Admiral Group plc

Admiral Group plc
Annual Report and Accounts 2020

Admiral Group plc

www.admiralgroup.co.uk

We're a global financial services provider offering motor, household and travel insurance, as well as comparison and lending products

In the UK we offer motor, household and travel insurance. Our other businesses in the UK include Admiral Financial Services Limited, Admiral Law Limited and Comparison website Confused.com.

We also have insurance businesses in Italy, Spain, France and the US, and a global comparison business.

At Admiral, we care deeply about our employees, our customers, and the impact we make on the world. Our purpose is to help more people to look after their future; always striving for better, together.

Financial and Strategic highlights

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

£638.4m

2020	**£638.4m**
2019	£526.1m
2018	£479.3m

Group statutory profit before tax from continuing operations (£m)

£608.2m

2020	**£608.2m**
2019	£505.1m
2018	£464.6m

Earnings per share*1 (pence)

179.5p

2020	**179.5p**
2019	148.3p
2018	137.1p

Return on equity*1 (%)

52%

2020	**52%**
2019	52%
2018	56%

Net revenue from continuing operations (£bn)

£1.31bn

2020	**£1.31bn**
2019	£1.21bn
2018	£1.26bn

Turnover*1*2 (£bn)

£3.55bn

2020	**£3.55bn**
2019	£3.46bn
2018	£3.28bn

Customers (million)

7.66m

2020	**7.66m**
2019	6.98m
2018	6.51m

Dividend per share (pence)

156.5p

2020	**156.5p**
2019	140.0p
2018	126.0p

Solvency ratio (post dividend)*3

187%

(2019: 190%)

Sustainability highlights

Gender split across the Group

53% Female, 47% Male

(2019: 51% Female, 49% Male)

Emissions (tonnes CO_2 per employee)

0.21 tonnes

(2019: 0.36 tonnes)

Reevoo Scores (% customers)*4

Happy with service

95%

(2019: 97%)

Would buy again

98%

(2019: 98%)

*1 Alternative performance measure (APM) – refer to the Glossary for definition and explanation.

*2 Alternative performance measure (APM) – refer to note 14 for reconciliation to the financial statements.

*3 Unaudited: refer to capital structure and financial position section on pages 34 and 35 for further information.

*4 Based on our UK Reevoo results, 7598 responses received.

Contents

Covid-19

For individuals, businesses, and communities, 2020 was dominated by the Covid-19 outbreak, with our business and key stakeholders impacted by these challenges. Admiral focused on doing the right thing for all our stakeholders and responded quickly to ensure we were supporting our customers, our people, and the communities they represent.

Please refer to the following sections to read more about our actions.

Covid-19 case studies

Look out for the Covid-19 signposting icon throughout the report for more detail.

14
Chief Executive's statement
- Transition to remote working
- Digital acceleration
- Penguin Portals
- Striving to do things better

30
Chief Financial Officer's review
- Highlights
- Comparison disposal
- Capital, dividends and internal model
- Farewell David, welcome Milena

56
Sustainability and responsibility
- Customers
- People
- Partners
- Shareholders
- Community
- Environment

82
Section 172 statement
- Stay at Home Refund
- Other Customer Initiatives
- Sale of Penguin Portals

Business overview

Admiral Group is one of the UK's largest and most recognised personal lines insurance providers.

About us

Admiral Group plc is a global financial services company offering motor insurance, household insurance and travel insurance, as well as comparison and lending products.

Our financial statements report on the following segments:

- UK Insurance
- International Insurance
- Loans
- Comparison
- Other

Other Group items include share scheme charges, other interest and investment income, business development costs, central overheads, and finance charges.

Where we are based

Our headquarters are in Cardiff, South Wales, and Admiral Group is proud to be Wales' only FTSE 100 Company. We also have offices in Swansea and Newport, and a strong international presence, with additional offices in countries including Gibraltar, France, Italy, Spain, US, Canada, India, and Mexico.

UK Motor Insurance

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

Brands

Admiral, Gladiator, Diamond, Bell, elephant, veygo

Customers

4.75 million
(2019: 4.37 million)

Turnover*1*2

£2.47 billion
(2019: £2.46 billion)

Net insurance premium revenue

£451 million
(2019: £453 million)

40
UK Motor review

UK Household Insurance

Admiral has a growing UK Household Insurance business.

Admiral

Customers

1.16 million
(2019: 1.01 million)

Turnover*1*2

£194 million
(2019: £171 million)

Net insurance premium revenue

£43 million
(2019: £37 million)

44
UK Household review

Staff employed globally

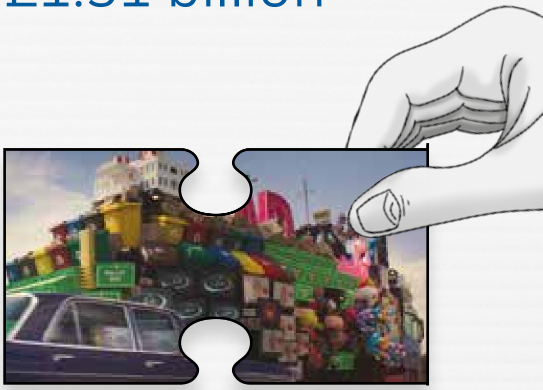
11,000+

Customers worldwide

7.66 million

Net revenue
from continuing operations

£1.31 billion



International Insurance

Admiral has insurance businesses in Spain, Italy, France, and the US.

Customers

1.60 million
(2019: 1.42 million)

Turnover*1*2

£649 million
(2019: £624 million)

Net insurance premium revenue

£204 million
(2019: £169 million)

47
International Insurance review

Loans

Admiral Loans offers unsecured personal loans and car finance products.

Loan balances

£360 million
(2019: £455 million)

Total interest income on loans

£37 million
(2019: £31 million)

50
Loans review

Comparison

Comparison businesses in the UK, Spain, France and the US as well as a fledgling business in Mexico.

Quotes

21 million quotes
(2019: 24 million quotes)

Turnover*1*2

£190 million
(2019: £172 million)

54
Comparison review

*1 Alternative performance measure (APM) – refer to the Glossary for definition and explanation.
*2 Alternative performance measure (APM) – refer to note 14 for reconciliation to the financial statements.

Long term success

At Admiral, we care deeply – about our employees, our customers, and the impact we make on the world. We strive to do the right thing at every turn. Our purpose defines the reason we exist, and the way we do things. Our purpose is to:

Help more people to look after their future. Always striving for better, together.

We care – deeply – about people. We want to be there to help: to provide **reassurance**, relief, and **encouragement** when it's most needed.

From the beginning, we've offered more people **access** to protection by **pricing** fairly and competitively. As we **grow**, we seek to create **inclusive** products that will provide more people with good financial services.

Our products – car and home insurance, loans, pet and travel, and more – help people **protect** what's important to them and enable their **dreams**, so they can create a better tomorrow. In the wider world, we act **sustainably** so we can all look after our shared future.

At Admiral, we strive to **include** everyone in **opportunities** – for example, through our **share scheme** and our dedication to our **communities**. We believe in the power of the team, quoting our founder Henry Engelhardt, it's all in "The Team, The Team, **The Team**."

We believe that "People who like what they do, do it better." We strive to do **better every day**, because we like what we do. This attitude enables our **test-and-learn** culture and our **operational excellence**.

All underpinned by our Four Pillars of culture

Admiral's four pillars help define our unique workplace culture and have been the basis for some of our greatest achievements, including being on the Sunday Times Best Companies to work for list for 20 years in a row.

Fun

We want our people to look forward to coming to work, celebrate being who they are, and feel happy and supported enough to give that little bit extra.

Our purpose-led approach

Business model	We build on our core competencies to create value for our stakeholders, focusing on profitable growth, strong risk selection capabilities, a controlled test-and-learn approach, the strength of our culture and the depth of our business relationships.
Strategy	Our strategy remains highly focused on building customer-focused sustainable businesses for the long-term. We strive to keep doing what we're doing and do it better year after year.
Culture	Prioritising our people is part of Admiral's DNA. It's the foundation of our Company belief that happy employees = happy customers = happy shareholders. We're determined to always remain a great place to work.
KPIs	We are aware that our customers, shareholders and employees care about our goals and objectives. We take pride in sharing both financial and non-financial KPIs, all of which help us to build a strong business for the future.
Customers, shareholders and employees	We strive to ensure that our customers receive excellent and convenient service, fair prices, and good value financial products. We build our business profitably and responsibly so that we can return value to our shareholders, and our employees.
Communities & partners	Making sure our business has a positive social impact is important to us. Supporting the communities where we work, and the partners we work with, is integral to our approach.
Environmental impact	We integrate environmental considerations across our operations. By taking actions to mitigate our impact on the environment, we develop sustainable solutions for the long-term.
Governance	Our corporate governance structure underpins the long-term success of the Group. Our Board acts as the decision-making forum, considering the interests of our customers, people, communities, shareholders, external partners and our impact on the environment.

Communication

We encourage effective and transparent communication at all levels. This is aided by accessible management and opportunities to encourage feedback across the Company.

Equality

We work hard to promote a sense of fairness and equality. Everyone has the opportunity to succeed - backed by groups related to diversity, inclusion and social mobility.

Recognition & Reward

A job well-done should be appropriately rewarded. At the heart of this pillar is our share ownership scheme, which rewards success with a stake in the Company.

Stakeholders

Value creation and future priorities

At Admiral, we are committed to building strong and sustainable businesses that are focused on achieving positive outcomes for all our stakeholders.

Customers

Our customers are at the heart of everything we do, and we strive to provide them with good value financial products that meet their needs, and excellent and efficient customer service.

Value Creation in 2020

- Admiral UK was named Direct to Consumer Business of the Year in The Insurance Times Awards.
- Record MyAccount usage growth as we expanded our digital service solutions to meet changing customer needs.
- We reviewed how our culture drives fair outcomes for customers in accordance with best practice regulatory guidance from the FCA.

Covid-19 Summary

- We returned £110 million to our UK motor insurance customers through the Admiral Stay at Home Refund and reduced prices across our operations.
- We supported over 9,000 NHS and Emergency staff workers through our key worker initiatives.
- We supported our travel insurance customers through free policy extensions and cancellations.
- We supported our loans customers through payment holidays and reduced payments.

Priorities in 2021

- Continue to use customer feedback to improve our products and services.
- Continue to grow and improve our digital channels.
- Continue to support NHS and Emergency staff workers during the Covid-19 pandemic.
- Continue to ensure fair treatment of all our customers.

People

We strive to create an environment where people enjoy their work and feel happy, supported, and valued in their roles; we believe that our unique culture is integral to our success.

Value Creation in 2020

- 'Third Best Big Company to Work for in the UK' in the 2020 Sunday Times Best Companies To Work For Awards.
- 96% of staff believe Admiral Group is a friendly place to work*[1].
- Increased female representation at the executive level to 34% (+2% YoY).
- Female Group Board representation increased to 45.5% (2019: 40%).

Covid-19 Summary

- Made staff learning and development tools fully available online.
- Initiated a review of our UK benefits to ensure they better meet the changing needs of our staff as a result of the shift to homeworking.
- Supported our staff throughout the transition to homeworking, with 96% of staff enjoying working from home according to our staff survey responses in October.

Priorities in 2021

- Continue to implement smart-working solutions for our staff.
- Ensure we remain a great place to work for homeworking and office-based staff.
- Increase female representation at executive level to 40% by 2023.
- Maintain a minimum of 33% female representation on the Admiral Group Board.

Shareholders

Admiral regularly engages with shareholders through open and transparent dialogue, as investor engagement fosters long term strategic understanding of our business.

Value Creation in 2020

- Maintained a strong capital position and delivered positive financial results.
- Admiral actively engaged with a number of key environmental, social and governance (ESG) indices to provide better insight and transparency on our commitments to ESG practices.
- Return on equity 52% (2019: 52%)
- Earnings per share 179.5p (2019: 148.3p)
- Dividend per share 156.5p (2019: 140.0p)

Covid-19 Summary

- Paid the deferred FY19 special dividend following the interim 2020 results.
- All meetings previously held face-to-face were moved online, as we continued our regular shareholder engagement.
- Our Chair and Senior Independent Board member (SID) held Corporate Governance meetings with a number of our largest shareholders, addressing amongst other topics, pandemic related developments.

Priorities in 2021

- Continue to maintain frequent and open dialogue with our shareholders to foster long-term understanding of the Group's strategy.
- Continue to develop our ESG disclosures.
- Alignment of disclosures to SASB insurance industry standards.

*1 Based on Group-wide results for the 2021 Great Place to Work Survey, data surveyed in 2020.

Read more in our **Section 172 statement on page 82**

Partners

Strategically aligned partnerships with reinsurers and strong relationships with our strategic suppliers play an extremely important role in our business operations.

Value Creation in 2020

- Maintained relationships with strategic partners through internal relationship managers and ongoing dialogue.
- Renewal/maintenance of the Group's reinsurance and quota share contracts.
- We re-appointed our External Auditor and appointed a Remuneration Consultant (subject to shareholder approval) following robust tender processes.

Covid-19 Summary

- Ran multiple surveys throughout the lockdown period to understand our partners' needs.
- Supported our UK Garage Network during the lockdown period.

Priorities in 2021

- Maintain active and open relationships with all our partners to understand their needs and how we can best support them.
- Further increase the number of our strategic and key suppliers who have diversity and equality policies, and environmental policies in place.

Communities

As Wales' largest private sector employer, we believe it is our responsibility to support our local communities. Therefore, giving back to our communities is an integral part of Admiral's culture.

Value Creation in 2020

- Provided an additional £25,000 to our dedicated Ministry of Giving Charity partners to support them over the lockdown.
- Adapted our initiatives online to continue to promote employability across our local communities.
- Continued to support events and organisations that promote diversity and inclusion in our communities.

Covid-19 Summary

- Dedicated £6 million to the Admiral Support Fund to help those worst impacted by Covid-19.
- From the Admiral Support Fund, £2 million was donated to the Covid-19 Support Fund established by the insurance and long-term savings industry.
- In addition, our international operations supported those impacted by Covid-19 on a regional and national basis.

Priorities in 2021

- Continue to support our communities through donations and volunteering.
- Continue to promote employability in our local communities.
- Continue to support our long-term community initiatives.
- Continue to engage our staff through volunteering opportunities and involvement in decision-making regarding community initiatives.

Environment

Admiral recognises the reality of the threats posed by climate change and we strongly believe we must mitigate our impact on the environment in response to the growing environmental challenges.

Value Creation in 2020

- Our 2019 carbon emissions data was externally verified by Carbon Trust and we have offset carbon emissions for our operations to become carbon neutral*[1].
- We expanded our climate disclosure in line with TCFD recommendations.
- Our approach for managing our environmental impact has been a core focus area for the Sustainability Working Group.
- We became a member of the Institutional Investors Group for Climate Change.

Covid-19 Summary

- Large reduction in our building operations emissions due to the homeworking transition.
- Our bike to work scheme saw a huge boost during the first Covid-19 lockdown, with orders increasing by over 200% in April to June compared to the same period in 2019.

Priorities in 2021

- Set carbon intensity reduction targets for our investment portfolio in line with the goals of the 2015 Paris Agreement.
- Continue to improve our emissions data disclosure in line with best practice expectations.

*1 Admiral has fully offset carbon emissions through the purchase of carbon credits for 2019 during 2020, and aims to offset 2020 emissions during 2021, once third party verification is complete.

Strategic Report

"Customers are at the heart of what we do"

98%
of customers would buy again*1

*1 UK score based on all insurance and financial services products in 2020.

Chair's statement

What a year this has been! For Admiral the most significant event, apart from the Covid-19 pandemic of course, has been the announcement that David Stevens will be retiring as Group CEO and that Milena Mondini de Focatiis will be succeeding him (as I mentioned in last year's annual report). This will take effect from 1 January 2021 after a successful transition period – more on this later.

Most importantly we demonstrated that we were doing the right things not only for staff, but also for customers, suppliers, shareholders and the broader community."

Background to the year

Most of the year has been dominated by the repercussions of the Covid-19 pandemic. Life changed in unimaginable ways for all of our staff and customers. I am immensely proud of the way that Admiral responded to this situation. Our people's health and well-being were at the centre of our response and we remained true to Admiral's values in ensuring they were protected and allowing them to provide continued support to our customers. Management communicated quickly and clearly, and it was evident to all why Admiral remains one of the Best Companies to work for. Our people rose to the challenge and went above and beyond to support customers and each other through difficult times.

Most importantly we demonstrated that we were doing the right thing not only for staff, but also for customers, suppliers, shareholders and the broader community. A key part of our response was the announcement of the Admiral Stay at Home premium refund. We announced back in April that we would give back £190 million to our customers through a £110 million rebate in the UK as well as pricing reductions across operations and supporting the communities in which we operate, which included the launch of a £6 million Covid-19 community support fund. This approach was unique to UK insurers. It was led by management and endorsed by the Board.

Looking back at 2020

Admiral is reporting a strong performance in 2020 in both reported profit and growth. This is once again due to our people. They make the real difference at Admiral. They remain true to our purpose and ensure that we do the right thing in consideration of all of our stakeholders.

The Group has continued to grow with turnover increasing by 2% to £3.55 billion, whilst customer numbers are 10% higher than 2019 at 7.7 million. The Group's share of pre-tax profit increased by 21% to £638.4 million.

Covid-19 impacted the results in all markets in which we operate, resulting in reduced accident frequencies and lower loss ratios. We continue to maintain a prudent approach and, as a result, benefited from strong reserve releases from past years. Earnings per share rose by 21% and return on equity was 52%. The Group's solvency ratio remains robust at 187% (190% at the end of 2019).

In the UK the FCA announced a market pricing study for general insurance which will predominantly affect our motor and household products. This is still to be finalised, but we anticipate that it will have a significant impact on the market. We see this as an opportunity to continue to build on Admiral's strengths and desire to do the right thing for customers. As a reminder, approximately 80% of Admiral customers shop around at renewal, so we are encouraged that the majority choose to remain with us; this being an indicator of our good customer experience and competitive pricing.

There have been strong contributions across the Group. Apart from UK Insurance there has been growth in profit and customers from our European insurers and also Confused.com. In the US we continue to strengthen the fundamentals of our insurance business.

The Loans business has been impacted by Covid-19 and we took early action to pause issuing new loans when the pandemic hit. We have maintained a cautious approach since. The loans book remains resilient despite economic uncertainty largely as a result of our prime customer base and prudent approach.

Admiral announced the purchase of the Penguin Portals and Preminen comparison businesses by ZPG Comparison Services Holdings UK Limited ('RVU') in December 2020. The Board believes the decision is a positive outcome for all stakeholders and provides an opportunity to combine the strengths of these businesses to allow for continued growth.

Chair's statement continued

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."

Dividend

As a result of the Covid-19 pandemic and regulatory guidance, we suspended the pay-out of the 2019 final special dividend. We were subsequently able to pay this out in addition to our half-year dividend in August with the confidence that we have a strong capital position.

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 86.0 pence per share (2019: 77.0 pence per share) for the year to 31 December 2020 representing a distribution of 89% of our second half earnings.

This will bring the total dividend for the year to 156.5 pence per share, an overall increase of 12%. This represents a pay-out ratio of 87%. The Group has delivered a Total Shareholder Return (TSR) of 335% over the last 10 years (as illustrated in the chart on page 154).

Group Board in 2020

The Board recognises the need for a strong corporate governance framework and supporting processes across the Group. The Board 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 2020 in the light of the Covid-19 pandemic. It 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. We offer the best outcome to our customers, people and investors. One example is the launch of Admiral Pioneer, a team that builds on our traditional test and learn approach to focus on diversification through new business areas.

From a governance perspective, we have applied the principles of the 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 2020, the Board revisited and enhanced several areas of focus. These included 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.

Once again Admiral was recognised as a Great Place to Work in 2020, being 14th best workplace in the world on the annual 25 World's Best Workplaces list. We were awarded the Sunday Times 3rd best big company to work for in the UK and a lifetime achievement award for the only company to be listed for 20 consecutive years. We were also named the 5th best workplace for women in the UK. I could go on..! 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.

This year I had the pleasure of visiting our operations in the UK, France, Italy, Spain and the US, but all visits were virtual."

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 page 132.

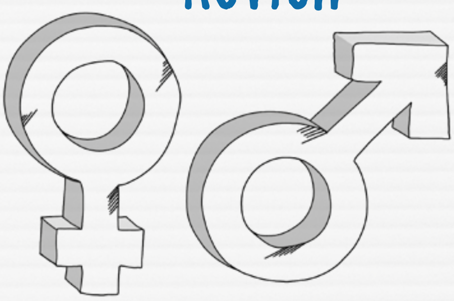
During the year, I usually visit our overseas operations as well as being present regularly in South Wales. This year I had the pleasure of visiting our operations in the UK, France, Italy, Spain and the US, but all visits were virtual. All Non-Executive Directors participated in a number of these visits.

This allowed us to keep contact with staff during this difficult period and directly hear their views and the challenges they faced. The Admiral culture still shines through.

We reviewed the composition of the Board in 2020 and, as I highlighted in last year's report, we identified the need to appoint someone with a technology background. I am delighted that JP Rangaswami was appointed in April. He brings a wealth of experience and has already made an impact.

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.

Hampton-Alexander Review



14th

in FTSE 100 for representation of women on Boards and in leadership

2020 marks the fifth and final year of the Hampton-Alexander Review. This review is an independent, voluntary, and business-led initiative, which is supported by the Government, to increase the representation of women in senior leadership positions and on boards of FTSE 350 companies.

As part of this initiative, a target of 33% representation of women by 2020 in both these categories was established. In 2020 across the FTSE 100, the number of women in the Combined Executive Committee & Direct Reports increased to over 30% but fell short of the targeted 33%, with women's representation on FTSE Boards standing at over 36%. Admiral has managed to achieve both of these targets, and was ranked 14th in the FTSE 100 for the representation of women on Boards and in leadership, with women representing 45.5% of our Board and 34.5% of our Combined Executive Committee & Direct Reports as of 11 January 2021.

Chair's statement continued

I would like to thank David Stevens for the amazing contribution he has made to the Group."

Our focus areas for the Board remain to:

- continue to build on the remarkably special Admiral culture and in so doing, continue to put our people, customers and wider impact on the community at the heart of what we do;
- continue our 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 by some external hires, and reviewed our succession pipeline;
- ensure excellent governance and the highest standards; and
- focus on all aspects of ESG.

Our role in society

Admiral takes its role in society very seriously and has an active approach to sustainability (more information in the Sustainability 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. The business also verified carbon emissions for our operations by a third party and these were subsequently offset to become carbon neutral. We aim to be an economically strong and responsible business over the long-term, guided by a clear purpose, so that we can make a positive and significant impact not just on our customers and our people but on the economy and society.

Group CEO

I would like to thank David Stevens for the amazing contribution he has made to the Group. As a co-founder (back in 1991), he has contributed enormously to all the elements that make Admiral so special and successful, including underwriting, product innovation, the unique Admiral culture and much more. David has brought a unique combination of great brainpower, integrity, innovation, caring and humility. Suffice to say, it has been a real pleasure to work with him. We are grateful that he will continue to work with Admiral in a part-time advisory capacity focusing on risk selection, financial services and diversification.

In Milena we have a natural successor and a leader for the next generation. She brings a deep appreciation of the special Admiral culture, entrepreneurial spirit, commercial track record and people development skills. After a smooth transition period, the Board is confident that, with a very strong and experienced management team, she will build an even stronger Admiral for the future.

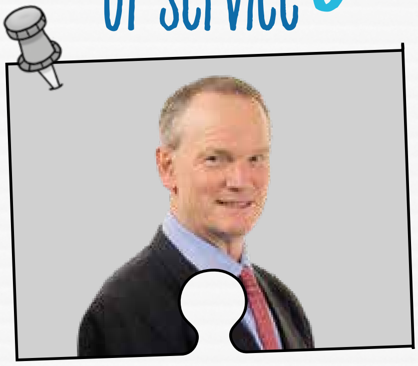
Thank you

On behalf of the Board, I would like to thank everyone at Admiral for their continued hard work, their adaptability and caring behaviour and their contribution to the Group's results in 2020. 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

3 March 2021

20 years of service



David Stevens, one of the founders of Admiral, stepped down as Group CEO in 2020. Annette Court, the Chair of the Admiral Group Board, takes the opportunity to chat with David about his time at Admiral and his plans for the future.

Our former Group CEO David Stevens, CBE, was recognised and awarded the Industry Achiever Award, by the Insurance Times Awards in 2020. The award recognises an inspirational, boundary pushing and dedicated individual who has really made a difference.

Within Admiral, and the communities that we represent, David has set a high standard for leadership with integrity and humility – and demonstrated how a vision can become a reality with the right team, an innovative mindset and strong values.

Q. As you come to the end of your term as CEO, what is the legacy you feel you're leaving behind?

A. The Company that was passed on to me was a company that did well by its staff, by its customers and by its shareholders. I am very happy to say that remains true of the Company that I hand on to Milena. Those are the outcomes of a set of values and competences that lie at the heart of what makes Admiral a success. For me, the most important legacy is the development of leaders across the company that share those values and build on and indeed add to those competencies.

Q. Looking back on your time at Admiral, what are your fondest memories/what will you miss the most?

A. For pure adrenalin nothing matched the annual presentations at the Staff General Meetings. As much as I loved our results presentations, none of them quite matched the immediate buzz of a few thousand colleagues laughing together, whether at me or with me, it didn't matter. What will I miss most of all? The people. This year was in many ways bittersweet; Admiral's response to the Covid-19 pandemic has made me immensely proud, but it has also meant I could neither say my farewells or express my gratitude in person to so many.

Q. Admiral has won many awards as a great place to work, and you've won several leadership awards – given your experience, do you have any advice for aspiring leaders?

A. If it's advice you are looking for, firstly, I recommend Henry's recent publication (Think, Lead, Succeed, The Admiral Way). Secondly, I recommend negotiating a commission before promoting a book! Thirdly, recruit people for the values they hold as much as the expertise they bring in the confident expectation that they go on to do so in their turn.

Q. I'm delighted that you'll still be involved in some areas of the business – could you highlight one or two things you're most excited about?

A. Admiral is a little bit of an addictive habit, so I was very happy when Milena offered for me to stay involved with Admiral after I step down. I am already enjoying diving deeper into some of the parts of the business I find most intellectually stimulating, notably risk selection in insurance.

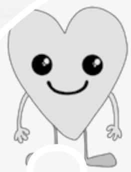
Q. What will life look like in retirement?

A. Lots of possible directions. Alongside my continued involvement with Admiral, I am hoping to invest in a few local start-ups to see if we can get a second Welsh company on the FTSE100 in a decade or two. On the other hand, I might go back to be being a (sadly very mature) student of almost anything historical (except the Tudors).

My five big events

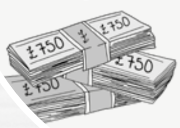
1993
Day One, January 2nd. The phones worked and rang! The IT systems worked! We sold 38 policies. (And the first claims didn't arrive until early February.)

1999
Pitching to the Board of our Bermudan reinsurer majority shareholder to convince them that they shouldn't sell Admiral. We failed miserably, opening the door on the Management Buy Out the following year which gave us both (Henry and I), freedom and prosperity.



2017
Donning a heart-shaped one-piece costume, and a Cupid's bow, to introduce Admiral's very own in-house dating app ('Bind'r') to largely positive (and surprised!) Staff General Meeting audience.

1999
Admiral was voted Welsh Company of The Year. Perhaps less prestigious than some of the future awards, but very exciting at the time (and it's always good to win at home).

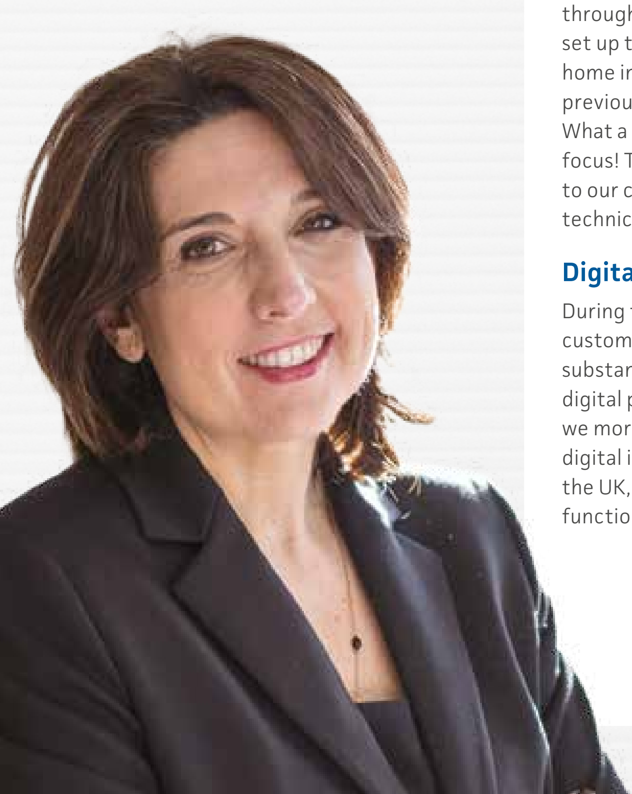


2004
Flotation. Especially the first day of the road show when we got buy-in from a couple of large, influential investors, and at the heady heights of a £750 million valuation.

