period	–	–	33.1	(0.9)	(8.5)	432.4	456.1	(4.4)	451.7
Transactions with equity holders									
Dividends	–	–	–	–	–	(367.8)	(367.8)	–	(367.8)
Share scheme credit	–	–	–	–	–	58.8	58.8	–	58.8
Deferred tax credit on share scheme credit	–	–	–	–	–	3.2	3.2	–	3.2
Contributions by NCIs	–	–	–	–	–	–	–	2.2	2.2
Changes in ownership interests without a change in control	–	–	–	–	–	0.8	0.8	(1.4)	(0.6)
Total transactions with equity holders	–	–	–	–	–	(305.0)	(305.0)	0.8	(304.2)
As at 31 December 2019	0.3	13.1	46.6	(1.2)	9.7	840.9	909.4	9.2	918.6

Notes to the Financial Statements

For the year ended 31 December 2019

1. General information

Admiral Group plc is a company incorporated in England and Wales. Its registered office is at Tŷ Admiral, David Street, Cardiff, CF10 2EH and its shares are listed on the London Stock Exchange.

The consolidated Financial Statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). The Company has elected to prepare its Parent Company Financial Statements in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* (FRS 101).

2. Basis of preparation

The accounts have been prepared on a going concern basis. In considering this requirement, the Directors have taken into account the following:

- The Group's projections for the next 12 months and beyond, in particular the profit forecasts, regulatory capital surpluses and levels and sources of liquidity.
- The risks included on the Group's risk register that could impact on the Group's financial performance, levels of liquidity and solvency over the next 12 months. This includes consideration of the principal risks and uncertainties and how these are managed and mitigated, as disclosed on pages 66 to 73 of the Annual Report.
- The risks on the Group's risk register that could be a threat to the Group's business model and capital adequacy.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Report. The Strategic Report also includes the Group's principal risks and uncertainties. In addition, the Governance report includes the Directors' statement on the viability of the Group over a three year period.

Following consideration of the above, the Directors have a reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future, a period not less than 12 months from the date of this report, and that it is therefore appropriate to adopt the going concern basis in preparing the Financial Statements.

Further information regarding the Company's business activities, together with the factors likely to affect its future development, performance and position, is set out in the Strategic Report. Further information regarding the financial position of the Company, its cash flows, liquidity position and borrowing facilities are also described in the Strategic Report. In addition, notes 6 and 12 to the Financial Statements include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk.

The accounting policies set out in the notes to the Financial Statements have, unless otherwise stated, been applied consistently to all periods presented in these Group Financial Statements.

The Financial Statements are prepared on the historical cost basis, except for the revaluation of financial assets classified as fair value through profit or loss or as fair value through other comprehensive income. The Group and Company Financial Statements are presented in pounds sterling, rounded to the nearest £0.1 million.

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable. The acquisition date is the date on which control is transferred to the acquirer. The Financial Statements of subsidiaries are included in the consolidated Financial Statements from the date that control commences until the date that control ceases. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

The Group has securitised certain loans and advances to customers by the transfer of the loans to a special purpose entity ("SPE") controlled by the Group. The securitisation enables a subsequent issuance of debt by the SPE to investors who gain the security of the underlying assets as collateral. The SPE is fully consolidated into the Group Financial Statements under IFRS 10, as the Group controls the entity in line with the above definition.

The preparation of Financial Statements in conformity with adopted IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

2. Basis of preparation continued

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is reviewed. To the extent that a change in an accounting estimate gives rise to changes in assets and liabilities, it is recognised by adjusting the carrying amount of the related asset or liability in the period of the change.

Adoption of new and revised standards

The Group has adopted the following IFRSs and interpretations during the year, which have been issued and endorsed by the EU:

- IFRS 16 "Leases";
- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7);
- Annual Improvements to IFRS Standards 2015 – 2017 Cycle;
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures.

Other than the impact of IFRS 16 and the Amendments to IFRS 9 and IFRS 7 in respect of interest rate benchmark reform, further detail of which is provided below, the application of these amendments has not had a material impact on the Group's results, financial position and cashflows.

IFRS 16

During the year the Group has adopted IFRS 16 *Leases* with a date of initial application of 1 January 2019.

IFRS 16 introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its right to use the underlying assets and lease liabilities representing its obligations to make lease payments.

As permitted by the transitional provisions of IFRS 16 the Group has elected to use the modified retrospective approach, and as such has not restated prior year comparatives (which are presented, as previously reported, under IAS 17 and related interpretations).

The adjustments arising from transition are recognised in the opening balance sheet on 1 January 2019 and are set out below along with details of the changes in accounting policies relating to IFRS 16 as applied in the period.

a) Definition of a lease and practical expedients applied

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 *Determining Whether an Arrangement contains a Lease*. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease, which under IFRS 16 is where a contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Group has also used the following practical expedients permitted by the standard:

- the use of a single discount rate for a portfolio of leases with reasonably similar characteristics;
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease;
- the exclusion of initial direct costs for the measurement of the right-of-use assets at the date of initial application.

b) Impact of transition

On adoption of IFRS 16, the Group recognised additional right-of-use assets, and additional lease liabilities in relation to leases which were previously classified as 'operating leases' under IAS 17 *Leases*. The liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as of 1 January 2019. The weighted average incremental borrowing rate (discount rate) applied is 2.4%.

A reconciliation of the Group's lease liabilities to the operating lease commitment at 31 December 2018 as disclosed in the Group's consolidated Financial Statements is shown below.

	2019 £m
Operating lease commitments disclosed as at 31 December 2018	185.9
Impact of extension options exercised before the date of initial application*1	12.7
Impact of changes in relation to IFRS 16 treatment*1	(24.0)
Adjusted operating lease commitments under IFRS 16	174.6
Impact of discount at the date of initial application	(25.4)
Lease liability recognised at 1 January 2019	149.2
Current	10.5
Non-current	138.7

*1 Following a review of lease extension options and variable lease payments during the IFRS 16 transition process, the operating lease commitments disclosed as at 31 December 2018 have been amended to reflect the impact of a different treatment of inflation and VAT within lease agreements, and lease extensions that had occurred before the transition date but were not previously disclosed.

The associated right-of-use assets have been measured retrospectively, at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued payments relating to that lease recognised in the statement of financial position as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

All right-of-use assets relate to property leases held by the Group.

The following adjustment was recognised on the date of initial application:

	1 January 2019 £m
ROU Lease Assets	136.7
Trade and other payables – invoice accrual	1.1
Trade and other payables – rent free accrual	11.4
Lease Liability	(149.2)

For the Group's accounting policy in relation to right-of-use assets and lease liabilities, see notes 6 and 11.

2. Basis of preparation continued

Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

In September 2019, the IASB issued Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7. These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms.

The amendments are relevant to the Group given that it hedges and applies hedge accounting to its benchmark interest rate exposure.

The application of the amendments impact the Group's accounting in the following way:

- The Group has floating rate debt, linked to GBP LIBOR, which it hedges using interest rate swaps. The amendments permit continuation of hedge accounting even though there is uncertainty about the timing and amount of the hedged cash flows due to the interest rate benchmark reforms.
- The Group will retain the cumulative gain or loss in the cash flow hedge reserve for designated cash flow hedges that are subject to benchmark interest rate reforms even though there is uncertainty arising from the interest rate benchmark reform with respect to the timing and amount of the cash flows of the hedged items. Should the Group consider the hedged future cash flows are no longer expected to occur due to reasons other than interest rate benchmark reforms, the cumulative gain or loss will be immediately reclassified to profit or loss.

The Group has chosen to early apply the amendments to IFRS 9 for the reporting period ending 31 December 2019, which are mandatory for annual reporting periods beginning on or after 1 January 2020. Adopting these amendments allows the Group to continue hedge accounting during the period of uncertainty arising from interest rate benchmark reforms.

See note 6i for further details.

Standards endorsed but not yet effective

As at 31 December 2019, the following amendments to standards had been endorsed by the EU but are not yet effective:

- Amendments to IAS 1 and IAS 8: "Definition of Material";
- Amendments to references to the Conceptual Framework in IFRS Standards.

No significant impact is expected as a result of adopting the above amendments.

Standards yet to be endorsed by the EU

There are a number of standards, amendments to standards and interpretations that were issued by 31 December 2019 but have either yet to be endorsed by the EU, or were endorsed shortly after the year end. The following IFRSs have been issued but have not been applied by the Group in these Financial Statements:

- IFRS 17 Insurance Contracts;
- Amendments to IFRS 3 "Business Combinations".

IFRS 17 – Insurance contracts

IFRS 17 Insurance Contracts was issued in May 2017, with a revised endorsement draft incorporating a number of proposed amendments issued in June 2019. The standard will replace IFRS 4, establishing new principles for the recognition, measurement, presentation and disclosure of Insurance contracts within the scope of the standard. The proposed IASB effective date in the revised exposure draft is 1 January 2022, requiring a transition balance sheet at 1 January 2021.

The Group continues to assess the impact of IFRS 17 on its results and financial position, taking into account the proposals in the revised exposure draft, along with any impacts of the other standards and amendments which have yet to be endorsed.

3. Critical accounting judgements and key sources of estimation uncertainty

In applying the Group's accounting policies as described in the notes to the Financial Statements, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical accounting judgements

The following are the critical judgements, apart from those involving estimations (which are presented separately below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in Financial Statements.

- Classification of the Group's contracts with reinsurers as reinsurance contracts:

A contract is required to transfer significant insurance risk in order to be classified as such. Management reviews all terms and conditions of each such insurance and reinsurance contract in order to be able to make this judgement. In particular, all reinsurance contracts (both excess of loss and quota share contracts) held by the Group have been assessed and it has been concluded that all contracts transfer significant insurance risk and have therefore been classified and accounted for as reinsurance contracts within these Financial Statements.

- Consolidation of the Group's special purpose entity ("SPE")

During 2018 the Group set up an SPE in relation to the Admiral Loans business, whereby the Group securitises certain loans by the transfer of the loans to the SPE. The securitisation enables a subsequent issue of debt by the SPE to investors who gain the security of the underlying assets as collateral.

The accounting treatment of the SPE has been assessed and it has been concluded that it should be fully consolidated into the Group's Financial Statements under IFRS 10. This is due to the fact that despite not having legal ownership, the Group has control of the SPE, being exposed to the returns and having the ability to affect those returns through its power over the SPE.

The SPE has therefore been fully consolidated into the Group's Financial Statements.

There are two further significant accounting estimates within the Financial Statements that also require management to apply judgement:

- Calculation of insurance claims provisions and reinsurance assets:

  The Group's reserving policy requires management to set provisions for outstanding claims for the purpose of the Financial Statements, above the projected best estimate outcome to allow for unforeseen adverse claims development. In the application of this policy, Management applies judgement in:

  – calculating the best estimate of the gross ultimate total cost of settling claims that have been incurred prior to the balance sheet date;
  – calculating the best estimate of the non-proportional excess of loss reinsurance recoveries relating to outstanding claims; and
  – determining where, above the projected best estimate outcomes of gross outstanding claims and reinsurance recoveries, the insurance claims provisions should sit in line with the Group's reserving methodology.

3. Critical accounting judgements and key sources of estimation uncertainty continued

Refer to the section on estimation techniques below, and the analysis of Insurance risk in note 5 to the Financial Statements for further detail on the development of the Group's reserving methodology applied during the period and the calculation of the projected best estimate outcome.

- Calculation of expected credit loss provision

The Group is required to calculate an expected credit loss ('ECL') allowance in respect of the carrying value of the Admiral Loans book in line with the requirements of IFRS 9. Due to the increase in the size of the loan book the calculation of the ECL is deemed to be a critical accounting judgement and includes key sources of estimation uncertainty. Management applies judgement in:

  - Determining the appropriate modelling solution for measuring the ECL;
  - Calibrating and selecting appropriate assumptions;
  - Setting the criteria for what constitutes a significant increase in credit risk; and
  - Identification of key scenarios to include and determining the credit loss in these instances.

Refer to the section on estimation techniques below, and the analysis in note 7 to the Financial Statements for further detail on the Group's ECL methodology applied in the period.

Key sources of estimation uncertainty

- Calculation of insurance claims provisions and reinsurance assets:

Estimation techniques are used in the calculation of the provisions for claims outstanding, which represent a projection of the ultimate estimated total cost of settling claims that have been incurred prior to the balance sheet date and remain unsettled at the balance sheet date, along with a margin to allow for unforeseen adverse claims development.

The primary areas of estimation uncertainty are as follows:

Calculation of gross best estimate claims provisions

The key area where estimation techniques are used is in the ultimate projected cost of reported claims, which includes the emergence of claims that occurred prior to the balance sheet date, but had not been reported at that date.

Independent actuarial advisors project the best estimate claims reserves using a variety of different recognised actuarial projection techniques (for example incurred and paid chain ladders, and initial expected assumptions) to allow an actuarial assessment of their potential outcome. This includes an allowance for unreported claims.

Claims are segmented into groups with similar characteristics and which are expected to develop and behave similarly, for example bodily injury (attritional and large) and damage claims, with specific projection methods selected for each head of damage. Key sources of estimation uncertainty arise from both the selection of the projection methods and the assumptions made in setting claims provisions through the review of historical development of underlying case reserve estimates, overlaid with emerging market trends.

Allowance is made for changes or uncertainties which may result future claim cost inflation to deviate from historic trends. These uncertainties include:

- Changes in frequency of bodily injury claims;
  - The effect of inflation on the average cost of bodily injury and damage claims;
  - The likelihood of bodily injury claims settling as Periodic Payment Orders;
  - Changes in the regulatory or legal environment that lead to changes in awards for bodily injury claims and associated legal costs; and
  - Changes to underlying process and methodologies employed in setting case reserve estimates.

Implicit assumptions in the actuarial projections include average cost per claim and average claim numbers by accident year, future rates of claims inflation and loss ratios by accident year and underwriting year. These metrics are reviewed and challenged as part of the process for making allowance for the uncertainties noted.

Calculation of excess of loss reinsurance recoveries

The Group uses excess of loss reinsurance in order to mitigate the impact of large claims. The reinsurance is non-proportional and recoveries are made on individual claims above the relevant thresholds.

As for the underlying gross claims, independent actuarial advisors project the best estimate excess of loss reinsurance recoveries using a variety of actuarial projection techniques that focus on both the ultimate frequency of reported recoveries and the average size of the recovery.

Key sources of estimation uncertainty arise from both the selection of the projection methods and the assumptions made in calculating the recoveries through the review of historical development of underlying case reserve estimates, overlaid with emerging market trends.

The most significant element of the estimation relates to large bodily injury claims. The key assumption in the calculation of excess of loss recoveries relates to the numbers of large claims in the Group's core UK Motor insurance business that will attract recoveries, where the high retention means that a small number of additional large claims would potentially result in a material increase in the excess of loss recoveries.

Calculation of the margin held for adverse development

A wide range of factors inform management's recommendation in setting the margin held above actuarial best estimates, which is subject to approval from the Group's Reserving and Audit Committees, including:

- Reserve KPIs such as the level of margin as a percentage of the ultimate reserve;
- Results of stress testing of key assumptions underpinning key actuarial assumptions within best estimate reserves;
- A review of a number of individual and aggregated reserve scenarios which may result in future adverse variance to the ultimate best estimate reserve; and
- Qualitative assessment of the level of uncertainty and volatility within the reserves and the change in that assessment compared to previous periods.

In addition, for the Group's core UK Car Insurance business, the Group's internal reserve risk distribution is used to determine the approximate confidence level of the recommended booked reserve position which enables comparison of the reserve strength to previous periods and demonstration of the compliance with IFRS 4.

For further detail on objectives, policies and procedures for managing insurance risk, refer to note 5 of the Financial Statements.

Future changes in claims reserves also impact profit commission income, as the measurement of this income is dependent on the loss ratio booked in the Financial Statements, and cash receivable is dependent on actuarial projections of ultimate loss ratios.

- Calculation of expected credit loss provision

The key areas of estimation uncertainty are in the calculation of the Probability of Default (PD) in the base scenario for stage 1 and 2 assets, and the determination, impact assessment and weighting of the forward-looking scenarios.

Note 7 provides detail of the methodology the group has used in the period.

- Recognition of deferred tax assets relating to unused tax losses

Management is required to determine the probability of an entity generating future taxable profits against which to utilise accumulated losses in determining the recognition and measurement of deferred tax assets. In making this estimation, management makes an assessment of the reliability of approved business plan projections using both qualitative and quantitative factors including the age and status of the business, the Group's previous experience in similar markets, historic performance against business plans and the application of a number of stress and sensitivity tests to the projections.

4. Group consolidation and operating segments

4a. Accounting policies

(i) Group consolidation

The consolidated Financial Statements comprise the results and balances of the Company and all entities controlled by the Company, being its subsidiaries and SPE (together referred to as the Group), for the year ended 31 December 2019 and comparative figures for the year ended 31 December 2018. The Financial Statements of the Company's subsidiaries and its SPE are consolidated in the Group Financial Statements.

The Company controls 100% of the voting share capital of all its principal subsidiaries, except Admiral Law Limited, BDE Law Limited (indirect holding), Inspop USA LLC, comparenow.com Insurance Agency LLC (indirect holding), Rastreator.com Limited, Rastreator Comparador Correduria De Seguros S.L.U (indirect holding), Preminen Price Comparison Holdings Limited and the indirect holdings in Preminen Dragon Price Comparison Limited, Preminen Mexico Sociedad Anonima de Capital Variable, Preminen Online Fiyat Karşılaştırma Hizmetleri Anonim Şirketi, Preminen Sigorta Brokerlik Anonim Şirketi and Preminen Price Comparison India Private Limited.

The SPE is fully consolidated into the Group Financial Statements under IFRS 10, whereby the Group has control over the SPE.

The Parent Company Financial Statements present information about the Company as a separate entity and not about its Group. In accordance with IAS 24, transactions or balances between Group companies that have been eliminated on consolidation are not reported as related party transactions in the consolidated Financial Statements.

(ii) Foreign currency translation

Items included in the financial records of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated Financial Statements are presented in pounds sterling, the Group's presentational currency, rounded to the nearest £0.1 million.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Non-monetary items measured at cost are translated at their historic rate and non-monetary items held at fair value are translated using the foreign exchange rate on the date that the fair value was established.

The Financial Statements of foreign operations whose functional currency is not pounds sterling are translated into the Group presentation currency (sterling) as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet.
- Income and expenses for each income statement are translated at average monthly exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the date of the transaction).
- All resulting exchange differences are recognised in other comprehensive income and in a separate component of equity except to the extent that the translation differences are attributable to non-controlling interests.

On disposal of a foreign operation, the cumulative amount recognised in equity relating to that particular operation is recognised in the income statement.

4b. Segment reporting

The Group has four reportable segments, as described below. These segments represent the principal split of business that is regularly reported to the Group's Board of Directors, which is considered to be the Group's chief operating decision maker in line with IFRS 8 Operating Segments.

UK Insurance

The segment consists of the underwriting of car insurance, van insurance, household insurance, travel insurance and other products that supplement these insurance policies within the UK. It also includes the generation of revenue from additional products and fees from underwriting insurance in the UK. The Directors consider the results of these activities to be reportable as one segment as the activities carried out in generating the revenue are not independent of each other and are performed as one business. This mirrors the approach taken in management reporting.

International Insurance

The segment consists of the underwriting of car and home insurance and the generation of revenue from additional products and fees from underwriting car and home insurance outside of the UK. It specifically covers the Group operations Admiral Seguros in Spain, ConTe in Italy, L'olivier-Assurance in France and Elephant Auto in the US. None of these operations are reportable on an individual basis, based on the threshold requirements in IFRS 8.

Comparison

The segment relates to the Group's comparison businesses: Confused.com in the UK, Rastreator in Spain, LeLynx in France and Compare.com in the US. From 2019, the segment also includes the Preminen entities, which has a head office in Spain and operations in Turkey, Mexico and India (all of which were previously reported in the 'Other' segment), and Penguin Portals, the new intermediate holding company of Confused.com, LeLynx and Rastreator.

Each of the comparison businesses are operating in individual geographical segments but are grouped into one reporting segment, as none of the operating segments individually meet the reporting segment threshold requirements of IFRS 8.

Other

The 'Other' segment is designed to be comprised of all other operating segments that do not meet the threshold requirements for individual reporting. It includes the Admiral Loans business and the Group's commercial van insurance broker, Gladiator.

Taxes are not allocated across the segments and, as with the corporate activities, are included in the reconciliation to the consolidated income statement and consolidated statement of financial position.

4. Group consolidation and operating segments continued

An analysis of the Group's revenue and results for the year ended 31 December 2019, by reportable segment, is shown below. The accounting policies of the reportable segments are materially consistent with those presented in the notes to the Financial Statements for the Group.

	Year ended 31 December 2019					
	UK Insurance £m	International Insurance £m	Comparison £m	Other £m	Eliminations*2 £m	Total £m
Turnover*1	2,635.0	623.6	171.6	33.3	(19.4)	3,444.1
Net insurance premium revenue	533.2	176.2	–	–	–	709.4
Other Revenue and profit commission	407.6	22.5	171.6	24.2	(16.6)	609.3
Investment return	30.4	1.5	–	–	(2.8)	29.1
Net revenue	971.2	200.2	171.6	24.2	(19.4)	1,347.8
Net insurance claims	(215.8)	(143.5)	–	–	–	(359.3)
Expenses	(157.5)	(57.6)	(156.9)	(31.5)	19.4	(384.1)
Segment profit/(loss) before tax	597.9	(0.9)	14.7	(7.3)	–	604.4
Other central revenue and expenses, including share scheme charges						(76.6)
Investment and interest income						6.2
Finance costs*3						(11.4)
Consolidated profit before tax*4						522.6
Taxation expense						(94.2)
Consolidated profit after tax						428.4
Other segment items:						
– Intangible and tangible asset additions	51.7	34.5	1.4	0.8	–	88.4
– Depreciation and amortisation	57.4	33.1	2.3	1.2	–	94.0

*1 Turnover is an Alternative Performance Measure presented before intra-group eliminations and consists of total premiums written (including co-insurers' share) and Other revenue. Refer to the glossary and note 13 for further information.

*2 Eliminations are in respect of the intra-group trading between the Group's comparison and UK and International insurance entities and intra-group interest.

*3 £1.2 million of IFRS 16 interest expense (being the Group's net share of IFRS 16 interest expense) included within Finance Costs in the Income Statement has been reallocated to individual segments within expenses, in line with management segmental reporting.

*4 Profit before tax above of £522.6 million is presented on a statutory basis, being 100% of the result for each entity. This increases to Group's share of profit before tax of £526.1 million. See note 13f for a reconciliation of the UK Insurance, International Insurance and Comparison turnover and profit before tax to the Strategic Report.

Revenue and results for the corresponding reportable segments for the year ended 31 December 2018 are shown below.