Chief Executive Officer's statement

In my Insurance Review in last year's annual report, I described 2019 as an 'eventful year.'

In hindsight, I would change that headline as it was actually pretty ordinary compared to the twelve months that followed. I had no idea what 2020 would hold!"



In my Insurance Review in last year's annual report, I described 2019 as an 'eventful year.'

In hindsight, I would change that headline as it was actually pretty ordinary compared to the twelve months that followed. I had no idea what 2020 would hold!

In early March 2020, the Board announced my appointment as Group CEO Designate. Succeeding David is a huge honour, as is the opportunity to lead the company that Henry and David built together; an incredibly successful business underpinned by a truly unique culture and a fantastic team.

The morning of that announcement, I thought that I had a long transition period ahead of me to ensure a smooth handover as well as the opportunity to visit all of Admiral's subsidiaries around the world in-person.

Again, the reality turned out to be quite different. The following day, one of my investor meetings was cancelled because of Covid-19. Fast-forward two weeks, and the whole of the UK was in lockdown. And since then, the months that followed have been characterised by one major change after another; both at a societal level and in the way that businesses operate.

Transition to remote working

We had to very rapidly shift to remote working to ensure that our staff were safe, a focus which remained our primary concern throughout this last year. We successfully set up the majority of our staff to work from home in under a month - a move that we previously thought would take several years. What a great lesson about the power of focus! This allowed us to provide continuity to our customers, despite the logistical and technical challenges.

Digital acceleration

During the pandemic, the propensity of customers to interact online increased substantially, leading us to accelerate our digital programs across the Group. In 2020, we more than doubled the percentage of digital interactions with our customers in the UK, and we made a lot of new online functionality available to them.

We believe that our international businesses, operating in countries where online is not yet the primary distribution channel, will benefit from this trend in the long run. The same could be true for UK Insurance lines beyond Motor.

Purchase of Penguin Portals

The digital acceleration has also accentuated market interest in platforms such as Penguins Portals, our global network of comparison site businesses. Just before the year end, we announced the agreement to sell Penguin Portals to RVU, subject to regulatory approval. It is the first time that we are separating from such a significant part of the Group and from so many great colleagues, who will be missed enormously. We are hugely proud of what they have achieved and how they have transformed – or even created – the markets in which they operate. We believe that this was the right choice for the long-term success of these businesses as they will find additional synergies and opportunities to further fulfil their ambitions with RVU.

Striving to do things better

As our different geographies entered lockdown, we also saw material changes in the underlying drivers of our business performance, primarily a reduction in motor claims frequency. We were fortunate; our main reliance on Motor Insurance put us in a privileged position, at a time when many other businesses were struggling. Naturally, this led to deep questioning internally: what is our responsibility to our customers who haven't been able to use our product as much as they had hoped? How should Admiral support wider society in a time of great economic uncertainty? And how can Admiral best balance the outcomes for all its different stakeholders?

We stayed true to our values and did what we believed was right.

In this annual report, you will read plenty of examples of this such as the Admiral Stay at Home Refund, where we returned £110 million in premiums to our UK customers, and several changes to our products and policy terms to support key workers. We helped our partners and local communities through the many initiatives that were supported by Admiral's £6 million Covid-19 Support Fund, such as distributing iPads to care homes and supplies to children being home schooled.

Help more people to look after their future. Always striving for better, together."

We achieved all this while continuing to deliver great financial outcomes for our shareholders and strengthening the foundations of our business.

More than ever, we wanted to ensure that our products deliver good value, are fairly priced and therefore affordable and inclusive for **more people**. We wanted to **help** and provide people with more support and peace of mind for the **future**. We wanted to **look after** our customers, our staff, and our business partners when they need it the most. As always, we strive to find new ways to do things better, by using data and through our test and learn approach. Every day and in every circumstance, we **strive** for excellence **together** as a team, as it's ingrained in our culture. Or, in summary:

"Help more people to look after their future. Always striving for better, together".

And this is, indeed, our new purpose statement.

Could there be a better moment for the Admiral team to take stock and reassert what we stand for? It is in difficult and pressurised times when you can really test and see the true colours of people. Our culture during the pandemic has not only remained strong but has shone brighter than ever. Personally, in my 14 years at Admiral, I have never been prouder to work for this Group.

What I like about this new statement is that you can read it through different lenses. First, our customers, as we help them to protect, achieve, and afford what is important to them. Second, our staff, as we help our colleagues to achieve their potential, build on their strengths, and improve their future. Third, the larger community, as we not only provide more employment opportunities in a company that is a great place to work, but also as we contribute to addressing challenges such as diversity, inclusion, and climate change.

This alignment of the interests of different stakeholders has always been a distinctive feature of Admiral and a strength of our business model. We develop strong long-lasting relationships with our partners in distribution, reinsurance and claims, with our customers, who reward us with strong retention rates and service scores, and, most importantly, with our staff, who have an impressive average tenure in the business.

And we manage to do so not only because we care, but also because we take a long-term perspective in our decision making. An important element that underpins this culture is our reward system, which is based on Admiral shares rather than short-term incentives. Admiral employees are shareholders.

So, what are our long-term objectives? We remain focused on two main strategic priorities to strengthen our competitive position and increase our resilience to potential disruptive changes in mobility and our core market.

First and foremost, our priority is to accelerate the evolution of our core businesses toward what we call 'Admiral 2.0', an organisation that leverages on Admiral's historical strengths but is even more agile. It is digital first and embraces flexible working practices. But above all else, it is a company that continues to put the customer at the forefront and leverages even more on data and advanced analytics to constantly improve the user experience. As mentioned before, 2020 was a strong year in that respect; we doubled the number of machine learning models pushed to production, moved a vast part of the business to scaled agile, transitioned the majority of customer data to the cloud in our biggest businesses, and materially improved our Net Promoter Score (NPS) in every country. But we are also very conscious there is potential to do much more.

Our second strategic priority is to continue our product diversification journey, to find new opportunities where we can deploy our competitive advantage, to develop stronger propositions for our customers and increase our engagement with them, both through the reinforcement of existing products, such as Household Insurance and Loans, and through seeding new ones, both in the UK and internationally. In 2020, we launched Pet Insurance in Italy, Household Insurance in France, and set up a new team of 'Admiral Pioneers' to explore new opportunities within the UK.

In addition, one big focus area in 2021 will be (hopefully) the adaptation to a post-Covid-19 'new normal,' ensuring that we bring the key learnings from the past year with us.

Chief Executive Officer's statement continued

In the 2021 Great Place to Work survey 90% of respondents said that Admiral is a great place to work[1]*."*

We have made the decision to embrace a hybrid working model and offer much more flexibility to our staff in the future. This reflects our belief that, very simply, "people who like what they do, do it better" (Henry Engelhardt, Admiral's co-founder and first CEO). This will also allow us to better compete for talent. This year, our staff demonstrated incredible resilience, the ability to adapt and an impressive commitment. Despite all the personal, technical, and logistical challenges, everyone at Admiral worked incredibly hard and delivered fantastic results. I can't thank my colleagues enough.

A special thank you to all the managers at Admiral as well. Overnight all of Admiral's senior management team transformed themselves into Chief Communication Officers to ensure that they were on-hand to support staff, assist customers, and be there for each other. I take so much confidence for the future from the strength, the talent, and the competence of the Admiral team.

In the 2021 Great Place to Work survey 90% of respondents said that Admiral is a great place to work*[1]. There is no better testament to our culture and to our people!

I've learnt my lesson by now, and I am not going to define the past year as another eventful year because – like all people from Naples – I don't like to challenge fate. Not twice. But, looking back, I like to think of 2020 as the touchstone year for our operational resilience, agility, and, more importantly, our values and culture.

Milena Mondini de Focatiis
Group Chief Executive Officer
3 March 2021

*1 Based on Group-wide results for the 2021 Great Place to Work Survey, data surveyed in 2020.

Ten things you might not know about Milena.

1. **Place of birth**
   Napoli, Italy
2. **Education**
   Master in Telecommunications Engineering and MBA (INSEAD)
3. **Work experience before Admiral**
   Strategy consultant (Accenture; Bain & Company)
4. **Positions held at Admiral**
   ConTe CEO, Head of European Insurance, Head of UK and EU Insurance and Group CEO
5. **Favourite Admiral tradition**
   Fancy dress parties!
6. **Passions**
   Travel, winter and summer sports, and interior design
7. **Spoken Languages**
   Fluent in Italian and English; enough Spanish and French to order great tapas and French wine
8. **What excites you at work**
   Unleashing the full potential and positive energy of people and teams
9. **Personal resolution for 2021**
   Win the most challenging competition of all – parents of almost-teenager vs. video games
10. **Professional resolution for 2021**
    Ensure that Admiral continues to be a Great Place to Work, as much at home as in the office

"The team, the team, the team"

100%

of UK based employees employed for more than one year own shares in Admiral Group*1

96%

of staff believe people at work are treated fairly regardless of their race or ethnic origin*2

*1 More details on our employee share scheme can be found in our Remuneration Committee Report.

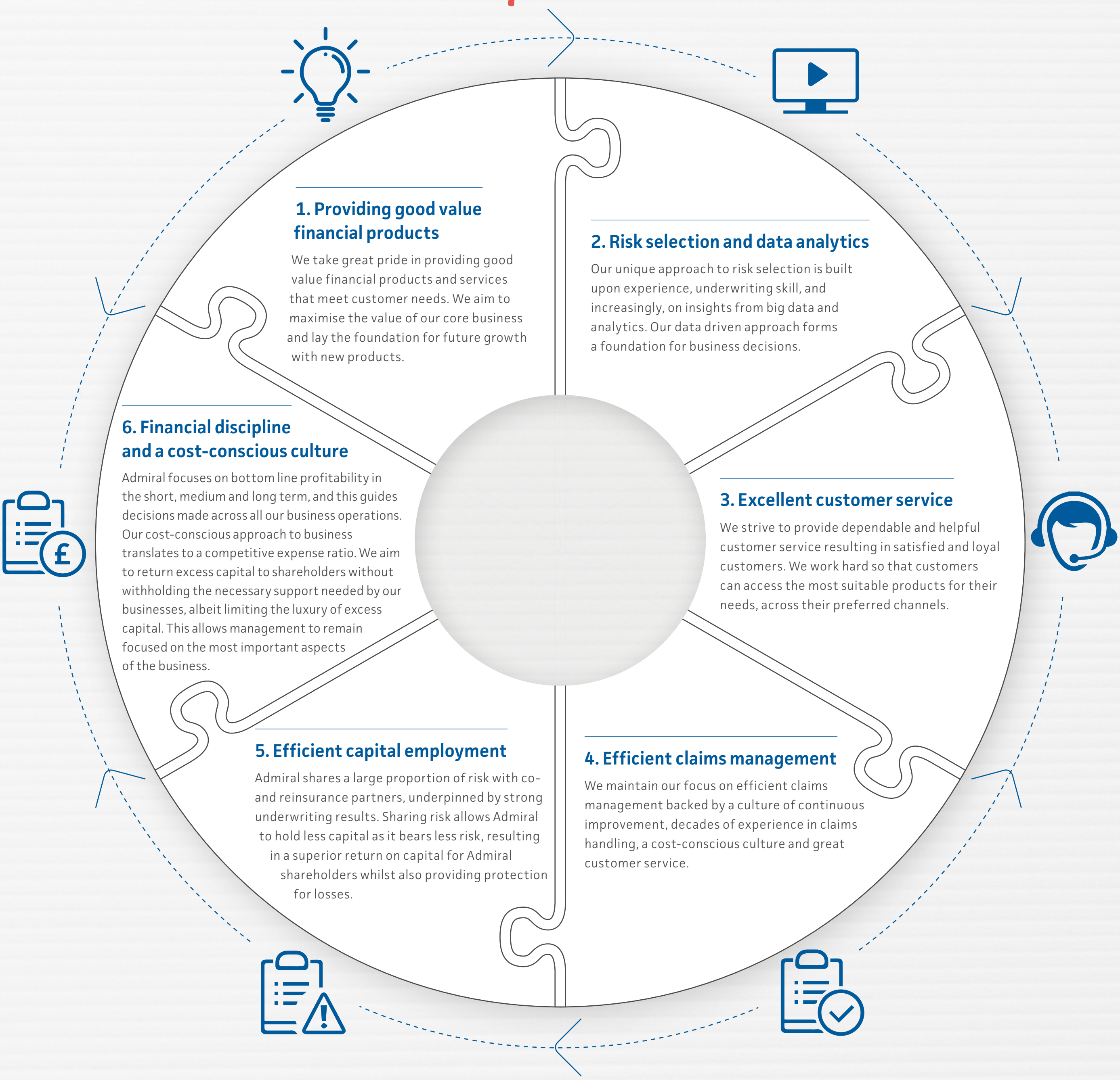
*2 Based on Group-wide results for the 2021 Great Place to Work Survey, data surveyed in 2020.

Business model

We build on our core competencies to create value for our stakeholders, focusing on profitable growth, strong risk selection capabilities, a controlled test-and-learn approach, the strength of our culture and the depth of our business relationships.

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

Our core capabilities



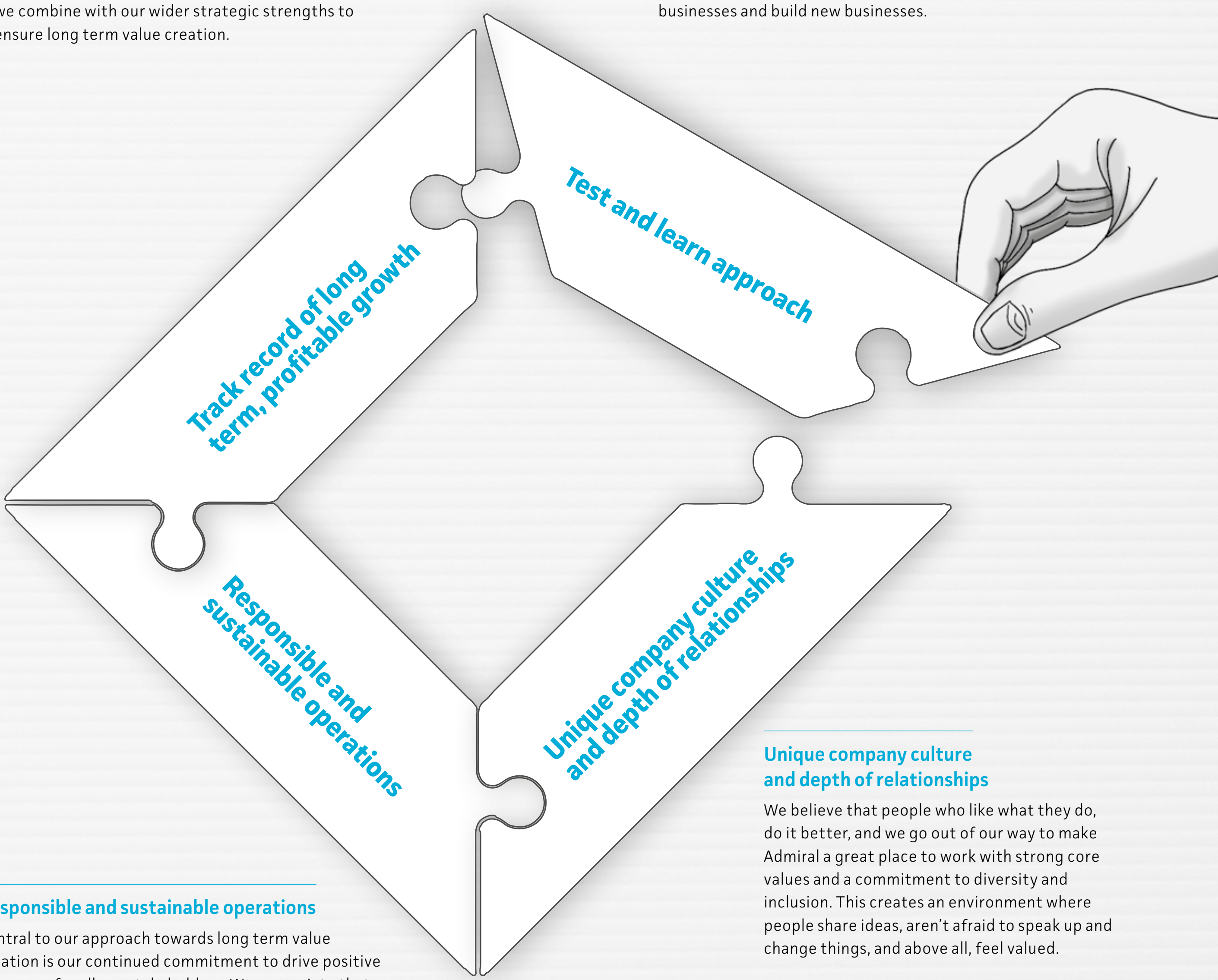
What sets us apart

Track record of long term, profitable growth

Admiral focuses on building long-term sustainable businesses for the future. We have a prudent approach in the way we run our businesses, including a prudent reserving philosophy within our Insurance operations and Loans business. We aim to continuously improve and build on our key competitive advantages of cost efficiency, risk selection and claims management which we combine with our wider strategic strengths to ensure long term value creation.

Test and learn approach

Admiral has a strong culture of innovation and organic growth. Our businesses have been built from the ground up. We identify and understand opportunities, take measured steps to test our understanding of the challenges and effectiveness of our solutions, and learn from these experiences. The Company continues to investigate opportunities to improve our existing businesses and build new businesses.



Unique company culture and depth of relationships

We believe that people who like what they do, do it better, and we go out of our way to make Admiral a great place to work with strong core values and a commitment to diversity and inclusion. This creates an environment where people share ideas, aren't afraid to speak up and change things, and above all, feel valued.

Responsible and sustainable operations

Central to our approach towards long term value creation is our continued commitment to drive positive outcomes for all our stakeholders. We appreciate that stakeholder needs evolve over time, and we consciously adapt to remain a responsible, sustainable business for the long term. We genuinely care about the impact that we have on our customers, people, communities, partners, the environment and our shareholders, and how we can best drive real value for all of our stakeholders.

Strategic progress

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 well and do it better year after year.

	Strategic Objective	2020 Progress
Investing in core positioning	**Sustained competitive advantage** Invest to ensure continued efficient claims management, strong risk selection to underwrite profitable business, a cost-conscious culture and great customer service.	• Market leading combined ratio. • First place in the Direct to Consumer Business of the Year in the Insurance Times Awards. • Improvements in claims processes, particularly in analytics and automation.
	Continued growth and profitability Profitably grow our UK Motor and Household insurance operations.	• Continued a disciplined, rational approach to growth and prioritising profitability. • Growth in UK Motor and Household customers. • Strong retention in UK Motor and Household.
Investing in core transformation	**Strong digital, data and tech capabilities** Enhance digital, data and tech capabilities in line with adapting to customer and business needs.	• Enhancement of advanced data and analytics tools through the launch of our Data and Analytics ('DnA') project. • Doubled the number of Admiral App users. • Launch of 'add a car' in MyAccount. • Loans launched a new Self-Service Portal to allow customers to manage their loan online. • MyAccount log ins grew by over 40%. • Admiral Seguros rolled out an AI solution implemented to assess vehicle damage through photos sent via an app.
	Smart working Evolve ways of working through Admiral's Smart Working approach – with a focus on four pillars: Smart People, Smart Technology, Smart Spaces and Smart Business Practices.	• Configured and distributed over 6,200 laptops to UK homeworking employees. • Provided UK staff with over 1,300 chairs and almost 11,000 specialised items. • Adapted to flexible working arrangements.

2021 Focus	Related KPI See our KPIs on page 28
• Maintain strong performance of our UK Insurance business. • Leader in insurance risk selection and efficient claims management. • Continue to be an efficient business with a focus on expenses.	9% **increase in customer numbers across UK motor book**
• Continue to take advantage of growth opportunities in UK Motor and Household. • Focus on MultiCover and MultiCar growth (UK). • Continue to strengthen customer retention.	98% **of customers would buy again*1**
• Continued focus as a data, tech and digital first business. • Promote usage of the Admiral App. • Growth in number of transactions completed online. • Enhance and encourage claims to be started online. • Ensure continued strength in operational resilience, IT and information security. • Improve AI capabilities across the wider portfolio.	40% **increase in online portal logins via MyAccount, our online self-service portal**
• Continue to enhance our IT support services and to provide employees with all software and hardware required to excel at their roles. • Continue to monitor staff needs while working from home and adapt accordingly. • Continue to protect our culture and values through collaborative, engaging working practices.	90% **of respondents said that Admiral is a great place to work*2**

*1 UK score based on all insurance and financial services products in 2020.

*2 2021 Great Place to Work Survey, data surveyed in 2020.

Strategic progress continued

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.

	Strategic Objective	2020 Progress
Investing in motor evolution	**Evolution of motor book** Maximise the value of our core business by evolving our motor insurance proposition, identifying opportunities in the current phase of disruption and trends, and lay the foundation for future growth.	• Strong growth in Van Insurance businesses (UK). • Leading telematics provider. • 47% growth in customers across our Veygo product offering.
Investing in future businesses	**International insurance growth** Develop profitable, growing, sustainable insurance businesses that mirror the UK model.	• Growth in policies and profit across International Insurance businesses. • Improvements to digital and self-service for customers across the Group. • Expansion into broker channels in Italy and Spain. • Improved direct acquisition performance in France. • 70% stronger brand awareness for ConTe in Italy.
	New product diversification Build and develop a competitive advantage in new products, allowing us to engage more with customers and build business resilience.	• Prudent growth across our Financial Services business. • Creation of a 'pioneering' team to focus on new business opportunities. • Launch of Household Insurance in France. • Launch of Pet Insurance in Italy.
...whilst ensuring Admiral remains a great place to work	**People driven workplace** Ensure a great place to work with high staff engagement, and where people feel supported, developed, and valued.	• Named the 14th best workplace in the world on the annual 25 World's Best Workplaces list. • Lifetime Masters award for being recognised as a great place to work every year since the awards began 20 years ago.

For more information refer to our **Strategy in action case studies on page 24**

2021 Focus	Related KPI See our KPIs on page 28
• Stay close to the customer, emerging customer needs and new mobility trends. • Continue our product diversification journey through experimenting in the core business and testing emerging customer propositions.	26% **growth in van customers/policies**
• Continue our path towards long-term value creation in Europe and beyond. • Continue to grow our presence via Comparison and broker distribution channels. • Improve customer persistency across international businesses. • Continue to strengthen synergies and learnings across operations. • In the US, continue to focus on long term customer retention and improve loss ratio fundamentals.	13% **growth in International insurance customers**
• Further develop Admiral Loans and offer UK customers a better range of products and an improved online buying experience. • Test and learn approach to building new businesses with innovative customer centric product design and technologies.	2nd **Moneyfacts awarded Admiral Financial Services the Highly Commended Best Personal Loan Provider (2nd place) and Highly Commended Best Car Finance Provider (2nd place)**
• Be a leader in diversity and inclusion. • Attract and develop top talent. • 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 working for Admiral.	4th **best super large workplace (1,000+ employees) in the UK**

Our strategy in action

DNA Motor Evolution

In 2020, we introduced a new cross-departmental Data and Analytics (DnA) project. This strategic project aims to enhance our Group-wide data and analytics tools, ensuring that our ability to make data-driven decisions remains a key driver behind our commercial success.

Data is the backbone of our business, and analysing data and data-driven decision making is one of Admiral's core strengths. To continue to enhance our data capabilities, the DnA project was launched with the goal to elevate our data and analytics tools. The aim of the project can be broken down into three key components:

- **Better Data –** moving towards cloud-based solutions to house all of our core insurance data for easy and accessible use. Wherever possible, data will be available from the cloud platform in near real-time, improving our view of the business.
- **Better Tooling –** maintaining our leading data capabilities, moving away from restrictive legacy systems towards a leading agile financial technology (Fintech) mindset. Enabling our analysts and data scientists to rely on the latest available tools and techniques to test and learn innovative solutions.
- **Better Decisions –** alongside a real time view of what is happening in our business, the DnA project aims to improve access to pricing and analytics reporting and visualisation tools, enabling us to turn insights gained from improved reporting into meaningful actions.

As we look ahead we see that our ability to access better data will enhance more informed decision-making and allow our customers to access a greater range of affordable products and services best suited to their needs.

Digital capabilities Admiral 2.0

As our lifestyles evolve and technology advances, we recognise that the needs and expectations of our customers change. We are committed to improving communication with our customers as technology continues to evolve and we engage with our customers through a range of different communication, sales and service channels.

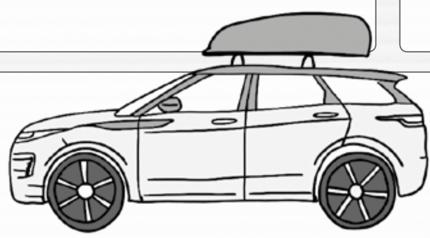
Whilst our focus on technological improvements has been ongoing over the past several years, Covid-19 has truly accelerated the need for customers to have easy and accessible online solutions, whilst ensuring that operational resilience, IT and information security is stronger than ever before.

In 2020, we reinforced our commitment to provide customers with self-service and digital contact options, driving strong improvements in our digital performance in the UK over the period:

- Sales that originated online amounted to over 75% of all sales, whilst conversion of online sales recorded a new high.
- Customers registering on the Admiral App doubled in 2020.
- Digital renewals accounted for a third of total renewals, a strong increase versus c.10% online renewal levels seen in 2019.
- On MyAccount, our online self-service portal, digital improvements led to an over 40% increase in online portal log ins.
- New features were also added to MyAccount, including the ability to add a car to a policy directly via the portal, and register a claim digitally as well.

Looking ahead, we plan to enhance our digital capabilities, and to build upon data synergies across the Group. We expect to increase our level of investment in this area of strategic importance, as we continue to optimise our digital estate.

Veygo



As the world of mobility continues to develop in line with customer preference, our brand Veygo, which offers temporary car insurance and learner driver insurance, sold its millionth policy in August. Veygo is focused on delivering products to customers which give people flexibility in their lifestyles. It aims to enable customers to move easily from one place to another, in a way which is safe, fast and easy. Veygo operates exclusively online, meaning insurance can be obtained instantly, with minimum delay and disruption. Veygo's progress is testament to the test and learn approach utilised by Admiral when it comes to developing new products and exploring new business avenues.

Loans Diversification

Admiral has built a prime loan book and is now a relevant participant in what is a large market in the UK. We see our financial services capabilities as one way to accelerate further growth in the future.

Our loans business was born digitally native with online customer acquisition since inception. By utilising customer feedback and adopting a 'Test and Learn' approach, we regularly improve our channels of customer communication to satisfy the changing needs and preferences of our customers.

Due to the impact of Covid-19, 2020 presented our Loans team with an opportunity to further improve our digital offering to existing customers, by providing them with additional digital options for engaging with us and managing their loans. This area was prioritised for development based on suggestions from customer feedback.

In July, we launched our online self-service portal as a beta, alongside a Net Promoter Score (NPS) survey to ensure the portal's functions, such as settlement quotes, web chat and payment options, were designed around customer demand and user feedback.

By the end of 2020, 37% of customers had signed up to use the portal. Our first NPS score was above 50, categorised as a 'great' score.

2nd

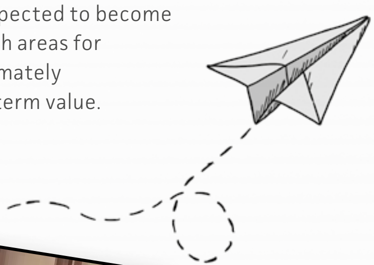
Moneyfacts awarded Admiral Financial Services the Highly Commended Best Personal Loan Provider (second place) and Highly Commended Best Car Finance Provider in both categories (second place)

Pioneering Diversification

Admiral views diversification, in the form of the ability to grow beyond motor insurance, as a key element in building a sustainable business for the future. Our Group-wide approach is focused on adapting to the evolving needs and expectations of our customers.

The Group has a pioneering team dedicated to seeding, launching, and scaling new businesses, using our proven 'Test and Learn' approach. A key focus is the commitment to improving the customer experience. The team actively tests new products, business models and partnerships through a discovery-driven approach. The objective is to identify products and businesses according to increasingly important societal areas and trends.

Our 'Test and Learn' approach will drive the identification process for selecting viable new products and businesses. Once selected, the potential product or business will benefit from the scale and scope of the wider Group. For example, Group data and expertise may be used to provide guidance or share experiences and knowledge. The products and businesses identified are expected to become long-term growth areas for Admiral, and ultimately sources of long-term value.



Our strategy in action continued

Working from home

Ensuring that Admiral remains a great place to work drives our commitment to investing in our people. In 2020, Covid-19 fundamentally changed our working environment, and one of our biggest areas of strategic investment was to support all business areas transition from working in the office, to working remotely. To ensure we would successfully adapt to this homeworking transition, Admiral embraced a Smart Working approach.

Admiral's Smart Working approach focuses on four equally important pillars: Smart People, Smart Technology, Smart Spaces and Smart Business Practices.

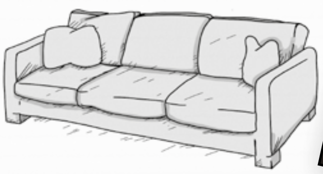
Smart People involves protecting and evolving Admiral's culture and values, to ensure our culture remains as unique and integral as it always has been, even if the way that we interact with each other has changed. We launched initiatives such as Team Time, with activities to help teams stay connected and engaged with each other and the business. We also adapted many of the key events in our social calendar, holding virtual editions of 'Admiral's Got Talent' and the 'Top 10' Department Awards.

Under the Smart Technology pillar, we provided employees with the software and hardware needed to perform and to excel in their roles, which included configuring and distributing over 6,200 laptops to homeworking employees.

Smart Spaces refers to adaptable offices, which now accommodate a combination of office and remote workers. This pillar also covers employees' home workspaces, and throughout 2020 we worked to ensure that employees were comfortable and well-equipped when working from home. All employees were advised to complete Display Screen Equipment (DSE) risk assessments and our Facilities and Workplace Support teams have provided staff with over 1,300 chairs and almost 11,000 specialised items, including laptop risers and products for back support.

To promote Smart Business Practices, employees were encouraged to arrange shorter, more effective meetings and take comfort breaks, with these changes championed by senior managers.

To monitor how well our staff have adapted to these changes, we sent out monthly staff engagement surveys. In a survey held in October 2020 across our UK operations, 96% of staff said they were enjoying working from home, and 90% of staff said they felt well supported by their manager.



Rewarding our employees

We maintain a philosophy that 'people who like what they do, do it better', and in doing so, aim to ensure a work environment where staff are engaged and have a clear purpose.

One example is through our share ownership scheme, which is an important part of the Admiral culture, and aims to reward and recognise our employees for their hard work and the overall performance of the Group.

All UK based employees employed at Admiral for more than one year receive the same number of shares through our Approved Free Share Plan (SIP). A wide group of managers across the business receive additional shares through the Discretionary Free Share Scheme (DFSS), which is designed to ensure that decisions are made by management to support long-term value growth, reward the right behaviours, and to ensure that our people's interests are aligned with those of our shareholders.

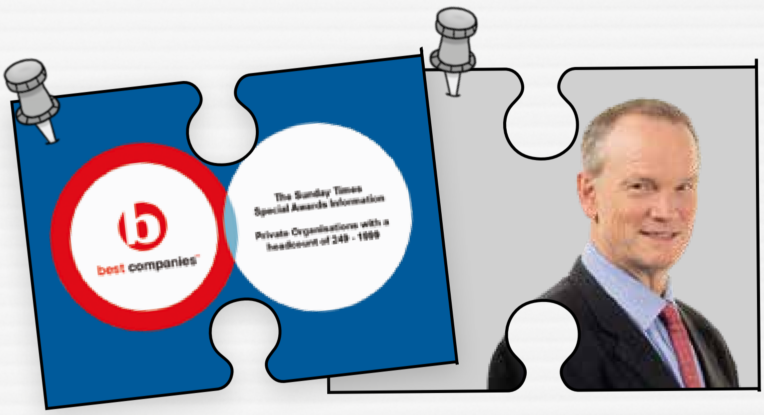
Our core belief is that over the long term, share appreciation depends on achieving great outcomes for our customers. We recognise the need to ensure that our employees are highly skilled and motivated. We prioritise a recognition culture where our employees can thrive, be innovative and contribute to the future success of the Group.

To ensure we stay close to staff engagement and morale, we utilise a culture scorecard matrix as a benchmark for monitoring culture across the Group. This is to ensure we are aligned with our purpose and values; and to provide greater Board insight through formal reporting of areas of strength, and potential areas of development. The scorecard matrix is produced quarterly, reported through the Group's Conduct Risk Framework, and shared with the Board for challenge and review. The scores are supported by staff comments relating to specific survey questions to provide further insight. Tolerances are set at a level that ensure we work hard to maintain our great culture whilst challenging us to continually improve. Our Employee Consultation Group also acts as a platform for open communication between employees, senior management and Admiral Group Board, promoting healthy debates and discussions.

2020 awards

Our 2020 awards are a testament to achieving our commitments

- Lifetime Masters Award, Great Place to Work Institute UK (Super Large category)
- Great place to work in the UK, Great Place to Work Institute (20th consecutive year)
- Recognised by the Great Place To Work Institute UK as a Centre of Excellence in Wellbeing
- 3rd Best Big Company to Work for in the UK, The Sunday Times
- 4th Best Super Large Workplace in the UK (1,000+ employees), Great Place to Work Institute
- 5th Best Workplace for Women for Super Large Organisations, Great Place to Work
- 1st Direct to Consumer Business of the Year, Insurance Times Awards
- 2nd Best Personal Loan Provider (Admiral Financial Services), Moneyfacts
- 2nd Best Car Finance Provider' (2nd place), Moneyfacts
- Innovation in Engagement Practise Award, The Sunday Times Best Companies
- Special Recognition Award, The Sunday Times Best Companies
- 8th Best Multinational Workplace in Europe, The Great Place to Work Institute
- 3rd Best Workplace in Spain (250–500 employees), Best Workplaces in Spain
- 4th Best Workplace in Italy (500 + employees), Best Workplaces Italia 2020
- 11th Best Workplace in France (250–500 employees), Great Place to Work
- 11th Best Workplace in Canada list (1000+ employees), Best Workplaces in Canada
- Featured in the Best Workplaces in Canada for Mental Wellness list
- Featured in the Best Workplaces in Canada for Inclusion list
- 14th Best Workplace in the World, 25 World's Best Workplaces



Key performance indicators

In order to implement, develop and measure the Group's strategic performance, we monitor 12 financial and non-financial key performance indicators ('KPIs') in addition to the Group's income statement results.

Financial Measures

1. Group profit

21%*1

growth in Group share of profit before tax

Strategic objectives:

- Investing in core positioning
- Investing in core transformation

2. Customer growth

10%

Growth in customer numbers

Strategic objectives:

- Investing in core positioning
- Investing in core transformation
- Investing in future businesses

3. International insurance

13%

growth in International Insurance customers

Strategic objectives:

- Investing in future businesses
- Investing in motor evolution

4. Shareholder returns

179.5p*1

EPS (Earnings per share)

Strategic objectives:

- Investing in core positioning
- Investing in core transformation
- Ensuring Admiral remains a great place to work

5. Strong capital position

187%*2

Group Solvency ratio

Strategic objectives:

- Investing in core positioning
- Investing in core transformation

6. Growth beyond motor insurance

15%

growth in UK Household customers

Strategic objectives:

- Investing in future businesses

*1 Alternative performance measure (APM) – refer to Glossary for definition and explanation.

*2 Unaudited: refer to capital structure and financial position section on page 34 for further information.

Non-Financial Measures

7.

Customer satisfaction

43%

drop in UK complaints (per 1000 policies in force)

Strategic objectives:

- Investing in core positioning
- Investing in core transformation

8.

Improving loyalty and retention

>5%

improvement in NPS score across all markets

Strategic objectives:

- Investing in core positioning
- Investing in core transformation

9.

Digital engagement

40%

increase in UK customers using MyAccount

Strategic objectives:

- Investing in core positioning
- Investing in core transformation
- Investing in future businesses

10.

Automation

>500k

hours given back to the business in automation savings since 2016

Strategic objectives:

- Investing in core transformation

11.

A great place to work

14th

best workplace in the world on the annual 25 World's Best Workplaces list

Strategic objectives:

- Investing in core transformation
- Ensuring Admiral remains a great place to work

12.

Sustainability

100%

of our asset managers are signed up the UN PRI guidelines

Strategic objectives:

- Investing in core transformation

Chief Financial Officer's review

In line with our usual practice of distributing the majority of post-tax profits to shareholders, we have proposed a final dividend of 86 pence per share."

Well, 2020 will surely live long in the memory. The awful impact of Covid-19 overshadowed some quite momentous events at Admiral, including David's retirement and our announcement at the end of the year of the disposal of most of our Comparison businesses.

As we've set out throughout the annual report, we've tried hard to respond to the pandemic in a balanced way, looking out for the interests of all our main stakeholders – customers, staff and shareholders. Hopefully we've done a reasonable job.

I'll start my review by giving some insight into the main highlights of our 2020 results.

Group share of pre-tax profit £m	2020	2019	Change
UK Insurance	698	597	+101
International Insurance	9	(1)	+10
Admiral Loans	(14)	(8)	(6)
Comparison	31	18	+13
Share scheme cost	(54)	(53)	(1)
Other	(32)	(27)	(5)
Profit	638	526	+112

It feels like half a lifetime ago, but remember that 2019's UK Insurance result was negatively impacted by a £33 million one-off impact from a change in the Ogden discount rate (resulting in higher claims costs) and so a fairer year-on-year comparison is profit of £638 million compared to around £560 million (+£78 million, +14%). Clearly still a very healthy result, boosted by a significant increase in profit from the UK business.

Whilst claims from previous years continued to develop positively and the motor business grew at a decent rate (+9% in customer numbers), a notably lower accident year loss ratio resulted in the step up in profit. That lower ratio is inevitably due to lower claims volumes resulting from significant reductions in miles driven, especially during the first lockdown but also in the second half. And it comes despite the £100 million+ rebate of premium in May (the only rebate of its kind in the UK) and significant discounts to existing and new customers since (to the best of our knowledge greater discounting than many or all of our competitors).

We expect that the 2021 loss ratio will be higher than 2020, as claims frequency is very likely to return towards more normal levels and the impact of discounted policies written in 2020 feed through into premium earned in 2021.

Our travel insurance business is small relative to the Group and made a very small loss of around £1 million, though of course volumes ended the year massively behind plan. Admiral doesn't sell business interruption insurance and so wasn't impacted by the major losses to that product line.

Other points of interest from the results include:

- An improved current year loss ratio (and resultant higher profit commission) boosted the Household business profit to £15 million (v £8 million). The business also continued to grow quite nicely.
- The International Insurance result was also positively impacted by reduced claims frequency and a significantly lower current year loss ratio. Good growth (in Europe) and continued positive moves in previous period claims costs also contributed to the result (a profit of £9 million v a loss of £1 million). All three European insurers were profitable (£14 million in aggregate) and the US loss was lower year-on-year. Combined growth was 13% in customer numbers.
- Admiral Financial Services reported a loss of £14 million in line with guidance given with our half year results. Higher provisions for expected credit losses due to Covid-19's impact on the economy were, unsurprisingly, the key reason. Arrears experience throughout 2020 was actually very much in line with prior years and the main impacts of increased unemployment on credit losses are expected to be realised in 2021 after government employment support schemes come to an end.
- Confused.com led the way to an excellent result from the Comparison businesses (a profit of £31 million, up by two thirds). Confused's revenue increased by nearly 20%, whilst profit was up more than 40% for the second year in a row.
- Other parts of the income statement were largely in line with 2019, though the increased share price and profits led to a slight increase in the share scheme cost and the costs of major projects like the Comparison disposal led to higher group overheads.

Comparison disposal

We announced late in 2020 that we had agreed to sell almost all of the Group's comparison businesses under the Penguin Portals banner to RVU, the comparison division of ZPG. As we said at the time, we believe strongly that the combination of Penguin Portals' strengths, notably in insurance comparison across Europe, with RVU's strengths beyond insurance and experience in growth through acquisition, provides a solid foundation for the combined businesses to grow and prosper.

Total consideration is expected to be around £510 million, including the element attributable to MAPFRE (which owns shares in some of the businesses in the Penguin group). Admiral's share of the proceeds, net of transaction costs and the minority interests is expected to be around £450 million (the profit on disposal that would be recognised in the 2021 income statement should be a similar number) which we believe represents a good outcome for shareholders.

We expect completion to occur in the first half of 2021 after which we would confirm our intentions for the use of proceeds.

Capital, dividends and Admiral's internal model

In line with our usual practice of distributing the majority of post-tax profits to shareholders, we have proposed a final dividend of 86 pence per share, nearly 90% of earnings, and an increase of 12% compared to the final 2019 dividend (if you include the part that we deferred and paid later in 2020), broadly in line with the increase in H2 earnings. The solvency ratio remains very strong at 187%.

Readers of the annual report will be aware that for the past few years, Admiral has been developing its own internal model to calculate its capital requirement. This is a complex process and continues to take longer than we initially expected. In late 2020, the Admiral Board has decided to take some time to review the model. This will inevitably lead to a further delay in the likely timing of a formal application to the regulators to use the model, which we no longer expect to happen in 2021. Our teams continue to work extremely hard on this important project and we'll provide further updates later in 2021.

Farewell David, welcome Milena

Finally, from me, it would be remiss to gloss over one particularly significant Admiral moment on the very last day of the year. As my colleagues have commented earlier in the report, Admiral's second Group CEO and founder director (and my boss of five years) stepped down ('retired' is a bit strong as David still works in an advisory role for us).

David, along with Henry and Andrew and the other founding management team, created an amazing company with a culture that remains healthy and core to everything we do today. It's impossible to pay adequate tribute to David's immense contribution to everything Admiral is about, and he'll be sorely missed as CEO.

Stepping very ably into his shoes is Milena, as Admiral's third CEO in our 30-year history. We have full confidence in Milena and I'm already very much enjoying being part of her team.

Here's hoping 2021 is another strong year for Admiral and a much more cheerful one for us all.

Geraint Jones
Chief Financial Officer

3 March 2021

Group overview

2020 Group Overview

£m	2020	2019	2018
Turnover (£bn)*1*2	3.55	3.46	3.28
Underwriting profit including investment income*1	333.1	238.0	211.2
Profit commission	134.0	114.9	93.2
Net other revenue and expenses (continuing operations)	153.4	164.7	171.5
Operating profit (continuing operations)	620.5	517.6	475.9
Group statutory profit before tax (continuing operations)*3	608.2	505.1	464.6
Group profit before tax (total)*1	637.6	522.6	476.2
Group's share of profit before tax*1	638.4	526.1	479.3
UK Insurance	698.1	597.4	555.6
International Insurance	8.8	(0.9)	(1.1)
Loans	(13.8)	(8.4)	(11.8)
Comparison*3	31.0	18.0	8.8
Other	(85.7)	(80.0)	(72.2)
Group's share of profit before tax*1	638.4	526.1	479.3
Key metrics:			
Group loss ratio*1*2	54.4%	64.9%	67.3%
Group expense ratio*1*2	26.8%	23.7%	22.9%
Group combined ratio*1	81.2%	88.6%	90.2%
Customer numbers (million)	7.66	6.98	6.51
Earnings per share	179.5p	148.3p	137.1p
Dividends	156.5p	140.0p	126.0p
Return on Equity*1	52%	52%	56%
Solvency Ratio	187%	190%	194%

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

*2 See note 14 for a reconciliation of Turnover and reported loss and expense ratios to the financial statements.

*3 See notes 13 and 14 for details of discontinued operations and a reconciliation of the Strategic Report to the financial statements.

Key highlights of the Group's results for 2020 are as follows:

- Continued growth in turnover (£3.55 billion, up 2% on 2019) and customer numbers (7.66 million, up 10% on 2019).
- Group's share of pre-tax profits of £638.4 million (2019: £526.1 million) and Group profit before tax of £637.6 million (2019: £522.6 million).
- The main driver of the strong growth in Group profit was a higher UK Insurance result, which benefited from reduced claims frequency and continued strong prior year reserve releases, and also the non-recurrence of the £33 million negative Ogden discount rate impact in 2019.
- UK Insurance turnover and customers increased by 2% and 9% respectively to £2.67 billion and 6.0 million (2019: £2.63 billion and 5.5 million), as the business passed claims frequency benefits to customers by refunding premium and reducing prices.
- UK Household saw strong growth in turnover and customer numbers, with an improved result of £15.4 million (2019: £7.5 million profit) as a result of lower theft and escape of water claims in the period.
- The European insurance businesses delivered a higher profit of £13.6 million (2019: £8.7 million), and there was a lower loss in the US insurance business (£4.8 million in 2020 v £9.6 million in 2019). The overall international insurance profit was £8.8 million (2019: £0.9 million loss).
- The Comparison businesses recorded aggregate profits (excluding minority interests' share) of £31.0 million (2019: £18.0 million), with the increase mainly driven by a very strong profit from Confused.com of £29.4 million (2019: £20.4 million).

Covid-19 impact

The Covid-19 ('Covid') pandemic impacted all operations during 2020. Early lockdown restrictions led to fewer miles driven resulting in a significant drop in claims frequency for the insurance operations as more people stayed at home. In addition, the comparison businesses saw a strong initial drop in quote volumes which recovered strongly in most markets as lockdown restrictions eased. Less severe restrictions in the US led to a lower claims' frequency impact.

In response to the economic uncertainty in the first half of the year, Admiral paused sales of both travel insurance and lending products in March to limit any potential losses in these businesses. Admiral cautiously re-entered both markets in the second half of 2020. Admiral Loans has taken a particularly prudent approach through increasing loan provisions due to the likelihood of increased arrears experience due to higher unemployment levels. However, the level of loans defaults has not experienced a significant increase to date.

Admiral has maintained a commitment to supporting customers, staff, emergency workers and local communities during the coronavirus crisis, taking several steps and adapting to each market context. These include:

- **Customer initiatives:** Admiral supported customers through relaxed payment terms, reduced/waived administration fees, premium rate reductions, and providing additional support for emergency workers. In the UK, Admiral announced a £110 million Stay at Home premium refund for all existing motor insurance customers, which amounted to £25 per vehicle on cover.
- **Staff initiatives:** The safety of staff has remained of utmost importance, with many employees already working from home before the official government lockdown was in place. Various initiatives were implemented to optimise staff working from home, including providing relevant equipment as well as wellbeing and mental health support initiatives. Staff engagement levels are monitored regularly and remain high.

  All employees were paid their full salaries, and aside from a very small number of staff in France, no staff were furloughed, and no support has been sought or received from government schemes.
- **Community initiatives:** Admiral supported local communities across our global operations through donations and volunteer activities. In particular, Admiral set up a £6 million fund to support charities and communities, with staff involvement in the allocation of these funds.

Earnings per share

Earnings per share increased by 21% to 179.5 pence (2019: 148.3 pence), in line with the growth in Admiral's share of pre-tax profit.

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 86.0 pence per share (approximately £250 million), split as follows:

- 63.6 pence per share normal dividend, based on the dividend policy of distributing 65% of post-tax profits; plus
- A special dividend of 22.4 pence per share.

This final dividend is 12% ahead of the 2019 final dividend (77.0 pence per share, including the special dividend which was deferred and subsequently paid alongside the 2020 interim dividend), with a pay-out ratio of 89% for H2 2020.

The total dividend for the 2020 financial year is 156.5 pence per share, reflecting a 12% increase on 2019 and an 87% pay-out ratio.

The payment is due on 4 June 2021, ex-dividend date 6 May 2021 and record date 7 May 2021.

Group overview continued

Return on equity

The Group's return on equity was 52% in 2020, in line with 2019. The Group's share of total post-tax profits grew by 21%, in line with the 21% growth in the group's share of average equity. The significant growth in profits in the second half of 2020 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 2021. The Group's net retained share of that business is 22%. Munich Re will underwrite 40% through co-insurance (30%) and reinsurance (10%) arrangements, until at least the end of 2021. Whilst some agreements with the Group's other reinsurance partners have already been concluded, the remaining extensions for business beyond 2021 are expected to be confirmed during the first half of 2021.

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. The expected timescale for formal application has been extended beyond 2021 as a result of a recent decision by the Admiral Group Board to review certain aspects of the model. 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 (estimated and unaudited)

Group	2020 £bn	2019 £bn
Eligible Own Funds (pre 2020 final dividend)	1.72	1.42
2020 final dividend	(0.25)	(0.22)
Eligible Own Funds (post 2020 final dividend)	1.47	1.20
Solvency II capital requirement*1	0.79	0.63
Surplus over regulatory capital requirement	0.68	0.57
Solvency ratio (post dividend)*2	187%	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.

Although slightly lower than the 2019 year-end position, the Group continues to maintain a strong post-dividend solvency ratio at 187% (2019: 190%). Surplus capital over the regulatory capital requirement has increased by over £100 million in the period, primarily as a result of the strong profitability of the most recent underwriting years. The solvency capital requirement has also increased as a result of the improved underwriting profitability, specifically in relation to the profit commission that Admiral earns in relation to co-insurance and reinsurance contracts. Whilst this increase in solvency capital requirement is lower than the increase in Own Funds, it results in a modest overall reduction to the solvency ratio.

The solvency capital requirement includes an updated capital add-on which remains subject to regulatory approval. The solvency ratio based on the previously approved capital add-on, that is calculated at the balance sheet date rather than the date of this report, and will be submitted to the regulator within the Q4 Quantitative Reporting Template (QRT) is as follows:

Regulatory solvency ratio (estimated and unaudited)	2020	2019
Solvency ratio as reported above	187%	190%
Change in valuation date	(5%)	(10%)
Other (including impact of updated, unapproved capital add-on)	24%	(10%)
Solvency ratio (QRT basis)	206%	170%

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

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 (estimated and unaudited)

	2020	2019
UK Motor – incurred loss ratio +5%	-10%	-23%
UK Motor – 1 in 200 catastrophe event	-1%	-1%
UK Household – 1 in 200 catastrophe event	-2%	-2%
Interest rate – yield curve down 50 bps	-4%	-5%
Credit spreads widen 100 bps	-6%	-8%
Currency – 25% movement in Euro and US dollar	-3%	-3%
ASHE – long term inflation assumption up 0.5%	-3%	-3%
Loans – severe peak unemployment scenario	-1%	-4%

The impact of the incurred loss ratio +5% sensitivity is lower than in the prior year. This is linked to the strong underwriting profitability on the recent underwriting years and the resulting profit commission risk that is held in the solvency capital requirement, which reduces in the loss ratio deterioration scenario, dampening the solvency ratio sensitivity.

Taxation

The total tax charge reported in the consolidated income statement is £109.8 million (2019: £94.2 million), equating to 17.2% of pre-tax profit (2019: 18.0%). The reduction in the effective tax charge is the result of higher non-taxable investment income recognised in the year, and lower losses in the US businesses.

The tax rate equates to 17.5% of pre-tax profit on continuing operations (2019: 17.6%).

Group overview continued

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 has adopted a responsible investment strategy to reduce Environmental, Social and Governance (ESG) related risks, whilst achieving sustainable long-term returns. Importantly, ESG criteria are considered within investment decision making and ensures all our asset managers are signatories of the UN Principles for Responsible Investment and have strong and credible practices.

Admiral has been challenging and engaging with asset managers to define methodology which will assess our portfolios against the Paris Accord. Admiral has recently become a member of the Institutional Investors Group for Climate Change as a strategy is developed that is consistent with achieving net zero emissions by 2050. In 2021 Admiral will develop short and long term targets to achieve this.

In addition, our strategy has focused on 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. The difficult conditions in early spring did not lead to material distress or forced selling, and asset returns since then have been strong.

Cash and investments analysis

£m	2020	2019	2018
Fixed income and debt securities	2,101.3	1,957.8	1,568.6
Money market funds and other fair value instruments	1,339.3	1,160.2	1,301.1
Cash deposits	65.4	116.5	100.0
Cash	351.7	281.7	376.8
Total	3,857.7	3,516.2	3,346.5

Investment and interest income in 2020 (net of impairment charges) was £52.9 million, an increase of £17.6 million on 2019 (£35.3 million). Both years have been impacted by adjustments related to investment income on cash held by Admiral relating to the portion of the motor insurance business reinsured under quota share contracts. £12.9 million of income earned in 2019 was recognised in the 2020 income statement as the projection of the result of the 2019 underwriting year improved to a profitable level.

This positive impact was partially offset by higher impairment charges on assets in 2020 compared to the prior year.

The underlying rate of return for the year (excluding accruals related to reinsurance contract funds withheld) on the Group's cash and investments was 1.3% (2019: 1.4%).

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

Cash flow

£m	2020	2019	2018
Operating cash flow, before movements in investments	959.8	518.1	488.5
Transfers to financial investments	(176.0)	(188.7)	(248.8)
Operating cash flow	783.8	329.4	239.7
Tax payments	(175.0)	(92.8)	(55.6)
Investing cash flows (capital expenditure)	(43.1)	(33.6)	(23.9)
Financing cash flows	(454.3)	(392.4)	(346.8)
Loans funding through special purpose entity	(46.2)	85.9	220.2
Net contributions from non-controlling interests	2.4	1.6	19.3
Foreign currency translation impact	2.4	6.8	(2.9)
Net cash movement	70.0	(95.1)	50.0
Movement in unrealised gains on investments	40.7	34.6	(26.6)
Movement in accrued interest	54.8	41.5	49.7
Net increase in cash and financial investments	341.5	169.7	321.9

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

£m	2020	2019	2018
Profit after tax	527.8	428.4	390.5
Change in net insurance liabilities	94.8	50.4	176.6
Net change in trade receivables and liabilities	65.3	27.4	14.9
Change in loans and advances to customers	77.3	(168.7)	(242.9)
Non-cash income statement items	84.8	86.4	63.7
Taxation expense	109.8	94.2	85.7
Operating cash flow, before movements in investments	959.8	518.1	488.5

Net cash and investments have increased by £341.5 million or 10% (2019: £169.7 million, 5%). The main drivers include a decrease in the funding requirements for Admiral Loans business, offset by increased tax payments in 2020 (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)
- Admiral Loans
- Comparison – including Confused.com (UK), LeLynx (France), Rastreator (Spain), Preminen (emerging markets), Compare.com (US)
- Other – including business development costs and other central expenses

UK Insurance review

Admiral's unique culture is one of the fundamental cornerstones to our success over the last 27 years, so it's a topic we talk about a lot internally...and in fact, with anyone else that's happy to listen too."

It's difficult to put a finger on exactly what creates that culture. The open-plan offices? The Ministry of Fun and the ping-pong competitions that bring people together? Those daily chats at the water cooler to cross-pollinate ideas? I'm sure that contributes to it… but I suspect it's a bit more deep-rooted than that, having seen what we've achieved as we've worked from kitchens, front rooms, bedrooms and camper vans over the last 10 months without an egg-roulette contest in sight!

And what makes me very proud is that the strength of our culture has featured extremely prominently during our response to the pandemic, when it arguably faced its biggest test so far.

We worked furiously hard in those weeks from early March through to April to protect our team and set them up to work safely from home. We prioritised those in our claims and service areas to minimise disruption to those that needed to contact us, and waived policy excesses and gave free replacement vehicles to key workers because they had enough on their plate without the additional burden of sorting out broken cars.

We arguably deserved a breather at that point but preferred to go that extra mile by committing to give back to our customers and the community. A highlight of course was the £110 million refund to customers, which has gone unmatched by competitors, that was issued during May. We have continued to give back to customers in the form of premium reductions throughout the second half of the year. The result of that is that we're now more price competitive at new business and renewals than we were at the start of the year. We're even making more sales when we're not the cheapest as a result of the customer goodwill we've created. And whilst the investment we've made in improving our digital customer journey will increase the expense ratio in the short term, we have already seen some of the benefits this will yield in the long term related to better service and improved efficiency. The resulting improved online sales journey, coupled with improved competitiveness, means that we've managed to grow the book more during 2020 than we've done for a number of years.

Whilst the premium refund made the headlines, a source of equal pride within Admiral is the difference we've made to individuals in the local community. Whether that's the provision of comfortable shoes for healthcare workers on the Covid-19 wards in Cardiff, or the donation of iPads to allow elderly care home residents to see their loved ones. Maybe a bit cheaper than the refund, but incredibly valuable, nevertheless.

And what's ahead of us in 2021? Having just experienced a challenging year, full of uncertainties, requiring constant review and immediate response, I'd say…maybe the same again?

Ok, maybe not exactly the same. But working practices will surely never be the same again as we embrace more flexible and smarter methods. We've spent 2020 trying to project the length of lockdowns and the impact on driving habits….and we'll have the same challenge in reverse as we try to predict how quickly the vaccine rollout will happen and how quickly people return to the roads.

There are also the significant legal and regulatory changes that will come into force over the next 12 months, such as the deflationary impacts of the whiplash reforms that are finally coming into effect in May. But much more significantly we'll have the implementation of the remedies arising from the FCA review into pricing practices that will require parity across new business and renewal prices. The reforms could be a game changer for the market, but we are optimistic that it presents an opportunity for more sophisticated underwriters, including Admiral. We've further improved our market-leading pricing capability with investment in a more responsive and advanced cloud-based solution and already understand the needs of customers that regularly shop around at each renewal to ensure that they get a competitive price. This leaves us well placed to rise to the challenges of the new pricing regime, which are made even more difficult by the uncertainties of the post-Covid-19 era.

But rather than finishing on what might happen in 2022, I'd like to end by thanking the team for what did happen in 2020. We've managed to improve so many aspects of our business in the most difficult environment since we launched almost three decades ago, and once again delivered strong profits in both our car and household businesses.

A challenging year, but a great response!

Cristina Nestares
CEO UK Insurance

3 March 2021

UK Insurance highlights

Group share of UK Insurance profit before tax*1

£698.1m

(2019: £597.4m)

UK motor insurance profit before tax*1

£683.4m

(2019: £591.5m)

UK household insurance profit before tax

£15.4m

(2019: £7.5m)

UK Insurance financial performance

£m	2020	2019	2018
Turnover*1*2	2,672.0	2,635.0	2,575.7
Total premiums written	2,373.3	2,321.7	2,269.8
Net insurance premium revenue	539.7	533.2	523.9
Underwriting profit including investment income*1	346.5	257.4	227.7
Profit commission and other income	351.6	340.0	327.9
Group's share of UK Insurance profit before tax*1*2	698.1	597.4	555.6

*1 Alternative Performance Measures – refer to note 14 at the end of this report for definition and explanation.