	Year ended 31 December 2018					
	UK Insurance £m	International Insurance £m	Comparison £m	Other*4 £m	Eliminations*2 £m	Total £m
Turnover*1	2,575.7	538.7	151.0	17.5	(19.3)	3,263.6
Net insurance premium revenue	523.9	147.9	–	–	–	671.8
Other Revenue and profit commission	389.5	18.6	151.0	13.3	(18.6)	553.8
Investment return	32.3	1.3	–	–	(0.7)	32.9
Net revenue	945.7	167.8	151.0	13.3	(19.3)	1,258.5
Net insurance claims	(242.5)	(107.6)	–	–	–	(350.1)
Expenses	(146.5)	(61.3)	(144.4)	(26.9)	19.3	(359.8)
Segment profit/(loss) before tax	556.7	(1.1)	6.6	(13.6)	–	548.6
Other central revenue and expenses, including share scheme charges						(64.2)
Investment and interest income						3.1
Finance costs						(11.3)
Consolidated profit before tax*3						476.2
Taxation expense						(85.7)
Consolidated profit after tax						390.5
Other segment items:						
– Intangible and tangible asset additions	43.0	29.8	2.0	2.2	–	77.0
– Depreciation and amortisation	49.7	26.4	1.1	0.8	–	78.0

*1 Turnover is an Alternative Performance Measure presented before intra-group eliminations and consists of total premiums written (including co-insurers' share) and Other revenue. Refer to the glossary and note 13 for further information.

*2 Eliminations are in respect of the intra-group trading between the Group's comparison and UK and International insurance entities.

*3 Profit before tax above of £476.2 million is presented on a statutory basis, being 100% of the result for each entity. This increases to Group's share of profit before tax of £479.3 million. See note 13f for a reconciliation of the UK Insurance, International Insurance and Comparison turnover and profit before tax to the Strategic Report.

*4 "Other" in 2018 includes £2.5 million of expansion costs associated with the Preminen entities (included within "Other central revenue and expenses, including share scheme charges"). In 2019, the results of the Preminen operations have been included in the Comparison segment, as those operations have started to generate revenue in the period. The prior year segmental analysis has not been restated due to the amounts being immaterial.

Segment revenues

The UK and International Insurance reportable segments derive all insurance premium income from external policyholders. Revenue within these segments is not derived from an individual policyholder that represents 10% or more of the Group's total revenue.

The total of Comparison revenues from transactions with other reportable segments is £19.4 million (2018: £19.3 million) which has been eliminated on consolidation. There are no other transactions between reportable segments.

Revenues from external customers for products and services are consistent with the split of reportable segment revenues.

4. Group consolidation and operating segments continued

Information about geographical locations

All material revenues from external customers, and net assets attributed to a foreign country, are shown within the International Insurance reportable segment shown on the previous pages. The revenue and results of the international Comparison businesses, Rastreator, LeLynx, Compare.com and the Preminen entities are not yet material enough to be presented as a separate segment.

Segment assets and liabilities

The identifiable segment assets and liabilities at 31 December 2019 are as follows:

	As at 31 December 2019					
	UK Insurance £m	International Insurance £m	Comparison £m	Other £m	Eliminations £m	Total £m
Reportable segment assets	6,282.1	966.7	98.7	610.7	(727.3)	7,230.9
Reportable segment liabilities	5,232.7	824.4	49.9	942.1	(635.2)	6,413.9
Reportable segment net assets	1,049.4	142.3	48.8	(331.4)	(92.1)	817.0
Unallocated assets and liabilities						101.6
Consolidated net assets						918.6

Unallocated assets and liabilities consist of other central assets and liabilities, plus deferred and current corporation tax balances. These assets and liabilities are not regularly reviewed by the Board of Directors in the reportable segment format.

There is an asymmetrical allocation of assets and income to the reportable segments, in that the interest earned on cash and cash equivalent assets deployed in the UK Insurance, Comparison and International Insurance segments is not allocated in arriving at segment profits. This is consistent with regular reporting to the Board of Directors.

Eliminations represent inter-segment funding, balances included in insurance and other receivables and deemed loan receivables in respect of securitised loan receivables.

The segment assets and liabilities at 31 December 2018 are as follows:

	As at 31 December 2018					
	UK Insurance £m	International Insurance £m	Comparison £m	Other £m	Eliminations £m	Total £m
Reportable segment assets	5,760.5	831.0	89.2	414.9	(552.9)	6,542.7
Reportable segment liabilities	4,870.3	702.1	35.0	623.4	(452.8)	5,778.0
Reportable segment net assets	890.2	128.9	54.2	(208.5)	(100.1)	764.7
Unallocated assets and liabilities						6.4
Consolidated net assets						771.1

5. Premium, claims and profit commissions

5a. Accounting policies

(i) Revenue – premiums

Premiums relating to insurance contracts are recognised as revenue, net of expected cancellations and insurance premium tax, proportionally over the period of cover. Premiums with an inception date after the end of the period are held in the statement of financial position as deferred revenue. Outstanding collections from policyholders related to unexpired risk are recognised within policyholder receivables. A corresponding unearned premium provision is recognised (see note 5a(iii)).

(ii) Revenue – profit commission

Under some of the co-insurance and reinsurance contracts under which motor premiums are shared or ceded, profit commission may be earned on a particular year of account, which is usually subject to performance criteria such as loss ratios and expense ratios. The commission is dependent on the ultimate outcome of any year, with revenue being recognised when loss and expense ratios used in the preparation of the Financial Statements move below a contractual threshold.

Profit commission receivable from reinsurance contracts is accounted for in line with IFRS 4, whereas profit commission receivable from co-insurance contracts is in line with IFRS 15. Further detail of the policy under IFRS 15 is set out in note 8.

(iii) Insurance contracts and reinsurance assets

Premiums

The proportion of premium receivable on in-force policies relating to unexpired risks is reported in insurance contract liabilities and reinsurance assets as the unearned premium provision – gross and reinsurers' share respectively.

Claims

Claims and claims handling expenses are charged as incurred, based on the estimated direct and indirect costs of settling all liabilities arising on events occurring up to the balance sheet date.

The provision for claims outstanding comprises provisions for the estimated cost of settling all claims incurred but unpaid at the balance sheet date, whether reported or not. Anticipated reinsurance recoveries are disclosed separately as assets.

Whilst the Directors consider that the gross provisions for claims and the related reinsurance recoveries are fairly stated on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and events and may result in significant adjustments to the amounts provided.

Adjustments to the amounts of claims provisions established in prior years are reflected in the income statement for the period in which the adjustments are made and disclosed separately if material. The methods used, and the estimates made, are reviewed regularly.

Provision for unexpired risks is made where necessary for the estimated amount required over and above unearned premiums (net of deferred acquisition costs) to meet future claims and related expenses.

5. Premium, claims and profit commissions continued

Co-insurance

The Group has entered into certain co-insurance contracts under which insurance risks are shared on a proportional basis, with the co-insurer taking a specific percentage of premium written and being responsible for the same proportion of each claim. The co-insurer therefore takes direct insurance risk from the policyholder and is subsequently directly responsible to the claimant for its proportion of the claim. As the contractual liability is several and not joint, neither the premiums nor claims relating to the co-insurance are included in the income statement. Under the terms of these agreements the co-insurers reimburse the Group for the same proportionate share of the costs of acquiring and administering the business.

Reinsurance assets

Contracts entered into by the Group with reinsurers under which the Group is compensated for losses on the insurance contracts issued by the Group are classified as reinsurance contracts. A contract is only accounted for as a reinsurance contract where there is significant insurance risk transfer between the insured and the insurer.

Reinsurance assets are comprised of balances due from reinsurance companies for ceded insurance liabilities. Amounts recoverable from reinsurers are estimated in a consistent manner with the outstanding claims provisions or settled claims associated with the reinsured policies and in accordance with the relevant reinsurance contract.

The Group assesses its reinsurance assets for impairment on a regular basis, and in detail every six months. If there is objective evidence that the asset is impaired, then the carrying value will be written down to its recoverable amount.

On the commutation of reinsurance contracts, the reinsurer is discharged from all obligations relating to the contract. Reinsurance assets and liabilities relating to the commuted contracts are settled in the period in which the commutation agreement is signed.

5b. Net insurance premium revenue

	31 December 2019 £m	31 December 2018 £m
Total insurance premiums written before co-insurance*1	2,884.4	2,754.1
Group gross premiums written after co-insurance	2,273.7	2,166.7
Outwards reinsurance premiums	(1,541.4)	(1,464.3)
Net insurance premiums written	732.3	702.4
Change in gross unearned premium provision	(75.3)	(87.1)
Change in reinsurers' share of unearned premium provision	52.4	56.5
Net insurance premium revenue	**709.4**	**671.8**

*1 Alternative Performance Measures – refer to the end of the report for definition and explanation, and to note 13a for reconciliation to Group gross premiums written.

The Group's share of its insurance business was underwritten by Admiral Insurance (Gibraltar) Limited, Admiral Insurance Company Limited, Admiral Europe Compañia Seguros and Elephant Insurance Company LLC. All contracts are short term in duration, lasting for 10 or 12 months.

5c. Profit commission

	31 December 2019 £m	31 December 2018 £m
Underwriting year (UK Motor only)		
2014 and prior	23.8	61.1
2015	24.5	11.0
2016	27.5	22.9
2017	36.4	–
Total UK Motor profit commission*1	112.2	95.0
Total UK Household and International profit commission*1	2.7	(1.8)
Total profit commission	114.9	93.2

*1 Of the total UK motor profit commission recognised of £112.2 million, £95.4 million relates to co-insurance arrangements and £16.8 million to reinsurance arrangements. The UK Household and International profit commission relates solely to reinsurance arrangements.

No profit commission has yet been recognised on the 2018 – 2019 underwriting years as the combined ratios calculated from the financial statement loss ratios on these years sit above the threshold for profit commission recognition.

5d. Reinsurance assets and insurance contract liabilities

(i) Objectives, policies and procedures for the management of insurance risk

The Group's primary business is the issuance of insurance contracts that transfer risk from policyholders to the Group and its co-insurance partners.

Insurance risk involves uncertainty over the occurrence, amount or timing of claims arising on insurance contracts issued. It is primarily comprised of Reserve risk; the risk that the value of insurance liabilities established is insufficient to cover the ultimate cost of claims incurred at the balance sheet date, and premium risk; the risk that the claims experience on business written but not earned is higher than allowed for in the premiums charged to policyholders.

The Board of Directors is responsible for the management of insurance risk, although as mentioned in note 6, it has delegated the detailed oversight of risk management to the Group Risk Committee.

The Group also has a Reserving Committee which comprises senior managers within the finance, claims, pricing and actuarial functions. The Reserving Committee primarily recommends the approach for UK Car Insurance reserving but also reviews the systems and controls in place to support accurate reserving and material reserving issues such as Periodic Payment Order (PPO) and claims inflation, which represent the key uncertainties in the amount or timing of claims settlements.

The Board implements certain policies in order to mitigate and control the level of insurance risk accepted by the Group. These include pricing policies and claims management and administration processes, in addition to reserving policies and co- and reinsurance arrangements as detailed below.

5. Premium, claims and profit commissions continued

Reserve risk

Reserving risk is mitigated through a series of processes and controls. The key processes are as follows:

- Regular management and internal actuarial review of individual and aggregate case claim reserves, including regular reporting of management information and exception reporting of significant movements;
- Regular management and internal actuarial review of large claims, including claims settled or potentially settled by PPOs for which the uncertainty is increased by factors such as the lifetime of the claimant and movements in the indexation for the cost of future care of the claimant;
- Bi-annual external actuarial review of best estimate claims reserves using a variety of recognised actuarial techniques;
- Internal actuarial analysis of reserve uncertainty through qualitative analysis, scenario testing and a range of stochastic reserving techniques;
- Ad-hoc external reviews of reserving related processes and assumptions;
- Use of a reserving methodology which informs management's reserving decisions for the purposes of the Group's Financial Statements. As described in note 3, critical accounting judgements and estimates, the methodology determines that reserves should be set above projected best estimate outcomes to allow for unforeseen adverse claims development.

As noted above, the Group shares a significant amount of the insurance business generated with external underwriters. As well as these proportional arrangements, excess of loss reinsurance programmes are also purchased to protect the Group against very large individual claims and catastrophe losses.

Claims reserving

As previously disclosed, Admiral's reserving policy (both within the claims function and in the Financial Statements) is initially to reserve conservatively, above internal and independent projections of actuarial best estimates. This is designed to create a margin held in reserves to allow for unforeseen adverse development in open claims and typically results in Admiral making above industry average reserve releases. Admiral's booked claims reserves continue to include a significant margin above projected best estimates of ultimate claims costs.

As at 31 December 2019, the level of relative reserve margin is consistent with that at 31 December 2018, albeit remaining prudent when measured against the internal reserve risk distribution and other market benchmarks.

As profit commission income is recognised in the income statement in line with loss ratios accounted for on Admiral's own claims reserves, the reserving policy also results in profit commission income being deferred and recognised over time.

Premium risk

As noted above, the Group defines premium risk as the risk that claims cost on business written but not yet earned is higher than allowed for in the premiums charged to policyholders. This also includes catastrophe risk; the risk of incurring significant losses as a result of the occurrence of man-made catastrophe or natural weather events.

Key processes and controls operating to mitigate premium risk are as follows:

- Experienced and focused senior management and teams in relevant business areas including pricing and claims management;
- A data-driven and analytical approach to regular monitoring of claims and underwriting performance; and
- Capability to identify and resolve underperformance promptly through changes to key performance drivers, in particular pricing.

In addition, as mentioned above, excess of loss reinsurance programmes are also purchased to protect the Group against very large individual claims and catastrophe losses.

Other elements of insurance risk include reinsurance risk; the risk of placement of ineffective reinsurance arrangements, or the economic risk of reduced availability of co-insurance and reinsurance arrangements in future periods.

The Group mitigates these risks by ensuring that it has a diverse range of financially secure reinsurance partners, including a long-term relationship with Munich Re and a number of other very large reinsurers.

Concentration of insurance risk

The Directors do not believe there are significant concentrations of insurance risk. This is because, although the Group has historically written only one significant line of UK insurance business, the risks are spread across a large number of people and a wide regional base. The International Insurance, UK Household, UK Travel and UK Van businesses further contribute to the diversification of the Group's insurance risk.

(ii) Sensitivity of recognised amounts to changes in assumptions

Ogden discount rate

During 2019, following the announcement by the UK Government, the Ogden discount rate which is used in setting personal injury compensation, was changed to minus 0.25% from the existing minus 0.75% rate that had been in place since February 2017. The change came into effect on 5 August 2019 and the minus 0.25% rate is likely to remain in place for up to five years.

The minus 0.25% rate is 25 basis points lower than the assumed rate of 0% that was used in setting best estimate claims reserves at 31 December 2018. Given the stated timeframes for the update of the rate, sensitivities to the Ogden discount rate assumption are not presented.

Underwriting year loss ratios – UK Car Insurance

The following table sets out the impact on equity and post-tax profit or loss at 31 December 2019 that would result from a 1%, 3% and 5% deterioration and improvement in the UK Car insurance loss ratios used for each underwriting year for which material amounts remain outstanding.

	Underwriting year			
	2016	2017	2018	2019
Booked loss ratio	73%	75%	81%	92%
Impact of 1% deterioration in booked loss ratio (£m)	(14.2)	(15.9)	(3.8)	(2.0)
Impact of 3% deterioration in booked loss ratio (£m)	(42.4)	(47.6)	(11.3)	(5.9)
Impact of 5% deterioration in booked loss ratio (£m)	(69.6)	(72.6)	(18.9)	(9.8)
Impact of 1% improvement in booked loss ratio (£m)	14.2	15.3	9.5	2.0
Impact of 3% improvement in booked loss ratio (£m)	42.6	46.3	33.7	5.9
Impact of 5% improvement in booked loss ratio (£m)	71.0	77.6	61.7	9.8

As above, the impact is stated net of reinsurance and includes the change in net insurance claims along with the associated profit commission movements that result from changes in loss ratios. The figures are stated net of tax at the current rate.

5. Premium, claims and profit commissions continued

(iii) Analysis of recognised amounts

	31 December 2019 £m	31 December 2018 £m
Gross		
Claims outstanding*1	2,899.4	2,740.5
Unearned premium provision	1,075.6	995.9
Total gross insurance liabilities	3,975.0	3,736.4
Recoverable from reinsurers		
Claims outstanding	1,354.2	1,220.1
Unearned premium provision	717.5	663.4
Total reinsurers' share of insurance liabilities	2,071.7	1,883.5
Net		
Claims outstanding*2	1,545.2	1,520.4
Unearned premium provision	358.1	332.5
Total insurance liabilities – net	1,903.3	1,852.9

*1 Gross claims outstanding at 31 December 2019 is presented before the deduction of salvage and subrogation recoveries totalling £71.7 million (2018: £56.4 million).

*2 Admiral typically commutes quota share reinsurance contracts in its UK Car Insurance business 24-36 months following the start of the underwriting year. After commutation, claims outstanding from these contracts are included in Admiral's net claims outstanding balance. Refer to note (v) below.

The maturity profile of gross insurance liabilities at the end of 2019 is as follows:

	< 1 year £m	1–3 years £m	> 3 years £m
Claims outstanding	813.7	497.0	1,588.7
Unearned premium provision	1,075.6	–	–
Total gross insurance liabilities	1,889.3	497.0	1,588.7

The maturity profile of gross insurance liabilities at the end of 2018 was as follows:

	< 1 year £m	1–3 years £m	> 3 years £m
Claims outstanding	739.9	383.7	1,616.9
Unearned premium provision	995.9	–	–
Total gross insurance liabilities	1,735.8	383.7	1,616.9

(iv) Analysis of claims incurred

The following tables illustrate the development of gross and net UK Insurance and International Insurance claims incurred for the past ten financial periods, including the impact of re-estimation of claims provisions at the end of each financial year. The first table shows actual gross claims incurred and the second shows actual net claims incurred. Figures are presented on an underwriting year basis.

	Financial year ended 31 December										
Analysis of claims incurred (gross amounts)	**2010 £m**	**2011 £m**	**2012 £m**	**2013 £m**	**2014 £m**	**2015 £m**	**2016 £m**	**2017 £m**	**2018 £m**	**2019 £m**	Total £m
Underwriting year (UK insurance)											
2010 and prior	(360.3)	(250.1)	4.2	41.7	28.0	10.6	4.1	4.3	6.4	16.5	
2011	–	(444.3)	(329.7)	43.4	51.4	47.9	(0.9)	26.9	21.0	0.5	(583.8)
2012	–	–	(463.7)	(334.7)	49.8	69.2	8.6	59.9	30.3	8.5	(572.1)
2013	–	–	–	(431.1)	(325.5)	53.6	44.4	34.2	35.2	8.2	(581.0)
2014	–	–	–	–	(438.2)	(347.1)	25.6	17.1	52.0	15.7	(674.9)
2015	–	–	–	–	–	(428.4)	(411.2)	21.7	53.3	58.0	(706.6)
2016	–	–	–	–	–	–	(529.4)	(463.7)	82.1	54.8	(856.2)
2017	–	–	–	–	–	–	–	(691.8)	(615.0)	123.1	(1,183.7)
2018	–	–	–	–	–	–	–	–	(818.8)	(546.9)	(1,365.7)
2019	–	–	–	–	–	–	–	–	–	(812.4)	(812.4)
UK insurance gross claims incurred	(360.3)	(694.4)	(789.2)	(680.7)	(634.5)	(594.2)	(858.8)	(991.4)	(1,153.5)	(1,074.0)	
Underwriting year (International insurance)											
2010 and prior	(31.8)	(29.9)	(11.5)	(0.1)	5.1	1.3	0.6	0.6	1.5	0.5	
2011	–	(35.7)	(42.7)	1.2	5.7	1.7	4.0	1.2	1.3	1.1	(62.2)
2012	–	–	(58.0)	(53.7)	0.7	4.0	6.0	2.6	2.0	1.5	(94.9)
2013	–	–	–	(68.2)	(57.8)	4.2	7.7	3.3	5.8	1.3	(103.7)
2014	–	–	–	–	(85.2)	(65.5)	4.4	5.8	5.5	2.0	(133.0)
2015	–	–	–	–	–	(92.6)	(101.6)	7.7	3.1	0.1	(183.3)
2016	–	–	–	–	–	–	(138.9)	(125.3)	11.7	6.9	(245.6)
2017	–	–	–	–	–	–	–	(174.1)	(147.3)	16.5	(304.9)
2018	–	–	–	–	–	–	–	–	(204.9)	(165.7)	(370.6)
2019	–	–	–	–	–	–	–	–	–	(293.8)	(293.8)
International insurance gross claims incurred	(31.8)	(65.6)	(112.2)	(120.8)	(131.5)	(146.9)	(217.8)	(278.2)	(321.3)	(429.6)	
Other gross claims incurred	(7.6)	–	(1.7)	(2.2)	(7.1)	(5.4)	(0.1)	(3.6)	(1.1)	–	
Claims handling costs	(17.0)	(25.9)	(26.0)	(22.9)	(21.4)	(22.6)	(27.1)	(35.5)	(37.9)	(64.5)	
Total gross claims incurred	(416.7)	(785.9)	(929.1)	(826.6)	(794.5)	(769.1)	(1,103.8)	(1,308.7)	(1,513.8)	(1,568.1)	

Notes to the Financial Statements continued

For the year ended 31 December 2019

5. Premium, claims and profit commissions continued

Analysis of claims incurred (net amounts)	Financial year ended 31 December 2010 £m	2011 £m	2012 £m	2013 £m	2014 £m	2015 £m	2016 £m	2017 £m	2018 £m	2019 £m	Total £m
Underwriting year (UK insurance)											
2010 and prior	(184.1)	(119.9)	2.8	41.7	28.0	10.6	14.0	11.4	3.6	15.5	
2011	–	(203.7)	(151.1)	39.7	51.4	47.0	8.4	26.2	16.3	1.7	(164.1)
2012	–	–	(196.0)	(139.3)	49.8	69.2	19.4	59.1	30.6	4.9	(102.3)
2013	–	–	–	(184.4)	(135.0)	38.4	49.3	36.4	34.7	4.4	(156.2)
2014	–	–	–	–	(187.0)	(144.1)	(16.4)	25.3	38.4	17.2	(266.6)
2015	–	–	–	–	–	(182.1)	(162.0)	(2.6)	42.6	48.2	(255.9)
2016	–	–	–	–	–	–	(219.4)	(180.7)	48.1	50.7	(301.3)
2017	–	–	–	–	–	–	–	(214.3)	(182.9)	77.8	(319.4)
2018	–	–	–	–	–	–	–	–	(261.0)	(165.2)	(426.2)
2019	–	–	–	–	–	–	–	–	–	(258.1)	(258.1)
UK insurance net claims incurred	(184.1)	(323.6)	(344.3)	(242.3)	(192.8)	(161.0)	(306.7)	(239.2)	(229.6)	(202.9)	
Underwriting year (International insurance)											
2010 and prior	(12.8)	(13.4)	(5.7)	(0.1)	2.5	0.6	0.2	0.3	0.7	0.3	
2011	–	(14.9)	(18.7)	0.4	2.9	0.8	2.0	0.6	0.6	0.4	(25.9)
2012	–	–	(24.2)	(22.8)	(0.8)	2.0	2.2	1.3	1.0	0.7	(40.6)
2013	–	–	–	(26.6)	(23.5)	1.7	4.8	0.9	3.0	0.7	(39.0)
2014	–	–	–	–	(31.6)	(23.3)	1.8	1.8	2.2	0.8	(48.3)
2015	–	–	–	–	–	(33.4)	(39.6)	5.1	1.3	1.3	(65.3)
2016	–	–	–	–	–	–	(47.9)	(43.5)	6.3	2.4	(82.7)
2017	–	–	–	–	–	–	–	(60.7)	(51.5)	5.5	(106.7)
2018	–	–	–	–	–	–	–	–	(71.2)	(58.4)	(129.6)
2019	–	–	–	–	–	–	–	–	–	(89.6)	(89.6)
International insurance net claims incurred	(12.8)	(28.3)	(48.6)	(49.1)	(50.5)	(51.6)	(76.5)	(94.2)	(107.6)	(135.9)	
Other net claims incurred	(3.1)	0.0	(0.8)	(2.1)	(6.9)	(5.4)	(0.2)	(2.6)	(1.1)	–	
Claims handling costs	(8.5)	(11.9)	(10.8)	(9.5)	(8.9)	(9.4)	(11.2)	(11.1)	(11.8)	(20.5)	
Total net claims incurred	(208.5)	(363.8)	(404.5)	(303.0)	(259.1)	(227.4)	(394.6)	(347.1)	(350.1)	(359.3)	

The table below shows the development of UK Car Insurance loss ratios for the past six financial periods, presented on an underwriting year basis.