*2 Alternative Performance Measure – refer to note 14 for reconciliation to the financial statements.

Split of UK Insurance profit before tax

£m	2020	2019	2018
Motor	683.4	591.5	561.7
Household	15.4	7.5	(3.0)
Travel	(0.7)	(1.6)	(3.1)
Group's share of UK Insurance profit	698.1	597.4	555.6

Key performance indicators

	2020	2019	2018
Vehicles insured at year end*1	4.75m	4.37m	4.32m
Households insured at year end*1	1.16m	1.01m	0.87m
Travel policies insured at year end*1	0.07m	0.09m	0.05m
Total UK Insurance customers*1	5.98m	5.47m	5.24m

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

Key highlights for the UK Insurance business for 2020 include:

- Strong growth in Motor customers in the second half of the year, combined with continued strong growth in Household with Admiral reducing rates to reflect lower claims frequency in 2020 for Motor and slightly reducing rates for Household.
- A 16% increase in UK Motor profit to £683.4 million (2019: £591.5 million). When adjusted for the adverse change in the 'one-off' Ogden impacts of £33.3 million (see below), the like-for-like increase in profit is 10%, primarily as a result of lower current year claims frequency combined with continued strong releases on prior underwriting years. Refer to the UK motor section below for further analysis of key metrics such as loss ratio, reserve releases and profit commission.
- Household profit of £15.4 million (2019: £7.5 million profit) as a result of lower theft and escape of water claims frequency in 2020 despite adverse weather in the first half of 2020.
- Travel Insurance recorded a lower loss of £0.7 million (2019: £1.6 million loss) despite Covid-19, though sales volumes were inevitably significantly lower than expected.

*1 Alternative Performance Measures – refer to note 14 at the end of this report for definition and explanation.

UK Insurance review continued

UK Motor Insurance financial review

£m	2020	2019	2018
Turnover*1	2,473.8	2,455.3	2,423.1
Total premiums written*1	2,193.0	2,158.5	2,132.1
Net insurance premium revenue	451.4	452.6	452.5
Investment income*2	50.8	30.4	32.2
Net insurance claims	(97.1)	(164.7)	(189.2)
Net insurance expenses	(77.2)	(74.7)	(72.0)
Underwriting profit including investment income*3	327.9	243.6	223.5
Profit commission	124.7	112.2	95.0
Underwriting profit and profit commission	452.6	355.8	318.5
Net other revenue*4	230.8	235.7	243.2
UK Motor Insurance profit before tax	683.4	591.5	561.7

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

*2 Investment income includes £2.9 million of intra-group interest (2019: £2.8 million; 2018: £0.7 million).

*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	2020	2019	2018
Reported motor loss ratio*1,*2	49.2%	60.7%	63.5%
Reported motor expense ratio*1,*3	19.8%	19.1%	18.4%
Reported motor combined ratio	69.0%	79.8%	81.9%
Written basis motor expense ratio	18.8%	18.5%	17.5%
Reported loss ratio before releases	72.3%	87.6%	88.1%
Claims reserve releases – original net share*1,*4	£104.3m	£121.7m	£111.4m
Claims reserve releases – commuted reinsurance*1,*5	£137.3m	£121.7m	£109.6m
Total claims reserve releases	£241.6m	£243.4m	£221.0m
Other Revenue per vehicle	£61	£66	£67
Vehicles insured at year end	4.75m	4.37m	4.32m

*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 14b.

*3 Motor expense ratio is calculated by including claims handling expenses that are reported within claims costs in the income statement. Reconciliation in note 14c.

*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.

UK Motor profit increased by 16% during 2020 to £683.4 million (2019: £591.5 million) with the reported combined ratio improving to 69.0% (2019: 79.8%).

Market prices fell over the period to reflect the decrease in claims frequency due to fewer miles driven as a result of the Covid-19 pandemic and lockdowns. Admiral responded to the lower claims frequency with a 'Stay at Home' premium refund to customers, as well as more significant price reductions than the market. New business growth and good retention contributed to a 9% increase in customer numbers (4.75 million v 4.37 million), whilst turnover growth was more muted (£2.47 billion v £2.46 billion) as a result of the refund and price reductions.

The results were impacted by a number of factors:

- Net insurance premium revenue was broadly consistent with 2019 at £451.4 million (2019: £452.6 million) after including the impact of the premium refund of £21.1 million (net of IPT and co-insurance and reinsurance).
- The current period loss ratio was 72.3% (2019: 87.6%). As highlighted below, there are a number of offsetting movements that net to the overall improvement of 15.3 percentage points.

Reported Motor Loss Ratio

£m	Current Period Loss Ratio	Releases on Original Net Share	Reported Loss Ratio
2019	87.6%	-26.9%	60.7%
Prior period impact of Ogden change (0% to -0.25%)	-1.0%	-2.4%	-3.4%
2019 (excluding Ogden impact)	86.6%	-29.3%	57.3%
Change in current period loss ratio	-14.3%	–	-14.3%
Change in claims reserve releases – original net share	–	+6.2%	+6.2%
2020	72.3%	-23.1%	49.2%

- In 2019, the Ogden discount rate changed to minus 0.25% (a reduction from the best estimate assumption of 0% at 31 December 2018), reducing the 2019 UK Motor profit by £33.3 million, and increasing the reported combined ratio by 3 percentage points.
- Excluding the impact of the Ogden rate change in the prior period, the 2020 reported loss ratio was just over 8 percentage points lower than 2019 (49% v 57%). The significant driver of this improvement was the current accident period loss ratio which was 14 percentage points better than 2019 as a result of Covid-19 lockdowns through 2020 and the associated reductions in claims frequency.
- Reserve releases on Admiral's original net share of business were strong, improving the reported loss ratio by just over 23 percentage points in 2020. However, this was 6 percentage points lower than 2019 which had seen an unusually large reserve release as a result of an increase in the speed of settlements of bodily injury claims following the confirmation of the new Ogden rate.
- The margin held above ultimate outcomes in the financial statement reserves remains both significant and prudent. In relative terms, it is broadly consistent with that held at the end of 2019.
- Reserve releases from commuted reinsurance and profit commission were higher in 2020 than in 2019, with a combined total of £262.0 million (2019: £233.9 million), as follows:

£m	Reserve releases – commuted reinsurance	Profit commission	Total
2019	121.7	112.2	233.9
Prior period impact of Ogden change (0% to -0.25%)	+9.0	+8.9	+17.9
2019 (excluding Ogden impact)	130.7	121.1	251.8
Change in commuted releases	+6.6	–	+6.6
Change in profit commission	–	+3.6	+3.6
2020	137.3	124.7	262.0

UK Insurance review continued

- Releases on reserves originally reinsured but since commuted were higher at £137.3 million (v £121.7 million in 2019). Excluding the prior period Ogden impact, the 2020 releases are £6.6 million higher than 2019, with an increase in the number of underwriting years that are now reflecting releases on commuted reinsurance reserves.
- The trend is similar for profit commission which improved to £124.7 million (2019: £112.2 million). Underlying profit commission (excluding the prior period Ogden impact) was broadly consistent with 2019, with a lower level of profit commission from 2017 and prior underwriting years being offset by profit commission recognition on the 2018-2020 underwriting years for the first time.
- For further background on both reserve releases from commuted reinsurance and profit commission, see the co- and reinsurance section that follows.
- Investment income was significantly higher than 2019 at £50.8 million (2019: £30.4 million). The increase is primarily the result of changes to investment income on cash held by Admiral relating to the portion of the book reinsured under quota share contracts. £12.9 million of the income that was allocated to reinsurers in 2019, was subsequently recognised in the 2020 income statement, creating a favourable impact of £25.8 million, as shown in the table below:

£m	Investment income
2019	30.4
Exclude accruals on reinsurance balances	+12.9
2019 (excluding impact of reinsurer accruals)	43.3
Change in underlying investment income	+1.8
Change in provision for asset impairments	-7.2
2020 (excluding impact of reinsurer accruals)	37.9
Release of accruals on reinsurance balances	+12.9
2020	50.8

- Excluding movements on reinsurer accruals, underlying investment income increased by £1.8 million primarily as a result of growth in the investment portfolio, as set out in the review of Investments earlier in this report. Provisions for asset impairments increased by £7.2 million as a result of economic uncertainty.
- The reported expense ratio increased to 19.8% in 2020 (2019: 19.1%) with the written basis ratio also higher (18.8% vs 18.5%). The 'Stay at Home' premium refund and wider price reductions contributed to the increase in both ratios, as well as the investment in the period in both the digital customer journey and Covid-19 related remote working capability.
- Other revenue (including ancillary products underwritten by Admiral) and instalment income decreased to £230.8 million (2019: £235.7 million) primarily resulting from lower contribution from optional ancillaries. Further detail is set out in the Other revenue and instalment income section below.

Claims and reserves

As noted above, the Covid-19 pandemic and resulting lockdowns led to fewer miles driven, resulting in significantly lower motor claims frequency in 2020.

There was a slight increase in damage claims costs as garage repair networks were under pressure and support was provided during lockdown. In addition, Admiral introduced a number of initiatives during the year to help front-line NHS staff and other critical workers not automatically provided for under the policy.

The reduction in miles driven resulting in reduced claims frequency also resulted in a reduction in large bodily injury claims, although to a lesser extent than smaller bodily injury and damage claims frequency, with an increase in the proportion of accidents involving vulnerable road users such as cyclists and pedestrians.

The first projection of the 2020 accident period loss ratio is notably lower than 2019 at the same point as a result of these factors.

Admiral also continued to experience positive development on the claims costs on previous accident years, resulting in another significant reserve release in the financial statements (£104.3 million on Admiral's original net share of business, vs £121.7 million in 2019).

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.

The margin held in reserves is prudent and significant and remained at a broadly consistent relative 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 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 the end of 2021. 30% of this total is on a co-insurance basis, with the remaining 10% being under a quota share reinsurance agreement from 2017 onwards.

The Group also has other quota share reinsurance arrangements confirmed to the end of at least 2023, covering 38% of the business written. Admiral expects to confirm the full allocation of these arrangements beyond 2021 in the first half of 2021.

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 2020 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 2021 is marginally lower than that for 2020 due to continued increases in market prices.

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 financial statement 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 24 months after inception of an underwriting year, assuming there is sufficient confidence in the profitability of the business covered by the reinsurance contract.

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

During the first half of 2020, the majority of the 2018 quota share contracts were commuted. At 31 December 2020, quota share reinsurance contracts remained in place for a small portion of 2017 and 2018 and the full 2019 and 2020 underwriting years. No further contracts were commuted in the second half of 2020 (as is usual).

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

Other Revenue and Instalment Income

UK Motor Insurance Other Revenue – analysis of contribution:

£m	2020	2019	2018
Contribution from additional products & fees	186.8	202.1	206.5
Contribution from additional products underwritten by Admiral*1	15.1	13.9	13.6
Instalment income	100.9	83.9	81.4
Other revenue	302.8	299.9	301.5
Internal costs	(72.0)	(64.2)	(58.3)
Net other revenue	230.8	235.7	243.2
Other revenue per vehicle*2	£61	£66	£67
Other revenue per vehicle net of internal costs	£50	£56	£57

*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.

UK Insurance review continued

Overall contribution (Other revenue net of costs plus instalment income) decreased to £230.8 million (2019: £235.7 million). This included a reduction in administration fees and optional ancillary income, partly reflecting more transactions completing digitally and also reflecting the impact of Covid-19 resulting in lower sales and reduced fees. In addition, lower claims frequency due to Covid-19 led to lower referral fees from credit hire. These decreases were partially offset by increased instalment income primarily arising from more customers choosing to pay by monthly instalment. In addition, there was a positive impact from other revenue generated on the Van insurance book.

Other revenue was equivalent to a decrease to £61 per vehicle (gross of costs; 2019: £66), as a result of the factors mentioned above. Net other revenue (after deducting costs) per vehicle was £50 (2019: £56).

UK Household Insurance financial performance

£m	2020	2019	2018
Turnover*1	193.8	171.3	146.0
Total premiums written*1	175.9	154.9	131.1
Net insurance premium revenue	43.2	37.2	31.2
Underwriting profit/(loss)*1*2	2.5	0.7	(6.3)
Profit commission and other income	12.9	6.8	3.3
UK Household insurance profit/(loss)	15.4	7.5	(3.0)

*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

	2020	2019	2018
Reported household loss ratio*1	64.8%	69.1%	92.3%
Reported household expense ratio*1	29.4%	28.9%	28.1%
Reported household combined ratio*1	94.2%	98.0%	120.4%
Impact of extreme weather and subsidence*1	5.3%	–	19.1%
Households insured at year end*1	1.16m	1.01m	0.87m

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

The number of households insured increased by 14% to 1.16 million (2019: 1.01 million). Turnover increased by 13% to £193.8 million (2019: £171.3 million). New business market volumes slowed as lockdown was implemented but recovered as restrictions eased. Retention remained strong. Overall, customers have shifted towards using digital channels more for both shopping and reporting claims.

The market saw a reduction in claims frequency in early lockdown which subsequently recovered, but returned to lower levels during further lockdowns. As more people were staying at home, the claims mix for Admiral shifted towards increased claims for accidental damage and reduced claims for theft. Escape of water claims severity also reduced.

The result was impacted by weather events in the year, costing approximately £5 million net of recoveries from Flood Re (2019: £nil).

A combined ratio of 94% (2019: 98%) resulted in a net underwriting profit of £2.5 million (2019: underwriting profit of £0.7 million), which was supplemented by net other revenue and profit commission of £12.9 million (2019: £6.8 million). The expense ratio was slightly higher due to increased costs in the shift to working from home.

The increase in profit commission and other income in the year is attributable to quota share reinsurance profit commission which has increased primarily due to favourable loss ratio performance in the recent underwriting years. Other income is broadly consistent year on year.

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.

International Insurance

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

Costantino Moretti
CEO, International Insurance

International Insurance

In 2020, our European businesses delivered another profitable year on a combined basis, and Elephant showed good signs of improvement on the fundamentals from which to grow a profitable business.

The year was truly unlike any other – with a focus on overcoming the challenges presented by Covid-19, whilst at the same time transferring frequency benefits through price reductions for our customers. In many countries we offered significant discounts to reflect lower driving patterns, and in the US we offered a first-in-the-market 'work from home discount.'

In the US, Elephant continued to focus on improving technical results, with customer numbers slightly down. We achieved improvements in the loss ratio, well beyond Covid-19 frequency impacts, thanks to ongoing strengthening of risk selection capabilities.

In Europe, we had strong profit performance while still growing in an austere acquisition environment. Efforts in the expansion into broker channels in Italy and Spain, and the strong direct acquisition performance in France, helped grow our customer base by 15% year on year, bolstered by our strong investment in our brands and digital initiatives. Despite this, turnover grew by less at 11% due to lower average premiums. Loss ratio also performed well, with benefits from Covid-19 frequency trends and positive prior year development.

Indeed, the strong performance of our International businesses reaffirms our strategy of building sustainable and profitable businesses through efficient scaling, a competitive advantage on loss ratio, and by evolving our capabilities in data, analytics, and digital competencies. Well done to the international team for another strong year!

Pascal Gonzalvez
CEO, L'olivier Assurance

L'olivier ASSURANCE

France

The years go by, yet they continue to look the same: strong performance in the midst of market adversity and managing the impact of the Covid-19 pandemic.

Despite another year when price comparison website quotes (our main acquisition channel) were shrinking, our portfolio increased by 26%, thanks to more loyal customers and more new customers.

Indeed, not only did we manage to keep our customers happy by serving them with a high quality of service without interruption to the business during uncertain economic times, but we also hit a new record for Net Promoter Scores in all departments.

Additionally, we managed to increase the number of new business sales in a market at half mast, thanks to new acquisition initiatives helped by a new TV campaign and growing brand awareness.

We also did a soft launch of our new household insurance product under the brand L'olivier - though at a slower pace than originally planned, because we decided to put most of our energy on the best response to deal with the Covid-19 situation. In early 2021, we're about to accelerate our multi-product journey again.

L'olivier has also started to deploy its strategy in order to meet the new vision defined for 2023: keep growing fast through accelerated investments in digital and data. Our new mantra is all about #3D, Data & Digital to Double. We have set up very high ambitions and we are all eager to make it happen!

International Insurance review continued

Antonio Bagetta
CEO, ConTe

Italy

2020 was unquestionably a year with many challenges and adversities. Despite this, ConTe excelled with an increase of 12% in active customers, double-digit growth in new business sales, and (for the first time) persistency above market average.

In 2020 we made significant steps forward in our ambition to become a great digital, data driven company with a well-recognised brand, offering a variety of products and services. We also began offering customers a multi-product journey.

Our brand awareness is stronger than ever and exceeded 70% during the year. We have also become an Official Partner of the Italian national football team, a sponsorship that will give us a great visibility.

During the lockdown period, we improved our business performance thanks to lower frequencies and to the excellent work done on loss ratio. In that period, we launched several new initiatives to protect customer needs (e.g. 'One Month Free' offer) which continued to embed our strong customer centric approach.

More than ever our people and culture have been a competitive advantage for ConTe. Despite the challenging year, we sped up our business transformation towards using Scaled Agile methodology and we celebrated our highest ever Trust Index of 83% in the Great Place to Work survey.

Sarah Harris
CEO, Admiral Seguros

Spain

2020 was another positive year for Admiral Seguros despite the unexpected challenges presented by Covid-19. In response to the pandemic we made a range of operational changes to support our customers, and reinvested part of the frequency benefit from lockdowns via discounts.

Despite low price comparison quote volume, we continued to grow the business, finishing the year with 327,500 policies. This growth was bolstered by improved customer persistency, achieved via several operational improvements on customer experience. We also saw good performance from the newly launched brokers' channel.

Loss ratio was an ongoing priority throughout the year. Our new antifraud system went live over the summer, and we continued to invest in analytical talent in risk selection.

On the expense side, we accelerated our digital self-service offering for customers, particularly around claims handling.

In 2021 we plan to accelerate multi-channel growth, looking to export our technical expertise into more traditional distribution channels.

In the core business, we are working on ambitious improvements in claims and data management and will continue to introduce new digital capabilities for our customers. Let´s go!

Alberto Schiavon
CEO, Elephant

US

2020 saw our intense focus on loss ratio improvement begin to bear fruit. In the first 9 months of 2020 the US market saw a loss ratio improvement as a result of Covid-19 frequency benefits, with an even greater improvement due to our intense focus on improving the underlying loss ratio.

Lower loss ratios across the market paired with flat (or falling) prices meant increased competition and challenges on new business sales. Early positive signs from a broker distribution test are giving us alternative ways for efficient growth.

As unemployment rates increased, many of our customers struggled to pay us despite Elephant taking several mitigating actions, including a payment moratorium, and having our best ever customer satisfaction scores. The effects of losing many of these customers, paired with high sales competition, meant the book remained flat year over year.

Finally, during 2020 Elephant made great progress towards its digital transformation strategy, and our customers can now fully self-service through our online platforms.

As we have been working remotely for almost a year, I have been blessed to be leading a strong team of highly talented and engaged individuals who are incredibly committed towards Elephant's success, and I look forward to a strong performance in 2021.

International Insurance highlights

Group share of Profit Before Tax*1

£8.8m

(2019: £-0.9m)

Turnover*1

£648.8m

(2019: £623.6m)

Customers

1.60m

(2019: 1.42m)

International Insurance financial performance

£m	2020	2019	2018
Turnover*1	648.8	623.6	538.7
Total premiums written*1	584.0	562.6	484.3
Net insurance premium revenue	204.2	168.6	141.7
Investment income	–	1.5	1.3
Net insurance claims	(139.3)	(137.2)	(104.0)
Net insurance expenses	(78.8)	(53.0)	(55.8)
Underwriting result including investment income*1	(13.9)	(20.1)	(16.8)
Net other revenue	22.7	19.2	15.7
International Insurance result	8.8	(0.9)	(1.1)

Key performance indicators

	2020	2019	2018
Reported loss ratio*2	64.3%	76.8%	76.6%
Expense ratio*2	43.9%	37.6%	39.6%
Combined ratio*3	108.2%	114.4%	116.0%
Combined ratio, net of Other revenue*4	97.9%	103.7%	105.1%
Vehicles insured at period end	1.60m	1.42m	1.22m

*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 2020: 107%; 2019: 113%; 2018: 113%.

*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 2020: 96%; 2019: 102%; 2018: 102%.

Geographical analysis

	Spain	Italy	France	US	Total
2020					
Vehicles insured at period end (m)	0.33	0.77	0.29	0.21	1.60
Turnover*1 (£m)	83.9	213.0	139.3	212.6	648.8
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

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

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

The operations continued a trajectory of positive growth in 2020, with customer numbers increasing by 13% to 1.60 million (2019: 1.42 million) and combined turnover rising by 4% to £648.8 million (2019: £623.6 million).

International Insurance review continued

The key features of the International Car Insurance results are:

- An aggregate profit of £8.8 million (2019: £0.9 million loss) reflecting an improvement in performance of both the European and US businesses due to lower frequency as a result of Covid-19 and underlying improvements.
- Profits in all of the European businesses for the first time.
- An improvement in Elephant Auto's result (decreased loss from £9.6 million to £4.8 million year-on-year).
- A lower combined ratio (net of other revenue) of 98% (2019: 104%) reflecting lower current year loss ratios and positive back year development across the businesses, offset to an extent by an increased expense ratio.
- Continued investment and improvements in technology, people and the customer experience across all operations.

The combined International expense ratio increased to 44% (2019: 37%) as a result of a number of factors including lower average premium and increased costs from transitioning to home working as a result of Covid-19, a higher retained share in the US and changes in reinsurer contracts in Italy.

The European insurance operations in Spain, Italy and France insured 1.39 million vehicles at 31 December 2020 – 15% higher than a year earlier (31 December 2019: 1.21 million). Turnover was up 12% at £436.2 million (2019: £390.5 million). The consolidated result of the businesses was a profit of £13.6 million (2019: £8.7 million) consisting of continued profitability in Italy, which was joined by profitable businesses in France and Spain. The combined ratio net of other revenue (excluding the impact of reinsurer caps) improved to 89% from 92% due to the improved claims experience. All businesses continued to focus on customer and digital improvements, and retention remained strong.

In the US, Admiral underwrites motor insurance in eight states (Virginia, Maryland, Illinois, Texas, Indiana, Tennessee, Ohio, Georgia) through its Elephant Auto business. Elephant insured 208,400 vehicles at the end of 2020, slightly down year-on-year, and also saw lower turnover of £212.6 million (2019: £233.1 million). Elephant's loss for the period decreased to £4.8 million from £9.6 million in 2019.

The business shifted towards providing policies with a six, rather than twelve month term, based on customer demand, which led to lower written premium compared to the prior period. Elephant continued to focus on improving the loss ratio through enhancements in underwriting. These changes contributed to the improved loss ratio in 2020, together with favourable claims experience due to Covid-19. The combined ratio net of other revenue was 108% (118% in 2019).

In 2020, a non-cash impairment charge of £9.1 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. The impairment charge arises due to a change in the 5 year forecast resulting from a strategic decision to move to 6 month policies, which reduces the valuation due to deferring projected underwriting year profits outside the 5 year forecast period, alongside the impact of Covid-19 on the future forecast performance of the business. 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 2020 regulatory capital position.

International Car Insurance co-insurance and reinsurance

In 2020 Admiral retained 35% (Italy) and 30% (France and Spain) of the underwriting risk respectively. In the US, 50% (2019: 33%) of the risk was retained within the Group.

International Car Insurance Regulatory environment

Admiral's European insurance operations are primarily regulated by the Spanish insurance regulator, the Direccion General de Seguros (DGS).

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.

Admiral Loans

Scott Cargill
CEO, Admiral Financial Services Limited

Loans

After three years of significant and sustained progress 2020 will be remembered as a challenging year for the Admiral Loans business. In January we wrote our 100,000th customer and in Q1 we were writing record volumes and showing signs of higher margins following the launch of our new pricing capability. By mid-March our balances had grown to £515 million and we were also seeing all time low loss outcomes reflecting the continuous improvement in our pricing and risk models.

As the Covid-19 crisis emerged, we took early action on pricing and by mid-March we paused writing new business entirely. We supported over 4,000 customers with payment holidays. Despite the crisis we have seen good customer payment performance throughout 2020, with default rates similar to or better than previous periods. In line with the Admiral approach to insurance reserving, we have taken an appropriately conservative approach to our loss provision, with around £26 million being added to impairment this year of which some £15 million is for loans which remain up to date giving us a total coverage ratio of 10.4% and 5.8% on up to date loans as we enter 2021.

As with any young business the balance of focus is often on growth and new customer acquisition. 2020 has encouraged the business to accelerate investment into existing customer management, both in self-service and collection capabilities. As a result, as an end-to-end loans operation, we undoubtedly finish the year stronger than we entered.

Admiral Loans started cautiously writing new business in July and will return to balance sheet growth again in 2021 with a renewed focus on our mission to provide affordable, flexible and convenient lending solutions to UK customers. Our proposition will remain focused on real rate lending to give customers transparency and certainty in their lending decisions. I'd like to thank the Admiral Loans team for their resilience and focus in 2020, and with them, I look forward to further strengthening the business and prioritising our customers in the coming year.

4,000

We supported over 4,000 customers with payment holidays

Admiral Loans continued

Admiral Loans highlights

Net loans balance

£359.8m

(2019: £455.1m)

Total interest income

£36.8m

(2019: £30.8m)

Coverage ratio

10.4%

(2019: 5.0%)

Loans Financial Review

£m	2020	2019	2018
Total interest income	36.8	30.8	15.0
Interest expense*1	(10.1)	(9.1)	(4.3)
Net interest income	26.7	21.7	10.7
Other fee income*2	2.1	1.9	0.4
Total income	28.8	23.6	11.1
Movement in expected credit loss provision and write-off of loans	(25.8)	(14.3)	(10.2)
Expenses	(16.8)	(17.7)	(12.7)
Admiral Loans result	(13.8)	(8.4)	(11.8)

*1 Includes £2.9 million intra-group interest expense (2019: £2.8 million; 2018: £0.7 million).

*2 Includes £0.5 million intra-group income (2019: £nil; 2018: £nil).

Admiral Loans offers a range of unsecured personal loans and car finance products through comparison channels and also direct to consumers via the Admiral website.

In mid-March 2020, the decision was made to pause the writing of new loans. Management focused on the close monitoring of the existing loan portfolio performance and ensuring collection processes were robust and prepared for the likelihood of increased arrears experience resulting from increased unemployment. Admiral also extended payment deferrals and reduced payment arrangements to some customers according to their needs and in line with regulatory guidance.

From July 2020 Admiral re-started lending with cautious underwriting criteria adjusted to reflect the new economic conditions following Covid-19. Lending volumes have gradually increased throughout the second half of 2020, but remained significantly below pre-Covid-19 levels.

Gross loan balances totalled £401.8 million (2019: £479.1 million), with a £42.0 million (2019: £24.0 million) provision, generating a net loans balance of £359.8 million (2019: £455.1 million). Admiral Loans updated its expected credit loss models with a more cautious set of economic assumptions and management overlays to reflect the latest expectations of performance. This update led to an £18.0 million net additional impairment provision (2019: £13.8 million), with a higher provision to loan balance coverage ratio of 10.4% (2019: 5.0%). The total expected credit loss charge including write-offs was £25.8 million (2019: £14.3 million). For further information, refer to note 7 in the financial statements.

Admiral Loans recorded a pre-tax loss of £13.8 million in 2020 (increased from £8.4 million in 2019). The higher loss predominantly reflects the increased charge for expected credit losses, as a result of higher UK unemployment due to Covid-19.

Interest income in the period grew due to the increased size of the average loan book over the period.

Admiral Loans is currently funded through a combination of internal and external funding. The external portion funds approximately 65% of the current loans balance through the securitisation of certain loans via transfer of the rights to the cash-flows to a special purpose entity ('SPE') which remains under the control of the Group. The securitisation and subsequent issue of notes does not result in a significant transfer of risk from the Group.

Comparison review

Elena Betés Novoa
CEO, Comparison Platforms

Global

2020 will be an unforgettable year, sweet & sour, ending on a high note.

The sour part – our platforms were strongly affected by the Covid-19 pandemic around the world. We were able to react quicker than local players in some geographies leveraging on international data points and to develop contingency plans not only to reduce the impact into our results but also to help our partners, teams and society as much as we could. Nonetheless, we were impacted financially.

The effect was stronger on businesses where we are more linked to transactions such as buying a car or house, which was more relevant to LeLynx and Rastreator, and less in Confused.com that proved highly resilient linked to the ingrained switching behaviour of the UK market.

We decided to discontinue our platforms in Turkey, Tamoniki, and in India, GoSahi – we believe that expanding platforms requires difficult decisions to be made based on KPIs and market learnings at a healthy incubator stage.

The sweet part - the strong ownership and accountability from all our teams, the immediate adaptability to the new reality and even more importantly, the steps made to disrupt our way of working and our operating models has made a crisis a clear opportunity and made us stronger, as a team.

We could be extremely proud after all, we close the year delivering strong revenue growth of 11%, and a positive margin improvement of 85%.

All our platforms are moving in the right strategic and financial direction.

The strong ending was the announcement in December that Admiral Group agreed to sell the majority of its comparison platforms to RVU, the comparison division of ZPG. We look forward to growing and learning from them under a multi-country, and multi-product digital ecosystem.

I will be grateful forever to Admiral Group, for providing us with the most valuable asset, our culture, the capability to dream bigger and the support to find the optimal structure to develop and keep our purpose: Empowering the world to choose better.

Louise O'Shea
CEO, Confused.com

UK

Confused.com entered its 19th year of trading at the beginning of 2020, embarking on another year committed to saving customers' time and money. This is always our ambition, but during times of economic hardship it is more important than ever.

A relatively seamless transition to working from home and the dedication and resilience of the Confused.com team enabled us to rapidly respond to the needs of our customers as we answered more queries than ever before, helping people make better decisions and navigate the significant uncertainty. Our marketing was more effective, and the introduction of our Rewards programme gave every car and home insurance customer the choice of a free gift.

The Confused.com team grew by 17%, most of that remotely, and the health and wellbeing initiatives we already had in place took greater priority. More than any other year, we put our customers and people first, not to earn more revenue but simply because it's the right thing to do. In 2021 we don't expect the challenges and uncertainty to disappear, but our decisions will always be based on what is best for our customers and people.

Comparison review continued

Comparison highlights

Group share of Profit Before Tax*1
£31.0m
(2019: £18.0m)

Total Comparison revenue
£190.0m
(2019: £171.6m)

Confused.com profit before tax
£29.4m
(2019: £20.4m)

Fernando Summers
CEO, Rastreator

Spain

We close 2020 with mixed feelings. On one side, it was an unexpectedly uncertain and challenging year both personally and professionally; on the other, the positive reaction and energy of the team who gave more than 100% to solve these challenges, both in terms of business and serving customers, as well as contributing within the wider community.

Overall, I must say that I am extremely proud of the combination of:

- Good levels of productivity within our teams, as we adapted to home-working, and still maintained our strong culture;
- Financial results very similar to 2019 within a very complicated context, with several months of much lower traffic and economic activity.

And, last but not least, three important figures:

- Lower staff turnover than ever before, with our team more engaged than ever;
- Highest historical NPS from our customers;
- Great Place to Work Trust Index growth for staff, in a growing operational environment.

As we move into the new year, we will continue to evolve our strategy and customer proposition to be closer to our customers when and where they need us. We believe that the combination of our business-oriented and data-centric approach will drive us to an even stronger 2021.

Itzal Arbide
CEO, LeLynx

France

LeLynx celebrated its 10th anniversary in an extremely uncertain year marked by the Covid-19 pandemic. Being under a complete or partial lockdown during most of 2020, French transactions (cars, houses) were drastically reduced, and as such, insurance appetite was lower. Fewer insurance searches combined with lower conversion from insurers' impacted the LeLynx business.

Paradoxically, Covid-19 also brought opportunities both internally and from the market perspective.

Looking at LeLynx, I could not be prouder of the resilience, determination, and the creativity that the LeLynx team has shown throughout the year. Proof of this proactive approach and of efficiency in executing and improving on contingency plans, LeLynx finished 2020 at €25 million revenue (-9% vs 2019) and €1.1 million operating profit (+120% vs. 2019), proving to be a very flexible and adaptable model.

As for market opportunities, Covid-19 sped up the digitalisation of the French customer base and the awareness of insurers to become more digital, which has allowed us to reopen conversations with many of them.

Looking at 2021, LeLynx will continue its focus to better help the French market to make the right choice by enlarging our panel offer, improving the user experience thanks to our data insights and consolidating our diversification efforts – all driven by a focused, passionate team.

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

Pedro Tabernero
CEO, Preminen

Emerging Markets

What a challenging, encouraging and learning year 2020 has been for Preminen, but our aim to keep growing and empowering customers to choose better is just growing.

Starting on a bright note, our Mexican operation, Rastreator.mx, exhibited outstanding performance as the first operation in Preminen to achieve profitability in a market where, despite being slower than we would like, we continue to see positive signs of growth and we are confident in the evolution of the business. The customer proposition is well accepted and has enabled us to increase the product offering.

Some difficult decisions were also made as we decided to discontinue operations in Turkey (Tamoniki.com) during Covid-19 to focus on other geographies and also GoSahi.com in India as the loans market slowed for months during the pandemic.

2021 is expected to be the year of further growth and expansion for Rastreator.mx and to also deliver further geographic expansion with the start of trading of a new Penguin (more info to be shared in future!). Thanks to the Preminen Team for the hard work – we're looking forward to an inspiring 2021!

Allie Feakins
CEO, Compare.com

US

2020 was a year of steady strength-building for Compare.com. While continuing to grow our auto insurance panel, we upgraded the customer value proposition on our quote page to increase customer engagement and improve performance. Advances on our revenue potential helped temper headwinds to acquisition cost efficiency with some US insurance companies pushing their Covid-19 loss ratio 'savings' into higher marketing budgets and growth. In addition to good variable margin progress, our fixed costs were materially lower and our approach to technology and marketing investments was more agile.

In 2021, we expect the step-change growth in digital advertising in the US insurance market to sustain and to accelerate insurer investments in technology to deliver more seamless online customer buying experiences where our comparison model thrives. As insurer digital capabilities steadily improve, our network of partners and panel members is likely to strengthen and help our customers to more efficiently realise the savings available from real-time auto insurance price comparison. Thanks to the Compare.com team for the hard work on behalf of our customers – we're looking forward to an even better 2021!

Comparison review continued

Comparison review highlights

Comparison financial review

£m	2020	2019	2018
Revenue			
Car insurance comparison	123.8	119.4	110.1
Other	66.2	52.2	40.9
Total revenue	190.0	171.6	151.0
Expenses	(159.8)	(156.9)	(144.4)
Profit before tax	30.2	14.7	6.6
Confused.com profit	29.4	20.4	14.3
International comparison result	0.8	(5.7)	(7.7)
	30.2	14.7	6.6
Group's share of profit before tax*1			
Confused.com profit	29.4	20.4	14.3
International comparison result	1.6	(2.4)	(5.5)
	31.0	18.0	8.8

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

The comparison result includes Admiral's 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, includes operations in Mexico (Rastreator.mx).

Admiral Group owns 75% of Rastreator, 58% of Compare.com and 50% of Preminen.

Combined revenue grew by 11% to £190.0 million (2019: £171.6 million) and the businesses made a combined profit (excluding minority interests' shares) of £31.0 million (2019: £18.0 million).

The key features of the Comparison result are:

- In the UK, Confused.com saw market share increases in motor and home insurance comparison leading to significantly increased profit of £29.4 million (2019: £20.4 million).
- The continental European comparison businesses reported an increased profit of £3.6 million (2019: £3.5 million).
- Compare.com in the US reduced its pre-tax loss to £1.3 million (2019: £4.3 million).
- Net expenses for the Preminen operations and Penguin Portals totalled £0.7 million (Admiral Group share), reflecting investment in new businesses and good progress in Rastreator Mexico, which delivered a small profit.

The UK comparison market remains very competitive, however Confused.com continued to perform strongly and increased market share across motor and home insurance in 2020. The business saw a fall in demand for its services in the initial period of lockdown restrictions in the first half of the year, though volumes recovered significantly and remained strong for the remainder of the year.

The business continued to improve the customer and product proposition as well as marketing efficiencies. As a result, turnover increased by 18% to £133.5 million (2019: £112.7 million).

The combined revenue from the continental European operations decreased by 3% to £48.5 million (2019: £50.1 million), reflecting the impact of Covid-19 in the early part of the year, particularly in LeLynx. These businesses continued to focus on improvements in customer experience through the digital customer journey.

Performance for both businesses was adversely impacted by Covid-19, with marketing and other variable costs being reduced in line with the fall in revenue, but fixed costs remaining stable. Similar to Confused.com, Rastreator and LeLynx saw a significant impact on volumes in early lockdown with improvements later in the year. Both businesses focused on improvements in customer experience, with Rastreator reaching a record NPS score.

Preminen, the Group's comparison venture with Mapfre, continues to explore comparison in new markets overseas. Rastreator.mx in Mexico has shown continued promise with a small profit in 2020, whilst Tamoniki.com in Turkey was sold in 2020, and loan comparison portal, GoSahi.com in India, has ceased operations following difficult trading conditions due to economic uncertainty as a result of the Covid-19 pandemic.

Compare.com reduced its pre-tax loss to £1.3 million (2019: £4.3 million) as a result of reduced marketing spend and lower fixed costs. A non-cash impairment of £1.4 million was recognised in 2020 by the Group's parent company, Admiral Group plc, in respect of its investment in Compare.com. This impairment is in line with the reduction in Compare.com's net assets since the 2019 year-end. 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 2020 regulatory capital position.

Sale of Comparison businesses

Admiral announced in December 2020 that it had reached an agreement with ZPG Comparison Services Holdings UK Limited ('RVU') that RVU will purchase Penguin Portals Group ('Penguin Portals', comprising online comparison portals Confused.com, Rastreator.com and LeLynx.fr and its 50% share of Preminen Price Comparison Holdings Limited ('Preminen') and the Group's technology operation, Admiral Technologies).

Completion of the transaction is subject to customary regulatory and competition authority approvals and is expected to close in the first half of 2021. Further information on the discontinued operations can be found in note 13 to the financial statements.

Compare.com, the Group's US comparison operation will be retained by Admiral.

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 locally licensed in Spain and France. Further information on the impact of Brexit on our European operations can be found on page 126.

Other Group items

Other Group items financial review

£m	2020	2019*1	2018*1
Share scheme charges	(53.8)	(52.7)	(49.0)
Other interest and investment return	4.9	6.0	2.9
Business development costs	(1.8)	(2.1)	(4.3)
Other central overheads	(22.9)	(20.0)	(10.5)
Finance charges	(12.1)	(11.2)	(11.3)
Other Group items	(85.7)	(80.0)	(72.2)

*1 Re-presented to reflect Admiral Loans being presented separately.

Share scheme charges relate to the Group's two employee share schemes (refer to note 9 to the financial statements). Charges increased by £1.1 million in 2020, to £53.8 million reflecting the higher share price during 2020.

Other interest and investment income decreased to £4.9 million in 2020 (2019: £6.0 million). The higher number in 2019 was driven by increased investment return due to the increased cash holding in the parent company in that year.

Business development costs include costs associated with potential new ventures. During the year Admiral established Admiral Pioneer, a team focusing on new product diversification opportunities in the UK, which incurred development costs of £0.8 million.

Other central overheads of £22.9 million include the £6 million Covid-19 relief fund as announced by the Group in the year, costs of circa £4 million in relation to the sale of the comparison businesses and continued spend on a number of significant group projects including IMAP and IFRS 17.

Finance charges of £12.1 million (2019: £11.2 million) primarily represent interest on the £200 million subordinated notes issued in July 2014, as well as a small charge on the additional Group facilities in place (refer to note 6 to the financial statements).

Sustainability and responsibility

Our approach to sustainability acts as a framework and reference point through which our global businesses implement appropriate and responsible practices. We believe this framework forms a key part of the Group's long-term commercial success, and we are committed to building a sustainable business for the future that considers all stakeholders.

Focusing on our Customers

Customers at the heart of what we do

Returned £110 million to customers in a premium rebate

Valuing our People

People who like what they do, do it better

Ranked 14th in the World's Best Workplace 2020 rankings

Supporting our Communities

Supporting a culture of giving back

Dedicated £6 million to the Admiral Covid-19 Support Fund

Caring for our Environment

Proactively working to reduce our impact

Joined the Institutional Investors Group on Climate Change (IIGCC)

Engaging our Shareholders

Engaging with shareholders and providing good shareholder returns

Strong overall results and sustainable dividend returns

Working with our Partners

Building and maintaining strong relationships

Provided financial support to our UK Garage Repairers

Building a sustainable business which drives positive impact for our stakeholders is at the core of who we are, and what we do.”

Milena Mondini de Focatiis
Group Chief Executive Officer
3 March 2021

Sustainability Governance

Building a sustainable business which drives positive impacts for our stakeholders is at the core of who we are, and what we do. Our Group CEO, Milena Mondini, is the appointed Sustainability Representative on the Group Board.

A sustainability working group was established in 2020 to provide additional governance support around matters related to ESG. The Working Group consists primarily of members of departments from Investment, Risk, Facilities, and Investor Relations but also actively engages with other departments across the business.

The sustainability working group reports directly to Milena and provides regular updates to the Group Board. In addition, various Group functions also provide regular updates on Sustainability related topics to the Group Board to ensure adequate levels of oversight into current and future initiatives are in place.

Sustainable Development Goals

The 17 Sustainable Development Goals (SDGs), adopted in 2015, are part of the United Nations 2030 Agenda for Sustainable Development. The private sector is expected to contribute towards these goals, which cover global issues such as poverty, inequality, and climate change. The group completed an initial exercise in 2020 to understand how we broadly contribute to the SDG's, and have listed a subset where we believe we have the most impact below. We aim to conduct more detailed analysis to understand how our activities and targets support these goals in 2021.

Sustainable Development Goals	Priority Targets	Our Ongoing Contributions
5 GENDER EQUALITY	(5.5) Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision making in political, economic, and public life.	• Signed PWC's #TechSheCan Charter. • Target in place to increase women in executive roles to 40% by 2023. • Signatory of the Women in Finance Charter.
8 DECENT WORK AND ECONOMIC GROWTH	(8.6) Substantially reduce the proportion of youth not in employment, education, or training.	• Support Cyber College Cymru which aims to create pathways into digital careers. • Employee volunteering with One Million Mentors. • Partnership with the Prince's Trust to deliver skills training.
10 REDUCED INEQUALITIES	(10.2) Empower and promote the social, economic, and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status.	• Our Diversity & Inclusion Forum consists of six working groups. • Partnered with Stonewall Cymru and the Social Mobility Foundation. • Signed up to the Social Mobility Pledge. • Launched unconscious bias training for recruitment staff in 2020.
11 SUSTAINABLE CITIES AND COMMUNITIES	(11.2) Provide access to safe, affordable, accessible and sustainable transport systems for all.	• Provide insurance cover to both fully electric and hybrid vehicles. • Employee commuting schemes (Bike to Work, Season Ticket Loans).
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	(12.6) Encourage companies, especially large and transnational companies, to adopt sustainable practices and integrate sustainability information into their reporting cycle.	• Engaged with multiple ESG indices. • Implemented feedback from ESG indices to improve reporting. • Received external verification of carbon emissions data. • Enhanced ESG disclosure in Sustainability and Annual Report.

Our customers

As a customer centric organisation, we strive to ensure that every customer receives the best possible service whenever and however they contact us. We work hard to ensure that customers can access the most suitable products for their needs.

Net Promoter Score (2019: 75)*2

76

Would buy again (2019: 98%)*2

98%

Engaging with our customers

Customers are at the heart of our business operations, and everything that we do. We are committed to providing them with good value financial products, and excellent and convenient service, as this, as well as fair and reasonable treatment, is what we perceive to be the key material issues for our customers.

How we engage

We engage with our customers through various methods of communication, covering different points of the customer lifecycle. These include:

- 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
- Online customer portals
- Social media

Our engagement methods will inevitably evolve as further steps are taken to enhance the Group's digital capabilities to position itself well for the long term, in an increasingly digital world.

Board oversight of engagement

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 decision-making, such as plans related to digital investment and future diversification.

The Board also receives annual feedback on the Conduct Risk framework through the Group Risk Committee.

The effectiveness of the engagement mechanisms is assessed through the monitoring of various customer KPIs and KRIs, such as Net Promotor Score (NPS) and complaints data.

Vulnerable customers

In 2020, more customers required additional support due to the impact of the Covid-19 pandemic.

Our existing vulnerable customer approach was enhanced, as we introduced a specialist team to support customers with affordability concerns and provided refresher training for customer support staff on how to identify and support vulnerable customers.

We continue to sit on the Association of British Insurers Vulnerable Customers Working Group, to ensure we can contribute towards shaping the way that vulnerable customers are supported across the insurance sector. Admiral is committed to further strengthening our vulnerable customer services in anticipation of the finalised regulatory guidance on the fair treatment of vulnerable customers.

Customers are at the heart of what we do.”

Examples of actions taken

Admiral approached the pandemic as an opportunity to continue to serve our customers in the best way possible. During the first national lockdown in 2020, we considered what we could do to help our UK customers at a time of economic uncertainty brought about by the pandemic.

- Waive motoring excess fees for NHS or emergency service workers and support NHS volunteers by guaranteeing cover for customers using their vehicle to transport people, deliver medical supplies and equipment, or items to people who were self-isolating.
- Support NHS and emergency service workers by giving them a free courtesy vehicle if their vehicle was stolen, undriveable after an accident, or declared a total loss, to keep them on the road during the lockdown.
- Support customers who were in financial hardship as a result of the pandemic, by being flexible with customers struggling with monthly payments for insurance and personal loans. The cancellation windows and fee free periods were also extended.
- The UK Business management thought it was the appropriate response to give back to customers when customers were driving less and experiencing challenging economic conditions. Together with management, the Board discussed the best approach and concluded that it was appropriate to offer UK motor customers a premium refund of £25 per policy (‘Stay at Home Refund’).

How we monitor the impact of our actions

- We track and monitor our NPS scores
- 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
- Social media

Digital renewal transactions grew to a third of renewals in 2020[*1]

MyAccount log ins grew by over

40%

Customers happy with their service (2019: 97%)[*2]

95%

Customer Service SMS feedback (2019: 9.15)[*3]

9.28

Conduct risk

Fair treatment of customers is one of Admiral’s core values and is supported by our Conduct Risk Framework.

Conduct Risk appetite and standards have been set by the Board, and our Conduct Risk reporting (CRMI) is aligned to these. A Customer and Conduct Committee oversees the delivery of fair customer outcomes, and is supported by a Conduct Risk Working Group, which assists the Committee to discharge its Conduct Risk oversight responsibilities. In the last 12 months we have focused on ensuring the suppliers and third parties we work with are aligned to our Conduct Risk approach. In accordance with the regulator’s focus, we have also reviewed how Admiral’s culture drives fair outcomes for customers and have taken a fresh look at the role that Purpose, Leadership, Reward, Governance, Psychological safety, and Diversity & Inclusion play in this.

Notes

*1 From 10% in 2019.

*2 Based on our UK Reevoo results, 7598 responses received.

*3 Based on SMS feedback where customers rate the level of service they received and the handler they interacted with on a scale of one to ten; the score shown is the average of these metrics.

Our customers continued

Without our customers we would not have a business – therefore, we place huge importance on ensuring that each of our customers receives the best possible service.

2020 has reiterated the critical need for companies to maintain high levels of customer service and this continues to be one of Admiral's core focus areas.

Giving our customers kudos

Kudos is a customer experience measurement programme used across all our customer facing contact centres.

The programme focuses on three key customer impact areas: average speed of answer, customer SMS feedback and external call monitoring by senior management. The Customer Matters initiative, a cross departmental project launched in May 2019 that involves over 3,500 employees and focuses on improving customer interactions across our customer-facing departments, will be formally merged into the Kudos programme from 2021 onwards.

The above and beyond campaign

The Above and Beyond initiative highlights how we strive to put smiles on the faces of our customers during their interactions with us.

This New Business initiative encourages handlers to nominate customers who they feel are deserving of a special surprise. Across 2020 we sent 204 surprises to our customers, up from 170 during 2019. Nominations often relate to celebratory occasions such as Birthdays and Weddings, or sometimes handlers wish to surprise customers with treats for their much-loved pets. This year, New Business ran a key worker special, inviting handlers to nominate customers who are also frontline heroes, so we could thank them and show our appreciation for all their hard work by sending a special surprise.

Many departments across Admiral work together to ensure that the needs of our customers are continually met. We have long-standing customer initiatives and processes which seek to measure how our customers feel about our services, reward staff who perform above expectations and make our customers smile.

As a testament to our services, Admiral UK was named the 2020 Direct to Consumer Business of the Year in The Insurance Times Awards.

Improving the online experience

Providing excellent and ever-improving customer service continues to be one of our fundamental goals.

Therefore, obtaining customer feedback is vitally important, as this feedback allows us to understand what we are doing well and identify the priority areas for improvement. Once we have received customer feedback, we then seek to improve our level of customer service by acting on this feedback and implementing any necessary changes. For example, Admiral Loans launched a self-service portal to allow customers to manage their loans online in 2020. This portal enables customers to check their loan balance and their next payment date and amount. Introducing a self-service portal was a priority for the Loans team, as customer demand for such a tool was highlighted by feedback from Reevoo, social media and customer facing agents. Since its inception, over 37% of our customers have signed up to the loans self-service portal. We will continue to seek valuable customer feedback and act upon this feedback to improve our customer offering.

Cristina's commentaries

Our UK CEO Cristina shares a monthly commentary that covers all things customer related.

This commentary usually includes examples of great customer service and outlines the process changes across departments that have helped improve the customer experience. Cristina also awards the title of Customer Champion to one of our customer-facing agents who received the highest available score in SMS feedback. In July, Cristina was so impressed with the service being provided to our customers that she selected three Customer Champions instead of one, including Tanya from Customer Care. Whilst speaking to an elderly customer looking to reduce their payments, Tanya learned that the customer had no family in the UK to help with shopping and no internet access, meaning they had to visit the supermarket to purchase essential items themselves. Tanya went above and beyond, calling supermarkets at lunch and after work to organise a regular delivery order and arranging for a gift card to be sent to the customer.

Our customers continued

Covid-19 and our customers

We value our customers above all else and in 2020 the impact of Covid-19 made supporting our customers even more important. Admiral's response to the pandemic focused on ensuring we do everything possible to support our customers.

Supporting our travel customers

As global travel was severely disrupted by Covid-19, we focused on supporting our customers through this very stressful and difficult period.

We paid out on claims for trip cancellation when the Foreign & Commonwealth Office advised against travel, even though this is excluded in our terms. We extended our travel insurance free of charge to those stuck abroad due to delays in transport or illness, and we allowed customers to cancel policies outside of the usual cooling off period without charging any fees, meaning customers only paid for their time on cover. We also offered a 15-month renewal term, with three months at no charge, and allowed customers to cancel within three months and receive a full refund if they had not travelled or claimed.

Supporting key workers

In the UK, all NHS and emergency services workers were provided with a replacement vehicle, if they could not drive theirs, and an excess refund if they were involved in an incident during the first UK-wide lockdown.

2,843 customers had their excess waived; 6,300 customers had their glass excess refunded; 807 customers were provided hire – in total, 9,143 customers received help from our key worker initiative. In November, we relaunched our key worker initiative and to support NHS volunteers, we guaranteed cover for customers using their vehicle to deliver medical supplies, equipment or items to people who are self-isolating. Veygo, our short-term car insurance provider, offered a 75% discount to all NHS staff, which saved nearly 500 NHS staff members over £50,000 in temporary car insurance costs. In France, from mid-March to the start of July, L'olivier allowed customers working in healthcare to use the 'assistance pack' option free of charge, which allowed customers to be assisted from their home in case of breakdown, theft or accident, and offered customers the option of a loan vehicle.

"We value our customers above all else and in 2020 the impact of Covid-19 made supporting our customers even more important"

Our people

We believe that a happy workplace inspires employees to give that little bit extra. Being a great place to work allows for happier, more productive employees and ultimately better outcomes for our customers and other stakeholders.

96%

of our staff believe that Admiral is a friendly place to work*[1]

100%

of UK based employees employed for more than one year own shares in the Group*[2]

91%

of staff believe that management is approachable and easy to talk with*[3]

Engaging with our people

We want employee insights to continue to play a part in facilitating the Admiral Group Board discussions and decision-making processes.

Our priorities are to ensure 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. We perceive that key material issues for our people generally relate to having a friendly and productive workplace where staff are engaged, and where their views are heard and considered. During the Covid-19 pandemic, flexible working, including having appropriate equipment for work purposes, and health and wellbeing have been key priorities for employees around the Group.

How we engage

Staff are encouraged to engage across multiple channels including website chats and face-to-face, where possible. We also engage via:

- 1:1 meetings with managers
- Employee Consultation Group (ECG) meetings
- Staff surveys
- Feedback schemes such as 'Ask Milena' and 'Speak Up'
- An open-door policy and open plan offices (although the majority of 2020 has been spent working from home for our staff)
- Participation in the Great Place to Work survey
- Exit interviews
- Grievances
- Whistleblowing channels

Board oversight of engagement

The Board receives updates relating to diversity and inclusion, maintenance of the corporate culture and values, particularly in light of the need for staff to work remotely during 2020, and the Employee Consultation Group meetings in the UK and overseas businesses.

The Group CEO and CFO host our Staff General Meeting (which allows for questions to be raised to the Board), and also host numerous forums with staff members. These have been able to proceed virtually during 2020.

Non-Executive Directors attend ECG meetings on a rotational basis and feed their comments into the Board. The Board Chair and other Non-Executive Directors have also made virtual visits to different business departments and overseas locations.

Admiral stay-at-home marathon

The Admiral Stay at Home Half Marathon is a charity driven initiative which asked participants and their families to complete 13.1 miles over May Bank Holiday weekend.

In support of UK key workers, over 330 staff members, senior managers, Board members and their families all signed up for the challenge. By the end of the weekend, whether through walking, running, cycling or even rowing, participants had travelled 4,507km and taken over 45 million steps. Over £16,000 was raised, and subsequently matched by Admiral, taking the total amount raised to £32,000. These funds were used to support The UK Intensive Care Society, a critical cause in the fight against Covid-19.

In 2020, a year after the ECG was set up, a review was performed to assess how effective the ECG meetings had been and to establish if there were any areas for improvement. (See page 68 for further information on the 2020 ECG Effectiveness Review.)

We also use pulse surveys to determine whether our actions and engagement with staff remain effective. The latest UK results in 2020 showed that:

- 74% scored themselves as a four or five*4 when asked 'how are you feeling?' (1221 people)
- 96% of the total number working from home are enjoying it (1374 out of 1429 people)
- 86% scored communication as a four or five (1406 people)
- 90% feel well-supported by their manager (1477 people)

Examples of actions taken

During the year, the Board had oversight of the return to work/office considerations as a result of the ending of the first lockdown. The decision to restrict staff working in our offices to a minimum was based on a balance of staff health and safety and mental health wellbeing.

Throughout 2020, we responded to the crisis by ensuring that staff continue to have a safe, supported and sustainable working environment. Additional safety measures have been put in place in Admiral offices, Display Screen Equipment (DSE) assessments have been prioritised and home working office furniture has been provided. We have hosted 27 live meditation classes in lockdown which can be accessed by all staff. We have also provided neurodiversity support, Wellbeing in the Workplace risk assessments, a 'Speak to Somebody' button on our intranet and in-the-moment counselling.

The longer-term consequence of staff working from home has led to the initiation of a Smart Working project. 2020 has proven we can operate differently, and our people have asked for more flexibility. We will support our people's freedom of choice and deliver business benefits through Smart Working.

The Smart Working Project aims to promote flexibility both in terms of time and location, the measurement of performance based on output and to transform how we work to support independent creativity and collaboration.

How we monitor the impact of our actions

- #3 Best Big Company to Work for UK in 2020
- #4: Best Super Large Workplace in the UK, Great Places to Work
- #5: 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
- Results relating to the Annual Culture Matrix Report (a review of culture related metrics and tolerances)

People statistics

In 2020, our staff completed over 250,000 online courses, and 39 employees gained leadership and management qualifications through ILM and the Admiral Academy.

Attrition has dropped by c.5% compared to 2019.

Sickness has reduced overall by 0.7% compared to 2019.

We have seen a c.30% drop in Leavers in the last 12 months.

From a recruitment perspective, we have seen an increase of 70% in applications per vacancy in Business Support and 85% in the Contact Centre since the onset of the Covid-19 pandemic.

96%

of staff are enjoying working from home*5

52.5%

Female staff across the Group*6

40%

of senior management staff are female

Notes

*1 Based on Group-wide results for the 2021 Great Place to Work Survey, data surveyed in 2020.

*2 For more infomation on employee share schemes refer to the Remuneration Report.

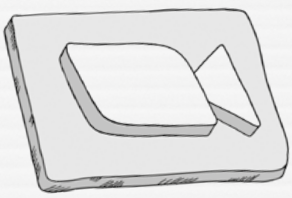
*3 Based on Group-wide results for the 2021 Great Place to Work Survey, data surveyed in 2020.

*4 On a scale of 1 to 5, 1 being 'poor' and 5 being 'great'.

*5 Based on 1429 responses in our October UK Pulse Staff Survey.

*6 0.2% identify as non binary.

Recruitment and training



Our internal recruitment teams play a key part in ensuring the continued successful growth of the business.

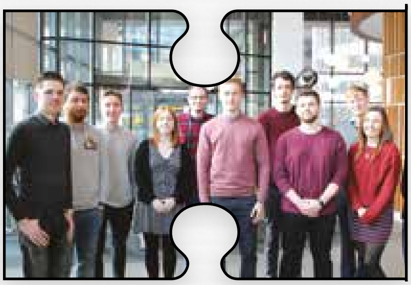
Faced with a complete shift to remote working in 2020, they quickly adapted, holding almost 3500 virtual interviews and remotely onboarding over 600 new starters between March and the end of 2020. This year, three internal training schemes were also launched in our UK offices, a Talent Agility Programme, Digital Scheme and IT Training Scheme. These schemes focus on recruiting from our customer facing staff and transferring their knowledge to help develop our support functions. We firmly believe that strong product knowledge from customer interactions provides a strong base by which candidates can be successful in a variety of roles across the business. Positions on all three schemes were recruited 100% remotely and are conducted fully remotely as well.