	Financial year ended 31 December					
UK Car Insurance loss ratio development	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Underwriting year (UK Car only)						
2014	92%	89%	84%	81%	76%	74%
2015		87%	87%	83%	77%	72%
2016		–	88%	84%	77%	73%
2017		–	–	87%	83%	75%
2018		–	–	–	92%	81%
2019		–	–	–	–	92%

(v) Analysis of claims reserve releases

The following table analyses the impact of movements in prior year claims provisions on a gross and net basis. Figures are presented on an underwriting year basis.

	Financial year ended 31 December					
Gross	**2014 £m**	**2015 £m**	**2016 £m**	**2017 £m**	**2018 £m**	**2019 £m**
Underwriting year (UK Motor insurance)						
2014 and prior	148.1	197.7	133.8	158.3	123.6	43.9
2015	–	–	1.9	32.0	50.9	47.3
2016	–	–	–	23.7	70.6	50.6
2017	–	–	–	–	25.4	110.6
2018	–	–	–	–	–	83.2
Total gross release (UK Motor Insurance)	148.1	197.7	135.7	214.0	270.5	335.6
Total gross release (UK Household Insurance)	–	–	–	1.6	4.6	8.3
Total gross release (International Insurance)	12.6	14.0	21.0	23.2	35.2	39.1
Total gross release	160.7	211.7	156.7	238.8	310.3	383.0

	Financial year ended 31 December					
Net	**2014 £m**	**2015 £m**	**2016 £m**	**2017 £m**	**2018 £m**	**2019 £m**
Underwriting year (UK Motor Insurance)						
2014 and prior	137.4	173.4	74.6	158.3	123.4	43.9
2015	–	–	0.8	(2.4)	42.5	47.3
2016	–	–	–	10.0	47.1	50.6
2017	–	–	–	–	8.0	75.8
2018	–	–	–	–	–	25.8
Total net release (UK Motor Insurance)	137.4	173.4	75.4	165.9	221.0	243.4
Total net release (UK Household Insurance)	–	–	–	0.5	1.4	2.5
Total net release (International Insurance)	6.3	6.5	9.9	9.5	13.5	14.4
Total net release	143.7	179.9	85.3	175.9	235.9	260.3
Analysis of net releases on UK Motor Insurance:						
– Net releases on Admiral net share (motor)	66.8	84.6	58.3	92.1	111.4	121.7
– Releases on commuted quota share reinsurance contracts	70.6	88.8	17.1	73.8	109.6	121.7
Total net release as above	137.4	173.4	75.4	165.9	221.0	243.4

5. Premium, claims and profit commissions continued

Admiral typically commutes quota share reinsurance contracts in its UK Car Insurance business 24 or 36 months following the start of the underwriting year. After commutation, any changes in claims costs on the commuted proportion of the business are reflected within claims costs and are separately analysed here. Releases on commuted quota share contracts are analysed by underwriting year as follows:

	Financial year ended 31 December				
	2015 £m	2016 £m	2017 £m	2018 £m	2019 £m
Underwriting year					
2014 and prior	88.8	17.1	89.6	70.6	23.0
2015	–	–	(15.8)	21.3	27.7
2016	–	–	–	17.7	29.5
2017	–	–	–	–	41.5
Total releases on commuted quota share reinsurance contracts	88.8	17.1	73.8	109.6	121.7

Profit commission is analysed in note 5c.

(vi) Reconciliation of movement in claims provision

	31 December 2019		
	Gross £m	Reinsurance £m	Net £m
Claims provision at start of period	2,740.5	(1,220.1)	1,520.4
Claims incurred (excluding releases)	1,886.6	(1,287.6)	599.0
Reserve releases	(383.0)	122.7	(260.3)
Movement in claims provision due to commutation	–	257.1	257.1
Claims paid and other movements	(1,344.7)	773.7	(571.0)
Claims provision at end of period	2,899.4	(1,354.2)	1,545.2

	31 December 2018		
	Gross £m	Reinsurance £m	Net £m
Claims provision at start of period	2,403.2	(1,028.8)	1,374.4
Claims incurred (excluding releases)	1,786.2	(1,212.0)	574.2
Reserve releases	(310.3)	74.4	(235.9)
Movement in claims provision due to commutation	–	310.4	310.4
Claims paid and other movements	(1,138.6)	635.9	(502.7)
Claims provision at end of period	2,740.5	(1,220.1)	1,520.4

(vii) Reconciliation of movement in net unearned premium provision

	31 December 2019		
	Gross £m	Reinsurance £m	Net £m
Unearned premium provision at start of period	995.9	(663.4)	332.5
Written in the period	2,273.7	(1,541.4)	732.3
Earned in the period	(2,194.0)	1,487.3	(706.7)
Unearned premium provision at end of period	1,075.6	(717.5)	358.1

	31 December 2018		
	Gross £m	Reinsurance £m	Net £m
Unearned premium provision at start of period	910.7	(608.8)	301.9
Written in the period	2,166.7	(1,464.3)	702.4
Earned in the period	(2,081.5)	1,409.7	(671.8)
Unearned premium provision at end of period	995.9	(663.4)	332.5

6. Investment Income and costs

6a. Accounting policies

(i) Financial assets

Classification and measurement

The classification and subsequent measurement of the financial asset under IFRS 9 depends on:

(a) the Group's business model for managing the financial assets; and

(b) the contractual cash flow characteristics of the financial asset.

Based on these factors, the financial asset is classified into one of the following categories:

- Amortised cost – assets which are held in order to collect contractual cash flows, and the contractual terms of the financial asset give rise to cash flows which are solely payments of principal and interest on the principal amount outstanding (SPPI), where the asset is not designated as FVTPL.

For the Group, these include deposits with credit institutions, cash and cash equivalents, insurance receivables, trade and other receivables and loans and advances to customers.

The interest income generated from these assets is included in 'Investment return' with the exception of loans and advances to customer, where the interest receivable is recognised in 'Interest income'.

Impairment is recognised on these assets using the expected credit loss model.

- Fair value through other comprehensive income (FVOCI) – assets which are held both to collect contractual cash flows and to sell the asset, where the contractual terms of the financial asset give rise to cash flows which are solely payments of principal and interest on the principal amount outstanding (SPPI), where the asset is not designated as FVTPL.

For the Group, these assets include government gilts and debt securities.

In addition, IFRS 9 allows an irrevocable election at initial recognition to designate equity investments at FVOCI that otherwise would be held at FVTPL, provided these are not held for trading. The Group has made this election for certain equity investments.

Movements in the carrying amount are taken through OCI, with the exception of recognition of impairment gains or losses, interest revenue and foreign exchange gains or losses which are recognised in profit or loss.

- Fair value through profit or loss (FVTPL) – assets which do not meet the criteria for amortised cost or FVOCI, or which are designated as FVTPL.

6. Investment Income and costs continued

For the Group these assets include investment liquidity funds investing in short duration assets and derivative financial instruments.

A gain or loss on a debt instrument measured at FVTPL which is not part of a hedging relationship is recognised in profit or loss and presented within 'Investment return' in the period in which it arises.

Impairment

The expected credit loss model is used to calculate any impairment to be recognised for all assets measured at amortised cost, as well as financial investments measured at FVOCI. The general approach, which utilises the three-stage model, is used for Loans and advances to customers (see note 7) whilst impairment for the remaining assets is measured using the simplified approach.

Derecognition

A financial asset is derecognised when the rights to receive cash flows from that asset have expired, or when the Group transfers the asset and all the attached substantial risks and rewards relating to the asset to a third party.

(ii) Financial Liabilities

Classification and subsequent measurement

Subsequent measurement of financial liabilities is at amortised cost using the effective interest method. Movements in the amortised cost are recognised through the income statement.

Derecognition

A financial liability is derecognised when the obligation under that liability is discharged, cancelled or expires.

(iii) Investment return and finance costs

Investment return from financial assets comprises distributions as well as net realised and unrealised gains on financial assets classified as FVTPL, interest income and net realised gains, net of impairment losses, from financial assets classified as FVOCI, and interest income on holdings in deposits with credit institutions (held at amortised cost).

Finance costs from financial liabilities comprise interest expense on subordinated notes, loan backed securities, credit facilities and lease liabilities, calculated using the effective interest rate method. The effective interest rate method calculates the amortised cost of a financial asset or liability (or a group of financial assets or liabilities) and allocates the interest income or expense over the expected life of the asset or liability.

6b. Investment return

	31 December 2019 £m	31 December 2018 £m
Investment return		
On assets classified as FVTPL	11.4	6.3
On assets classified as FVOCI[*1,*3]	34.5	27.9
On assets classified as amortised cost[*1]	1.6	3.0
Net unrealised losses		
Unrealised losses on forward contracts	(0.1)	(2.3)
Notional accrual for reinsurers' share of investment return	(12.9)	–
Interest receivable on cash and cash equivalents[*1]	0.8	1.1
Total investment and interest income[*2]	35.3	36.0

*1 Interest received during the year was £11.6 million (2018: £8.0 million).

*2 Total investment return excludes £2.8 million of intra-group interest (2018: £0.7 million).

*3 Realised gains/losses on sales of debt securities classified as FVOCI are immaterial.

6c. Finance costs

	31 December 2019 £m	31 December 2018 £m
Interest payable on subordinated loan notes[*1]	11.4	11.3
Interest payable on lease liabilities	3.2	–
Interest recoverable from co- and reinsurers	(2.0)	–
Total finance costs	12.6	11.3

*1 Interest paid during the year was £14.0 million (2018: £11.0 million).

Finance costs represent interest payable on the £200.0 million (2018: £200.0 million) subordinated notes and other financial liabilities.

Interest payable on lease liabilities represents the unwinding of the discount on lease liabilities under IFRS 16 and does not result in a cash payment. Further detail on the transition to IFRS 16 is included in note 2.

6. Investment Income and costs continued

6d. Financial assets and liabilities

The Group's financial assets and liabilities can be analysed as follows:

	31 December 2019 £m	31 December 2018 £m
Financial investments measured at FVTPL		
Money market and other similar funds	1,160.2	1,301.1
Financial investments classified as FVOCI		
Debt securities	1,776.3	1,389.9
Government gilts	174.0	170.9
	1,950.3	1,560.8
Equity investments (designated FVOCI)	7.5	7.8
	1,957.8	1,568.6
Financial assets measured at amortised cost		
Deposits with credit institutions	116.5	100.0
Total financial investments	3,234.5	2,969.7
Other financial assets measured at amortised cost		
Insurance receivables	948.9	842.3
Trade and other receivables	278.8	239.7
Insurance and other receivables	1,227.7	1,082.0
Loans and advances to customers (note 7)	455.1	300.2
Cash and cash equivalents	281.7	376.8
Total financial assets	5,199.0	4,728.7
Financial liabilities		
Subordinated notes	204.2	204.1
Loan backed securities	304.5	168.3
Other borrowings	20.0	71.5
Derivative financial instruments	1.4	0.3
Subordinated and other financial liabilities	530.1	444.2
Trade and other payables*1	1,975.9	1,801.5
Lease liabilities*2	137.1	–
Total financial liabilities	2,643.1	2,245.7

*1 Trade and other payables total balance of £1,975.9 million (2018: £1,801.5 million) above includes £1,472.1 million (2018: £1,349.6 million) in relation to tax and social security, deferred income and reinsurer balances that are outside the scope of IFRS 9.

*2 Lease liabilities of £149.2 million were recognised on transition on 1 January 2019. The movement to the balance presented of £137.1 million reflects cash payments in the period offset by the lease interest expense recognised in the income statement.

The maturity profile of financial assets and liabilities under the scope of IFRS 4 and IFRS 9 at 31 December 2019 is as follows:

	On demand £m	< 1 year £m	Between 1 and 2 years £m	> 2 years £m
Financial investments				
Money market funds and derivative financial instruments	–	1,145.1	1.0	14.0
Deposits with credit institutions	–	96.5	20.0	–
Debt securities	–	462.6	196.6	1,117.1
Government gilts	–	–	–	174.0
Total financial investments	–	1,704.2	217.6	1,305.1
Trade and other receivables	–	278.8	–	–
Loans and advances to customers	–	128.6	134.2	192.3
Cash and cash equivalents	281.7	–	–	–
Total financial assets	281.7	2,111.6	351.8	1,497.4
Financial liabilities				
Subordinated notes	–	11.0	11.0	233.0
Loan backed securities	–	102.3	90.9	125.7
Other borrowings	–	20.3	–	–
Trade and other payables *1	–	1,725.1	–	–
Total financial liabilities	–	1,858.7	101.9	358.7

*1 Of the £1,725.1 million held within trade and other payables, £1,442.1 million do not meet the definition of a financial liability under IFRS 9 but fall within the scope of IFRS 4 hence are included in the above maturity profile.

6. Investment Income and costs continued

The maturity profile of financial assets and liabilities under the scope of IFRS 4 and IFRS 9 at 31 December 2018 was as follows:

	On demand £m	< 1 year £m	Between 1 and 2 years £m	> 2 years £m
Financial investments				
Money market funds and derivative financial instruments	–	1,296.9	2.1	2.1
Deposits with credit institutions	–	60.0	40.0	–
Debt securities	–	295.3	210.7	883.9
Government gilts	–	–	–	170.9
Total financial investments	–	1652.2	252.8	1,056.9
Trade and other receivables	–	239.7	–	–
Loans and advances to customers	–	102.1	91.2	106.9
Cash and cash equivalents	376.8	–	–	–
Total financial assets	376.8	1,994.0	344.0	1,163.8
Financial liabilities				
Subordinated notes	–	4.9	–	199.2
Loan backed securities	–	60.2	53.0	55.1
Other borrowings	–	71.8	–	–
Trade and other payables	–	1,801.5	–	–
Total financial liabilities	–	1,938.4	53.0	254.3

*1 Of the £1,801.5 million held within trade and other payables, £1,275.9 million do not meet the definition of a financial liability under IFRS 9 but fall within the scope of IFRS 4 hence are included in the above maturity profile.

6e. Financial Investments

	FVTPL £m	FVOCI £m	Amortised Cost £m	Total £m
AAA- AA	414.5	861.0	68.7	1,344.2
A	441.2	733.6	308.5	1,483.3
BBB	28.5	304.3	20.2	353.0
Sub BBB	13.3	–	0.1	13.4
Not rated*1	262.7	58.9	0.7	322.3
Total financial investments	1,160.2	1,957.8	398.2	3,516.2

*1 The majority (£234.4 million) of the unrated exposure stems from money market funds, which are rated AAA, but the underlying securities are not. These specific exposures are repurchase agreements. The remaining unrated exposure is a mixture of private debt (£77.2 million) and other holdings (£10.7 million).

Classification and Measurement

At initial recognition, the Group measures financial investments at fair value plus or minus, in the case of financial instruments not measured at fair value through profit and loss, directly attributable transaction costs. Transaction costs of financial instruments measured at fair value through profit and loss are expensed to the profit and loss when incurred.

Money market funds and derivative financial instruments are measured at FVTPL. The regulatory capital within the Group is used to invest in these instruments in addition to any surplus funds which may be held. Buying and selling activity occurs depending on timing of different cashflows.

Debt securities are measured at FVOCI and as such fall under the scope of the ECL model. These assets are held to match policyholder liabilities or interest on debt liabilities. If sold before maturity, gains or losses on these assets impact the Income Statement.

Private Equity investments have been designated as being reported through FVOCI due to these being long term, strategic investments. Dividends are recognised in the Income Statement whilst a change in fair values will be reflected in OCI. Given the immaterial amount (£7.5 million) of these investments, detailed levelling disclosures have not been provided.

Impairment

All financial investments held at FVOCI and at amortised cost have been assessed for impairment using the expected credit loss model under IFRS 9. The assessment has been made based on the credit ratings of the entities and externally available credit loss ratios.

The fair value of the gilts and debt securities is calculated with reference to quoted market valuations and as such take into account future expected credit losses. As a result, no impairment provision is required against the book value. The calculated impairment loss within the fair value is recognised through the Income Statement whilst fair value movements are recognised in OCI. Deposits are held with well rated institutions and are held at book value, with impairment calculated in a similar manner to debt securities.

All assets that are purchased, which require a calculation of impairment, are considered of investment grade or above (i.e. BBB rated or higher), as defined by an external credit rating agency or an assessment from Admiral's external asset managers. The credit rating of all assets is regularly monitored. As at the year-end reporting date, the vast majority of financial assets are of investment grade and considered low risk under IFRS 9. These therefore remain within stage 1 and a 12 month expected loss is used to calculate the impairment provision required.

Any assets downgraded below BBB are considered by the Group to have significantly increased in credit risk since inception, and therefore enter stage 2 under IFRS 9.

The impairment provision at 31 December 2019 is £0.9 million (£0.5 million at 31 December 2018). Given there is no material change in the credit quality or type of financial assets in the year and the movement in provision is immaterial, no further disclosure has been made.

Fair value measurement

IFRS 13 requires assets and liabilities that are held at fair value to be classified according to a hierarchy which reflects the observability of significant market inputs, based on three levels.

The table below shows how the financial assets held at fair value have been measured using the fair value hierarchy:

	31 December 2019		31 December 2018	
	FVTPL £m	FVOCI £m	FVTPL £m	FVOCI £m
Level One (quoted prices in active markets)	1,160.2	1,950.3	1,301.1	1,560.8
Level Two (use of observable inputs)	–	–	–	–
Level Three (use of significant unobservable inputs)*1	–	7.5	–	7.8
Total	1,160.2	1,957.8	1,301.1	1,568.6

*1 No further information is provided due to the immateriality of the balance.

Deposits are held with well rated institutions; as such the approximate fair value is the book value of the investments as impairment of the capital is not expected.

6. Investment Income and costs continued

6f. Cash and cash equivalents

	31 December 2019 £m	31 December 2018 £m
Cash at bank and in hand*1	281.7	376.0
Short-term deposits	–	0.8
Total cash and cash equivalents	281.7	376.8

*1 £4.4 million of cash is ring-fenced via a bank guarantee. See note 11f for further details.

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term deposits with original maturities of three months or less. All cash and cash equivalents are measured at amortised cost.

An assessment has been completed for impairment purposes. The credit rating of all assets is regularly monitored. As at the year-end reporting date all financial assets are of investment grade or above (i.e. BBB rated or higher) and considered low risk under IFRS 9. These therefore remain within stage 1 and a 12 month expected loss is used to calculate the impairment provision required. Given the short-term duration and low risk of these assets, no impairment provision has been recognised.

For cash at bank and cash deposits and other receivables, the fair value approximates to the book value due to their short maturity.

6g. Other Assets

Insurance and other receivables

	31 December 2019 £m	31 December 2018 £m
Insurance receivables*1	948.9	842.3
Trade and other receivables	262.8	227.0
Prepayments and accrued income	16.0	12.7
Total insurance and other receivables	1,227.7	1,082.0

*1 Insurance receivables at 31 December 2019 include £71.7 million in respect of salvage and subrogation recoveries (2018: £59.3 million).

Insurance receivables

Insurance receivables are measured at amortised cost. Given the short-term duration of these assets no impairment provision has been recognised.

Trade and other receivables

Classification. Trade and other receivables are measured at amortised cost, being made up of multiple types of receivable balances.

Impairment. Where a provision is required for these receivables, it is calculated in line with the simplified method for trade receivables per IFRS 9, whereby lifetime expected credit losses are recognised irrelevant of the credit risk. In this case, the provision is based on a combination of:

(i) aged debtor analysis;
(ii) historic experience of write-offs for each receivable;
(iii) any specific indicators of credit deterioration observed; and
(iv) management judgement.

As at 31 December 2019 and 31 December 2018, the level of provision is immaterial.

The amortised cost carrying amount of receivables is a reasonable approximation of fair value.

Contract balances

The following table provides information about receivables and contract assets from contracts with customers. Both balances are included in Trade and other receivables.

	31 December 2019 £m	31 December 2018 £m
Receivables	40.3	32.5
Contract assets	24.8	23.4

The contract asset relates to the Group's right to consideration for work undertaken in the law companies on behalf of clients which is ongoing or where the final fee has not yet been billed. The contract asset is transferred to trade receivables once the fee has been billed.

Significant changes in the contract asset balance during the period are as follows:

Contract asset balance	£m
At 1 January 2019	23.4
Revenue recognised	34.8
Transferred to trade receivables	(31.8)
Write-offs	(1.6)
At 31 December 2019	24.8

The amount of revenue recognised in 2019 from performance obligations satisfied (or partially satisfied) in previous periods is £nil (2018: £nil).

6h. Financial liabilities

Subordinated notes

Financial liabilities are inclusive of £200.0 million subordinated notes issued on 25 July 2014 at a fixed rate of 5.5% with a redemption date of 25 July 2024.

The notes are unsecured subordinated obligations of the Group and rank pari passu without any preference among themselves. In the event of a winding-up or bankruptcy, they are to be repaid only after the claims of all other creditors have been met.

There have been no defaults on any of the notes during the year. The Group has the option to defer interest payments on the notes but to date has not exercised this right.

The fair value of subordinated notes (level one valuation) at 31 December 2019 is £225.1 million (2018: £211.3 million).

Other borrowings

The Group holds a credit facility of £20.0 million which expires in September 2020. £20.0 million was drawn under this agreement as at 31 December 2019. The group also hold a revolving credit facility of £200.0 million which expires in December 2020. As at 31 December 2019, £nil was drawn down on this facility (2018: £71.5 million). Amounts drawn under their respective agreements are shown within other borrowings in the table above.

Loan backed securities

During 2018 an asset backed senior loan note facility of £300.0 million was established in relation to the Admiral Loans business, which increased to £400.0 million during 2019 (see note 3 for details of the accounting treatment of this SPE). As at the year end, £304.5 million (2018: £168.3 million) of this facility had been utilised.

6. Investment Income and costs continued

Lease liabilities

The Group leases various properties, with rental contracts typically for fixed periods of five to 25 years, although these may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Under IAS 17, all Group leases were classified as operating leases. Operating lease payments, including the effects of any lease incentives, were recognised in the income statement on a straight-line basis over the lease term.

Under IFRS 16, from 1 January 2019, for each lease a right-of-use asset and corresponding lease liability are recognised at the date at which the leased asset becomes available for use by the Group.

The lease liability is initially measured at the present value of remaining lease payments, which include the following:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the Group's incremental borrowing rate is used, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of a similar value in a similar economic environment, with similar terms and conditions. Generally, the Group uses its incremental borrowing rate as the discount rate.

Subsequently, lease payments are allocated to the lease liability, split between repayments of principal and interest. A finance cost is charged to the profit and loss so as to produce a constant period rate of interest on the remaining balance of the lease liability.

6i. Objectives, policies and procedures for managing financial assets and liabilities

The Group's activities expose it primarily to financial risks of credit risk, interest rate risk, liquidity risk and foreign exchange risk. The Board of Directors has delegated the task of supervising risk management and internal control to the Group Risk Committee. There is also an Investment Committee that makes recommendations to the Group and subsidiary Boards on investment strategy.

There are several key elements to the risk management environment throughout the Group. These are detailed in full in the Corporate Governance Statement. Specific considerations for the risks arising from financial assets and liabilities are detailed below.

Credit risk

The Group defines credit risk as the risk of loss if another party fails to perform its obligations. The key areas of exposure to credit risk for the Group result through its reinsurance programme, investments, bank deposits, loans and advances to customers and policyholder receivables.

The Directors consider credit quality and counterparty exposure frequently and in significant detail. The Directors consider that the policies and procedures in place to manage credit exposure continue to be appropriate for the Group's risk appetite and, during 2019 and historically, no material credit losses have been experienced by the Group.

The impact on equity of a 100 basis point increase in credit spreads at the relevant valuation date, is as follows:

	31 December 2019 £m	31 December 2018 £m
Equity	54.8	42.3

Financial Investments and cash

Credit and counterparty risk is managed by the Group by investing in high quality money market funds and setting suitable parameters for asset managers to adhere to when purchasing debt securities. Cash balances and deposits are placed only with highly rated credit institutions. The detailed holdings are reviewed regularly by the Investment Committee.

Invested Assets

As noted above, the Group primarily invests in the following asset types:

- Investment funds and cash plus liquidity funds, which in turn invest in a mixture of short-dated fixed and variable rate securities, such as cash deposits, certificates of deposits, floating rate notes and other commercial paper;

- Deposits with well rated institutions are short in duration (one to five years). These are classified as held at amortised cost. Therefore neither the carrying value of the asset, nor the interest return will be impacted by fluctuations in interest rates;
- Debt securities are held within two segregated mandates. The guidelines of the investments retain a similar credit quality of the investment funds (all holdings are investment grade). The duration of the securities is relatively short (c. three years) and similar to the duration of the on book claims liabilities (the average duration is three years); and
- UK Government bonds which are classified as FVOCI.

Reinsurance assets

To mitigate the risk arising from exposure to reinsurers (in the form of reinsurance recoveries and profit commissions), the Group only conducts business with companies of appropriate financial strength ratings. In addition, many reinsurance contracts are operated on a funds withheld basis, which substantially reduces credit risk, as the Group withholds the cash received from policyholders as collateral.

Loans and advances to customers

The risk appetite for the lending business is set with respect to anticipated loan losses over a 12-month period. Management has defined an amber and a red loan loss limit, representing points at which action is required. These limits have been defined by management to reflect the business maturity, the business ambitions and the economic climate. Risk appetite is assessed at least annually, while the limits are continuously monitored.

Insurance assets

A further principal form of credit risk is in respect of amounts due from policyholders, largely due to the potential for default by instalment payers. The impact of this is mitigated by the large customer base and low average level of balance recoverable. There is also mitigation by the operation of numerous high- and low-level controls in this area, including payment on policy acceptance as opposed to inception and automated cancellation procedures for policies in default.

The amount of bad debt expense relating to policyholder debt charged to the income statement in 2019 and 2018 is insignificant.

Trade and other receivables

Trade receivables and other debtors are also subject to credit risk, although this is mitigated by a review of the credit worthiness of all counterparties prior to them being accepted.

Other assets

All other assets are assessed as low credit risk under IFRS 9, with no significant amounts past due or impaired.

The Group's credit risk exposure to assets with external ratings is as follows:

	Rating	31 December 2019 £m	31 December 2018 £m
Financial institutions – Credit institutions	AAA	245.1	164.3
Financial institutions – Credit institutions	AA	925.2	942.1
Financial institutions – Credit institutions	A	1,483.2	1,501.3
Financial institutions – Credit institutions	BBB and below	688.7	567.9
UK Government gilts	AA	174.0	170.9
Reinsurers	AA	688.9	458.5
Reinsurers	A	160.6	303.6
Reinsurers	BBB	1.7	–

The Group's maximum exposure to credit risk at 31 December 2019 is £4,913.3 million (2018: £4,507.4 million), being the carrying value of financial investments and cash, the carrying value of loans and advances to customers and the excess of reinsurance assets over amounts owed to reinsurers under funds withheld arrangements. The Group does not use credit derivatives or similar instruments to mitigate exposure.

£13.8 million (2018: £9.2 million) was charged to the income statement in respect of movement on the ECL of loans and advances to customers. Further details are provided in note 7b.

There were no further significant financial assets that were past due at the close of either 2019 or 2018.

6. Investment Income and costs continued

Interest rate risk

The Group considers interest rate risk to be the risk that unfavourable movements in interest rates could adversely impact on the capital values of financial assets and liabilities.

The impact on equity of a 50 basis point increase in interest rates at the relevant valuation date, is as follows:

	31 December 2019 £m	31 December 2018 £m
Equity	35.4	29.9

Loans and advances to customers

The Group's loan portfolio is made up of fixed rate loans which are funded at a floating variable rate. The Group has an interest rate swap arrangement, the risk management objective of which is to eliminate the majority of the interest rate risk from the loans portfolio. This relates to the difference between the fixed rate on loans written and the floating variable rate on funding.

Hedge accounting

Hedge accounting is applied when the criteria specified in IFRS 9 (including amendments, as set out above) are met. In line with IFRS 9, the gain or loss on the hedged position as at the balance sheet date is recognised through Other Comprehensive Income.

This results in a hedging reserve at 31 December 2019 (and at 31 December 2018) in relation to the interest rate swap.

The Group is exposed to GBP LIBOR within its hedge accounting relationships, with the hedged item including issued GBP LIBOR floating rate debt as disclosed below. In addition, the Group has a number of financial assets and liabilities with interest rates linked to GBP LIBOR that are not included in hedge accounting relationships. Similarly, there are exposures to non-GBP interest rates.

The Group is closely monitoring the market and the output from the various industry working groups managing the transition to new benchmark interest rates.

In response to the announcements, the Group has set up an Interbank Offered Rate (IBOR) transition project which includes input from a number of areas of the business including risk management, investments, legal, accounting and systems. The project is under the governance of the Investment Committee, and ultimately the Chief Financial Officer who is a member of the Board. The aim of the programme is to understand where IBOR exposures are within the business and prepare and deliver on an action plan to enable a smooth transition to alternative benchmark rates. The Group intends to have its transition and fall-back plans in place by the end of 2020.

For the Group's loan backed securities and related interest rate swaps (which are bilateral agreements) the Group has started discussions with respective counterparties to amend the reference benchmark interest rate which will change to SONIA. The Group aims to finalise this amendment in the second half of 2020.

For the Group's RCF and other debt linked to GBP LIBOR and reinsurance funds withheld balances, the Group will begin a dialogue in 2020 to propose amendments to the fall-back provisions to move from GBP LIBOR to SONIA.

Below are details of the hedging instruments and hedged items in scope of the IFRS 9 amendments due to benchmark interest rate reform, by hedge type. The terms of the hedged items listed match those of the corresponding hedging instruments.

Hedge type	Instrument type	Maturing in	Nominal	Hedged item
Cash flow hedge	Pay sterling fixed, receive 1-month GBP LIBOR interest rate swap	2023	£146.3m	Portfolio cash flow hedges of interest rate risk on GBP LIBOR
Cash flow hedge	Pay sterling fixed, receive 1-month GBP LIBOR interest rate swap	2024	£274.7m	Portfolio cash flow hedges of interest rate risk on GBP LIBOR

The Group will continue to apply the amendments to IFRS 9 until the uncertainty arising from the interest rate benchmark reforms with respect to the timing and the amount of the underlying cash flows that the Group is exposed to ends.

Due to the immateriality of the transaction and balance, no further disclosure is made.

Financial liabilities

The Group also holds a financial liability in the form of £200.0 million of subordinated notes with a ten-year maturity and fixed rate coupon of 5.5%. This liability is valued at amortised cost and therefore neither the carrying value of the deposits, nor the interest payable, will be impacted by fluctuations in interest rates.

Liquidity risk

Liquidity risk is defined as the risk that the Group does not have sufficient, available financial resources to enable it to meet its obligations as they fall due, or can only secure them at excessive cost.

The Group is strongly cash-generative due to the large proportion of revenue arising from non-underwriting activity. Further, as noted above, a significant portion of insurance funds are invested in investment funds with same day liquidity, meaning that a large proportion of the Group cash and investments is immediately available.

A breakdown of the Group's other borrowings, trade payables and other payables is shown in note 11.

The subordinated notes have a maturity date of July 2024, whereas all trade and other payables will mature within three to six months of the balance sheet date (refer to the maturity profile at the start of this note for further detail).

In practice, the Group's Directors expect actual cash flows to be consistent with this maturity profile except for amounts owed to co-insurers and reinsurers. Of the total amounts owed to co-insurers and reinsurers of £1,442.1 million (2018: £1,275.9 million), £1,129.6 million (2018: £1,022.7 million) is held under funds withheld arrangements and therefore not expected to be settled within 12 months.

A maturity analysis for insurance contract liabilities is included in note 5. The maturity profile for financial assets is included at the start of this note.

The Group's Directors believe that the cash flows arising from these assets will be consistent with this profile. Liquidity risk is not, therefore, considered to be significant.

6. Investment Income and costs continued

Foreign exchange risk

Foreign exchange risk arises from unfavourable movements in foreign exchange rates that could adversely impact the valuation of overseas assets and liabilities.

The Group is exposed to foreign exchange risk through its operations overseas. Although the relative size of the international operations means that the risks are relatively small, increasingly volatile foreign exchange rates could result in larger potential gains or losses. Assets held to fund insurance liabilities are held in the currency of the liabilities; however, surplus assets held as regulatory capital in foreign currencies remain exposed.

The Group's exposure to net assets and profits in currencies other than the reporting currency is immaterial other than for US dollars and Euros. The Group's exposure to net assets held in US dollars at the balance sheet date was £40.9 million (2018: £60.7 million); the exposure to net assets held in Euros was £111.8 million (2018: £69.3 million).

The loss before tax derived from business carried out in the US was £18.5 million (2018: £19.2 million). If the Sterling rates with US dollars had strengthened/weakened by 10%, the Group's profit before tax for the year would increase/decrease by £1.8 million (2018: £1.8 million).

The profit before tax derived from business carried out in Euros was €11.9 million (2018: profit before tax of €5.4 million). If the Sterling rates with Euros had strengthened/weakened by 10%, the Group's profit before tax for the year would increase/decrease by £1.0 million (2018: £0.4 million).

7. Loans and Advances to Customers

7a. Accounting policies

Loans and advances to customers relate to the Admiral Loans business, consisting of unsecured personal loans and car finance products.

Classification

Loans and advances to customers are measured at amortised cost. This is because assets are held in order to collect contractual cash flows and the contractual terms of the financial asset demand cash inflows which are solely payments of principal and interest on the principal amount outstanding.

Interest income and expense

Interest income received in relation to loans and advances to customers is calculated using the effective interest method which allocates interest, and direct and incremental fees and costs over the expected lives of the assets and liabilities. There has been no change in recognition of interest income from the comparative period.

Interest expense is calculated following the specific process relating to each source of funding, which is not linked to individual accounts.

Finance leases

Included within loans and advances to customers are personal contract purchase (PCP) and hire purchase (HP) arrangements which are classified as finance leases under IFRS 16. A receivable equal to the net investment in the lease has been recognised. The net investment is equal to the gross investment in the lease discounted at the rate implicit in the lease. The impairment requirements of IAS 36 have been applied to the finance leases held.

Lease interest income is recognised within interest income in the income statement over the term of the lease using the effective interest method.

7b. Loans and advances to customers

	31 December 2019 £m	31 December 2018 £m
Loans and advances to customers – gross carrying amount	479.1	310.4
Loans and advances to customers – provision	(24.0)	(10.2)
Total loans and advances to customers	455.1	300.2

Loans and advances to customers are comprised of the following:

	31 December 2019 £m	31 December 2018 £m
Unsecured personal loans	445.8	294.2
Finance leases	33.3	16.2
Total loans and advances to customers, gross	479.1	310.4

Fair value measurement

The amortised cost of loans and advances to customers on a portfolio basis is considered a reasonable approximation of fair value.

Expected credit losses

The expected credit loss model is a three-stage model based on forward looking information regarding changes in the credit quality since origination. Credit risk is measured using a probability of default, exposure at default and loss given default defined as follows:

- Probability of Default (PD): The likelihood of an account defaulting; calibrated through analysis of historic customer behaviour. Where customers have already met the definition of default this is 100%. For customers that are not in default the PD is determined through analysis of historic data at a credit grade level.
- Exposure at Default (EAD): The amount of balance at the time of default. For loans that are in arrears the EAD is taken as the current balance, for up to date loans the contractual outstanding balance in each future month is used.
- Loss Given Default (LGD): The amount of the asset not recovered following a borrower's default, determined through analysis of historic recovery performance.

The PD is applied to the EAD to calculate the expected loss. Where customers are up-to-date the EAD is effectively the sum of the future month-end balances, as such the PD is converted from an annual rate to a monthly rate before applying it to the EAD. The LGD is then applied to this loss to calculate the total expected loss including recoveries. A forward-looking provision is also calculated, as set out later in this note.

Loan assets are segmented into three stages of credit impairment:

- Stage 1 – no significant increase in credit risk of the financial asset since inception;
- Stage 2 – significant increase in credit risk of the financial asset since inception; and
- Stage 3 – financial asset is credit impaired.

For assets in stage 1, the allowance is calculated as the expected credit losses from events within 12 months after the reporting date. For assets in stages 2 and 3, the allowance is calculated as the expected credit loss from events in the remaining lifetime of each asset.

Significant increase in credit risk (Stage 2)

As explained above, stage 1 assets have an ECL allowing for losses in the next twelve months, stage 2 or 3 assets have an ECL allowing for losses over the remaining lifetime of the contract. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not prescribe a definition of significant increase in credit risk (SICR) but does include a rebuttable presumption that this does occur for loan assets which are 30 days past due (which the Group does not rebut).

The Group has deemed a SICR to have occurred where:

- the loan is 1 to 3 loan payments in arrears; or
- the loan has been in arrears with Admiral Loans in the last six months; or
- the customer has a significant level of unsecured debt relative to the point of inception.

7. Loans and Advances to Customers continued

Credit Impaired (Stage 3)

The Group does not rebut the presumption within IFRS 9 that default has occurred when an exposure is greater than 90 days past due, which is consistent with a customer being 4 or more payments in arrears. In addition, a loan is deemed to be credit impaired where:

- there is an Individual Voluntary Arrangement (IVA) agreement confirmed or proposed; or
- customer has started or progressed bankruptcy action; or
- a repayment plan is in place; or
- customer is deceased.

Write off policy

Loans are written off where there is no reasonable expectation of recovery. The Group's policy is to write off balances to their estimated net realisable value. Write offs are actioned on a case by case basis taking into account the operational position and the collections strategy. Given the immaturity of the loans business, and considerations surrounding potential debt sales in the future, the Group has to date operationally written off only a small proportion of the book.

Forward-looking information

Under IFRS 9 the provision must reflect an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes. The means by which the Group has determined this is to run scenario analyses.

Economic scenarios are considered, including an upturn, a downturn and a severe downturn. A 50% weighting is applied to the base scenario and the remaining 50% distributed across the scenarios as shown below:

- 25% Upturn
- 20% Downturn
- 5% Severe Downturn

The key economic driver of the losses from the scenarios is the likelihood of a customer entering hardship through unemployment. Several customer demographics including age, income and debt levels are considered with a sensitivity to the specific scenarios considered. For each individual customer, the sensitivities from each demographic are combined to determine an overall sensitivity.

Management judgement has been used to define the weighting and severity of the different scenarios based on available data without undue cost or effort. The outcome from the scenarios have been contrasted to loss rates stemming from loans written over the last decade, including those from the most recent economic downturn (2007-2009).

Sensitivities to key areas of estimation uncertainty

The key areas of estimation uncertainty identified, as per note 3 to the Financial Statements, are in the PD and the forward looking scenarios.

Stage 1 assets represent 95% of the total loan assets; a 0.1% increase in the stage 1 PD, i.e. from 1.8% to 1.9%, would result in a £0.5 million (2%) increase in ECL.

The upturn scenario would reduce the ECL allowance by £1.2 million (-5.4%), the downturn would create an increase of £2.5 million (11.7%) and severe downturn by £30.0 million (138.0%).

Amounts arising from ECL: loans and advances to customers

The Group is exposed to credit risk from the Admiral Loans business which has expanded during 2019.

The following table sets out information about the credit quality of the loans and advances to customers measured at amortised cost. Credit grades are used to segment customers by apparent credit risk at the time of acquisition. Higher grades are the lowest credit risk with each subsequent grade increasing in expected credit risk. The Group does not have any purchased or originated credit-impaired (POCI) assets. These tables are inclusive of the finance lease assets which are held by the Group, further analysis of these balances can be found in note 7c.

All probability of defaults figures included in this paragraph allow for forward-looking information, i.e. the PDs are a weighted average from the economic scenarios considered. The average PD for stage 1 assets is 1.8% (2018: 1.8%) reflecting the expectation of defaults within 12 months of the reporting date. The average PD for assets in stage 2 is 58.7% (2018: 5.2%) reflecting expected losses over the remaining life of the assets. The PD for assets in stage 3 is 100.0% (2018: 100.0%) as these assets are deemed to have defaulted.

	Stage 1 12- month ECL £m	Stage 2 Lifetime ECL £m	Stage 3 Lifetime ECL £m	31 December 2019 Total £m	31 December 2018 Total £m
Credit Grade*2					
Higher	333.5	3.6	–	337.1	139.5
Medium	112.1	2.6	–	114.7	117.7
Lower	10.6	0.3	–	10.9	48.6
Credit Impaired	–	–	16.4	16.4	4.6
Gross carrying amount	456.2	6.5	16.4	479.1	310.4
Expected credit loss allowance	(5.6)	(3.4)	(14.4)	(23.4)	(9.9)
Other loss allowance*1	(0.6)	–	–	(0.6)	(0.3)
Carrying amount	450.0	3.1	2.0	455.1	300.2

*1 Other loss allowance covers losses due to a reduction in current or future vehicle value or costs associated with recovery and sale of vehicles.

*2 Credit grade is the internal credit banding given to a customer at origination. This is based on external credit rating information.

The following tables reconcile the opening and closing gross carrying amount and expected credit loss allowance.

	Stage 1 12- month ECL £m	Stage 2 Lifetime ECL £m	Stage 3 Lifetime ECL £m	Total £m
Gross carrying amount as at 1 January 2019	296.9	8.9	4.6	310.4
Transfers				
Transfers from Stage 1 to Stage 2	(4.5)	4.5	–	–
Transfers from Stage 1 to Stage 3	(8.2)	–	8.2	–
Transfers from Stage 2 to Stage 1	2.4	(2.4)	–	–
Transfers from Stage 2 to Stage 3	–	(2.7)	2.7	–
Transfers from Stage 3 to Stage 1	–	–	–	–
Transfers from Stage 3 to Stage 2	–	–	–	–
Principal redemption payments	(124.9)	(4.5)	(1.3)	(130.7)
New financial assets originated or purchased	294.5	2.7	2.2	299.4
Gross carrying amount as at 31 December 2019	456.2	6.5	16.4	479.1

7. Loans and Advances to Customers continued

	Stage 1 12-month ECL £m	Stage 2 Lifetime ECL £m	Stage 3 Lifetime ECL £m	Total
Expected credit loss allowance as at 1 January 2019	4.4	1.4	4.1	9.9
Movements with a profit and loss impact				
Transfers				
Transfers from Stage 1 to Stage 2	(0.1)	0.2	–	0.1
Transfers from Stage 1 to Stage 3	(0.3)	–	0.5	0.2
Transfers from Stage 2 to Stage 1	0.1	(0.2)	–	(0.1)
Transfers from Stage 3 to Stage 1	–	–	–	–
Changes in PDs/ LGDs/ EADs	(1.8)	0.8	7.9	6.9
New financial assets originated or purchased	3.3	1.2	1.9	6.4
Total net profit and loss charge in the period	1.2	2.0	10.3	13.5
Expected credit loss allowance as at 31 December 2019	5.6	3.4	14.4	23.4
Other movements with no profit and loss impact				
Transfers				
Transfers from Stage 2 to Stage 3	–	(1.0)	1.0	–
Transfers from Stage 3 to Stage 2	–	–	–	–
Write-offs	–	–	(0.5)	(0.5)

7c. Finance lease receivables

Loans and advances to customers include the following finance leases. The group is the lessor for leases of cars.

	31 December 2019 £m	31 December 2018 £m
Gross investment in finance leases, receivable		
Less than 1 year	8.1	4.9
Between 1 to 5 years	28.9	10.9
More than 5 years	–	–
	37.0	15.8
Unearned finance income	(4.2)	(1.9)
Net investment in lease receivables	32.8	13.9
Less impairment allowance	(0.4)	(0.2)
	32.4	13.7
Net investment in finance leases, receivable		
Less than 1 year	6.2	4.1
Between 1 to 5 years	26.6	9.8
More than 5 years	–	–
	32.8	13.9

The net investment in finance leases shown above is net of the unguaranteed residual value of £0.5 million (2018: £0.3 million).

7d. Interest Income

	31 December 2019 £m	31 December 2018 £m
Loans and advances to customers	30.8	15.0
	30.8	15.0

Interest receivable on loans and advances to customers is recognised in the Income Statement using the effective interest method, which calculates the amortised cost of the financial asset and allocates the interest income over the expected product life.