Our people continued

That little extra

Acknowledging the difficult circumstances this year has had on many of our staff, several initiatives were put in place by our senior management to support and reward their performance. UK-based staff across our insurance operations received an additional five days holiday as a thank-you for all their hard work and to encourage them to take well-deserved time off. Alongside this, outgoing Group CEO David Stevens announced in the 2020 SGM that, as way of saying thank you, he and his wife Heather would make a personal gift of £1000 to all full-time employees and £500 to all other employees.

Graduate Scheme



In 2020 we were named as a top graduate employer in the Sunday Times Top 100 UK Graduate Employers list. This is the second year running we have made the list, ranking 79th this year (up from 96th in 2019). Our graduate programmes have been running since 2006 and cater to a wide range of students through both a general scheme and a data/analytics programme. These include a five week induction, followed by three to four rotations across the business, offering candidates a complete perspective of our operations before they settle into their full-time roles.

Speak to somebody

Whilst our staff intranet resource, Atlas, has played a key role this year in ensuring our staff stayed connected and updated on all latest Group updates, it has also played an important role in supporting mental health. Through Atlas, initiatives have been available to staff including one-to-one counselling, our Ecare programmes, online mental health training and meditation sessions. Acknowledging the shift to homeworking, support initiatives were also extended to staff's immediate families. As the impact of the Covid-19 pandemic flows into 2021, we are committed to ensuring our people continue to feel supported in these difficult circumstances.

Black history Month

Over the month of October, Admiral celebrated Black History Month. This initiative encourages our people to reflect on the diverse histories of those from African and Caribbean descent, and take note of the achievements and contributions to the social, political, economic and cultural development of the UK. To mark the occasion our BAME working group sponsored Black History Month Wales and the National Youth Awards that seek to recognise our young people of African and Caribbean heritage in Wales. Staff were invited to share their own stories or those of their family members or friends linked to black history, with our favourites shared throughout the month.

Covid-19 and our people

In response to the Covid-19 pandemic, supporting our people was a priority. We put the health of our people at the forefront of this response, by facilitating homeworking and supporting their physical and mental wellbeing. We also took steps to ensure that the unique Admiral culture remained as strong and integral as it always has been.

Online staff SGM

This year marked the 23rd annual Staff General Meeting (SGM) and the first time the SGM was held completely online.

Whilst the Covid-19 pandemic meant the need for a new virtual format, it did not stop our senior management from keeping with tradition as they updated the Group on how the business is performing, discussed future ambitions, and poked some light-hearted fun at themselves. This year's SGM held special importance as it marked the last SGM of Group CEO David Stevens and despite Covid-19, the SGM continues to be a key channel through which senior management communicate with staff. It offers a chance to talk about the business, reflect on all the progress made and thank staff for all their hard work.

Employee Consultation Group

Launched in January 2019, the Employee Consultation Group is a communication platform designed to promote two-way communication between the Admiral Group Board and all UK-based employees.

Each meeting is attended by elected staff representatives, at least one Non-Executive Director, and invitations are regularly extended to our coffee morning managers (senior business managers). Whilst the Covid-19 pandemic forced us to move meetings online, in 2020, six meetings were held where outcomes included:

- Updated benefits: Following an ECG query, the benefits team surveyed staff to understand their awareness of existing benefits, the utility of such benefits and the areas needing change as a result of the shift to homeworking. Subsequent communication and benefits improvements were made as a result of the feedback received.
- Holiday allowance: Admiral allowed higher flexibility in its holiday allowance policies in response to staff feedback regarding the rules in place.
- Winter Support Fund: Support was put in place to provide staff with additional support to help with the cost of heating and electricity whilst homeworking.

Our people continued

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 established an Employee Consultation Group (ECG) in 2019 with the aim of enhancing and formalising its pre-existing employee engagement arrangements.

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 six ECG meetings during 2020 with a range of topics discussed, including pay, benefits, IT and workplace services, particularly in respect of remote working. The Strategic Report outlines further information on how the workforce influenced the Board's decision-making. Non-Executive Directors are invited to attend ECG meetings on a rotational basis and report back to the Board on matters discussed, as well as actions agreed at the meeting. Taking this approach ensures that each of the Non-Executive Directors has the opportunity to engage with the workforce directly and to hear first-hand the issues and matters that are affecting the workforce.

In addition, the Chair of the ECG regularly attends Board meetings to report on matters discussed at recent ECG meetings and any areas of concern. Through this interaction, the Board has been able to have regard to the views of employees when making decisions involving working arrangements as a result of the Covid-19 pandemic and the policy on executive remuneration.

At the end of 2020, the ECG carried out a review to assess the effectiveness of its meetings as a meaningful workforce engagement mechanism. The assessment included a review of the ECG's terms of reference, its performance and effectiveness, and the representative electoral process, with the outcome reported by the Chair of the ECG to the Board in December. The review recognised that there were a number of actions which could be taken to further enhance the effectiveness of the ECG as an engagement mechanism, which were endorsed by the Board and included:

- Opportunities to improve transparency in respect of the topics raised by the workforce that do not make it onto meeting agendas but are resolved by other means, and in respect of the sharing of the output of ECG meetings across all UK subsidiary boards and any other relevant forums.
- With regard to the role of ECG members, a review of the appropriateness of the allocation of representatives across the different business areas, to determine if a more equal distribution of representatives across the business could be achieved and determine the support available to those representatives of larger departments.
- Providing the ECG Chair with the power to recommend to the Board the extension of the tenure of ECG members by one year in extraordinary circumstances, such as the Covid-19 pandemic, to ensure continuity.
- Formalising the ECG agenda to allocate time for an attending Non-Executive Director to provide feedback to the ECG meeting and take questions from ECG members to aid the two-way engagement mechanism. The opportunity was also taken at the Board meeting in December to remind the Board and Senior Managers that the ECG can be used as a consulting forum, where this would add value, noting that this opportunity had been used by the Chair of the Group Remuneration Committee in respect of the Directors' Remuneration Policy and in hearing direct feedback of employee sentiment during the Covid-19 pandemic.
- Opportunities to improve the co-ordination and scheduling of topics provided to the ECG for discussion in advance of the Board meetings, which would improve the timing and specificity of the workforce views captured within the Board reporting template.

The Board has determined that, whilst recognising that there is room for further improvement, the operation of the ECG has been and continues to be an effective means of engaging with the workforce, to help the Board understand the matters that concern the workforce and their specific interests, whilst having regard to these in the decisions that are made at Board level. The Board will ensure that the ECG continues to develop and embed as an effective, formal workforce advisory panel and that regular interaction with the Board is maintained.

Further work has been undertaken during the year to ensure that existing work forums for employees of the Group's overseas businesses are aligned with the operation of the ECG. A formal ECG has been established for the overseas businesses and the Board received its first report on this engagement mechanism at the end of the year. The Board will continue to monitor its progress through the regular updates it is scheduled to receive during 2021.

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. Some of these tools include the staff portal (Atlas), internal newsletters, the use of videos, which has increased during the Covid-19 pandemic, team briefings, suggestion schemes, staff forums, updates on the staff share scheme and the annual Staff General Meeting (SGM) which was delivered virtually during 2020.

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 a question, they can email her directly through our 'Ask Milena' intranet initiative. Our senior managers and Directors also participate in regular online and video 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 pages 64 and 65.

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 2020, 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 sustainable 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 82.

The customer remains central to the Group's culture and the Board considered customer outcomes and the fair treatment of its customers as part of its decision to offer a 'Stay at Home' refund of £25 in respect of each validly held UK motor insurance policy as at 20 April 2020.

Further information on how the Board considered the interests of its customers in reaching this decision is outlined on page 83.

In addition, the Board also considered an update on Group Procurement during the year which included a recap of the Group Procurement Framework governing the management of suppliers, modern slavery due diligence, procurement activities in 2020, and those planned for 2021.

The relationship with the Group's reinsurance and co-insurance partners is integral to the long term strategy decisions made by the Board, particularly with regards to the discussion and approval of the Group's five year business plan and the established reinsurance and coinsurance 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 5th place in the Great Place to Work for Women in 2020. Our Diversity Forum promotes gender equality in the workplace and has been instrumental in driving improvements in the Group's activity to promote diversity and inclusion.

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	7	5
Other senior managers	7	7
All employees	5,633	5,812

Notes

*1 Company Directors consists of the Board of Directors, as detailed on pages 96 to 99.

*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 pages 128 to 131.

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 and is now aspiring to achieve the Disability Leader Award. There is also a Workplace Support Team to provide support for those with physical disabilities, neurodiversity and short-term mental health problems. Training sessions to help better staff understand those with neurodiversity are also available.

Our partners

In terms of partnerships, 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.

Engaging with our partners

Admiral views key material issues for our external partners as generally relating 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.

How we engage

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. We also have a supplier working group.

Board oversight of engagement

The Board receives 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 and procurement
- regulatory, technological and consumer trends
- Modern Slavery considerations

The Board takes all updates into account when considering the long-term consequences of its strategies and business plan.

The CFO provides updates on the activities related to the renewal of the Group's reinsurance and quota share contracts, including maintaining the ongoing strategic relationship with Munich Re.

How we monitor the impact of our actions

- Successful renewal of risk sharing agreements and contracts
- Engagement with co-insurance and reinsurance partners
- Feedback from strategic suppliers and partners
- Compliance and audit activities
- We track efficiency savings in procurement activities

70%

ConTe brand awareness grew by 70% in 2020, and we became official partners of The Italian National Football Team.

88%

of our strategic and key suppliers have a fully embedded diversity and equality policy in place.*1

80%

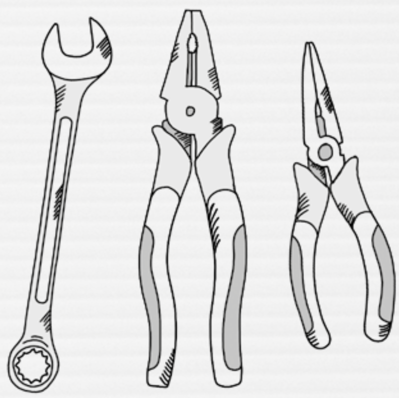
of our strategic and key suppliers have an environmental policy in place.*1

*1 Percentage based on strategic and key suppliers of EUI, AFSL and Admiral Pioneer.

Supporting our suppliers over the lockdown

Throughout the summer lockdown period Admiral ran a series of surveys with our claims supply chain to understand how they were prepared for the lockdown and how we could help them if needed.

In response to this, we provided over £500,000 in additional cleaning and financial support fees to UK garage repairers. This included providing financial support for courtesy car costs where the repairer was unable to supply a vehicle, and a financial contribution for customers who were unable to return their courtesy car after their vehicle was repaired. We also ensured that payment to suppliers were completed and expedited as fast as possible by utilising automation, increasing the volume of auto authorised repairs by 10% in Q2 (versus Q1).



Our shareholders

Investor engagement fosters understanding of Admiral's strategy.

Engaging with our shareholders

We consider the key material issues for our shareholders generally relate to financial returns, two-way engagement and communication, viability of long-term success, and products and services that are fit for purpose and provide solid financial returns.

The Board also recognises the growing importance of ESG factors in investment decision making.

How we engage

The Group engages regularly with shareholders through frequent and open dialogue and our Investor Relations calendar consists of various activities.

- Results announcements and presentations
- Annual Report
- Roadshows (in person where possible, and remotely)
- Conferences
- Analyst and Investor phone calls
- 1:1 meetings
- Group meetings
- On-site investor visits (where possible)
- Annual General Meeting
- Staff General Meetings
- Corporate Governance shareholder meetings (with Chair and Senior Independent Director)

Board oversight of engagement

The Board receives regular updates on the activities of the investor relations team, as well as on meetings held between Board members and/or management and investors.

The Board also receives investor feedback and uses it to shape its approach to Corporate Governance, ensuring that any issues or concerns raised are considered and addressed.

Examples of actions taken

In April 2020, the Board considered whether to amend or withdraw the 2019 final dividend resolution given the economic uncertainty brought about as a consequence of the pandemic. As part of the decision to defer the special element of the 2019 final dividend resolution, the Board considered the impact on various stakeholders including its shareholders, customers, staff and regulators.

The financial analysis considered by the Board demonstrated that the Group was able to pay the previously announced normal and special dividend whilst remaining strongly capitalised, with high levels of liquidity, to be able to withstand a range of severe stresses.

The Board considered how the deferral of the special dividend could impact staff, from a retention and morale perspective, as it would result in the staff dividend bonus being reduced. The Board also considered how the decision to defer the special element could be misinterpreted as a deferral due to capital considerations.

However, given the regulatory preference for prudence, the current crisis and the reputational risk of paying a full dividend when customers, staff and the community were being adversely impacted by the crisis, the Board made the decision to pay the normal dividend in early June 2020 but defer the 2019 special dividend for further consideration at the 2020 half year. The Board requested that the associated communications were sufficiently clear to mitigate the risk of misinterpretation.

Shareholders received the deferred 2019 special dividend with the interim 2020 dividend on 1 October 2020.

How we monitor the impact of our actions

- Broker feedback
- Analyst feedback
- Shareholder feedback
- Investor Relations reports
- Feedback from proxy firms
- AGM voting results

179.5p EPS

(2019: 148.3p)

Management attended 13 virtual conferences in 2020

Our shareholder base continues to be led by low turnover value, index and growth investors.

Dividend Prudence

In light of the regulatory guidance to insurers urging restraint on the payments of dividends due to the uncertainty of the Covid-19 economic environment, the Admiral Group Board announced the decision to defer the payment of the special dividend for the year ended 31 December 2019.

After careful consideration, the Board decided to pay the normal dividend of 56.3 per share, but to suspend the payment of the special dividend of 20.7 per share.

The Group confirmed significant liquidity and a strong solvency position, well above its target level and regulatory thresholds. Robust stress tests against the Company's financial position supported the payment of the previously announced final dividend in full under normal circumstances. However, the Board was mindful of the call for heightened prudence from its regulators and concluded that suspending the payment of the special dividend was appropriate at the time.

The Board announced it would review the position in relation to the special dividend alongside the Company's half year results, indicating the intention to pay the suspended dividend later in the year unless there was a significant deterioration in the Company's financial position, trading or outlook.

In August 2020, at the Interim Results, Admiral announced the deferred special dividend would be paid together with a strong interim results dividend, with the explanation that there was a *"reduced level of uncertainty in the economic environment compared to earlier in the year"*.

Admiral took a prudent view which we believe was the right decision based on the regulatory and economic environment, and in the long-term interests of the business and its shareholders.

Our communities

Giving back to our communities is an integral part of our company culture. Our employees play a key role in how we engage with our communities, and we work collectively to drive long term change both inside and outside of the business.

Community Chest Budget over the last 10 years (UK only)

£1.1 million

Donated by ConTe (Italy) to communities in 2020

+€85k

Engaging with our communities

As a large employer across several countries, we believe it is our responsibility to provide employment opportunities for those in the local areas 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.

How we engage

Our employees drive our community engagement as they are involved in nominating and choosing which initiatives we support. We engage in a number of ways, including:

- Staff volunteering
- Charity initiatives
- Partnerships with recruitment bodies
- Partnerships with educational bodies
- Sponsorship of various community events
- Fundraising
- Funding projects through our Community Chest Programme
- Funding projects through our Ministry of Giving Programme

Board oversight of engagement

The Board receives updates on the key community initiatives across the Group and provides direction on how we can continue to make a long lasting, positive impact.

Community chest

The Admiral Community Chest provides financial support to staff directly involved with local charities and organisations. The fund has been running since 1998 and had a budget of £130,000 for 2020.

We contribute to around 350 different charities and organisations each year through this fund, supporting small community projects and encouraging staff involvement in the community. Our Community Chest initiative reflects our commitment to making a difference in our local communities. Although the funding required for many of these grass roots projects is relatively small, these projects positively impact our local communities and our employees are empowered to nominate projects that are important to them, placing our employees at the centre of our community strategy.

An example of this initiative is when Amy, a member of our Communications team, requested £500 on behalf of her mum, a teaching assistant at a local Primary School who supports children on the autistic spectrum. The donation was used to purchase a new TV, as funds were not available to replace the broken one and many of the pupils rely on visual support during their lessons.

Admiral committed £6 million for charitable donations as part of the Admiral Covid-19 Support Fund.”

Examples of actions taken

During 2020, Admiral committed £6 million for charitable donations as part of the Admiral Covid-19 Support Fund (UK and internationally), including £2 million to an insurance industry wide charitable effort orchestrated by the Association of British Insurers. A large portion of this funding was allocated to the NHS, charities, schools, nursing homes and support groups in South Wales.

£100,000 was donated to the Wales Coronavirus Resilience Fund through Community Foundation Wales, and Admiral's operations outside the UK are also supporting their own local communities.

We also had a Community Chest budget of £130,000, but we were not able to spend the total budget due to activities that could not take place as a result of the Covid-19 restrictions. The Community Chest is a fund set up by Admiral to through which staff can apply for financial support for local charities and organisations which they and their families are directly involved in.

Through our Ministry of Giving, we donated £50,000 to local communities in South Wales affected by flooding in February 2020.

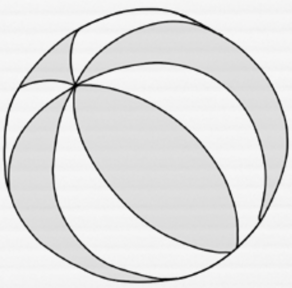
How we monitor the impact of our actions

- Feedback from charities, recruitment and educational bodies
- Feedback from employees
- Community feedback
- Dialogue with organisations
- Feedback from the Welsh Government

Donated by Admiral Seguros (Spain) to communities in 2020

+€65k

Ministry of Giving



In 2018, Admiral committed £400,000 to fund four charity projects in South Wales across 2019/20, with the charities chosen via an employee vote.

One of those chosen was Wooden Spoon, a charity focused on brightening the lives of children with life limiting illnesses. Our partnership with Wooden Spoon funded a project to build a playground in a school that supports children with a range of mental and physical disabilities. The playground was designed to improve the physical health, communication skills and mental wellbeing of pupils.

For further details on our Ministry of Giving charity partners and progress updates on the vital work they have undertaken in 2020, please see our Sustainability Report, which is available on the Admiral Group website.

Our communities continued

Our community objectives are focused on supporting the local communities in which we are based and supporting the charities and organisations directly connected with our employees.

As we develop our longstanding community initiatives, we continue to explore new ways of generating meaningful community impact across our operations. Furthermore, as a large employer across several countries, we believe it is our responsibility to provide employment opportunities for those within our local communities.

Standing by our community commitments

Pride

Although Covid-19 severely disrupted many of the community events we proudly sponsor each year, we continued to support adapted versions of these events where possible during 2020. We continued our long-standing partnership with Pride Cymru, a partnership that started back in 2000, by sponsoring their Big Online Week, a digital celebration of LGBTQ+ equality and diversity across Wales. This adapted event involved Admiral Academy and the PRIDE network hosting a webinar, with panellists from Stonewall Cymru, Pride Cymru, Principality and Admiral discussing the meaning of Pride and its ongoing importance in 2020.

Festival of Sport

We also continued to support the Festival of Sport, an event that provides children with disabilities an opportunity to get involved with a variety of sports, activities, and games. For over 15 years, Admiral has provided financial assistance and hundreds of employee volunteers to help facilitate this annual event. Although the 2020 festival was cancelled due to Covid-19, we supported this important community festival by making a financial donation to the event organisers. This donation was used to provide gift bags to all the children who were planning on attending the event, which contained sports equipment and 2021 festival t-shirts.

Promoting employability in our communities with a focus on technology

One of our core community aims is to promote employability across the communities in which we operate. Cyber College Cymru is a new initiative that is focused on creating pathways into digital careers for those who are passionate about technology. The curriculum has been developed with support from Admiral, other private sector partners and the University of South Wales, as part of the Welsh Government's Strategic Insight Programme. Two student cohorts began their studies in September and students will receive a BTEC Extended Diploma after completing the two-year course. Alongside helping to shape the curriculum, Admiral will provide mentoring for students, deliver guest lectures, and offer work placements. We also work in partnership with One Million Mentors, the Cardiff Commitment and The Prince's Trust, to further promote employability across communities in Wales.

Promoting employability in our international communities

Our international operations also engage in programmes that focus on promoting employability. In Spain, Admiral Seguros support Women's Lab, a training programme for unemployed women at risk of social exclusion. The training involves a 15-hour online course, including exercises on interview preparation and communication skills, and aims to facilitate access to employment. In France, L'olivier partnered with GEIQ Emploi et Handicap, an organisation that aims to integrate individuals with disabilities into participating companies. Successful candidates are employed by GEIQ on a fixed-term contract and available to work for L'olivier throughout this period, with potential for the role to become permanent. In Italy, ConTe's senior managers volunteered mentoring hours to support the development paths of women who are preparing for executive manager roles. ConTe also participated in inter-company round tables to share the experience of ConTe female managers with young women new to the workforce, particularly supporting their development in technology-related fields.

Covid-19 and our community

Supporting our local communities has played a fundamental role in Admiral's response to the Covid-19 pandemic, with the challenges and disruption facing communities making Admiral's community work more important than ever before.

Admiral Support Fund

The Admiral Support Fund has been in operation since March 23rd. The fund's value was £6 million, with £2 million donated to the Covid-19 Support Fund established by the insurance and long-term savings industry.

As a proud Welsh company, we really wanted to support communities across Wales and the Admiral Support Fund has allowed us to do exactly this. The fund's donation model responds to staff requests and we have already supported over 200 beneficiaries. The fund has had a far-reaching impact and catered to a wide variety of needs, through initiatives such as providing school equipment, delivering medical supplies and PPE, sourcing tablets for care homes, donating meals to hospitals and making cash donations. The Cardiff Food Appeal and the Community Fund Wales received donations of £50,000 and £100,000 respectively, whilst our four existing Ministry of Giving charity partners each received an additional £25,000 in funding to help them through this challenging period. With many traditional fundraising activities halted due to Covid-19, we donated over £250,000 to 16 large charities, with these funds to be used to support services provided in Wales. We also allocated £2 million from the fund to be split between our international operations.

International Response to Covid-19

Our international operations contributed towards the Covid-19 response in their respective countries.

In France, L'olivier contributed to the Covid-19 solidarity fund gathered by the French Insurance Federation (the FFA), to help the small and medium sized businesses most affected by the crisis. L'olivier also donated proceeds from TV commercials to the 'Fondation de France', who were supporting health care and medical personnel and contributing towards Covid-19 research. In Italy, ConTe donated €50,000 to three local charities and a hospital in Rome, providing support during the peak of the outbreak and purchasing essential equipment and Covid-19 tests. ConTe also financially supported families in difficult situations across Rome and funded the schooling costs for a class of pupils in partnership with the Italia Uganda Foundation. In Spain, Admiral Seguros made a €40,000 donation to Cruz Roja, who were protecting the most vulnerable people in the local community and purchasing PPE for hospitals in Seville.

Our environment

Admiral is mindful that it is increasingly important to demonstrate responsible business behaviour with regards to the environment.

Group emissions (2019: 3,833 tCO_2e)

2,044 tCO_2e

Emissions per employee (2019: 0.36 tCO_2e)

0.21tCO_2e

CDP score (2019: F)

C-

UK electricity sourced from renewable sources

100%

Engaging with our environment

We aim to reduce our environmental footprint and encourage responsible behaviour. We perceive that key material issues for our environment generally relate 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.

How we engage

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
- Monthly meetings of our Climate Change Working Group

Board oversight of engagement

The Board receives updates on our Responsible Investment Policy, and gives feedback relating to investments and topics for consideration. Directors are kept up to date with business initiatives on ESG matters.

A Sustainability Working Group was initiated in 2020 which includes employees from the Group's Risk, Finance, Investments, Facilities, and Investor Relations functions to oversee the implementation of climate change ambitions.

Examples of actions taken

In January 2020, the Group's purpose was reviewed and updated to include focus on sustainability including the community and the environment.

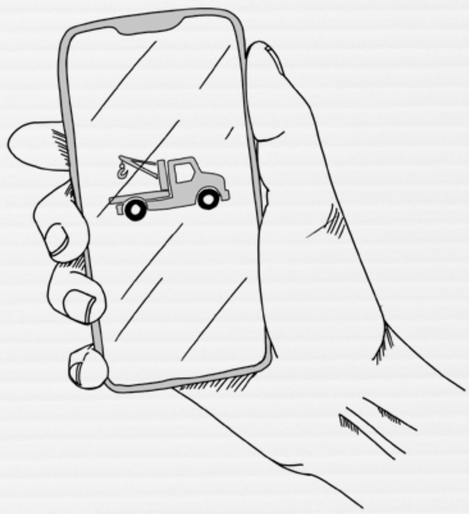
As a result of the Covid-19 pandemic and the decision for staff to continue to work from home, where possible, and/or travel less, we reduced CO_2e emissions per employee by 42%, and Group-wide emissions in 2020.

A Climate-Change Related Risks Project continued to research trends, to better understand the risks arising from climate change, to understand disclosure requirements, and to determine how to incorporate climate-related risks into business as usual risk management.

Digital improvements driving environmental benefits

Digital customer solutions increasingly enable us to improve our customer proposition whilst reducing our impact on the environment.

In our Spanish insurance operation, Admiral Seguros, initiatives have been implemented such as video-loss adjustment processes and geo-localisation for road assistance. Our Italian insurance operation, ConTe, similarly incentivise loss adjusters to rely on digital tools to avoid physical investigations where possible. ConTe also aims to primarily rely on digital document solutions, rather than postal services, by collaborating with software providers to provide digital alternatives. Combined, these initiatives render customer processes both more efficient and environmentally friendly.



In 2020, we became a member of the Institutional Investors Group for Climate Change (IIGCC)."

- We enhanced our disclosure in line with the Task Force on Climate-related Financial Disclosures (TCFD) to provide better transparency around the ways in which climate change will impact Admiral Group now and in the future. Further information can be found on page 91.
- In 2020, we became a member of the Institutional Investors Group for Climate Change (IIGCC), working to align our investment practices with targets set out in the 2015 Paris Agreement.
- Admiral Group's Carbon Emissions data was validated by an external third-party for the first time, increasing transparency around our carbon emissions reporting and Admiral purchased carbon credits to offset these carbon emissions.

How we monitor the impact of our actions

- 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
- 91% of our staff believe we are working to reduce our environmental footprint
- Ensuring our asset managers are signed up to the PRI guidelines.

Greenhouse Gas Emissions

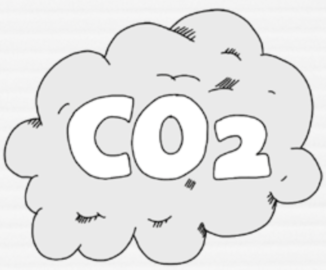
The annual level of greenhouse gas emissions, resulting from activities for which the Group is responsible, was 2,044 CO_2e (2019: 3,833 CO_2e), equivalent to 0.21 tonnes (2019: 0.36 tonnes) per employee*1. In accordance with GHG Protocol Scope 2 guidance released 20 Jan 2015, Admiral is exempt from 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 US, 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.

*1 Average employee number excludes employees from offices for which data could not be collected.

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.**

CDP disclosure



In 2020, Admiral completed a full disclosure to the Carbon Disclosure Project (CDP) detailing the commitments we have in place to manage our impact on the environment.

The CDP is a not-for-profit charity which for the past 20 years has led the way in creating comparable, transparent disclosure for companies, cities, states and regions around climate change. Admiral Group received a C- score in 2020, which is just below the global C average and puts Admiral in the Awareness score band. We are committed to improving our climate governance in line with feedback received and will continue to provide updated CDP disclosures annually going forward.

Our environment continued

Streamlined Energy and Carbon Reporting (SECR)

Environmental impact of our operations

Between 2019 and 2020, the overall Group CO_2 emissions decreased by 47%. All operations showed a decrease in their emissions output, and our emissions per employee decreased by 42% in the same period. This decrease in emissions output is largely a reflection of the shift to homeworking due to the Covid-19 pandemic. The emission levels of our building operations and travel are expected to remain low in 2021 as pandemic-related uncertainties remain.

Energy

Our Cardiff offices (including Group headquarters Ty Admiral) and Newport offices are rated BREEAM Excellent for exceeding sustainability benchmarks above regulatory requirements. Since 2015 all electricity that we have purchased in the UK is from 100% renewable sources. Solar panels have also been installed on the Cardiff and Newport offices providing direct solar powered electricity.

Water

Our building operations incorporate smart technology to reduce any unnecessary amount of water usage in our offices. Our headquarters, Ty Admiral, relies on electronic sensor driven taps to stop excessive use and flood control. Similar technology solutions to minimise water waste are in place across our operations.

Paper

The increasing transition towards digitalisation, largely driven by shifts to homeworking in 2020, is expected to help continue to drive a reduction in paper usage going forwards. Initiatives such as offering customers option to access their policy documents online rather than via the post, and relying on recycled printer paper in our offices, form additional means by which we work to reduce paper consumption.

Waste

We actively work to reduce waste wherever possible and encourage staff to recycle across our building operations. In the UK, 100% of our non-recyclable waste is sent to an incinerator where it is converted into energy.

Group carbon emissions

Type of Emission	2020 Total CO_2e (ton)	2019 Total CO_2e (ton)	Movement – Total
Scope 1			
Company Van	175	4	171
Gas	430	671	(241)
Air conditioning/refrigeration	–	–	
Total Scope 1	605	675	(70)
Scope 2			
Purchased electricity	909	1,243	(334)
Total Scope 2 – market based	909	1,243	(334)
Total Scope 2 – location based	–	–	–
Scope 3			
T&D - electricity	298	367	(69)
Employee Business Travel			
Domestic flight, average class	4	27	(23)
Short-haul int. Flight, average passenger (with RF)	45	144	(99)
Flights: Long Haul average Passenger (with RF)	111	1,010	(899)
Average car	11	177	(166)
Regular Taxi	8	–	8
National rail	19	147	(128)
International rail	–	–	–
Light rail and tram	–	–	–
London Underground	–	–	–
Waste			
Mix Recycling	3	2	1
Paper and board: board	–	–	–
Paper and board: paper	1	3	(2)
EfW	2	5	(3)
Landfill	–	–	–
Water			
Water supply	9	11	(2)
Water Treatment	19	22	(3)
Total Scope 3	530	1,915	(1,385)
Combined Total	2,044	3,833	(1,789)

CO_2e per Employee*1

2018	2019	2020
0.39	0.36	0.21

*1 Average employee number excludes employees from offices for which data could not be collected.

Geographical breakdown

CO_2e (Ton)	2020	2019
UK	728	2,433
Spain	184	281
US	–*1	146
India	606	374
France	24	29
Halifax	150	135
Italy	352	435
Combined Total	2,044	3,833

*1 In 2019, the US reflect carbon data from Compare.com, as data was not available from Elephant. In 2020, data was not available from Compare.com or Elephant. This does not materially impact the carbon disclosures for the Group.

Assurance statement

Our 2019 Group carbon emissions were verified by Carbon Trust, an external-third party assurance provider. Based on the work undertaken and evidence provided, no details emerged to suggest that information was not provided in accordance with the relevant reporting criteria. The full assurance statement can be accessed on our corporate website.

Carbon emissions – methodology

The carbon emissions reporting process is centralised at our UK head office and our international businesses send their data to the team each month. This way, our people can be engaged in recording and monitoring their environmental impact and encourage each of our sites to make continual improvements. The data is reviewed annually and reported to Group CEO Milena Mondini, our Sustainability Board representative. We've never been subject to prosecution or fines as a result of non-compliance with environmental reporting regulations. We have a cross functional team in place to monitor and report on our annual greenhouse gas emissions, including employees from our Finance and Facilities departments.

Measuring and Reporting

We follow UK government guidance on how to measure and report greenhouse gas emissions. In particular, 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 DEFRA. Admiral's three largest UK offices meet the GHG Protocol Corporate Standard and, therefore, Admiral is exempt from reporting greenhouse gas emissions from electricity supply, which is in accordance with GHG Protocol Scope 2 guidance released 20th Jan 2015.

Greenhouse gases

All GHG emissions figures are in tonnes of carbon dioxide equivalents (CO_2e) and include all six GHGs covered by the Kyoto Protocol.

Organisational boundary

We have chosen to use the operational control approach because we maintain the ability to direct the operating policies of each of our organisations, with a view to achieving economic benefits. Specifically excluded from the organisational boundary is our outsourced contact centre in Bangalore, India, which we do not have control over.

Operational scopes

All Scope 1 (direct GHG emissions), Scope 2 (indirect GHG emissions) and significant Scope 3 emissions have been reported for operations within the organisational boundary, with the exception of exclusions listed below. Where appropriate, emissions from multi-occupancy offices are determined on the basis of the recharge statement provided to the Group by the relevant managing agents.

Exclusions to operational scopes

Excluded from our Scope 1 emissions are air conditioning emissions produced by all of our operations. We are continuing to work with the managing agents to obtain this data, however, it is likely we will continue to exclude this from reporting for the foreseeable future. Elephant and compare.com, in the US, AECS in Spain and LeLynx in France have been unable to provide data for 2020 but their impact is small and immaterial on our full group reported figures. As part of our focus on improved data collection we will work to include these in the future.

Total purchased UK electricity from renewable sources

100%

Operational scopes – calculation approach, conversion tools and emission factors

The carbon emissions linked to the activities listed above have been determined on the basis of measured or estimated energy and fuel use, multiplied by relevant carbon conversion factors. The large majority of our fuel and energy consumption is based on actual mileage data, purchase invoices and information supplied by the managing agents of our leased buildings. However, it has been necessary to make estimations in some circumstances, where this form of evidence has not been available. In particular, we have made estimations when monthly invoices have not been available for the full reporting period. Where this was the case, an average of available invoices was applied to the months for which invoices were unavailable. This process of estimation represents less than 10% of data.

We have calculated emissions using the 2020 carbon conversion factors from the DEFRA website. Overseas electricity conversion factors have been taken from IEA online data service and are valid for the 2020 reporting year.

Green tariffs

All of the electricity tariffs we control in the UK use energy from green sources. Our current green electricity tariffs have been renewed in 2020. Our international offices either select their own tariffs or use those selected by the managing agents of the buildings they reside within. However, data is not available on the number of international sites using green tariffs.

Non-financial information statement

Non-financial information	Pages
Responsible Investments	103
TCFD	91 to 93
Environment	76 to 79
People	64 to 69
Communities	72 to 75
Business model	18
Risks	85 to 90
KPIs	28 and 29

The non-financial reporting requirements contained in sections 414CA and 414CB of the Companies Act 2006 are addressed within this section by means of cross reference, in order to indicate where they are located within the strategic narrative and to avoid duplication.

For more information on policies, please refer to our website www.admiralgroup.co.uk.

MSCI ESG RATINGS

CCC B BB BBB A AA AAA

As of 2020, Admiral Group PLC received an MSCI ESG Rating of A

Environmental Matters

Responsible Investments

Our Responsible Investment Policy is applicable to all investments and the purpose of the Policy is to mitigate Environmental Social and Governance (ESG) related risks and achieve more sustainable long-term returns. The Policy requires ESG considerations to be integrated into each step of investment decision-making. This includes monitoring the ESG risks, reviewing the ESG capabilities of external asset managers and consideration of ESG factors when implementing new asset types. We ensure all our asset managers are signatories of the UN Principles for Responsible Investment (PRI) and thoroughly review their ESG processes. In 2020 we became a member of the Institutional Investors Group for Climate Change (IIGCC) as we look to adopt formal carbon intensity reduction targets and align ourselves to the goals of the 2015 Paris Agreement.

Task Force on Climate-related Financial Disclosures (TCFD)

In 2019, Admiral began to report in line with requirements set out by the TCFD. Our commitment to disclose in line with TCFD requirements aims to provide better transparency around the ways in which climate change will impact Admiral Group now and in the future. In 2020 we have increased our disclosure to further align our reporting with the TCFD's published recommendations around governance, risk management, strategy, metrics, and targets.

Environmental Management

We continuously aim to reduce our environmental footprint and encourage responsible behaviour across our operations. We have offset our operational emissions to become carbon neutral through the purchase of carbon credits. Our Cardiff offices (including the Group headquarters Ty Admiral) and Newport offices are rated BREEAM Excellent for exceeding sustainability benchmarks above regulatory requirements. Since 2015 all electricity that we have purchased in the UK is from 100% renewable sources. Our building operations incorporate smart technology to reduce any unnecessary water usage in our offices. We actively work to reduce waste wherever possible and encourage staff to recycle across our building operations. In the UK, 100% of our non-recyclable waste is sent to an incinerator where it is converted to into energy.

Employees

Diversity and Inclusion

Our Equality, Diversity and Dignity at Work Policy confirms that Admiral is committed to ensuring that any type of unfair discrimination is not accepted. This policy outlines the standards of behaviour that are expected from all members of staff, to ensure that everyone at Admiral is treated with dignity and respect. This policy explains that all managers should be alert to potential discrimination and harassment and actively prevent them from occurring, communicate this policy to all staff, and be responsive and supportive to anyone who makes a complaint.

General Standards of Conduct

Our General Standards of Conduct outline the conduct standards that all staff must adhere to regardless of their role. These standards require staff to act with integrity in relation to all the policies that govern their responsibilities, conduct and behaviour. Staff must act with due skill, care and diligence, to carry out their duties in a way that reflects our approach for caring for our customers. Under these general standards of conduct, staff must be open and co-operative with our regulators.

Health and Safety

Our Health and Safety Policy outlines our commitment to ensuring the health and safety of staff and anyone affected by our business activities, and our commitment to providing a safe environment for those attending our premises. This policy confirms that all staff have a responsibility towards health and safety at work. We carry out general workplace risk assessments periodically, in order to assess the risks to health and safety of all those on our sites and to identify any measures that need to be taken to control these risks.

Social Matters

Community Engagement

Our community objectives are focused on supporting the local communities in which we are based and supporting the charities and organisations directly connected with our employees. These objectives are achieved through long-term community initiatives such as the Community Chest and the Ministry of Giving, and several partnerships with organisations, for example those focus on promoting employability.

Volunteering

We have a strong ethos of supporting local and national charities and organisations and encourage all our staff to take part in charity or voluntary work should they wish to do so. Under our Volunteering Policy, we support volunteering by providing employees with two days of paid leave each year to volunteer. Employees who have worked for Admiral for three years or more are entitled to one-month unpaid leave to carry out charity work and this repeats every three years.

Human Rights

Modern Slavery

Our Anti-Slavery, Exploitation and Human Trafficking Policy confirms Admiral's zero tolerance approach to modern slavery, outlines our ongoing commitment to eliminating unethical working practices, and provides guidance to employees on reporting any problems identified at work or in the community. Ultimate responsibility for the prevention of Modern Slavery and adherence to this policy rests with the Admiral Group Board; the People Services (HR) department has day-to-day responsibility for implementing this policy, monitoring its use and effectiveness, and dealing with any queries. We release an annual Modern Slavery Statement in line with the Modern Slavery Act 2015.

Procurement and Outsourcing

Our Group Procurement and Outsourcing Policy confirms that all employees who engage in procurement activity are expected to enhance and protect the standing of the business, maintain the highest standard of integrity in all business relationships, promote the eradication of unethical business practices, and ensure full compliance with laws and regulations. Each supplier or outsourced arrangement is monitored on an on-going basis throughout the lifecycle of the agreement.

Anti-Corruption and Anti-Bribery

Tax

Our Tax Strategy documents our approach to taxation. The strategy confirms that the Group's primary objective is to be compliant with all tax legislation requirements in all the territories in which we operate. This includes making timely and accurate returns and meeting our obligation to pay the amount of tax legally due in each country, according to the law and the activity of the Group in that territory. The key tax risks are assessed and recorded annually as part of the annual risk review performed by the Group Risk function and appropriate controls are put in place to mitigate the key risks identified as part of this process.

Anti-Bribery

Our Anti-Bribery Policy strictly prohibits the solicitation or acceptance of any bribe, to or from any person or company, by an individual employee, Board member, agent or other person or body on Admiral's behalf, in order to gain any commercial, contractual, or regulatory advantage for Admiral in an unethical way or to gain any personal advantage for the individual or anyone connected with the individual. The prevention, detection and reporting of bribery is the responsibility of all employees throughout Admiral.

Gifts and Gratuities

Our Gifts and Gratuities Policy recognises that sometimes customers, suppliers or business associates offer gifts or gratuities to staff and confirms that all such gifts must be made and received openly and fairly. Employees who are offered or sent any gift or gratuity should notify their line manager, who will advise on whether the gift should be accepted. If an employee has any doubt about whether something falls into the category of a gift or gratuity, they should refer this matter to their line manager or People Services.

Whistleblowing

Our Whistleblowing Policy encourages and enables employees to raise any concerns they have about serious malpractice or wrongdoing. The policy is designed to ensure that an employee can raise their concerns without fear of victimisation, subsequent discrimination, disadvantage, or dismissal. This policy details internal and external reporting lines for any employee concerns.

Financial Crime

Our Financial Crime Policy ensures that robust systems and controls are in place to detect, prevent and deter financial crime across the Group and ensures we remain compliant with applicable laws and regulations in our operational jurisdictions. All areas of financial crime are captured by this policy, including money laundering, market abuse and insider trading, sanctions regime, modern slavery, tax evasion and Bribery and Corruption.

Section 172(1) statement

The Board of Directors confirm that during the year under review, it has acted to promote the long-term success of the Company for the benefit of shareholders, whilst having due regard to the matters set out in section 172(1)(a) to (f) of the Companies Act 2006, being:

(a) the likely consequences of any decision in the long term

(b) the interests of the Company's employees

(c) the need to foster the Company's business relationships with suppliers, customers and others

(d) the impact of the Company's operations on the community and the environment

(e) the desirability of the Company maintaining a reputation for high standards of business conduct

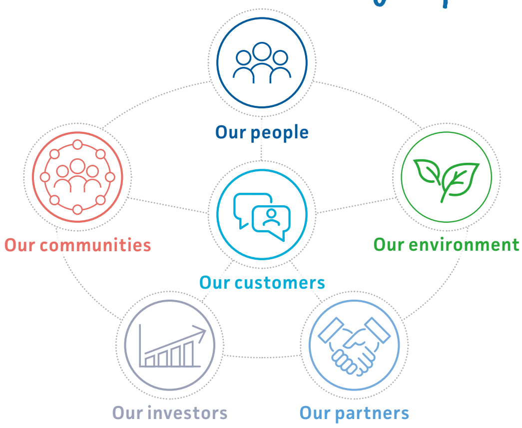
(f) the need to act fairly between members of the Company

During 2020, the Board reviewed the Group Stakeholder Map and reaffirmed that the six stakeholder groups, listed below, each continued to be strategically important to the long-term success of the Group's operations.

As part of the review, the Board considered the current approach to corporate governance and engagement in relation to the interests of our customers, people, communities, shareholders, external partners and our impact on the environment. In preparation for the review, discussions were held with the internal relationship owners within Admiral Group, on our key information feeds, existing engagement methods, feedback processes and the activities and plans for the year.

A Board agenda planner sets out the matters to be considered by the Board during the year, and this was subsequently reviewed and updated at each Board meeting in 2020. All Board papers during the year were accompanied by a separate document outlining which stakeholders could be affected or impacted by the paper, along with an explanation of how stakeholder interests had been considered prior to the raising of 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.

Connecting with our six stakeholder groups



s172 factor	Relevant disclosure	Page
Long term success	Purpose	4
	Business model	18
	Strategy	20
	Dividend policy	33
Consequences of decisions	CEO statement	14
	Board Governance	96
Employees	Non-financial reporting statement	80
	Our people	64
	Diversity and inclusion	130
	Employee engagement	68
Business relationships	Anti-bribery & corruption	158
	Modern slavery	81
Community & environment	Community investment	72
	Carbon disclosure project	77
	TCFD disclosures	91
Reputation	Culture and values	19
	Awards and recognition	27
Fairness between members	Shareholder engagement	71
	Shareholder consultation	108
	Annual General Meeting	108

Stay at Home Refund & Other Customer Initiatives during the Covid-19 pandemic

During the first national lockdown in 2020, the Board considered what it could do to help its UK customers at a time of economic uncertainty brought about by the pandemic. Together with management, the Board discussed the best approach and concluded that it was appropriate to offer UK motor customers a premium refund ('Stay at Home Refund'), alongside several other initiatives, totalling £190 million of support.

The Board considered the views of its regulators and undertook stress testing to ensure that the financial position of the group remained strong.

Rationale

- The UK Business wished to recognise that customers were driving less and experiencing challenging economic conditions in the lockdown.
- The way the refund was structured was simple for customers to understand and was an option that did not require the customer to 'opt in' to receive the rebate.
- It was relatively straight forward and quick to implement, so money could be paid to customers that might be in need, as quickly as possible.

The £25 rebate per vehicle was considered to be an appropriate amount, given the significant reduction that people were driving during lockdown, and was based on average premium across the customer base in April and May.

Stakeholders

As part of the decision-making process, the Board considered the views or likely views of each of its stakeholders and the potential impact on them.

Customers

We consulted consumers using two anonymous external surveys, the results of which indicated a clear preference in this particular circumstance for receiving a rebate.

Staff

A staff survey was conducted at the beginning of April 2020 to gauge views on the proposed options. The survey had 3,900 responses and provided the following insights:

- 60% were still driving but driving less (all Admiral staff, so no Key Workers according to the respective definition used in the first UK national lockdown)
- The majority of people thought we should do something.
- All options for giving back were of interest, with the £25 rebate being the slight preference.

Community

The Board also considered the impact on the community, for which the following information was available at the time:

- 18% of businesses had temporarily closed.
- Around half of companies had planned to furlough at least half of their workforce.
- Almost a million people had applied for Universal Credit in a fortnight.
- A survey by Consumer Intelligence had shown that of the consumers due to renew car or home insurance in the next month, 36% said they were worried about being able to afford their premiums.

Shareholders

The Board considered the potential reaction of the Group's shareholders not receiving this pay out via a dividend and also considered the decision in the context of the dividend decision the Board made around that same time (referred to below). On balance, the Board recognised that Admiral's long-term sustainable success is based on helping customers, supporting local communities and protecting the wellbeing of staff.

Regulators

In order to approve the Stay at Home Refund, the Board considered the views of its regulators and undertook stress testing to ensure that its financial position remained strong, both from a liquidity and solvency perspective.

Section 172(1) statement continued

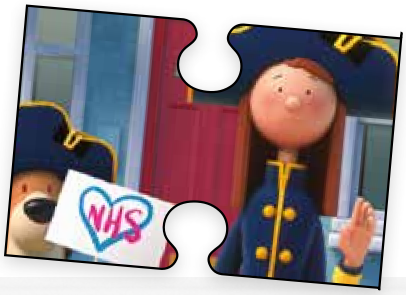
Wow, @AdmiralUK have waived my excess after my car was stolen this week due to me being a key worker. Really grateful for this after an awful week. Thank you."

UK Motor Customer, 2020

Other Customer Initiatives

As part of Admiral's considerations about what it could do to help its customers at a time of economic uncertainty arising from the pandemic, it decided to:

- Waive any motoring excess fees for NHS or emergency service workers and support NHS volunteers by guaranteeing cover for customers using their vehicle to transport people, deliver medical supplies and equipment, or items to people who were self-isolating.
- Show its support for NHS and emergency service workers by giving them a free courtesy vehicle if their vehicle was stolen, undriveable after an accident, or declared a total loss, to keep them on the road during the lockdown.
- Support customers who were in financial hardship as a result of the pandemic, by being flexible with customers struggling with monthly payments for insurance and personal loans. The cancellation windows and fee free periods were also extended.



Sale of Penguin Portals

In December 2020, the Group announced that it had reached an agreement with ZPG Comparison Services Holdings UK Limited ('RVU') for RVU to purchase Penguin Portals Group ('Penguin Portals', comprising online comparison portals Confused.com, Rastreator.com and LeLynx.fr and the Group's technology operation Admiral Technologies) and its 50% share of Preminen Price Comparison Holdings Limited 'Preminen'*1. The transaction is subject to customary regulatory and competition authority approvals and is expected to complete in the first half of 2021.

In considering the potential sale of Penguin Portals, the Board assessed the impact of the sale on key stakeholders including customers, employees and shareholders. The Board and management considered that Penguin's insurance comparison strengths, combined with RVU's strengths beyond insurance and experience in growth through acquisition, would provide a solid foundation for the combined businesses to grow and prosper which ultimately would benefit customers and employees. The Board also considered that as comparison remains the key distribution channel for insurance, this ability for the channel to grow would lead to an ultimate benefit for all businesses. Furthermore, although it would be difficult for the Group to part company with the Penguin employees, the Board was mindful of the exciting opportunity to partner with businesses with an aligned mission, and that as these businesses grow and learn from each other, the Penguin teams would benefit from many interesting and worthwhile opportunities being created going forward.

Having considered that the transaction would create good value in the interests of shareholders and in light of the strong solvency and liquidity position of the Group, the Board agreed to return a majority of the net proceeds of sale to shareholders, with a portion retained to support investment in new business development over the coming years.

*1 Other entities within the Preminen Price Comparison Holdings Limited Group include: Preminen Price Comparison Holdings Limited Sucursal en Enspana (Spain); Preminen Mexico Sociedad Anonima de Capital Variable; Preminen Dragon Price Comparison Limited and Long Yu Science & Technology Beijing Company Limited; Preminen MENA Price Comparison W.L.L.; and Preminen Price Comparison India Private Limited.

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 overleaf 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.

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

Credit Risk:

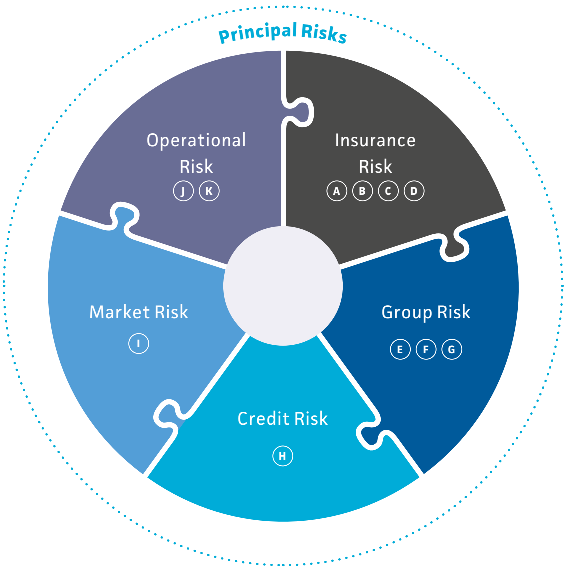
- H Credit Risk

Market Risk:

- I Market Risk

Operational Risk:

- J Legal and Regulatory Risk
- K Operational Risk



Linking risks to our strategic objectives For more information refer to pages 20 to 23

Investing in core positioning:

1. Sustained competitive advantage
2. Continued growth and profitability

Investing in core transformation:

3. Strong digital, data and tech capabilities
4. SMART working

Investing in future businesses:

5. International insurance growth
6. New product diversification

Investing in motor evolution:

7. Evolution of motor book

Ensuring Admiral remains a great place to work:

8. People driven workplace

Principal risks and uncertainties continued

Insurance Risk

A. Reserving risk in the UK and international insurance

Possible impact on our strategy	Risk	Mitigating Factors
1 2 5	**Risk** Admiral is exposed to reserving risk through its underwriting of motor, household and other 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 (PPOs). **Impact** Adverse run-off leading to higher claims costs in the Financial Statements. PPO claims are capital intensive owing to increased uncertainty of the cost of significant claims over a longer term.	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. Long-dated inflation linked assets are held to partly hedge the risks associated with PPO claims.

B. Premium risk and catastrophe risk

Possible impact on our strategy	Risk	Mitigating Factors
1 2 3 7	**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/or reduced business volumes could be driven by potential economic, social, environmental, regulatory or political change such as the Covid-19 pandemic or 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. **Impact** Higher claims costs, reduced business volumes and/or higher 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 • Monitoring the impact arising from Climate Change risks, covering both physical and transitional risks, as well as other Emerging Risks which may impact premium or catastrophe drivers. Admiral purchases excess of loss reinsurance, designed to mitigate the impact of very large individual or catastrophe event claims.

C. Reduced availability of co-insurance and reinsurance arrangements

Possible impact on our strategy	Risk	Mitigating Factors
1 2 3 4 5 6 7	**Risk** Admiral uses proportional co-insurance and reinsurance across its insurance businesses to reduce its own capital needs (and increase the 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 that it will be available at an uneconomical price in the future if the results and/or future prospects of either the UK businesses or (more realistically) one or more of the newer operations are not satisfactory to the co- and/or reinsurers. **Impact** A potential need to raise additional capital 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.

Linking risks to our strategic objectives For more information refer to pages 20 to 23

Investing in core positioning:
1 Sustained competitive advantage
2 Continued growth and profitability

Investing in core transformation:
3 Strong digital, data and tech capabilities
4 SMART working

Investing in future businesses:
5 International insurance growth
6 New product diversification

Investing in motor evolution:
7 Evolution of motor book

Ensuring Admiral remains a great place to work:
8 People driven workplace

D. Potential diminution of other revenue

Possible impact on our strategy	Risk	Mitigating Factors
1 2 3 7	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: political, regulatory, legal, social/customer behaviour, strategic, market or economic changes. **Impact** 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. Admiral works closely with its regulators and other key industry bodies.

Group Risk

E. Erosion of competitive advantage in UK Motor Insurance

Possible impact on our strategy	Risk	Mitigating Factors
1 2 3 4 7 8	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, new technologies used within the insurance market and/or regulatory market intervention. It may arise from new or existing competitors. **Impact** 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

Possible impact on our strategy	Risk	Mitigating Factors
3 4 5 6 7 8	As per the Group's diversification strategy, Admiral continues to develop the UK Household business, other insurance operations, non-insurance operations such as Loans, and its overseas operations. It has also created Admiral Pioneer which is the vehicle for developing and launching of new products and services, other than those already covered by existing established Group businesses. 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, could increase regulatory risk, and may introduce new risks into the Group. Growth in developing businesses could exceed the scale of infrastructure of the operation. **Impact** Higher than planned losses (and potentially closure costs) and distraction of key management. A collective failure of these businesses would threaten Admiral's objective to diversify its earnings by expanding into new markets and products, though any single failure of product or geography is likely to be tolerable. The core business, which continues to perform strongly, is largely unaffected by this risk.	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 usually backed by proportional reinsurance support which provides substantial mitigation against start-up losses in the early years. 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.

Principal risks and uncertainties continued

Group Risk continued

G. Reliance on UK Comparison distribution channel

Possible impact on our strategy	Risk	Mitigating Factors
1 2 3 7	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. **Impact** A potentially material reduction in UK insurance new business volumes, in particular for UK Motor. However, a more competitive market might benefit the insurance businesses through lower acquisition costs.	Admiral contributes materially to the revenues of all four major UK 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. It also has a direct offering to new and existing customers, with continuing investment made to improve its online/digital offering.

Credit Risk

H. Credit risk

Possible impact on our strategy	Risk	Mitigating Factors
2 6	Admiral is primarily exposed to credit risk in the form of: (a) default of reinsurer; or (b) failure of a 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 unsecured personal loan and car finance business. **Impact** The impact of a major credit event could be losses and reduced capital, 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 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. Credit risk is managed through diversification and appointing high-quality third-party asset managers. Limits on counterparties and certain credit ratings ensure that credit risk is managed within risk appetite, and produces a high quality credit portfolio. The Group invests in a range of liquidity funds which hold a wide range of short duration, high quality securities, and in fixed income funds holding primarily investment grade assets. Cash balances and deposits are placed only with highly rated counterparties. Most 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. AFSL's credit risk appetite is set to ensure that the risk taken is commensurate to the expected returns. AFSL continuously monitors the performance of its portfolio and manages borrowers in arrears to achieve the optimal outcome.

Market Risk

I. Market risk

Possible impact on our strategy	Risk	Mitigating Factors
2	Market risk arises as a result of fluctuations in the value of market prices of investment assets and liabilities, or the income from our investment portfolio. **Impact** Market volatility (notably very significant reductions in risk free interest rates or material increases in credit spreads) can adversely impact the value of the Group's assets. The Group's solvency can also be adversely impacted 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 reinsurance cover and a continuing focus on investment strategies. This includes consideration of hedging options for these liabilities, including of certain risks associated with PPO claims. Continued growth of the Group's non-UK businesses has altered the exposure to net assets and liabilities in currencies other than pounds sterling, though the exposure to the Group from net assets in currencies other than pounds sterling remains relatively low.

Linking risks to our strategic objectives For more information refer to pages 20 to 23

Investing in core positioning:
1 Sustained competitive advantage
2 Continued growth and profitability

Investing in core transformation:
3 Strong digital, data and tech capabilities
4 SMART working

Investing in future businesses:
5 International insurance growth
6 New product diversification

Investing in motor evolution:
7 Evolution of motor book

Ensuring Admiral remains a great place to work:
8 People driven workplace

Operational Risk

J. Legal and regulatory risk

Possible impact on our strategy	Risk	Mitigating Factors
1 2 3 4 5 6 7	Legal and Regulatory risk may arise where Admiral fails to fully comply with legal or regulatory requirements and/or changes in an accurate, timely manner. Examples include potential post-Brexit changes to Solvency II requirements, or complying with outcomes of the FCA review in General Insurance Pricing Practices, both of which may have far-reaching consequence for the whole industry. This risk may also arise where previous industry and/or Admiral regulatory or legal compliance standards are revisited with negative consequences, applied retrospectively, for the industry and/or the Group. As Admiral operates globally, across business lines and products, it is exposed to a number of differing legal jurisdictions and regulators. **Impact** 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. Strong project governance is a key control in managing regulatory change.