7e. Interest expense

	31 December 2019 £m	31 December 2018 £m
Interest payable on loan backed securities	5.6	1.7
Interest payable on other credit facilities	0.7	1.9
Total interest expense*1	6.3	3.6

*1 Interest paid in total during the year was £6.3 million (2018: £3.1 million)

Interest expense represents the interest payable on funding for the Admiral Loans business, in the form of credit facilities of £220.0 million (2018: £200.0 million) of which £20.0 million was drawn down at 31 December 2019 (2018: £71.5 million) and loan backed securities through an SPE of £400.0 million (2018: £300.0 million) of which £304.5 million was drawn down at 31 December 2019 (2018: £168.3 million).

8. Other Revenue

8a. Accounting policy

(i) Contribution from additional products and fees and Other Revenue

Revenue is credited to the income statement over the period matching the Group's obligations to provide services. Where the Group has no remaining obligations, the revenue is recognised immediately. An allowance is made for expected cancellations where the customer may be entitled to a refund of amounts charged.

Commission from the provision of insurance intermediary services is credited to revenue on the sale of the underlying insurance policy.

There has been no change in revenue recognition from the comparative period.

8. Other Revenue continued

(ii) Nature of goods and services

The following is a description of the principle activities within the scope of IFRS 15 from which the Group generates its other revenue.

Products and services	Nature, timing of satisfaction of performance obligations and significant payment terms
Comparison	The performance obligation is the provision of insurance intermediary services, at which point the performance obligation is met. Revenue is therefore recognised at a point in time.
Fee and commission revenue: Commission on underlying products	The performance obligation is the provision of insurance intermediary services, at which point the performance obligation is met. Revenue is therefore recognised at a point in time. Payment of the commission is due within 30 days of the period close.
Fee and commission revenue: Administration fees	The performance obligation is the change requested being made to the underlying policy, at which point the performance obligation is met. Revenue is therefore recognised at a point in time and is collected immediately or in line with direct debit instalments.
Revenue from law firm	The performance obligation is the pursuit of the compensation from the other side's insurer on behalf of the customer. Once the case is settled the performance obligation is fully satisfied. Revenue is therefore recognised over time using the expected value method. This method values revenue by multiplying hours incurred on open cases by a 12-month realisable rate. The realisable rate is a probability weighted transaction price based on settled cases. The expected value method therefore results in revenue recognised being constrained to that where there is a high probability of no significant reversal. Revenue is recognised over time because as the Group has an enforceable right to payment for performance completed to date and the work performed to date has no alternative use to the Group A contract asset is recognised equal to the work performed up to the balance sheet date but not yet billed. Refer to note 6g for further detail of this balance. Payment is due within 28 days of invoice.
Profit commission from co-insurers	The Group's profit commission revenue falling within the scope of IFRS 15, 'Revenue from Contracts with Customers' relates to a contractual arrangement between the Group's insurance intermediary EUI Limited, and a third party (external to the Group) co-insurer (Great Lakes) underwriting a share of the UK Car Insurance business generated by EUI Limited. The variable consideration, being the profit commission recognised in respect of each underwriting year at the end of each reporting period, is recognised at a point in time, and calculated based on a number of detailed inputs, the most material of which are as follows: • Premiums, defined as gross premiums ceded including any instalment income, less reinsurance premium (for excess of loss reinsurance); • Insurance expenses incurred; and • Claims ratio (more typically referred to as a loss ratio). Whilst the premiums and insurance expenses related to an underwriting year are typically fixed at the conclusion of each underwriting year and are not subject to judgement, the claims ratio is calculated from the underwriting year loss ratios that result from the setting of claims reserves in the Financial Statements meaning it is subject to inherent uncertainty. As stated in note 5d, Admiral's reserving policy is initially to reserve conservatively, above internal and independent projections of actuarial best estimates. This is designed to create a margin held in reserves to allow for unforeseen adverse development in open claims. Admiral's financial statement loss ratios, used in the calculation of profit commission income, continue to include a significant margin above projected best estimates of ultimate claims costs. It is this margin for uncertainty, included in the financial statement loss ratios, which creates the constraint over the recognition of the variable consideration, as using the booked loss ratio rather than the actuarial best estimate constrains the profit commission income to a level where there is a high probability of no significant reversal of the revenue recognised. The key methods, inputs and assumptions used to estimate the variable consideration of profit commission are therefore in line with those used for the calculation of claims liabilities, as set out in note 3 to the Annual Report, with further detail also included in note 5. There are no further critical accounting estimates or judgements in relation to the recognition of profit commission.

Instalment income on insurance premium paid via instalments is recognised under IFRS 9 using the effective interest rate, and as such is not within the scope of IFRS 15. Profit commission from reinsurers is within the scope of IFRS 4, and not within the scope of IFRS 15 due to the nature of the income.

Refer to the Strategic Report for further detail on the sources of revenue.

8b. Disaggregation of revenue

In the following tables, other revenue is disaggregated by major products/service lines and timing of revenue recognition. The total revenue disclosed in the table of £584.8 million (2018: £542.4 million) represents total other revenue and profit commission and is disaggregated into the segments included in note 4.

	Year ended 31 December 2019				
	UK Insurance £m	International Car Insurance £m	Comparison £m	Other £m	Total £m
Major products/service line					
Comparison[*1]	–	–	152.2	–	152.2
Instalment income	85.3	2.9	–	–	88.2
Fee and commission revenue	162.0	18.7	–	1.9	182.6
Revenue from law firm	32.9	–	–	–	32.9
Other	13.4	–	–	0.6	14.0
Total other revenue	293.6	21.6	152.2	2.5	469.9
Profit commission	114.0	0.9	–	–	114.9
Total other revenue and profit commission	407.6	22.5	152.2	2.5	584.8
Timing of revenue recognition					
Point in time	267.8	18.7	152.2	2.5	441.2
Over time	35.9	–	–	–	35.9
Revenue outside the scope of IFRS 15	103.9	3.8	–	–	107.7
	407.6	22.5	152.2	2.5	584.8

8. Other Revenue continued

	Year ended 31 December 2018				
	UK Insurance £m	International Car Insurance £m	Comparison £m	Other £m	Total £m
Major products/service line					
Comparison*1	–	–	131.7	–	131.7
Instalment income	82.6	2.7	–	–	85.3
Fee and commission revenue	172.4	15.9	–	1.9	190.2
Revenue from law firms	30.5	–	–	–	30.5
Other	10.8	–	–	0.7	11.5
Total other revenue	296.3	18.6	131.7	2.6	449.2
Profit commission	93.2	–	–	–	93.2
Total other revenue and profit commission	389.5	18.6	131.7	2.6	542.4
Timing of revenue recognition					
Point in time	275.3	15.9	131.7	2.6	425.5
Over time	33.4	–	–	–	33.4
Revenue outside the scope of IFRS 15	80.8	2.7	–	–	83.5
	389.5	18.6	131.7	2.6	542.4

*1 Comparison revenue excludes £19.4 million (2018: £19.3 million) of income from other Group companies.

Instalment income is recognised applying the effective interest rate over the term of the policy, and is outside the scope of IFRS 15. Profit commission from reinsurers is recognised under IFRS 4, and is discussed further in note 5 to the Financial Statements.

9. Expenses

9a. Accounting policies

(i) Acquisition costs and operating expenses

Acquisition costs incurred in obtaining new and renewal business are charged to the income statement over the period in which those premiums are earned. All other operating expenses are charged to the income statement in the period that they are incurred.

(ii) Employee benefits

As detailed in the Remuneration Committee Report, the key elements of employee remuneration are:

- Base salaries and pension contributions;
- Share based incentive plans;
- A discretionary bonus, the 'DFSS Bonus', rather than an annual cash bonus, that is directly linked to the number of DFSS awards held and actual dividends paid out to shareholders.

Within note 9b, the charges for base salaries and pension contributions (and the related social security costs) are recognised within insurance contract expenses or administration and other marketing costs, based on the role of the employee.

Charges for the share based incentive plans (and related social security costs) and discretionary bonus are included within Share Scheme Charges. These charges are not shown as part of the result for each reportable segment, or within the expense ratio, due to them being materially comprised of an accounting charge in line with IFRS 2 *Share based payments* which does not result in a cash payment to employees but instead results in a dilution of shares.

The rules of the share schemes ensure that the actual dilution level does not exceed 10% in any rolling ten-year period, by funding of any vested (and future) DFSS and SIP awards as appropriate with market-purchased shares. This corresponds to approximately a 1% dilution of share capital each year.

Base salaries and pension contributions

Base salaries and the related employer social security costs are charged to the income statement in the period that they are incurred.

The Group contributes to defined contribution personal pension plans for its employees. The contributions payable to these schemes are charged in the accounting period to which they relate.

Share based incentive plans and related social security costs

The Group operates a number of equity and cash settled compensation schemes for its employees, the main ones being:

- a Share Incentive Plan ('SIP'), which is in place for all UK employees encouraging wide share ownership across our employees; and
- the Discretionary Free Share Scheme ('DFSS'). DFSS shares are typically awarded to managers, and for the majority of employees 50% of the DFSS shares awarded are subject to three performance conditions being Earnings per Share growth, Return on Equity and Total Shareholder Return vs. the FTSE 350 (excluding investment companies) over a three-year period.

For both schemes, employees must remain in employment three years after the award date (i.e. at the vesting date), otherwise the shares are forfeited.

The majority of these schemes are classed as equity settled under IFRS 2, due to the employees receiving shares (rather than cash) as consideration for the services provided.

For equity settled schemes, the charge, which reflects the fair value of the employee services received in exchange for the grant of the free shares, is recognised as an expense, with a corresponding increase in equity, as shown in the Consolidated Statement of Changes in Equity (2019: £58.8 million; 2018: £56.7 million).

For the cash settled schemes, the expense recognised for the fair value of services received results in a corresponding increase in liabilities.

The key drivers and assumptions used to calculate the charge for the schemes over the three year vesting period are:

- the number of shares awarded, which is set at the start of each scheme. Details of the number of shares awarded for each scheme where shares remain unvested is set out in note 9f(ii)
- the fair value of the shares

  For the SIP, the fair value of the shares awarded is the share price at the award date. Awards under the SIP are entitled to receive dividends, and hence no adjustment is made to this fair value.

  For the DFSS equity settled awards, awards are not eligible for dividends, although a discretionary bonus is currently paid equivalent to the dividend that would have been paid on the shareholding, hence the fair value of the shares is revised downwards to take account of these expected dividends.

  For the DFSS cash settled awards, the fair value is based on the share price at the vesting date. The closing share price at the end of each reporting period is used as an approximation for the closing price at the end of the vesting period.
- attrition rates, which impact the ultimate number of shares that vest;
- in the case of the DFSS, the vesting rates based on the performance conditions, which also impact the ultimate number of shares that vest.

The number of shares that have ultimately vested compared to those originally awarded is set out in note 9f(iii).

At each balance sheet date, the Group revises its assumptions on the number of shares which will ultimately vest based on the latest forecast information for attrition rates and, for the DFSS, the extent to which the performance conditions are met.

The financial impact as a result of any change in the assumptions is recognised through the Income Statement. Any significant changes in assumptions may therefore result in an increased/decreased charge in an accounting period as a result of this true-up of the expected cumulative charge required.

9. Expenses continued

Social security costs on share based incentive plans

Social security costs are incurred by the Group in respect of the share based incentive plans, with the expense recognised over the vesting period for each share scheme. For the SIP, these costs are paid when the employees sell the shares after vesting (typically 3-5 years after the grant date). For the DFSS, the costs are paid immediately upon vesting.

The total social security costs are calculated based on the following:

- The taxable value of the shares, being:
  - For the SIP, the lower of the share price at award date and the share price at the balance sheet date;
  - For the DFSS, the share price at the balance sheet date.
- the number of shares expected to vest for each scheme, driven by the number of shares awarded, attrition rates and, for the DFSS, the vesting rate based on performance conditions;
- the appropriate social security rate.

These assumptions are updated at the end of each reporting period. The financial impact as a result of any change in the assumptions is recognised through the Income Statement. Any significant changes in assumptions may therefore result in an increased/decreased charge in an accounting period as a result of this true-up of the expected cumulative charge required.

Discretionary bonus on shares allocated but unvested

The cost of the DFSS bonus is recognised and paid in each period equivalent to the dividends on shares allocated to employees that are still entitled to vest, but have not yet vested. The cost shown also includes the social security costs on the discretionary bonus. No accrual is made for future discretionary bonus payments due to there being no contractual obligation for such a bonus at the balance sheet date.

9b. Operating expenses and share scheme charges

	31 December 2019		
	Gross £m	Recoverable from co- and reinsurers £m	Net £m
Acquisition of insurance contracts	138.0	(104.9)	33.1
Administration and other marketing costs (insurance contracts)	398.8	(307.2)	91.6
Insurance contract expenses	536.8	(412.1)	124.7
Administration and other marketing costs (other)	281.4	–	281.4
Share scheme charges	82.5	(29.1)	53.4
Total expenses and share scheme charges	900.7	(441.2)	459.5

	31 December 2018		
	Gross £m	Recoverable from co- and reinsurers £m	Net £m
Acquisition of insurance contracts*1	135.1	(103.8)	31.3
Administration and other marketing costs (insurance contracts)	381.6	(287.9)	93.7
Insurance contract expenses	516.7	(391.7)	125.0
Administration and other marketing costs (other)	249.2	–	249.2
Share scheme charges	76.9	(27.1)	49.8
Total expenses and share scheme charges	842.8	(418.8)	424.0

*1 Acquisition of insurance contracts expense excludes £19.4 million (2018: £19.3 million) of aggregator fees from other Group companies.

The £91.6 million (2018: £93.7 million) administration and marketing costs allocated to insurance contracts is principally made up of salary costs.

Analysis of other administration and other marketing costs:

	31 December 2019 £m	31 December 2018 £m
Expenses relating to additional products and fees	70.1	63.4
Comparison operating expenses	156.8	144.4
Loans expenses (including movement on ECL provision)	31.9	22.9
Other expenses	22.6	18.5
Total	281.4	249.2

Refer to note 13 for a reconciliation between insurance contract expenses and the reported expense ratio.

9c. Staff costs and other expenses

	31 December 2019		31 December 2018	
	Total £m	Net £m	Total £m	Net £m
Salaries	292.2	109.2	268.8	95.7
Social security charges	30.5	12.8	27.2	10.3
Pension costs	13.5	4.8	9.0	3.2
Share scheme charges (see note 9f)	82.5	53.4	76.9	49.8
Total staff expenses	418.7	180.2	381.9	159.0
Depreciation charge:				
– Owned assets	11.9	4.1	12.0	3.7
– ROU assets	11.9	4.6	–	–
Amortisation charge:				
– Software	17.4	5.9	15.5	4.6
– Deferred acquisition costs	–	52.8	–	50.5
Auditor's remuneration (including VAT):				
– Fees payable for the audit of the Company's annual accounts	0.1	–	–	–
– Fees payable for the audit of the Company's subsidiary accounts	0.9	0.8	0.5	0.3
– Fees payable for audit related assurance services pursuant to legislation or regulation	0.4	–	0.4	–

£32,380 (2018: £1,800) was payable to the auditor for other services in the year.

Total and net expenses are before and after co- and reinsurance arrangements respectively.

Refer to the Corporate Governance Report for details of the Audit Committee's policy on fees paid to the Company's auditor for non-audit services. Audit fees are 66% (2018: 53%) of total fees and 31% (2018: 47%) of total fees are for non-audit services, which are classed as audit related assurance services under the FRC rules on non-audit services.

The amortisation of software and deferred acquisition cost assets is charged to expenses in the income statement.

9. Expenses continued

9d. Staff numbers (including Directors)

	Average for the year	
	2019 Number	2018 Number
Direct customer contact staff	7,319	6,845
Support staff	3,510	3,354
Total	10,829	10,199

9e. Directors' remuneration

(i) Directors' remuneration

	31 December 2019 £m	31 December 2018 £m
Directors' emoluments	1.7	1.6
Amounts receivable under SIP and DFSS share schemes	1.2	1.1
Company contributions to money purchase pension plans	–	–
Total	2.9	2.7

(ii) Number of Directors

	2019 Number	2018 Number
Retirement benefits are accruing to the following number of Directors under:		
– Money purchase schemes	1	1

9f. Staff share schemes

Analysis of share scheme costs:

	31 December 2019					
	SIP charge (i)		DFSS charge (ii)		Total charge	
	Gross £m	Net £m	Gross £m	Net £m	Gross £m	Net £m
IFRS 2 charge for equity settled share schemes	17.3	11.9	41.5	26.5	58.8	38.4
IFRS 2 charge for cash settled share schemes	–	–	1.9	1.0	1.9	1.0
Total IFRS 2 charge	17.3	11.9	43.4	27.5	60.7	39.4
Social security costs on IFRS 2 charge	1.6	1.2	7.1	4.8	8.7	6.0
Discretionary bonus on shares allocated but unvested	–	–	13.1	8.0	13.1	8.0
Total share scheme charges	18.9	13.1	63.6	40.3	82.5	53.4

	31 December 2018					
	SIP charge (i)		DFSS charge (ii)		Total charge	
	Gross £m	Net £m	Gross £m	Net £m	Gross £m	Net £m
IFRS 2 charge for equity settled share schemes	16.4	11.2	40.3	25.8	56.7	37.0
IFRS 2 charge for cash settled share schemes	–	–	0.6	0.3	0.6	0.3
Total IFRS 2 charge	16.4	11.2	40.9	26.1	57.3	37.3
Social security costs	1.7	1.1	5.9	3.9	7.6	5.0
Discretionary bonus on shares allocated but unvested	–	–	12.0	7.5	12.0	7.5
Total share scheme charges	18.1	12.3	58.8	37.5	76.9	49.8

Net share scheme charges are presented after allocations to co-insurers (in the UK and Italy) and reinsurers (in the International Insurance businesses). The proportion of net to gross share scheme charges would be expected to be consistent in each period, at approximately 65%.

	Financial year ended 31 December				
Analysis of gross cost	2016 and prior £m	2017 £m	2018 £m	2019 £m	Total cumulative charge to date £m
Year of share scheme – SIP					
2014	9.7	2.1	–	–	11.8
2015	8.6	3.0	2.0	–	13.6
2016	6.2	2.2	5.4	2.1	15.9
2017*1	2.2	1.1	5.5	5.5	14.3
2018*1	–	–	3.5	6.1	9.6
2019*1	–	–	–	3.6	3.6
Gross IFRS 2 costs – SIP		8.4	16.4	17.3	
Year of share scheme – DFSS					
2014	11.8	3.7	–	–	15.5
2015	9.6	9.4	7.0	–	26.0
2016	5.8	12.8	17.0	9.8	45.4
2017*2	–	3.6	13.0	14.5	31.1
2018*2	–	–	3.9	15.6	19.5
2019*2	–	–	–	3.5	3.5
Gross IFRS 2 costs – DFSS		29.5	40.9	43.4	
Total IFRS 2 costs		37.9	57.3	60.7	

*1 Awards are made in March and September of each year, and vest over 36 months from award date. On the 2017 scheme, an average of 5 months' charge remains outstanding, on the 2018 scheme an average of 17 months' charge remains outstanding, and on the 2019 schemes an average of 29 months' charge remains outstanding.

*2 The main award is made in September of each year, with smaller awards made at other points through the year. The shares vest over 36 months from award date. On the 2017 main DFSS, 9 months' charge remains outstanding; on the 2018 main DFSS 21 months' charge remains outstanding, and on the 2019 main DFSS, 33 months' charge remains outstanding.

9. Expenses continued

(i) The Approved Share Incentive Plan (the SIP)

Eligible UK based employees qualified for awards under the SIP based upon the performance of the Group in each half-year period. The maximum award for each year is £3,600 per employee and the maximum number of shares that can vest relating to the 2019 schemes is 1,113,496 (2018 schemes: 1,192,302; 2017 schemes: 1,067,291).

The awards are made at the discretion of the remuneration committee, taking into account the Group's performance.

(ii) The Discretionary Free Share Scheme (the DFSS)

Under the DFSS, details of which are contained in the remuneration policy section of the Directors' Remuneration Report, individuals receive an award of free shares at no charge.

The maximum number of shares that can vest relating to the 2019 schemes is 2,637,196 (2018 scheme: 3,373,948; 2017 schemes: 3,205,449).

The vesting percentage for the 2016 DFSS scheme which vested during 2019 was 93.8% (2015 DFSS scheme: 87.1%).

(iii) Number of free share awards committed at 31 December 2019

	Awards outstanding*1
SIP 2017[2]	1,067,291
SIP 2018*2	1,192,302
SIP 2019*2	1,113,496
DFSS 2017*3	3,205,449
DFSS 2018*3	3,373,948
DFSS 2019*3	2,637,196
Total awards committed	12,589,682

*1 Being the maximum number of awards committed before accounting for expected staff attrition and vesting conditions.

*2 Shares are awarded in March and September of each year, and vest three years later.

*3 The main award is made in September of each year, with smaller awards made at other points through the year.

(iv) Number of free share awards vesting during the year ended 31 December 2019

During the year ended 31 December 2019, awards under the SIP H116 and H216 schemes and the DFSS 2016 schemes vested. The total number of awards vesting for each scheme is as follows.

	Original awards	Awards vested
SIP 2016 schemes	1,025,662	797,311
DFSS 2016 schemes	3,253,250	2,643,980

The difference between the original and vested awards reflects employee attrition (SIP schemes) and both employee attrition and the vesting outcomes based on performance conditions noted above (DFSS schemes).

The weighted average fair value of the shares granted in the year was £18.96 (2018: £17.65).

The weighted average market share price at the date of exercise for shares exercised during the year was £21.06 (2018: £20.05).

10. Taxation

10a. Accounting policy

Income tax on the profit or loss for the periods presented comprises current and deferred tax.

(i) Current tax

Current tax is the expected tax payable on the taxable income for the period, using tax rates that have been enacted or substantively enacted by the balance sheet date, and includes any adjustment to tax payable in respect of previous periods.

Current tax related to items recognised in other Comprehensive Income is also recognised in other Comprehensive Income and not in the Income Statement.

(ii) Deferred tax

Deferred tax is provided in full using the balance sheet liability method, providing for temporary differences arising between the carrying amount of assets and liabilities for accounting purposes and the amounts used for taxation purposes.

Deferred tax is calculated at the tax rates that have been enacted or substantively enacted by the balance sheet date and that are expected to apply in the period when the liability is settled or the asset is realised.

The principal temporary differences arise from carried forward losses, depreciation of property and equipment and share scheme charges. The resulting deferred tax is charged or credited in the Income Statement, except in relation to share scheme charges where the amount of tax benefit credited to the Income Statement is limited to an equivalent credit calculated on the accounting charge. Any excess is recognised directly in equity.

Deferred tax assets relating to carried forward losses are recognised only to the extent that it is probable that future taxable profits will be available against which the assets can be utilised. The probability of the availability of future taxable profits is determined by a combination of the classification of the status of the businesses holding cumulative tax losses and the business plan profit projections for that business, subject to appropriate stress testing.

10b. Taxation

	31 December 2019 £m	31 December 2018 £m
Current tax		
Corporation tax on profits for the year	91.3	81.4
Under provision relating to prior periods	0.5	0.2
Current tax charge	91.8	81.6
Deferred tax		
Current period deferred taxation movement	2.8	3.8
(Over)/under provision relating to prior periods	(0.4)	0.3
Total tax charge per Consolidated Income Statement	94.2	85.7

10. Taxation continued

Factors affecting the total tax charge are:

	31 December 2019 £m	31 December 2018 £m
Profit before tax	522.6	476.2
Corporation tax thereon at effective UK corporation tax rate of 19.0% (2018: 19.0%)	99.3	90.5
Expenses and provisions not deductible for tax purposes	1.8	0.7
Non-taxable income	(4.9)	(6.0)
Impact of change in UK tax rate on deferred tax balances	0.3	0.5
Adjustments relating to prior periods	0.1	0.6
Impact of different overseas tax rates	(8.8)	(8.2)
Unrecognised deferred tax	6.4	7.6
Total tax charge for the period as above	94.2	85.7

The outstanding corporation tax payable as at 31 December 2019 was £48.3 million (2018: £49.3 million).

10c. Deferred income tax asset/(liability)

Analysis of deferred tax asset/(liability):

	Tax treatment of share schemes £m	Capital allowances £m	Carried forward losses £m	Fair value reserve £m	Other differences £m	Total £m
Balance brought forward at 1 January 2018	6.1	(4.5)	2.9	(4.6)	0.4	0.3
Tax treatment of share scheme charges through income or expense	(2.2)	–	–	–	–	(2.2)
Tax treatment of share scheme charges through reserves	3.3	–	–	–	–	3.3
Capital allowances	–	0.9	–	–	–	0.9
Carried forward losses	–	–	(2.9)	–	–	(2.9)
Movement in fair value reserve	–	–	–	0.7	–	0.7
Other difference	–	–	–	–	0.1	0.1
Balance carried forward at 31 December 2018	7.2	(3.6)	–	(3.9)	0.5	0.2
Tax treatment of share scheme charges through income or expense	(4.6)	–	–	–	–	(4.6)
Tax treatment of share scheme charges through reserves	3.3	–	–	–	–	3.3
Capital allowances	–	1.5	–	–	–	1.5
Carried forward losses	–	–	–	–	–	–
Movement in fair value reserve	–	–	–	(1.5)	–	(1.5)
Other difference	–	–	–	–	0.7	0.7
Balance carried forward at 31 December 2019	5.9	(2.1)	–	(5.4)	1.2	(0.4)

Positive amounts presented above relate to a deferred tax asset position.

The average effective rate of tax for 2019 is 19.0% (2018: 19.0%). A further reduction to the main rate of corporation tax to 17% (effective from 1 April 2020) was enacted on 15 September 2016 but is expected to be reversed. This would reduce the Group's future current tax charge accordingly.

The deferred tax asset in relation to carried forward losses remains at £nil at the year end (2018: £nil) due to uncertainty over the availability of future taxable profits against which to offset any deferred tax asset (see note 3 for details of how future taxable profits are estimated).

At 31 December 2019, the Group had unused tax losses amounting to £231.3 million (2018: £217.5 million), relating primarily to the Group's US businesses Elephant Auto and Compare.com, for which no deferred tax asset has been recognised. The earliest expiry date for any of these tax losses is 2029. The total aggregated unrecognised deferred tax liabilities on temporary differences associated with subsidiaries is £nil (2018: £nil).

11. Other assets and other liabilities

11a. Accounting policy

(i) Property and equipment, and depreciation

All property and equipment is stated at cost less accumulated depreciation. Depreciation is calculated using the straight-line method to write off the cost less residual values of the assets over their useful economic lives. These useful economic lives are as follows:

Improvements to short leasehold buildings	–	four to ten years
Computer equipment	–	two to four years
Office equipment	–	four years
Furniture and fittings	–	four years
Motor vehicles	–	four years
Right-of-use assets	–	two – 20 years, aligned to lease agreement

In line with the adoption of IFRS 16, and as set out further in notes 2 and 6h to the Financial Statements, a right-of-use asset has been established in relation the Group's lease arrangements.

The right-of-use asset is measured at cost, which comprises the following:

- the amount of the initial measurement of lease liability (see notes 2 and 6h to the Financial Statements);
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

The right-of-use asset is subsequently depreciated over the shorter of the lease term and the asset's useful life on a straight-line basis.

The Group does not have any significant leases which qualify for the short-term leases or leases of low-value assets exemption.

(ii) Impairment of property and equipment

In the case of property and equipment, carrying values are reviewed at each balance sheet date to determine whether there are any indications of impairment. If any such indications exist, the asset's recoverable amount is estimated and compared to the carrying value. The carrying value is the higher of the fair value of the asset, less costs to sell and the asset's value in use. Impairment losses are recognised through the Income Statement.

(iii) Intangible assets

Goodwill

All business combinations are accounted for using the acquisition method. Goodwill has been recognised in acquisitions of subsidiaries, and represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

The classification and accounting treatment of acquisitions occurring before 1 January 2004 have not been reconsidered in preparing the Group's opening IFRS balance sheet at 1 January 2004 due to the exemption available in IFRS 1 (first time adoption). In respect of acquisitions prior to 1 January 2004, goodwill is included at the transition date on the basis of its deemed cost, which represents the amount recorded under UK GAAP, which was tested for impairment at the transition date. On transition, amortisation of goodwill has ceased as required by IAS 38.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash generating units (CGUs) according to business segment and is reviewed annually for impairment.

The goodwill held on the balance sheet at 31 December 2019 and 2018 is allocated solely to the UK Insurance segment.

11. Other assets and other liabilities continued

Impairment of goodwill

The annual impairment review involves comparing the carrying amount to the estimated recoverable amount (by allocating the goodwill to CGUs) and recognising an impairment loss if the recoverable amount is lower. Impairment losses are recognised through the income statement and are not subsequently reversed.

The recoverable amount is the greater of the fair value of the asset less costs to sell and the value in use of the CGU.

The value in use calculations use cash flow projections based on financial budgets approved by management covering a three year period. Cash flows beyond this period are considered, but not included in the calculation.

The key assumptions used in the value in use calculations are those regarding growth rates and expected changes in pricing and expenses incurred during the period. Management estimates growth rates and changes in pricing based on past practices and expected future changes in the market.

The headroom above the goodwill carrying value is very significant, and there is no foreseeable event that would eliminate this margin.

Deferred acquisition costs

Acquisition costs comprise all direct and indirect costs arising from the conclusion of insurance contracts. Deferred acquisition costs represent the proportion of acquisition costs incurred that correspond to the unearned premiums provision at the balance sheet date. This balance is held as an intangible asset. It is amortised over the term of the contract as premium is earned.

Software

Purchased software is recognised as an intangible asset and amortised over its expected useful life (generally the licence term). Internally generated software is recognised as an intangible asset, with directly attributable costs incurred in the development stage capitalised. The internally generated software assets are amortised over the expected useful life of the systems and amortisation commences when the software is available for use.

The carrying value of software is reviewed every six months for evidence of impairment, with the value being written down if any impairment exists. Impairment may be reversed if conditions subsequently improve.

(iv) Provisions, contingent liabilities and contingent assets

Provisions are recognised when a legal or constructive obligation arises as a result of an event that occurred before the balance sheet date, when a cash outflow relating to this obligation is probable and when the amount can be estimated reliably.

Where a material obligation exists, but the likelihood of a cash outflow or the amount is uncertain, or where there is a possible obligation arising from a past event that is contingent on a future event, a contingent liability is disclosed.

Contingent assets are possible assets that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of future events. Where it is probable that a cash inflow will arise from a contingent asset, this is disclosed.

11b. Property and equipment

	Improvements to short leasehold buildings £m	Computer equipment £m	Office equipment £m	Furniture and fittings £m	ROU asset – leasehold buildings £m	Total £m
Cost						
At 1 January 2018	28.7	57.2	19.7	9.8	–	115.4
Additions	3.1	4.9	1.9	0.1	–	10.0
Disposals	(0.7)	(0.1)	(0.2)	(0.2)	–	(1.2)
Transfers	(1.2)	–	–	–	–	(1.2)
Foreign exchange movement	(0.1)	0.1	–	0.1	–	0.1
At 31 December 2018	29.8	62.1	21.4	9.8	–	123.1
Depreciation						
At 1 January 2018	14.9	45.9	15.2	8.1	–	84.1
Charge for the year	2.8	6.5	1.9	0.8	–	12.0
Disposals	(0.7)	(0.1)	(0.1)	(0.1)	–	(1.0)
Foreign exchange movement	(0.2)	–	–	0.1	–	(0.1)
At 31 December 2018	16.8	52.3	17.0	8.9	–	95.0
Net book amount						
At 1 January 2018	13.8	11.3	4.5	1.7	–	31.3
Net book amount						
At 31 December 2018	13.0	9.8	4.4	0.9	–	28.1
Cost						
At 1 January 2019	29.8	62.1	21.4	9.8	–	123.1
Initial application of IFRS 16	–	–	–	–	136.7	136.7
Additions	4.2	9.7	1.8	0.9	–	16.6
Disposals	–	(0.2)	(0.6)	(0.2)	–	(1.0)
Transfers	(0.4)	0.1	–	0.3	–	–
Foreign exchange and other movements*1	(0.2)	(0.3)	(0.2)	(0.2)	(2.3)	(3.2)
At 31 December 2019	33.4	71.4	22.4	10.6	134.4	272.2
Depreciation						
At 1 January 2019	16.8	52.3	17.0	8.9	–	95.0
Initial application of IFRS 16	–	–	–	–	–	–
Charge for the year	3.2	6.7	1.5	0.5	11.9	23.8
Disposals	–	(0.1)	–	(0.2)	–	(0.3)
Foreign exchange movement	(0.2)	(0.2)	(0.1)	(0.1)	(0.1)	(0.7)
At 31 December 2019	19.8	58.7	18.4	9.1	11.8	117.8
Net book amount						
At 31 December 2019	13.6	12.7	4.0	1.5	122.6	154.4

*1 Within foreign exchange and other movements for the ROU asset, £0.6 million relates to remeasurements of the ROU asset due to amendments to the payment terms of the leasing arrangement.

11. Other assets and other liabilities continued

11c. Intangible Assets

	Goodwill £m	Deferred acquisition costs*2 £m	Software*1 £m	Total £m
At 1 January 2018	62.3	20.6	76.5	159.4
Additions	–	53.1	13.9	67.0
Amortisation charge	–	(50.5)	(15.5)	(66.0)
Disposals	–	–	–	–
Transfers	–	–	1.2	1.2
Foreign exchange movement	–	0.2	0.2	0.4
At 31 December 2018	62.3	23.4	76.3	162.0
Additions	–	54.8	17.0	71.8
Amortisation charge	–	(52.8)	(17.4)	(70.2)
Disposals	–	–	(0.3)	(0.3)
Impairment	–	–	(1.2)	(1.2)
Transfers	–	–	–	–
Foreign exchange movement	–	(0.6)	(1.2)	(1.8)
At 31 December 2019	62.3	24.8	73.2	160.3

*1 Software additions relating to internal development are immaterial in both 2019 and 2018.

*2 The gross deferred acquisition costs balance at the end of 2019 is £74.6 million (2018: £71.6 million; 2017: £65.5 million), with gross additions in the year of £163.1 million (2018: £159.6 million); gross amortisation of £158.5 million (2018: £154.7 million) and foreign exchange movements of -£1.6 million (2018: +£1.2 million).

Goodwill relates to the acquisition of Group subsidiary EUI Limited (formerly Admiral Insurance Services Limited) in November 1999. As described in the accounting policies, the amortisation of this asset ceased on transition to IFRS on 1 January 2004. All annual impairment reviews since the transition date have indicated that the estimated recoverable value of the asset is greater than the carrying amount and therefore no impairment losses have been recognised. Refer to the accounting policy for goodwill for further information.

11d. Trade and other payables

	31 December 2019 £m	31 December 2018 £m
Trade payables	37.5	37.9
Amounts owed to co-insurers	220.8	153.2
Amounts owed to reinsurers	1,221.3	1,122.7
Other taxation and social security liabilities	79.6	60.4
Other payables	188.1	196.0
Accruals and deferred income (see below)	228.6	231.3
Total trade and other payables	1,975.9	1,801.5

Of amounts owed to co-insurers and reinsurers (recognised under IFRS 4), £1,129.6 million (2018: £1,022.7 million) is held under funds withheld arrangements.

Analysis of accruals and deferred income:

	31 December 2019 £m	31 December 2018 £m
Premium received in advance of policy inception	131.7	127.2
Accrued expenses	57.4	64.8
Deferred income	39.5	39.3
Total accruals and deferred income as above	228.6	231.3

11e. Leases

Information presented in this note is in accordance with IFRS 16. Comparative information presented for the year ended 31 December 2018 is in accordance with IAS 17.

Admiral Group plc hold various property under leasing arrangements that are now recognised as right-of-use assets and lease liabilities. A reconciliation to the prior year operating lease commitment can be found in note 2b. A maturity analysis of lease liabilities based on contractual undiscounted cashflows is set out below:

	31 December 2019 £m	31 December 2018 £m
Maturity analysis – contractual undiscounted cash flows		
Within one year	12.9	14.8
Between two to five years	47.9	54.3
Over five years	102.0	116.8
Total	162.8	185.9

Amounts recognised in the Statement of Financial Position are as follows:

	31 December 2019 £m
Lease liabilities	
Current	9.7
Non-current	127.4
Total	137.1

Amounts recognised in the Income Statement are as follows:

	31 December 2019 £m
Interest payable on lease liabilities under IFRS 16	3.2
Interest recoverable from co- and reinsurers	(2.0)
Total	1.2

The Group has no significant financial commitments other than those accounted for as right-of-use assets and lease liabilities under IFRS 16.

11. Other assets and other liabilities continued

11f. Contingent liabilities

The Groups' legal entities operate in numerous tax jurisdictions and on a regular basis are subject to review and enquiry by the relevant tax authority.

Rastreator Comparador Correduria Seguros ("Rastreator Comparador"), the Group's Spanish Comparison business, has recently undergone a tax audit in respect of the 2013 and 2014 financial years. As a result of the audit, the Spanish Tax Authority has denied the VAT exemption relating to insurance intermediary services which Rastreator Comparador has applied. Rastreator Comparador is appealing this decision via the Spanish Courts and is confident in defending its position which is, in its view, in line with the EU Directive and is also consistent with the way similar supplies are treated throughout Europe.

The potential liability for the financial years currently subject to audit is approximately €5 million, and, as identified in note 6, a bank guarantee has been provided to the Spanish Tax Authority for this amount. If the exemption is also disallowed in respect of later years, the liability could increase to €19 million.

The Group is also in early stage discussions on various corporate tax matters with tax authorities in the UK and Italy.

No provision has been made in these Financial Statements in relation to the matters noted above.

12. Share capital

The Group's capital includes share capital and the share premium account, other reserves which are comprised of the fair value reserve and foreign exchange reserve, and retained earnings.

12a. Accounting policies

(i) Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets.

(ii) Dividends

Dividends are recorded in the period in which they are declared and paid.

(iii) Earnings per share

Basic Earnings per share is calculated by dividing profit or loss attributable to equity holders of the Group parent company, Admiral Group plc by the weighted average number of ordinary shares during the period.

Diluted Earnings per share is calculated by dividing profit or loss attributable to equity holders of the Group parent company by the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares.

12b. Dividends

Dividends were proposed, approved and paid as follows:

	31 December 2019 £m	31 December 2018 £m
Proposed March 2018 (58.0 pence per share, approved April 2018, paid June 2018)	–	163.3
Declared August 2018 (60.0 pence per share, paid October 2018)	–	169.4
Proposed March 2019 (66.0 pence per share, approved April 2019, paid June 2019)	188.0	–
Declared August 2019 (63.0 pence per share, paid October 2019)	179.8	–
Total dividends	367.8	332.7

The dividends proposed in March (approved in April) represent the final dividends paid in respect of the 2017 and 2018 financial years. The dividends declared in August are interim distributions in respect of 2018 and 2019.

A final dividend of 77.0 pence per share (£221.5 million) has been proposed in respect of the 2019 financial year. Refer to the Chair's Statement and Strategic Report for further detail.

12c. Earnings per share

	31 December 2019 £m	31 December 2018 £m
Profit for the financial year after taxation attributable to equity shareholders	432.4	395.1
Weighted average number of shares – basic	291,513,714	288,197,247
Unadjusted earnings per share – basic	148.3p	137.1p
Weighted average number of shares – diluted	292,094,797	288,845,845
Unadjusted earnings per share – diluted	148.0p	136.8p

The difference between the basic and diluted number of shares at the end of 2019 (being 581,083; 2018: 648,598) relates to awards committed, but not yet issued under the Group's share schemes. Refer to note 9 for further detail.

12d. Share capital

	31 December 2019 £m	31 December 2018 £m
Authorised		
500,000,000 ordinary shares of 0.1 pence	0.5	0.5
Issued, called up and fully paid		
293,686,329 ordinary shares of 0.1 pence	0.3	–
290,502,737 ordinary shares of 0.1 pence	–	0.3
	0.3	0.3

During 2019, 3,183,592 (2018: 3,288,475) new ordinary shares of 0.1 pence were issued to the trusts administering the Group's share schemes.

883,592 (2018: 988,475) of these were issued to the Admiral Group Share Incentive Plan Trust for the purposes of this share scheme to give a closing number at 31 December 2019 of 11,628,981 (2018: 10,745,389). Of the shares issued, 4,389,821 remain in the Trust at 31 December 2019 (2018: 4,311,425). These shares are entitled to receive dividends.

2,300,000 (2018: 2,300,000) shares were issued to the Admiral Group Employee Benefit Trust for the purposes of the Discretionary Free Share Scheme resulting in cumulative shares issued to the Trust of 23,461,948 (2018: 21,161,948). Of the shares issued 5,823,675 remain in the Trust at 31 December 2019 (2018: 6,170,927) to be used for future vesting, the remaining issued shares having vested.

The balance of awards made to employees under the Discretionary Free Share Scheme that have not either vested or lapsed is 8,691,542 (2018: 9,218,956).

The Trustees have waived the right to dividend payments, other than to the extent of 0.001 pence per share, unless and to the extent otherwise directed by the Company from time to time.

There is one class of share with no unusual restrictions.

12. Share capital continued

12e. Objectives, policies and procedures for managing capital

The Group's capital management policy defines the Board oversight, risk appetite and tier structure of the Group's capital in addition to management actions that may be taken in respect of capital, such as dividend payments.

The Group aims to operate a capital-efficient business model by transferring a significant proportion of underwriting risk to co-insurance and reinsurance partners. This in turn reduces the amount of capital the Group needs to retain to operate and grow, and allows the Group to distribute the majority of its earnings as dividends.

The Board has determined that it will hold capital as follows:

- Sufficient Solvency II Own Funds to meet all of the Group's Solvency II capital requirements (over a 1 year and ultimate time horizon).
- An additional contingency to cover unforeseen events and losses that could realistically arise. This risk appetite buffer is assessed via stress testing performed on an annual basis and is calibrated in relation to the one-year regulatory SCR.

The Group's current risk appetite buffer is 30% above the regulatory SCR. This forms the lower bound of the longer-term solvency target operating range of 130% to 150%.

The Group's dividend policy is to:

- Pay a normal dividend equal to 65% of post-tax profits for the period;
- Pay a special dividend calculated with reference to distributable reserves and surplus capital held above the risk appetite buffer.

This policy gives the Directors flexibility in managing the Group's capital.

As noted above, the Group's regulatory capital position is calculated under the Solvency II Framework. The Solvency Capital Requirement is based on the Solvency II Standard Formula, with a capital-add-on to reflect limitations in the Standard Formula with respect to Admiral's risk profile (predominately in respect of profit commission arrangements in co-and reinsurance agreements and risks relating to Periodic Payment Order (PPO) claims).

Solvency Ratio (unaudited)

At the date of this report (4 March 2020), the Group's regulatory solvency ratio, calculated using a capital add-on that has not been subject to regulatory approval, is 190% (2018: 194%). This includes the recognition of the 2019 final dividend of 77.0 pence per share (2018: 66.0 pence per share).

The Group's 2019 Solvency and Financial Condition Report (SFCR) will, when published, disclose a solvency ratio that is calculated at the balance sheet date rather than annual report date, using the capital add-on that was most recently subject to regulatory approval. The estimated and unaudited SFCR solvency ratio is 172%, with the reconciliation between this ratio and the 190% noted above being as follows:

	31 December 2019 £m	31 December 2018 £m
Regulatory Solvency Ratio (unaudited)		
Solvency Ratio reported in the Annual Report	190%	194%
Change in valuation date	(10%)	(10%)
Other (including impact of updated, unapproved capital add-on)	(8%)	(14%)
Solvency Ratio to be reported in the SFCR	172%	170%

Subsidiaries

The Group manages the capital of its subsidiaries to ensure that all entities within the Group are able to continue as going concerns and also to ensure that regulated entities meet regulatory requirements with an appropriate risk appetite buffer. Excess capital above these levels within subsidiaries is paid up to the Group holding company in the form of dividends on a regular basis.

12f. Group related undertakings

The Parent Company's subsidiaries are as follows:

Subsidiary	Class of shares held	% Ownership	Principal Activity
Incorporated in England and Wales			
Registered office: Floors 3 & 4 No. 3 Capital Quarter, Cardiff, CF10 4BZ			
Admiral Law Limited	Ordinary	95	Legal company
Registered office: Admiral House, Queensway, Newport, NP20 4AG			
BDE Law Limited	Ordinary	95 (indirect)	Legal company
Registered office: Ellipse Ground Floor, Padley Road, Swansea, SA1 8AN			
Able Insurance Services Limited	Ordinary	100	Insurance Intermediary
Registered office: Greyfriars House, Greyfriars Road, Cardiff, CF10 3AL			
Penguin Portals Limited	Ordinary	100	Internet-based Comparison Site
Inspop.com Limited	Ordinary	100	Internet-based Comparison Site
Rastreator.com Limited	Ordinary	75	Internet-based Comparison Site
Registered office: Tŷ Admiral, David Street, Cardiff, CF10 2EH			
EUI Limited	Ordinary	100	Insurance Intermediary
Admiral Insurance Company Limited	Ordinary	100	Insurance company
Admiral Life Limited	Ordinary	100	Dormant*
Admiral Syndicate Limited	Ordinary	100	Dormant*
Admiral Syndicate Management Limited	Ordinary	100	Dormant*
Bell Direct Limited	Ordinary	100	Dormant*
Confused.com Limited	Ordinary	100	Dormant*
Diamond Motor Insurance Services Limited	Ordinary	100	Dormant*
Elephant Insurance Services Limited	Ordinary	100	Dormant*
Admiral Financial Services Limited	Ordinary	100	Financial services company
Preminen Price Comparison Holdings Limited	Ordinary	50	Internet-based Comparison Site
Preminen Dragon Price Comparison Limited	Ordinary	50 (indirect)	Internet-based Comparison Site
Incorporated in Gibraltar			
Registered office: 1st Floor, 24 College Lane, Gibraltar, GX11 1AA			
Admiral Insurance (Gibraltar) Limited	Ordinary	100	Insurance company
Incorporated in Spain			
Registered office: Calle Sanchez Pacheco 85 28002 Madrid			
Rastreator Comparador Correduria De Seguros S.L.U.	Ordinary	75 (indirect)	Internet-based Comparison Site
Admiral Europe Compañía de Seguros, S.A.	Ordinary	100	Insurance company
Registered office: Calle Albert Einstein, 10 41092 Sevilla			
Admiral Intermediary Services S.A.	Ordinary	100	Insurance Intermediary
Incorporated in France			
Registered office: 34 quai de la loire, 75019, Paris			
LeLynx SAS	Ordinary	100	Internet-based Comparison Site

Notes to the Financial Statements continued
For the year ended 31 December 2019

12. Share capital continued
12f. Group related undertakings continued

Subsidiary	Class of shares held	% Ownership	Principal Activity
Incorporated in the United States of America			
Registered office: Deep Run 1; Suite 400, 9950 Mayland Drive, Henrico, VA 23233			
Elephant Insurance Company LLC	Ordinary	100	Insurance company
Elephant Insurance Services LLC	Ordinary	100	Insurance intermediary
Grove General Agency Inc	Ordinary	100	Insurance intermediary
Platinum General Agency Inc	Ordinary	100	Insurance intermediary
Registered office: 140 East Shore Drive, Suite 300, Glen Allen, VA 23059			
Compare.com Insurance Agency LLC	Ordinary	59.25 (indirect)	Internet-based Comparison Site
Inspop USA LLC	Ordinary	59.25	Internet-based Comparison Site
Incorporated in Mexico			
Registered office: Varsovia, 36, 5th floor, office 501, Colonia Juárez, Cuauhtemoc, Ciudad de Mexico			
Preminen Mexico Sociedad Anonima de Capital Variable		51.25 (indirect)	Internet-based Comparison Site
Incorporated in Turkey			
Registered office: Esentepe MAH. Harman1 SK. Harmanci Giz Plaza 5 1 Sisli/ Istanbul			
Preminen Online Fiyat Karşılaştırma Hizmetleri Anonim Şirketi		50 (indirect)	Internet-based Comparison Site
Preminen Sigorta Brokerlik Anonim Şirketi		50 (indirect)	Internet-based Comparison Site
Incorporated in India			
Registered office: F-2902, Ireo Grand Arch, Sector 58, Gurugram, HARYANA, Gurgaon, Haryana, India, 122011			
Preminen Price Comparison India Private Limited		50 (indirect)	Internet-based Comparison Site
Subsidiaries by virtue of control			
The related undertakings below are subsidiaries in accordance with IFRS 10, as Admiral can exercise dominant influence or control over them:			
Registered office: Level 37, 25 Canada Square, Canary Wharf, London, England, E14 5LQ			
Seren One Limited	n/a	0	Special purpose entity
Associates			
Incorporated in China			
Registered office: Room 1806, 15th Floor, Block 16, No. 39 East 3rd Ring Middle Road, Chaoyang District, Beijing			
Long Yu Science and Technology (Beijing) Co., Ltd		20.25 (indirect)	Internet-based Comparison Site
Incorporated in Bahrain			
Registered office: 4th Floor, Office 42, LMC Building 852, Road 3618, Block 436, Al Seef District, PO Box 60138, Manama, Bahrain			
Preminen MENA Price Comparison		15 (indirect)	Internet-based Comparison Site

* Exempt from audit under S479A of Companies Act 2006

For further information on how the Group conducts its business across the UK, Europe and the US, refer to the Strategic Report.

12g. Related party transactions

The Board considers that only the Executive and Non-Executive Directors of Admiral Group plc are key management personnel.

A summary of the remuneration of key management personnel is as follows, with further detail relating to the remuneration and shareholdings of key management personnel are set out in the Directors' Remuneration Report.

Key management personnel received short-term employee benefits in the year of £1,957,868 (2018: £1,835,302), post-employment benefits of £18,946 (2018: £18,573) and share based payments of £938,258 (2018: £923,400). Key management personnel are able to obtain discounted motor insurance at the same rates as all other Group staff, typically at a reduction of 15%.

12h. Post balance sheet events

No events have occurred since the reporting date that materially impact these Financial Statements.

13. Reconciliations

The following tables reconcile significant key performance indicators and non-GAAP measures included in the Strategic Report to items included in the Financial Statements.

13a. Reconciliation of turnover to reported gross premiums written and Other Revenue as per the Financial Statements

	31 December 2019 £m	31 December 2018 £m
Gross premiums written after co-insurance per note 5b of Financial Statements	2,273.7	2,166.7
Premiums underwritten through co-insurance arrangements	610.7	587.4
Total premiums written before co-insurance arrangements	2,884.4	2,754.1
Other Revenue	469.9	449.2
Admiral Loans interest income and other fee income	30.8	15.4
	3,385.1	3,218.7
Other*1	59.0	44.9
Turnover as per note 4b of Financial Statements	3,444.1	3,263.6
Intra-group income elimination*2	19.4	19.3
Total turnover	3,463.5	3,282.9

*1 Other reconciling items represent co-insurer and reinsurer shares of Other Revenue in the Group's Insurance businesses outside of UK Car Insurance.

*2 Intra-group income elimination relates to comparison income earned in the Group from other Group companies.

13. Reconciliations continued

13b. Reconciliation of claims incurred to reported loss ratios, excluding releases on commuted reinsurance

December 2019	UK Motor £m	UK Home £m	UK Other £m	UK Total £m	Int. Ins £m	Int. Other £m	Int. Total £m	Group £m
Net insurance claims (note 5)	164.7	26.8	24.3	215.8	137.2	6.3	143.5	359.3
Deduct claims handling costs	(11.8)	(1.1)	–	(12.9)	(7.6)	–	(7.6)	(20.5)
Prior year release/strengthening – net original share	121.7	2.5	–	124.2	14.4	–	14.4	138.6
Prior year release/strengthening – commuted share	121.7	–	–	121.7	–	–	–	121.7
Impact of reinsurer caps	–	–	–	–	(0.1)	–	(0.1)	(0.1)
Impact of weather events	–	–	–	–	–	–	–	–
Impact of subsidence	–	–	–	–	–	–	–	–
Attritional current period claims	396.3	28.2	24.3	448.8	143.9	6.3	150.2	599.0
Net insurance premium revenue	452.6	37.2	43.4	533.2	168.6	7.6	176.2	709.4
Loss ratio – current period attritional	87.6%	75.8%	–	84.2%	85.3%	–	–	84.4%
Loss ratio – current period weather events	–	–	–	–	–	–	–	–
Loss ratio – current period subsidence events	–	–	–	–	–	–	–	–
Loss ratio – prior year release/ strengthening (net original share)	(26.9%)	(6.7%)	–	(23.3%)	(8.5%)	–	–	(19.5%)
Loss ratio – reported	60.7%	69.1%	–	60.9%	76.8%	–	–	64.9%

December 2018	UK Motor £m	UK Home £m	UK Other £m	UK Total £m	Int. Ins £m	Int. Other £m	Int. Total £m	Group £m
Net insurance claims (note 5)	189.2	29.3	24.0	242.5	104.1	3.5	107.6	350.1
Deduct claims handling costs	(11.3)	(0.5)	–	(11.8)	–	–	–	(11.8)
Prior year release/strengthening – net original share	111.4	1.4	–	112.8	13.5	–	13.5	126.3
Prior year release/strengthening – commuted share	109.6	–	–	109.6	–	–	–	109.6
Impact of reinsurer caps	–	–	–	–	4.5	–	4.5	4.5
Impact of weather events	–	(3.5)	–	(3.5)	–	–	–	(3.5)
Impact of subsidence	–	(2.5)	–	(2.5)	–	–	–	(2.5)
Attritional current period claims	398.9	24.2	24.0	447.1	122.1	3.5	125.6	572.7
Net insurance premium revenue	452.5	31.2	40.2	523.9	141.7	6.2	147.9	671.8
Loss ratio – current period attritional	88.1%	77.6%	–	85.3%	86.1%	–	–	85.2%
Loss ratio – current period weather events	–	11.2%	–	0.7%	–	–	–	0.5%
Loss ratio – current period subsidence events	–	7.9%	–	0.5%	–	–	–	0.4%
Loss ratio – prior year release/ strengthening (net original share)	(24.6%)	(4.4%)	–	(21.5%)	(9.5%)	–	–	(18.8%)
Loss ratio – reported*	63.5%	92.3%	–	65.0%	76.6%	–	–	67.3%

*1 The group reported loss ratio has been represented at FY 2019 to include the impact of weather events

13. Reconciliations continued

13c. Reconciliation of expenses related to insurance contracts to reported expense ratios

December 2019	UK Motor £m	UK Home £m	UK Other £m	UK Total £m	Int. Ins. £m	Int. Other £m	Int. Total £m	Group £m
Net insurance expenses (note 9)	63.4	9.3	4.9	77.6	45.8	1.3	47.1	124.7
Claims handling costs	11.8	1.1	–	12.9	7.6	–	7.6	20.5
Intra-group expenses elimination*1	10.8	0.4	1.1	12.3	7.1	–	7.1	19.4
Impact of reinsurer caps	–	–	–	–	2.9	–	2.9	2.9
Net IFRS 16 finance costs	0.5	–	–	0.5	0.1	–	0.1	0.6
Adjusted net insurance expenses	86.5	10.8	6.0	103.3	63.5	1.3	64.8	168.1
Net insurance premium revenue	452.6	37.2	43.4	533.2	168.6	7.6	176.2	709.4
Expense ratio – reported	19.1%	28.9%	–	19.4%	37.6%	–	–	23.7%

December 2018	UK Motor £m	UK Home £m	UK Other £m	UK Total £m	Int. Ins. £m	Int. Other £m	Int. Total £m	Group £m
Net insurance expenses (note 9)	59.7	7.4	5.6	72.7	49.7	2.6	52.3	125.0
Claims handling costs	11.3	0.5	–	11.8	–	–	–	11.8
Intra-group expenses elimination*1	12.3	0.8	–	13.1	6.2	–	6.2	19.3
Impact of reinsurer caps	–	–	–	–	0.2	–	0.2	0.2
Other adjustment*2	–	–	–	–	–	(2.6)	(2.6)	(2.6)
Adjusted net insurance expenses	83.3	8.7	5.6	97.6	56.1	–	56.1	153.7
Net insurance premium revenue	452.5	31.2	40.2	523.9	141.7	6.2	147.9	671.8
Expense ratio – reported	18.4%	28.1%	–	–	39.6%	–	–	22.9%

*1 The intra-group expenses elimination amount relates to aggregator fees charged by the Group's comparison entities to other Group companies.

*2 Other adjustments relate to additional products underwritten in the Group's International Insurance businesses. The contribution from these products is reported as ancillary income and as such the amounts are excluded for the purpose of calculations of expense ratios.

13d. Reconciliation of statutory profit before tax to Group's share of profit before tax

	31 December 2019 £m	31 December 2018 £m
Reported profit before tax per the Consolidated Income Statement	522.6	476.2
Non-controlling interest share of profit before tax	3.5	3.1
Group's share of profit before tax	526.1	479.3

13e. Reconciliation of share scheme charges in Strategic Report to Consolidated Income Statement and Consolidated Statement of Changes in Equity

	31 December 2019 £m	31 December 2018 £m
Net share scheme charges included in Group's share of profit before tax	52.7	49.0
Non-controlling interest share of net share scheme charges	0.7	0.8
Net share scheme charges included in Group profit before tax	53.4	49.8

13f. Reconciliation of note 4 to Strategic Report

(i) UK Insurance

2019	Motor £m	Household £m	Travel £m	Total £m
Turnover	2,455.3	171.3	8.4	2,635.0
UK Insurance profit before tax – Strategic report	591.5	7.5	(1.6)	597.4
Non-controlling interest share of PBT	0.5	–	–	0.5
Statutory profit/(loss) before tax	592.0	7.5	(1.6)	597.9

2018	Motor £m	Household £m	Travel £m	Total £m
Turnover	2,423.1	146.0	6.6	2,575.7
UK Insurance profit before tax – Strategic report	561.7	(3.0)	(3.1)	555.6
Non-controlling interest share of PBT	1.1	–	–	1.1
Statutory profit/(loss) before tax	562.8	(3.0)	(3.1)	556.7

(ii) International Insurance

2019	Spain £m	Italy £m	France £m	US £m	Total £m
Turnover	78.2	204.2	108.1	233.1	623.6
Profit/(loss) before tax – Strategic Report and Statutory		8.7		(9.6)	(0.9)

2018	Spain £m	Italy £m	France £m	US £m	Total £m
Turnover	67.6	176.8	80.5	213.8	538.7
Profit/(loss) before tax – Strategic Report and Statutory		6.4		(7.5)	(1.1)

13. Reconciliations continued

(iii) Comparison

2019	Confused £m	European £m	Compare £m	Other £m	Total £m
Turnover	112.7	50.1	7.3	1.5	171.6
Group's share of profit before tax – Strategic Report	20.4	3.5	(4.3)	(1.6)	18.0
Non-controlling interest share of profit/(loss) before tax	–	1.0	(2.9)	(1.4)	(3.3)
Statutory profit/(loss) before tax	20.4	4.5	(7.2)	(3.0)	14.7

2018	Confused £m	European £m	Compare £m	Total £m
Turnover	95.1	46.3	9.6	151.0
Group's share of profit before tax – Strategic Report	14.3	1.4	(6.9)	8.8
Non-controlling interest share of profit/(loss) before tax	–	0.9	(3.1)	(2.2)
Statutory profit/(loss) before tax	14.3	2.3	(10.0)	6.6

Parent Company Financial Statements

Parent Company Income Statement

	Note	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Administrative expenses	2	(17.6)	(13.0)
Operating loss		(17.6)	(13.0)
Investment and other interest income	3	402.3	260.8
Interest income at effective interest rate	3	4.1	4.1
Impairment expense	4	(93.6)	(32.9)
Interest payable	5	(11.3)	(11.3)
Profit before tax		283.9	207.7
Taxation credit	6	3.9	3.7
Profit after tax		287.8	211.4

Parent Company Statement of Comprehensive Income

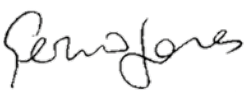
	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Profit for the period	287.8	211.4
Other comprehensive income		
Items that are or may be reclassified to profit or loss		
Movements in fair value reserve	4.2	(2.0)
Deferred tax in relation to movement in fair value reserve	(0.8)	0.4
Other comprehensive income for the period, net of income tax	3.4	(1.6)
Total comprehensive income for the period	291.2	209.8

Parent Company Statement of Financial Position

	Note	As at 31 December 2019 £m	31 December 2018 £m
ASSETS			
Investments in group undertakings	4	301.4	292.3
Intangible assets		0.6	1.2
Financial investments	5	324.2	176.3
Corporation tax asset	6	4.0	3.7
Trade and other receivables	7	184.7	128.6
Cash and cash equivalents	5	30.3	83.3
Total assets		845.2	685.4
EQUITY			
Share capital	9	0.3	0.3
Share premium account		13.1	13.1
Fair value reserve	9	19.9	16.5
Retained earnings		8.9	30.2
Total equity		42.2	60.1
LIABILITIES			
Subordinated and other financial liabilities	5	224.2	275.6
Deferred tax	6	4.4	3.6
Trade and other payables	8	574.4	346.1
Total liabilities		803.0	625.3
Total equity and total liabilities		845.2	685.4

The accompanying notes form part of these Financial Statements.

These Financial Statements were approved by the Board of Directors on 4 March 2020 and were signed on its behalf by:



Geraint Jones
Chief Financial Officer
Admiral Group plc

Company Number: 03849958

Parent Company Statement of Changes in Equity

	Share capital £m	Share premium account £m	Fair Value Reserve £m	Retained earnings £m	Total equity £m
At 1 January 2018	0.3	13.1	18.1	94.6	126.1
Profit for the period	–	–	–	211.4	211.4
Other comprehensive income					
Movements in fair value reserve	–	–	(2.0)	–	(2.0)
Deferred tax charge in relation to movements in fair value reserve	–	–	0.4	–	0.4
Total comprehensive income/(expense) for the period	–	–	(1.6)	211.4	209.8
Transactions with equity holders					
Dividends	–	–	–	(332.7)	(332.7)
Issues of share capital	–	–	–	–	–
Share scheme credit	–	–	–	56.7	56.7
Deferred tax on share scheme credit	–	–	–	0.2	0.2
Total transactions with equity holders	–	–	–	(275.8)	(275.8)
As at 31 December 2018	0.3	13.1	16.5	30.2	60.1
At 1 January 2019	0.3	13.1	16.5	30.2	60.1
Profit for the period	–	–	–	287.8	287.8
Other comprehensive income					
Movements in fair value reserve	–	–	4.2	–	4.2
Deferred tax charge in relation to movements in fair value reserve	–	–	(0.8)	–	(0.8)
Total comprehensive income for the period	–	–	3.4	287.8	291.2
Transactions with equity holders					
Dividends	–	–	–	(367.8)	(367.8)
Issues of share capital	–	–	–	–	–
Share scheme credit	–	–	–	58.5	58.5
Deferred tax on share scheme credit	–	–	–	0.2	0.2
Total transactions with equity holders	–	–	–	(309.1)	(309.1)
As at 31 December 2019	0.3	13.1	19.9	8.9	42.2

Notes to the Parent Company Financial Statements

For the year ended 31 December 2019

1. Accounting policies

1.1 Basis of preparation

- These Financial Statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* (FRS 101). The Financial Statements are prepared on the historical cost basis except for the revaluation of financial assets classified as fair value through the profit or loss or fair value through other comprehensive income.

In preparing these Financial Statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

1.2 Changes to accounting policies

There were no significant changes to accounting policies in the period.

1.3 Disclosure exemptions applied under FRS 101

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- FRS 101.8 (d): the requirement of IFRS 7 *Financial Instruments: Disclosure* to make disclosures about financial instruments
- FRS 101.8 (f): the requirement in paragraph 38 of IAS 1 *Presentation of Financial Statements* to present comparative information in respect of:
  - paragraph 118(3) of IAS 38 *Intangible Assets*
- FRS 101.8 (g): the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D and 111 of IAS 1 *Presentation of Financial Statements* to produce a cash flow statement, a third balance sheet and to make an explicit and unreserved statement of compliance with IFRSs
- FRS 101.8 (h): the requirements of IAS 7 *Statements of Cash Flows* to produce a cash flow statement
- FRS 101.8 (i): the requirements of paragraphs 30 and 31 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* to include a list of new IFRSs that have been issued but that have yet to be applied
- FRS 101.8 (k): the requirements in IAS 24 *Related Party Disclosures* to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to transaction is wholly owned by such a member.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these Financial Statements.

1.4 Going concern

The Financial Statements have been prepared on a going concern basis. In considering the appropriateness of this assumption, the Board have reviewed the Company's projections for the next twelve months and beyond, including cash flow forecasts and regulatory capital surpluses.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual Financial Statements.

1.5 Key source of estimation uncertainty

In applying the Company's accounting policies as described below, management consider there to be a key source of estimation uncertainty within the impairment testing of the Company's investments in group undertakings. Management recognises the estimation involved in determining whether the carrying value of the investment may be supported by the recoverable amount calculation based on the 'value in use' of the asset (the net present value of future cash-flows arising from the asset).

In calculating the net present value of future cash-flows, Management has made assumptions over the timing and amount of underlying profit projections of the relevant undertakings, long term growth rates in those projections and the discount rate applied to these projections that is appropriate to reflect the market's view of the risk of the relevant investment. Sensitivity of these assumptions is also considered in calculating the net present value and suitably incorporated in Management's valuations. Sensitivity of the key estimates can be found within note 4.

1.6 Shares in Group undertakings

Shares in Group undertakings are valued at cost less any provision for impairment in value.

The requirements of IAS 36 are applied to determine whether it is necessary to recognise any impairment loss with respect to the company's investments in subsidiaries. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with IAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases. See note 4 to these Financial Statements for further detail.

1.7 Employee share schemes

The Company operates a number of share schemes for employees of the Group's subsidiaries. For equity settled schemes, the fair value of the employee services received in exchange for the grant of free shares under the schemes is recognised as an increase in equity in the Company. A corresponding intercompany charge is made to the subsidiaries whose employees receive the free shares.

1.8 Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax assets are recognised to the extent that they are regarded as recoverable. They are regarded as recoverable to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be sufficient taxable profits from which the future reversal of the underlying timing differences can be deducted.

1.9 Financial assets and liabilities

Under IFRS 9, classification and subsequent measurement of financial assets depend on:

- The Company's business model for managing the asset; and
- The cashflow characteristics of the asset.

Based on these factors, the Company classifies its financial assets into one of the three categories below:

- Amortised cost: assets held for collection of contractual cash-flows where the cash flows represent solely payments of principal and interest, that are not designated as FVTPL.
- Fair value through other comprehensive income (FVOCI): Financial assets that are held for collection of contractual cash-flows and selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVTPL.
- Fair value through profit or loss (FVTPL): Assets that do not meet the criteria for amortised cost or FVOCI, or which are designated as FVTPL at initial recognition.

In line with the above:

- Gilts are measured at FVOCI. Unrealised changes in the fair value of these assets are recognised in Other Comprehensive Income (OCI).
- Investments measured at FVTPL are primarily money market funds. Interest income is recognised in the Income Statement.

Cash and cash equivalents include cash in hand and deposits held at call with banks. All cash and cash equivalents are measured at amortised cost.

The Company's financial liabilities comprise of subordinated notes which are held at amortised cost using the effective interest method.

2. Administrative expenses

Included within administrative expenses are recharges of £3.1 million (2018: £2.5 million) relating to employees within the Group who perform services on behalf of the Company. No staff are directly employed by the Company.

3. Investment and interest income

	31 December 2019 £m	31 December 2018 £m
Dividend income from subsidiary undertakings	401.0	260.0
Interest income	5.4	4.9
Total investment and interest income	406.4	264.9

Of the interest income of £5.4 million (2018: £4.9 million), £4.1 million (2018: £4.1 million) was recognised under the effective interest rate method.

4. Investments in Group undertakings

	£m
Investments in subsidiary undertakings:	
At 1 January 2018	301.0
Additions	24.2
Impairment	(32.9)
At 31 December 2018	292.3
Additions	102.7
Impairment	(93.6)
At 31 December 2019	301.4

A full list of the Company's subsidiaries is disclosed in note 12 of the consolidated Financial Statements.

The additions to investments in the period of £102.7 million relate to the following:

- transfer of Admiral Europe Compañia De Seguros, S.A. ('AECS') (£88.9 million additional investment) from an indirect shareholding through Admiral Insurance Company Limited ('AICL'), to a direct shareholding held by Admiral Group plc ('AGp');
- Further investment in Admiral Financial Services Limited ('AFSL') (£11.0 million);
- Further investment in Admiral Law (£0.6 million); and
- Further investment in Preminen Price Comparison Holdings Limited (£2.2 million).

An annual impairment review is performed over the carrying value of the investments in subsidiary undertakings, which involves comparing the carrying amount to the estimated recoverable amount. The recoverable amount is the greater of the fair value of the asset less costs to sell, and the value in use of the subsidiary, calculated using cash flow projections based on financial budgets approved by the Group Board.

Elephant Auto

In 2019 a non-cash impairment loss of £65.9 million has been recognised by the parent company in respect of its investment in the Group's US insurance business Elephant Auto. The impairment charge is presented within the "Impairment losses" line of the Parent Company Income Statement and reduces the value of the investment to its recoverable amount, being its value in use, of £39.9 million.

The impairment charge arises following adverse claim development experienced in 2019, which has led to performance being behind both prior year and plan, as discussed in further detail in the Strategic Report.

As a result of the adverse performance against plan no longer supporting the use of management's forecasts beyond five years, the period of management forecasts used for the impairment review has been reduced from the next ten to the next five years to 2024. A long term growth rate of 2.5% has been applied after 2024, and limited to 30 years. This reduction in management forecast period drives a significant reduction in the calculated value in use of the subsidiary.

In addition, the calculated value in use is based on a version of management's forecast that is more cautious than the base case forecast against which the performance of the business is measured and reported internally.

The value in use calculation has been performed using a pre-tax discount rate of 11.7%, calculated using a Capital Asset Pricing Model (CAPM) calculation (using a risk free return plus an appropriate risk premium), given that an asset specific rate is not available from the market.

The key assumptions used in the underlying forecast are the projected loss ratios, expense ratios, acquisition and retention rates of customers, and ancillary sales. During 2019 management has put in place a number of actions to address the adverse claims experience which are expected to result in improvements to loss ratios and the underlying performance of the business going forward.

The table below details the impact of a 1% change in the discount rate and terminal growth rate, and a 5% decrease in the year 5 projected profit (and thereby terminal value) on the recoverable amount.

	Sensitivity: Impact on recoverable amount of a:		
	1% decrease in terminal growth rate £m	1% increase in pre-tax discount rate £m	5% decrease in year 5 profit £m
Elephant	(4.9)	(5.3)	(0.5)

As noted above, a more cautious view of Management's forecast has been used in the valuation as it is recognised that the improvements arising from the actions taken will be evidenced through 2020 and 2021. If the projected loss ratio improvement does not materialise, a further impairment charge may be required in 2020 or in subsequent years.

Compare.com

In 2019 a non-cash impairment loss of £27.7 million has been recognised by the parent company in respect of its investment in the Group's US comparison business Compare.com. The impairment charge is presented within the "Impairment losses" line of the Parent Company Income Statement and reduces the value of the investment to its recoverable amount, being its fair value less costs to sell (equivalent to the Group's share of net asset value), of £5.1 million.

The impairment charge reflects challenging market conditions for comparison in the US and the decision taken in the first half of 2019 to downsize to a smaller team and more agile approach in order to adapt to those conditions.

Compare.com remains loss making at this stage in its development.

The carrying value is based on fair value less costs to sell, for which the Group's share of net assets has been used as a reasonable approximation following a review of the carrying value of those assets compared to fair value, using tier 3 of the fair value hierarchy..

Given the size of the remaining carrying value, no sensitivities are provided on the grounds of materiality.

The Board continues to support Compare.com in the achievement of its goals. However, given the challenging and still nascent US comparison market conditions there remains considerable uncertainty over the timing and level of the future profitability of the business.

5. Financial assets and liabilities

The Company's financial instruments can be analysed as follows:

	31 December 2019 £m	31 December 2018 £m
Investments classified as FVOCI		
Gilts (level 1 of the IFRS 13 hierarchy)	174.0	170.8
	174.0	170.8
Investments classified as FVTPL		
Money market and other similar funds (level 1 of the IFRS 13 hierarchy)	150.2	5.5
	150.2	5.5
Total financial investments	324.2	176.3
Financial assets held at amortised cost		
Trade and other receivables (Note 7)	184.7	128.6
Cash and cash equivalents	30.3	83.3
Total financial assets	539.2	388.2
Financial liabilities		
Subordinated notes	204.2	204.1
Other borrowings	20.0	71.5
Trade and other payables (Note 8)	574.4	346.1
Total financial liabilities	798.6	621.7

The amortised cost carrying amount of deposits and receivables is a reasonable approximation of fair value. The table below compares the carrying value of subordinated notes (as per the Statement of Financial Position) with the fair value of the subordinated notes using a level one valuation:

	31 December 2019		31 December 2018	
	Carrying amount £m	Fair value £m	Carrying amount £m	Fair value £m
Financial liabilities				
Subordinated notes	204.2	225.1	204.1	211.3

The subordinated notes were issued on 25 July 2014 at a fixed rate of 5.5%, with a redemption date of 25 July 2024.

Interest payable of £11.3 million (2018: £11.3 million) was recognised in relation to the subordinated loan notes.

6. Taxation

6a. Taxation credit

	31 December 2019 £m	31 December 2018 £m
Current tax		
Corporation tax credit on profits for the year	(3.9)	(3.7)
Change in provision relating to prior periods	–	–
Current tax credit	(3.9)	(3.7)
Deferred tax		
Current period deferred taxation movement	–	–
Change in provision relating to prior periods	–	–
Total tax credit per income statement	(3.9)	(3.7)

Factors affecting the total tax credit are:

	31 December 2019 £m	31 December 2018 £m
Profit before tax	283.9	207.7
Corporation tax thereon at effective UK corporation tax rate of 19% (2018: 19%)	53.9	39.5
Expenses and provisions not deductible for tax purposes	18.4	6.2
Non-taxable income	(76.2)	(49.4)
Total tax credit for the period as above	(3.9)	(3.7)

At the year end, the corporation tax asset was £4.0 million (2018: £3.7 million).

6b. Deferred income tax liability

Analysis of deferred tax liability:

	Tax treatment of share schemes £m	Capital allowances £m	Carried forward losses £m	Fair value reserve £m	Other differences £m	Total £m
Balance brought forward at 1 January 2018	(0.1)	–	–	4.2	–	4.1
Tax treatment of share scheme charges through income or expense	–	–	–	–	–	–
Tax treatment of share scheme charges through reserves	(0.1)	–	–	–	–	(0.1)
Movement in fair value reserve	–	–	–	(0.4)	–	(0.4)
Balance carried forward at 31 December 2018	(0.2)	–	–	3.8	–	3.6
Tax treatment of share scheme charges through income or expense	–	–	–	–	–	–
Tax treatment of share scheme charges through reserves	–	–	–	–	–	–
Movement in fair value reserve	–	–	–	0.8	–	0.8
Balance carried forward at 31 December 2019	(0.2)	–	–	4.6	–	4.4

The UK corporation tax rate reduced from 20% to 19% on 1 April 2017. The average effective rate of tax for 2019 is 19% (2018: 19%). A further reduction to the main rate of corporation tax to 17% (effective from 1 April 2020) was substantially enacted on 15 September 2016, but is expected to reverse. This would reduce the Company's future current tax charge accordingly.

The deferred tax liability at 31 December 2019 has been calculated based on the rate at which each timing difference is most likely to reverse.

7. Trade and other receivables

	31 December 2019 £m	31 December 2018 £m
Trade and other receivables	1.0	0.6
Amounts owed by subsidiary undertakings	183.7	128.0
Total trade and other receivables	184.7	128.6

Held within amounts owed by subsidiary undertakings is £183.7 million (2018: £127.1 million) which relate to loans with formal agreements in place between the parent and the subsidiary. The estimated credit losses of these loans has been considered and any expected credit loss is considered to be immaterial due to the assessment of credit risk being low due to the positive net value of assets of the subsidiaries and future trading projections.

Of the above amount, £149.3 million is due in greater than one year (2018: £123.1 million).

8. Trade and other payables

	31 December 2019 £m	31 December 2018 £m
Trade and other payables	6.1	1.6
Amounts owed to subsidiary undertakings	568.3	344.5
Total trade and other payables	574.4	346.1

9. Share capital and reserves

Capital within the Company is comprised of share capital and the share premium account, the fair value reserve (which reflects movements in the fair value of assets classified as FVOCI) and retained earnings.

9a. Share capital

	31 December 2019 £m	31 December 2018 £m
Authorised		
500,000,000 ordinary shares of 0.1 pence	0.5	0.5
Issued, called up and fully paid		
293,686,329 (2018:290,502,737) ordinary shares of 0.1 pence	0.3	0.3
	0.3	0.3

9b. Dividends

Dividends were proposed, approved and paid as follows:

	31 December 2019 £m	31 December 2018 £m
Proposed March 2018 (58.0 pence per share, approved April 2018, paid June 2018)	–	163.3
Declared August 2018 (60.0 pence per share, paid October 2018)	–	169.4
Proposed March 2019 (66.0 pence per share, approved April 2019, paid June 2019)	188.0	–
Declared August 2019 (63.0 pence per share, paid October 2019)	179.8	–
Total dividends	367.8	332.7

The dividends proposed in March (approved in April) represent the final dividends paid in respect of the 2017 and 2018 financial years. The dividends declared in August are interim distributions in respect of 2018 and 2019.

A final dividend of 77.0 pence per share (£221.5 million) has been proposed in respect of the 2019 financial year. Refer to the Chair's Statement and Strategic Report for further detail.

10. Guarantees

During 2018, a Special Purpose Entity (SPE) was set up in order to secure additional funding for the Admiral Loans business. The Company acts as guarantor for certain operational performance conditions of its subsidiary, AFSL, as seller and servicer for the SPE, and indemnifies AFSL in respect of any amount that would have been payable by AFSL for non-compliance with such performance conditions.

11. Post balance sheet events

No events have occurred since the reporting date that materially impact these Financial Statements.

12. Continued application of Financial Reporting Standard (FRS) 101 – Reduced Disclosure Framework

Following the first time application of FRS 101 Reduced Disclosure Framework in 2015, the Board considers that it is in the best interests of the Group for Admiral Group plc to continue to apply the FRS 101 Reduced Disclosure Framework in future periods. A shareholder or shareholders holding in aggregate 5% or more of the total allotted shares in Admiral Group plc may serve objections to the use of the disclosure exemptions on Admiral Group plc, in writing, to its registered office (Tŷ Admiral, David Street, Cardiff, CF10 2EH) no later than 30 June 2020.

Consolidated financial summary (unaudited)

Basis of preparation

The figures below are as stated in the Group Financial Statements preceding this financial summary and issued previously. Only selected lines from the Income Statement and Statement of Financial Position have been included.

Income Statement

	2019 £m	2018 £m	2017 £m	2016 £m	2015 £m
Total premiums	2,938.6	2,766.4	2,499.4	2,193.9	1,805.2
Net insurance premium revenue	709.4	671.8	619.1	548.8	467.0
Other Revenue	494.4	460.6	401.1	360.6	319.8
Profit commission	114.9	93.2	67.0	54.3	85.4
Investment and interest income	35.3	36.0	41.7	53.1	32.6
Net revenue	1,354.0	1,261.6	1,128.9	1,016.8	904.8
Net insurance claims	(359.3)	(350.1)	(347.1)	(394.6)	(226.5)
Net expenses	(459.5)	(424.0)	(366.9)	(332.4)	(298.5)
Operating profit	535.2	487.5	414.9	289.8	379.8
Net finance costs	(12.6)	(11.3)	(11.4)	(11.4)	(11.1)
Profit before tax	522.6	476.2	403.5	278.4	368.7

Statement of Financial Position

	2019 £m	2018 £m	2017 £m	2016 £m	2015 £m
Property and equipment	154.4	28.1	31.3	32.0	34.9
Intangible assets	160.3	162.0	159.4	162.3	142.3
Deferred income tax	–	0.2	0.3	8.4	20.6
Reinsurance assets	2,071.7	1,883.5	1,637.6	1,126.4	878.7
Insurance and other receivables	1,227.7	1,082.0	939.7	784.9	537.1
Loans and advances to customers	455.1	300.2	66.2	–	–
Financial investments	3,234.5	2,969.7	2,697.8	2,420.2	2,323.5
Cash and cash equivalents	281.7	376.8	326.8	326.6	265.3
Total assets	7,585.4	6,802.5	5,859.1	4,860.8	4,202.4
Equity	918.6	771.1	655.8	581.7	632.9
Insurance contracts	3,975.0	3,736.4	3,313.9	2,749.5	2,295.0
Subordinated and other financial liabilities	530.1	444.2	224.0	224.0	223.9
Trade and other payables	1,975.9	1,801.5	1,641.6	1,292.2	1,015.0
Lease liabilities	137.1	–	–	–	–
Deferred income tax	0.4	–	–	–	–
Current tax liabilities	48.3	49.3	23.8	13.4	35.6
Total equity and total liabilities	7,585.4	6,802.5	5,859.1	4,860.8	4,202.4

Glossary

Alternative Performance Measures

Throughout this report, the Group uses a number of Alternative Performance Measures (APMs); measures that are not required or commonly reported under International Financial Reporting Standards, the Generally Accepted Accounting Principles (GAAP) under which the Group prepares its Financial Statements.

These APMs are used by the Group, alongside GAAP measures, for both internal performance analysis and to help shareholders and other users of the Annual Report and Financial Statements to better understand the Group's performance in the period in comparison to previous periods and the Group's competitors.

The table below defines and explains the primary APMs used in this report. Financial APMs are usually derived from financial statement items and are calculated using consistent accounting policies to those applied in the Financial Statements, unless otherwise stated. Non-financial KPIs incorporate information that cannot be derived from the Financial Statements but provide further insight into the performance and financial position of the Group.

APMs may not necessarily be defined in a consistent manner to similar APMs used by the Group's competitors. They should be considered as a supplement rather than a substitute for GAAP measures.

Turnover	Turnover is defined as total premiums written (as below), other revenue and income from Admiral Loans. It is reconciled to financial statement line items in note 13a to the Financial Statements. This measure has been presented by the Group in every Annual Report since it became a listed Group in 2004. It reflects the total value of the revenue generated by the Group and analysis of this measure over time provides a clear indication of the size and growth of the Group. The measure was developed as a result of the Group's business model. The core UK Car insurance business has historically shared a significant proportion of the risks with Munich Re, a third party reinsurance Group, through a co-insurance arrangement, with the arrangement subsequently being replicated in some of the Group's International insurance operations. Premiums and claims accruing to the external co-insurer are not reflected in the Group's Income Statement and therefore presentation of this metric enables users of the Annual Report to see the scale of the Group's insurance operations in a way not possible from taking the Income Statement in isolation.
Total Premiums Written	Total premiums written are the total forecast premiums, net of forecast cancellations written in the underwriting year within the Group, including co-insurance. It is reconciled to financial statement line items in note 13a to the Financial Statements. This measure has been presented by the Group in every Annual Report since it became a listed Group in 2004. It reflects the total premiums written by the Group's insurance intermediaries and analysis of this measure over time provides a clear indication of the growth in premiums, irrespective of how co-insurance agreements have changed over time. The reasons for presenting this measure are consistent with that for the Turnover APM noted above.
Group's Share of Profit before Tax	Group's share of profit before tax represents profit before tax, excluding the impact of non-controlling interests. It is reconciled to statutory profit before tax in note 13d to the Financial Statements. This measure is useful in presenting the limit of the Group's exposure to the expenditure incurred in starting up new businesses and demonstrates the 'test-and-learn' strategy employed by the Group to expansion into new territories.
Underwriting Result (Profit or Loss)	For each insurance business an underwriting result is presented showing the segment result prior to the inclusion of profit commission, other income contribution and instalment income. It demonstrates the insurance result, i.e. premium revenue and investment income on insurance assets less claims incurred and insurance expenses.

Glossary continued

Loss Ratio	Reported loss ratios are expressed as a percentage of claims incurred divided by net earned premiums. There are a number of instances within the Annual Report where adjustments are made to this calculation in order to more clearly present the underlying performance of the Group and operating segments within the Group. The calculations of these are presented within note 13b to the Financial Statements and explanation is as follows. UK reported motor loss ratio: Within the UK insurance segment the Group separately presents motor ratios, i.e. excluding the underwriting of other products that supplement the car insurance policy. The motor ratio is adjusted to i) exclude the impact of reserve releases on commuted reinsurance contracts and ii) exclude claims handling costs that are reported within claims costs in the Income Statement. International insurance loss ratio: As for the UK Motor loss ratio, the International insurance loss ratios presented exclude the underwriting of other products that supplement the car insurance policy. The motor ratio is adjusted to exclude the claims element of the impact of reinsurer caps as inclusion of the impact of the capping of reinsurer claims costs would distort the underlying performance of the business. Group loss ratios: Group loss ratios are reported on a consistent basis as the UK and International ratios noted above. Adjustments are made to i) exclude the impact of reserve releases on commuted reinsurance contracts, ii) exclude claims handling costs that are reported within claims costs in the Income Statement and iii) exclude the claims element of the impact of International reinsurer caps.
Expense Ratio	Reported expense ratios are expressed as a percentage of net operating expenses divided by net earned premiums. There are a number of instances within the Annual Report where adjustments are made to this calculation in order to more clearly present the underlying performance of the Group and operating segments within the Group. The calculations of these are presented within note 13c to the Financial Statements and explanation is as follows. UK reported motor expense ratio: Within the UK insurance segment the Group separately presents motor ratios, i.e. excluding the underwriting of other products that supplement the car insurance policy. The motor ratio is adjusted to i) include claims handling costs that are reported within claims costs in the Income Statement and ii) include intra-group aggregator fees charged by the UK comparison business to the UK insurance business. International insurance expense ratio: As for the UK Motor loss ratio, the International insurance expense ratios presented exclude the underwriting of other products that supplement the car insurance policy. The motor ratio is adjusted to i) exclude the expense element of the impact of reinsurer caps as inclusion of the impact of the capping of reinsurer expenses would distort the underlying performance of the business and ii) include intra-group aggregator fees charged by the overseas comparison businesses to the International insurance businesses. Group expense ratios: Group expense ratios are reported on a consistent basis as the UK and International ratios noted above. Adjustments are made to i) include claims handling costs that are reported within claims costs in the Income Statement, ii) include intra-group aggregator fees charged by the Group's comparison businesses to the Group's insurance businesses and iii) exclude the expense element of the impact of International reinsurer caps.
Combined Ratio	Reported combined ratios are the sum of the loss and expense ratios as defined above. Explanation of these figures is noted above and reconciliation of the calculations are provided in notes 13b and 13c.
Return on Equity	Return on equity is calculated as profit after tax for the period attributable to equity holders of the Group divided by the average total equity attributable to equity holders of the Group in the year. This average is determined by dividing the opening and closing positions for the year by two. The relevant figures for this calculation can be found within the Consolidated Statement of Changes in Equity.
Group Customers	Group customer numbers reflect the total number of cars, households and vans on cover at the end of the year, across the Group. This measure has been presented by the Group in every Annual Report since it became a listed Group in 2004. It reflects the size of the Group's customer base and analysis of this measure over time provides a clear indication of the growth. It is also a useful indicator of the growing significance to the Group of the different lines of business and geographic regions.
Effective Tax Rate	Effective tax rate is defined as the approximate tax rate derived from dividing the Group's profit before tax by the tax charge going through the Income Statement. It is a measure historically presented by the Group and enables users to see how the tax cost incurred by the Group compares over time and to current corporation tax rates.

Additional Terminology

There are many other terms used in this report that are specific to the Group or the markets in which it operates. These are defined as follows:

Accident year	The year in which an accident occurs, also referred to as the earned basis.
Actuarial best estimate	The probability-weighted average of all future claims and cost scenarios calculated using historical data, actuarial methods and judgement.
ASHE	'Annual Survey of Hours and Earnings' – a statistical index that is typically used for calculation inflation of annual payment amounts under Periodic Payment Order (PPO) claims settlements.
Claims reserves	A monetary amount set aside for the future payment of incurred claims that have not yet been settled, thus representing a balance sheet liability.
Co-insurance	An arrangement in which two or more insurance companies agree to underwrite insurance business on a specified portfolio in specified proportions. Each co-insurer is directly liable to the policyholder for their proportional share.
Commutation	An agreement between a ceding insurer and the reinsurer that provides for the valuation, payment, and complete discharge of all obligations between the parties under a particular reinsurance contract. The Group typically commutes UK Car insurance quota share contracts after 24 months from the start of an underwriting year where it makes economic sense to do so. Although an individual underwriting year may be profitable, the margin held in the financial statement claims reserves may mean that an accounting loss on commutation must be recognised at the point of commutation of the reinsurance contracts. This loss on commutation unwinds in future periods as the financial statement loss ratios develop to ultimate.
Insurance market cycle	The tendency for the insurance market to swing between highs and lows of profitability over time, with the potential to influence premium rates (also known as the "underwriting cycle").
Net claims	The cost of claims incurred in the period, less any claims costs recovered under reinsurance contracts. It includes both claims payments and movements in claims reserves.
Net insurance premium revenue	Also referred to as net earned premium. The element of premium, less reinsurance premium, earned in the period.
Ogden discount rate	The discount rate used in calculation of personal injury claims settlements. The rate is set by the Lord Chancellor.
Periodic Payment Order (PPO)	A compensation award as part of a claims settlement that involves making a series of annual payments to a claimant over their remaining life to cover the costs of the care they will require.
Premium	A series of payments are made by the policyholder, typically monthly or annually, for part of or all of the duration of the contract. Written premium refers to the total amount the policyholder has contracted for, whereas earned premium refers to the recognition of this premium over the life of the contract.
Profit commission	A clause found in some co-insurance and reinsurance agreements that provides for profit sharing.
Reinsurance	Contractual arrangements whereby the Group transfers part or all of the insurance risk accepted to another insurer. This can be on a quota share basis (a percentage share of premiums, claims and expenses) or an excess of loss basis (full reinsurance for claims over an agreed value).

Additional Terminology continued

Securitisation	A process by which a group of assets, usually loans, is aggregated into a pool, which is used to back the issuance of new securities. A company transfer assets to a special purpose entity (SPE) which then issues securities backed by the assets.
Special Purpose Entity (SPE)	An entity that is created to accomplish a narrow and well-defined objective. There are specific restrictions or limitations around ongoing activities. The Group uses an SPE set up under a securitisation programme.
Ultimate loss ratio	A projected actuarial best estimate loss ratio for a particular accident year or underwriting year.
Underwriting year	The year in which the policy was incepted.
Underwriting year basis	Also referred to as the written basis. Claims incurred are allocated to the calendar year in which the policy was underwritten. Underwriting year basis results are calculated on the whole account (including co-insurance and reinsurance shares) and include all premiums, claims, expenses incurred and other revenue (for example instalment income and commission income relating to the sale of products that are ancillary to the main insurance policy) relating to policies incepting in the relevant underwriting year.
Written/Earned basis	A policy can be written in one calendar year but earned over a subsequent calendar year.

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