K. Operational risk

Possible impact on our strategy	Risk	Mitigating Factors
1 2 3 4 5 6 7 8	Operational Risk arises within all areas of the business. The principal categories of operational risk for Admiral are: Conduct Risk; Physical Security Risk; IT Systems; Information Security/Cyber Risk; Business Continuity; Processes; Change Risk; People; and, Outsourcing and Procurement Risk. **Impact** Potential customer detriment and/or potential regulatory censure/enforcement and/or reputational damage as a result of Admiral's action or inaction. Admiral being unable to service its customers or making poor business decisions due to lack of system availability, data integrity and/or 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 business processes fails.	Admiral operates the three lines of defence model, and internal controls are in place and are monitored to mitigate risks. The control framework is regularly reviewed, and the internal audit function has an agreed cycle of testing of the adequacy and effectiveness of controls. Specific operational risks are mitigated by: • Monitoring, managing and reporting on customer outcomes in order to mitigate customer detriment; • Regular Executive Management and Board review of the effectiveness of the Group's IT capability; • Continuing to invest in Information Security in order to mitigate Information Security risks, including evolving Cyber risk; • Staffing a major incident team within IT which is tasked with maintaining system availability, with business continuity and disaster recovery plans in place which are regularly tested; • Backing up data to allow for its recovery in the event of corruption; • Employing enhanced project governance and oversight of new systems implementations, with external specialist review and assurance where required; • Attracting, retaining and motivating quality staff to deliver superior customer service and to achieve business objectives; • Employing targeted recruitment and identifying potential leaders through internal development, talent management and retention processes for the purposes of succession planning; • Monitoring outsourced and offshore activities through ongoing supplier relationship and performance management, and with regular due diligence reviews. Admiral also purchases a range of insurance covers to mitigate the impact of a number of other operational risks.

Principal risks and uncertainties continued

Covid-19

Covid-19, which was declared a pandemic by the World Health Organisation on 11 March 2020, has impacted in all jurisdictions in which Admiral Group operates. It has caused, and continues to cause, impacts on individuals, on businesses, and on the real economy. Covid-19 has not introduced any new principal risks into the business, but has instead acted as a driver of existing principal and emerging risks.

The initial impact from the pandemic saw an increase in operational risk as offices shut and working from home capacity rapidly expanded, with related increases in IT, change and security risks. It also impacted premium risk, due to changing driving patterns, and market risk, due to declining markets and increased volatility, amongst other principal risks. Covid-19 has also inherently increased credit risk. During the initial months of the pandemic weekly Board reporting was initiated, with updates on operational impacts, business plan reforecasting, as well as solvency and liquidity monitoring and forecasting. To aid risk oversight, the Group Risk Committee also increased frequency of meetings to fortnightly. With the increase in home-working, more controls were being performed by staff while working from home (e.g., call monitoring). The internal control environment was continuously assessed and monitored throughout, and regular communication issued through local business unit emergency response teams, business unit risk management committees and Boards, and Group committees and Group Board.

As the pandemic has continued, many of these initial impacts have abated, most notably operational risk, as remote-working solutions become more robust and as the business becomes used to a hybrid way of working, with a mix of office- and home-based workers. There could be, however, a potential risk to Admiral's culture if staff do not work regularly in close proximity for an extended period.

With the emergence of subsequent waves, local, regional and national lockdowns have been or will be enacted, meaning that there remains increased uncertainty regarding driving patterns, claims experience and market volatility. With the UK expected to see recessionary conditions and increasing unemployment, there could be a deterioration in credit performance at AFSL. Risks continue to be monitored and reported on as per the ERMF.

Covid-19 has also impacted emerging risks. It led to some delays to emerging legal and regulatory risks, as the focus has been on pandemic response, while emerging social, political and economic risks may be accelerating, driven by changing customer behaviours and expectations, in particular. The impact on the environment and climate change is unknown, given competing drivers.

Emerging Risks

Admiral Group monitors Emerging Risks, issues which may be potentially significant, but may not be fully foreseen, assessed or allowed for in strategic and business decisions. By their very nature, Emerging Risks are many and varied, 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. Emerging Risks, and the opportunities that they may present, may lead to a change in strategy, a change in management behaviour, a change in ways of working or risk management, which may lead to a more robust business which delivers on its commitments to customers, employees and shareholders.

Emerging Risks are identified via horizon scanning, involving a desk-based review, coupled with interviews with stakeholders and subject matter experts, and input from internal working groups. Admiral uses an internally-developed framework for monitoring Emerging Risks, which covers qualitative and quantitative assessment and evaluation of the potential impact to Admiral via existing Principal Risks and Uncertainties or via new risks. It also covers the precautionary deployment of management actions and mitigating controls.

Emerging Risks are represented graphically, capturing an assessment of their impact and date of crystallisation 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 risks, such as ePrivacy; (b) socio-political and economic risks, such as consumer expectations; (c) environmental risks, such as physical and transition climate change risks; and (d) technology risks, capturing advances in vehicle technology.

Reporting on such Emerging Risks, as well as the opportunities that they present, is provided to the GRC and relevant Boards, is incorporated into the Group ORSA Report, and is discussed with senior management of Group entities as well as entity risk teams.

Task force on Climate-related financial disclosures (TCFD)

Climate Change Risks and disclosures are reviewed and discussed at Group Board and at several Group Board Committees, including the Group Risk Committee and by the Sustainability Working Group."

Climate Change Risk

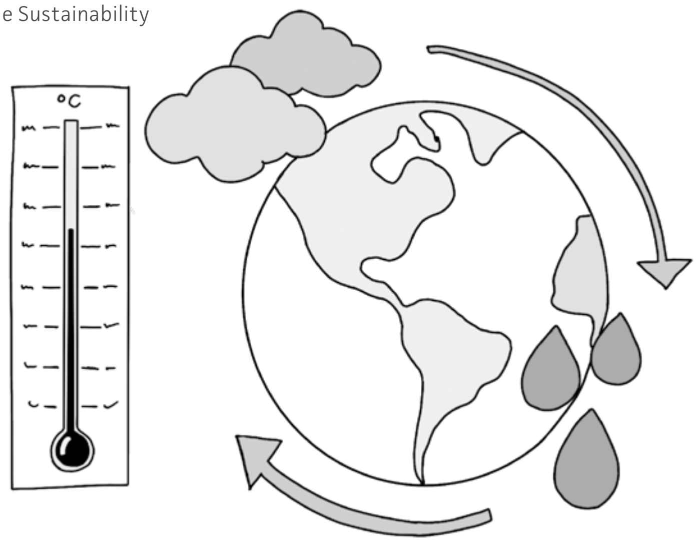
In 2019, Admiral began to report in line with the Task Force on Climate-related Financial Disclosures (TCFD), in order to provide better transparency around the ways in which climate change will impact the Group now and in the future. During 2020 the Group has increased its disclosure to further align reporting with the TCFD's published recommendations concerning governance, risk management, strategy, metrics and targets. Alongside the increased reporting, Admiral Group has completed the full Carbon Disclosure Project (CDP) disclosure, has signed up to the Institutional Investors Group on Climate Change (IIGCC), and has taken part in industry-wide initiatives related to climate change risk reporting.

Governance

The Admiral Group Board has ultimate oversight of climate change-related issues. Climate Change Risks and disclosures are reviewed and discussed at Group Board and at several Group Board Committees, including the Group Risk Committee (GRC). It is also considered at the Sustainability Working Group.

The Group CEO is the appointed corporate social responsibility (CSR) representative for the Group, which includes Sustainability and Climate Change Risk within its remit.

Whilst the Group Board maintains ultimate oversight, the GRC retains primary oversight responsibility for climate change risk, as it has delegated authority from the Group Board for overseeing risk management activities. It advises the Group Board on Admiral's Principal Risks and Uncertainties (PR&U), as well as on Emerging Risks, and reviews the Group's management of these risks. Climate change risks are reported quarterly within the Consolidated Risk Report (CRR). Furthermore, internal initiatives in place to reduce the environmental impact of the Group's operations and to support the transition to a low-carbon economy are monitored by a newly implemented Sustainability Working Group, which encompasses relevant individuals from the Risk, Finance, Facilities and Investor Relations departments. Regulatory developments and emerging best practice are also considered in this forum. The Group CEO periodically attends the working group.



Taskforce on climate-related financial disclosures (TCFD) continued

This monitoring and reporting processes ensure that the highest level of company management are aware of the risks posed by climate change, so that both risks and opportunities can be accounted for in future business planning and strategy setting."

It is anticipated that climate change risk will remain an Emerging Risk for the foreseeable future. Emerging Risks are monitored and updated (as required) on a monthly basis. However, if the current impact is deemed material enough, the effects from climate change will be included in Admiral's PR&U, which are continuously monitored, are updated on a semi-annual basis, and are captured by the Enterprise Risk Management Framework (ERMF).

Risk management

Climate change risks, and any opportunities that may arise from initiatives to tackle climate change, are categorised as Emerging Risks and are identified, assessed and mitigated using an internally developed framework for monitoring Emerging Risks. Specific impacts of climate change which may be beginning to crystallise now are captured in the ERMF.

Identification

There is no one definitive source for climate change risks: different geographical regions, different industries, and different companies will have differing expectations of the impacts that they will face in the future. Therefore, Admiral Group's identification of climate change risks, and any resulting opportunities, follows a multi-stage process which attempts to incorporate internal viewpoints and forecasts (e.g., from departmental expertise, insight from working groups, committees and boards) with those from external sources, both insurance-specific and more broadly. A robust view of potential future risks should be the outcome of this process; no risk-types are excluded in the analysis.

As per the TCFD, Transition Risks – those risks which come about from transitioning to a low carbon economy – include policy and legal risks, technology risk, market risk, and reputation risk. Given the Group's core business of car insurance, Admiral Group is potentially exposed to any significant move away from traditional car ownership and usage models.

Physical Risks can be broken down into acute risks (the direct risk from changes in weather, such as more severe flood events in the UK or more frequent hail events in the south east of the US) and chronic risks (arising from longer-term changes in climate patterns, such as rising sea levels or increased surface temperatures). The Group is potentially exposed to both risks in all lines of business.

Assessment

Given the highly uncertain nature of climate change risks – the magnitude of their impact, the certainty of their impact, the effect of their impact, and the timing of that impact – they do not sit naturally in standard risk measurement and management processes. Instead a hybrid approach, which comprises both qualitative and quantitative approaches, must be utilised.

Climate change risks, and any resulting opportunities, are initially evaluated qualitatively, leveraging SME-knowledge to assess the potential magnitude and timing of impact. Where appropriate a quantitative approach to analysis and evaluation is also taken: several scenarios which considered the effects of both Physical and Transition Risks were included as part of the stress and scenario testing section of the Group's Own Risk and Solvency Assessment (ORSA) submission.

Both risk types will potentially affect the Group's assets as well as its liabilities.

Mitigation

Climate change risks and opportunities are reported on quarterly to the GRC via the CRR, and annually as part of the Group's ORSA submission. They are also reported on to the Group Board, and to subsidiary Boards, as required. This monitoring and reporting ensures that the highest level of company management is aware of the risks, can account for them in future business planning and strategy setting, and can devise management actions to mitigate their effects or to capture any resulting opportunities.

The impact of climate change on the Group's strategy is informed by regular stress tests. Admiral Group took part in the PRA's 2019 General Insurance Stress Tests, and considered several climate change-related scenarios as part of the 2020 ORSA process."

Strategy

Acknowledging the growing scientific consensus that the window to tackle climate change is rapidly diminishing, climate change has been discussed at the Admiral Group Board, and at the Sustainability Working Group to ensure consideration in broader ESG topics. Climate change is currently primarily integrated into strategic decisions covering the Group's investment portfolio management as guided by the Responsible Investment Policy. This year the Group also increased engagement with climate change-focused forums as it signed up to the Institutional Investors Group on Climate Change (IIGCC) and will aim to align ambitions with those of IIGCC.

The Group's product diversification strategy is partly driven by considering climate change transition risks which may affect the Group's Motor and Household businesses. Transition Risks will likely affect the size, profitability and make-up of both of these markets, and so Admiral Group is considering ways to mitigate these pressures, while exploring other markets which show a low correlation and are less impacted by (or indeed positively impacted by) climate change risks. Admiral Pioneer, which has been set up this year, will be key in exploring these markets.

The Group considers the relative climate change merits of the companies it works with. In particular, reinsurers are perhaps subject to an even greater level of Climate Change Risks than Admiral. Admiral works to ensure that the appropriate level of reinsurance is bought given the underlying risk, from a range of strong reinsurers.

The impact of climate change on the Group's strategy is further informed by regular stress tests. Admiral Group took part in the PRA's 2019 General Insurance Stress Tests, which included climate scenarios, and considered several climate change-related scenarios as part of the 2020 ORSA process. The Group Risk function will look to expand on this capability during 2021.

Metrics and targets

2020 progress

Progress has been made in 2020 with regards to measurement and disclosure of climate metrics. During 2020 the Group:

- Enhanced transparency around the Group's direct carbon emissions through the attainment of a third-party verification statement with Carbon Trust.
- Became carbon neutral through offsetting for our operations.
- Put initiatives in place to further reduce specified scope 1-2-3 emissions, such as purchasing carbon credits.
- Completed CDP submission.
- Established transparency around the Group's fixed income mandates' ESG profiles (including climate-related indicators).
- Become a member of the Institutional Investors Group for Climate Change.

2021 priorities

2021 priorities are being defined in conjunction with third parties, and will include enhancing management and disclosure of risks, in line with the FCA's new listing rule for year-end 2021. Priorities include:

- Instituting regular reporting of KRIs and KPIs to the GRC, to cover assets, liabilities and the macro environment;
- Developing targets for a subset of metrics, including for investment portfolio carbon intensity reduction and Paris Agreement alignment; and
- Aligning stress and scenario testing capabilities to emissions pathways.

By order of the Board

Milena Mondini de Focatiis
Group Chief Executive Officer

3 March 2021

Governance

"People who like what they do, do it better"

90%

of employees said that Admiral is a great place to work*1

*1 Based on Group-wide results for the 2021 Great Place to Work Survey, data surveyed in 2020.

Chair's introduction to governance

On behalf of the Board, I am pleased to present the Group's Governance Report for the financial year ended 31 December 2020."

The Board is committed to ensuring that it provides effective leadership by requiring that good governance principles and practices are adhered to throughout the Group. Governance has continued to be a key area of focus for the Board, given the changes to the corporate governance landscape and the impact that the Covid-19 pandemic has had on all businesses. The Board and the business have adapted swiftly to remote ways of working to ensure that the Group's governance framework and standards of good corporate governance continue to align with best practice and the requirements set out in the Code.

During the year, the Board, on the recommendation of the Nomination and Governance Committee, approved the appointment of Milena Mondini de Focatiis (CEO Designate) as an Executive Director of the Board, as part of the ongoing CEO transition process. Further details in this regard are set out on page 110. The Board and Nomination and Governance Committee also led a comprehensive and transparent selection process for a new independent Non-Executive Director with the aim of enhancing the Board's technology expertise and existing skills. Following suitable candidate interviews, Jayaprakasa (JP) Rangaswami was selected as the preferred candidate. Further details of the selection process are set out later in this report on page 110.

The Board reviewed and agreed an amendment to the Group's purpose, which sets out the Group's values and strategy, to ensure that it appropriately reflected the Group's focus on sustainability from both a community and environmental perspective, and that it continued to align with the Group's culture and support the Group's long-term sustainable strategy. The Board reflected on the Group's unique culture and reviewed the measures that had been put in place to make sure it continued to be appropriately monitored and 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 4.

The Board reflected on the importance of its key stakeholder groups and reviewed the Stakeholder Map, including the engagement with each and to ensure that the views of stakeholders were properly considered in decisions made by the Board in compliance with s172(1) of the Companies Act 2006: 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 received updates on the treatment of existing customers and customer outcomes as part of the strategic updates during the year.

The updates provided the Board with 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.

During the year, the Board received an update on the effectiveness of the Employee Consultation Group, which was established in 2019. Further detail on the outcome of the review and the operation of the ECG is outlined in the Directors' Report on page 68 and the s172 statement on page 82.

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. Following an appointment made during 2020, the Group Board comprises one Board member of colour, which meets one of the Parker Review's key recommendations for FTSE 100 companies for 2021. 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 internally facilitated evaluation of the Board's performance was completed 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 112 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
3 March 2021

Board of Directors

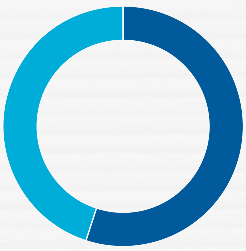
A diverse Board with a breadth of skills and experience.

Committee Membership

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

Board Gender Diversity

Male 54.5% **Female** 44.5%



Annette Court Chair C	**Milena Mondini de Focatiis** Chief Executive Officer	**Geraint Jones** Chief Financial Officer

Current Appointments

Non-Executive Director of Sage Group plc	–	–

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 of the Board of the Association of British Insurers (ABI).	Milena joined Admiral in 2007, she became CEO of ConTe. it in 2008 and Head of UK and European Insurance in 2019. Milena was appointed as Group CEO in 2021. Before joining Admiral, Milena worked as a consultant for Bain & Co and Accenture. She holds an MBA from INSEAD.	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.

Appointed

Appointed to the Board in 2012, appointed to Chair in 2017.	Appointed in 2020.	Appointed in 2014.

Mike Brierley
Non-Executive Director

Chair of Admiral Financial Services Limited (AFSL)*1

Non-Executive Director of Nottingham Building Society

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 Deputy Managing Director/CFO of Gentra Limited. In 2020, Mike joined the Nottingham Building Society as a Non-Executive Director and also chairs their Audit Committee. Mike is a Fellow of the Institute of Chartered Accountants in England and Wales.

Appointed in 2018.

Karen Green
Non-Executive Director

C

Non-Executive Director of Phoenix Group Holdings plc

Council Member, Lloyd's of London

Non-Executive Director of Asta Managing Agency Ltd

Vice President, Insurance Institute of London

Karen Green was previously CEO of Aspen UK, which comprised the principal UK insurance and reinsurance companies of Aspen Insurance Holdings from 2010 to 2017.

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 in 2018.

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

C

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.

*1 Admiral Group Subsidiary entity.

Board of Directors continued

Jean Park
Non-Executive Director

Current Appointments

Non-Executive Director of Murray Income Trust plc

Non-Executive Director of the National House Building Council

Background and experience

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

Appointed in 2014.

Manning Rountree
Non-Executive Director

Current Appointments

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

Director of Build America Mutual Assurance Company

Background and experience

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

Appointed in 2015.

Andy Crossley
Non-Executive Director

Current Appointments

Chair of EUI Limited*1

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

Background and experience

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, as Group Financial Controller, and Lloyds Bank plc. Andy is a Fellow of the Institute of Chartered Accountants in England and Wales.

Appointed

Appointed in 2018.

Jayaprakasa (JP) Rangaswami
Non-Executive Director

Current Appointments

Non-Executive Director of Allfunds Bank

Non-Executive Director of Daily Mail and General Trust

Non-Executive Director of National Bank of Greece

Non-Executive Director of EMIS Group plc

Background and experience

JP Rangaswami was Chief Information Officer with Dresdner Kleinwort from 2001 to 2006. He spent four years as Managing Director/Chief Scientist at BT Group from 2006 to 2010. JP was Chief Scientist with Salesforce from 2010 to 2014 and was Chief Data Officer and Group Head of Innovation with Deutsche Bank from 2015 to 2018. JP is also a former global CIO of the Year as well as European Innovator of the Year.

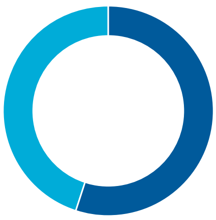
Appointed

Appointed in 2020.

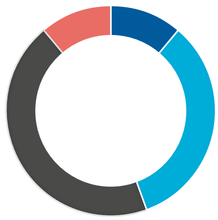
*1 Admiral Group Subsidiary entity.

Board skills and experience

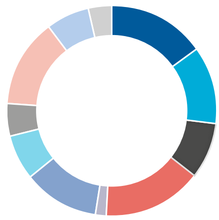
Board gender diversity



Non Executive Board tenure



Non Executive Director skills mix



Non-Executive Directors skills matrix

Non-Executive Directors	Finance	Risk	Insurance	Commercial	Marketing/ Retail	City	International	Technology/ digital	Operations	Entrepreneurial	Loans
Annette Court (Chair)	●	●	●	●		●	●	●	●		
Jean Park	●	●	●	●					●		
Manning Rountree	●	●	●	●			●		●	●	
Owen Clarke	●			●		●			●	●	
Justine Roberts	●			●	●	●		●	●	●	
Andy Crossley	●	●	●	●		●	●		●		
Mike Brierley	●	●		●		●			●		●
Karen Green	●	●	●	●		●	●				●
JP Rangaswami	●	●		●		●		●	●	●	

Governance report

Applying the principles and related provisions of the UK Corporate Governance Code during the year.

Compliance with the UK Corporate Governance Code

Implementing best practice corporate governance contributes to the successful delivery of strategy and is, therefore, important to the Board. An effective corporate governance framework helps the Board and management to deliver the strategy within the scope of the relevant legal and regulatory landscapes. It ensures, amongst other things, that:

- The Board is composed in an appropriately balanced way which promotes diversity and enables it to operate effectively. Having appropriate divisions of responsibility between Executive and Non-Executive roles provides external challenge to the internal view. Similarly, diversity on the Board and at a senior management level avoids 'Group-think' and offers different perspectives.
- The Board and management maintain two-way relationships with the Group's key stakeholders. Not only should the Board act in a way which promotes the success of the company for the benefit of its shareholders, but it should also have regard to its other key stakeholders for which the Board's decisions are likely to impact. It is important that two-way engagement is maintained to enable key stakeholders to influence the Group's actions, again, providing different perspectives.
- The Group has a clear purpose and strategy and that its culture aligns. Messaging and tone from the top are crucial and should be consistent so that everyone is clear about the goal and, therefore, works towards the same thing.
- Remuneration is proportionate and supports long-term success, therefore, generating the right behaviours and outcomes.

All of the mechanisms described throughout the Corporate Governance Report are intended to demonstrate how the Group's corporate governance framework contributes to the delivery of the strategy.

This particular section outlines how the Group has applied the principles and complied with the provisions of the UK Corporate Governance Code 2018 ('UK Code') by reference to the location of the descriptions in the different sections of the Annual Report.

Board Leadership and Company Purpose

UK Code Principle	Description	References
Principle A	A successful company is led by an effective and entrepreneurial board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society.	• Corporate Governance Report – '**Role of the Board**' • See the '**Stakeholder sections**' on pages 56 to 79 of the Strategic Report for the Group's generation of value for shareholders and its contribution to wider society
Principle B	The board should establish the company's purpose, values and strategy, and satisfy itself that these and its culture are aligned. All directors must act with integrity, lead by example and promote the desired culture.	• See pages 4 and 19 to 29 of the Strategic Report for '**Admiral's Purpose, Values and Strategy**' • Corporate Governance Report – first paragraph under '**Role of the Board**' • Nomination and Governance Committee Report – Last paragraph of Chair Introduction
Principle C	The board should ensure that the necessary resources are in place for the company to meet its objectives and measure performance against them. The board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed.	• Directors Report – last paragraph of '**Going concern**' • Corporate Governance Report – second paragraph within '**Meetings and attendance**' • Audit Committee Report – third paragraph under '**Internal Audit**' • Group Risk Committee – third bullet under '**Duties and Responsibilities of the Group Risk Committee**' • Directors Report – '**Reporting, Accountability and Audit**', fourth paragraph under '**UK Corporate Governance Code**' • Group Risk Report – '**Risk Management and Internal Control Systems**'
Principle D	In order for the company to meet its responsibilities to shareholders and stakeholders, the board should ensure effective engagement with, and encourage participation from, these parties.	• See the '**Stakeholder sections**' on pages 56 to 76 of the Strategic Report for details of the Group's stakeholder engagement mechanisms and the Board's oversight • Corporate Governance Report – '**Stakeholder engagement**'
Principle E	The board should ensure that workforce policies and practices are consistent with the company's values and support its long-term sustainable success. The workforce should be able to raise any matters of concern.	• See the Strategic Report, '**Employee policies**' on page 80 • Corporate Governance Report – '**Whistleblowing**'

Division of Responsibilities

UK Code Principle	Description	References
Principle F	The chair leads the board and is responsible for its overall effectiveness in directing the company. They should determine objective judgement throughout their tenure and promote a culture of openness and debate. In addition, the chair facilitates constructive board relations and the effective contribution of all Non-Executive Directors, and ensures that directors receive accurate, timely and clear information.	• Corporate Governance Report – '**Division of Responsibilities**' for the Role of the Chair
Principle G	The board should include an appropriate combination of executive and Non-Executive (and in particular, independent Non-Executive) Directors, such that no one individual or small group of individuals dominates the board's decision-making. There should be a clear division of responsibilities between the leadership of the board and the executive leadership of the company's business.	• Corporate Governance Report – '**Board composition, balance and independence**' • Corporate Governance Report – '**Division of Responsibilities**' for the Role of Chair vs Role of CEO
Principle H	Non-Executive Directors should have sufficient time to meet their responsibilities. They should provide constructive challenge, strategic guidance, offer specialist advice and hold management to account.	• Nomination and Governance Committee Report – last paragraph under '**Board composition, appointments and time commitments**' • Corporate Governance Report – see Directors Biographies for details of external commitments • Corporate Governance Report – sixth paragraph within '**Board composition, balance and independence**' • Corporate Governance Report – '**Division of Responsibilities**'
Principle I	The board, supported by the company secretary, should ensure that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently.	• Corporate Governance Report – third paragraph within '**Meetings and attendance**' • Corporate Governance Report – fifth bullet under '**2020 Board Evaluation**' • Corporate Governance Report – '**2020 Board Evaluation**'

Composition, Succession and Evaluation

UK Code Principle	Description	References
Principle J	Appointments to the board should be subject to formal, rigorous and transparent procedure, and an effective succession plan should be maintained for board and senior management. Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.	• Nomination and Governance Committee Report – second paragraph under '**Board Composition, Appointments and Time Commitments**' • Nomination and Governance Committee Report – '**Succession planning and talent management**' • Corporate Governance Report – fourth paragraph under the table within '**Board composition, balance and independence**'
Principle K	The board and its committees should have a combination of skills, experience and knowledge. Consideration should be given to the length of service of the board as a whole and membership regularly refreshed.	• Corporate Governance Report – Chair Introduction • Corporate Governance Report – first paragraph under '**Board composition, balance and independence**' • Corporate Governance Report – table under '**Board composition, balance and independence**' • Audit Committee Report – '**Membership**'
Principle L	Annual evaluation of the board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each director continues to contribute effectively.	• Corporate Governance Report – first and second bullets under '**2020 Board Evaluation**' • Corporate Governance Report – '**Individual Director Evaluation**'

Governance report continued

Audit, risk and internal control

UK Code Principle	Description	References
Principle M	The board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of internal and external audit functions and satisfy itself on the integrity of financial and narrative statements.	• Audit Committee Report – first, fourth and eighth bullets under '**Roles and Responsibilities**' • Audit Committee Report – '**Non-audit fees**' • Audit Committee Report – '**Effectiveness of the external audit process**' • Audit Committee Report – second paragraph under '**Internal Audit**' • Directors Report '**Directors Responsibilities**' and '**Responsibility statement**' • Principal Risks and Uncertainties – third paragraph under '**Risk Management and Internal Control Systems**'
Principle N	The board should present a fair, balanced and understandable assessment of the company's position and prospects.	• Directors Report – '**Reporting, Accountability and Audit**', third paragraph under '**UK Corporate Governance Code**'
Principle O	The board should establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the company is willing to take in order to achieve its long-term strategic objectives.	• Audit Committee Report – '**Internal Audit**' • Strategic Report – '**Principal Risks and Uncertainties**' • Directors Report – '**Reporting, Accountability and Audit**', fourth paragraph under '**UK Corporate Governance Code**'

Remuneration

UK Code Principle	Description	References
Principle P	Remuneration policies and practices should be designed to support strategy and promote long term sustainable success. Executive remuneration should be aligned to company purpose and values and be clearly linked to the successful delivery of the company's long-term strategy.	• Remuneration Report – last paragraph under '**Recap of remuneration structure at Admiral**' • Remuneration Report – last paragraph under '**Business context: Admiral's business performance and how we responded to the impact of Covid-19**' • Remuneration Report – fourth paragraph and last paragraph under '**2020 Remuneration Policy Review**' • Directors Remuneration Policy – '**2021 Remuneration Policy table**', '**Post termination shareholding requirement**' under '**Purpose and link to strategy**' column.
Principle Q	A formal and transparent procedure for developing policy on executive remuneration and determining director and senior management remuneration should be established. No director should be involved in deciding their own remuneration outcome.	• Directors Remuneration Policy – '**Key Principles of Admiral Remuneration Arrangements**' and '**2021 Remuneration Policy table**' • Directors Remuneration Policy – '**Non-Executive Directors**' and '**Approach to Remuneration Relating to New Executive Director Appointments**' • Annual Report on Remuneration – '**Remuneration Committee Membership in 2020**'
Principle R	Directors should exercise independent judgement and discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances.	• Annual Report on Remuneration – **'Incentive Outcomes for Financial Year to 31 December 2020'** • Directors Remuneration Policy - Last paragraph under **'2021 Remuneration Policy table'** under **'DFSS'** and **'Other benefits'**; the paragraph following that table; **'Service Contracts and Leaver/Change of Control Provisions'**; and **'Non-Executive Directors'**.

Statement of Compliance

The Group complied with the provisions of the UK Code except for part of provision 36 that relates to the introduction of a post-employment shareholding policy. The Group will be seeking shareholder support for a revised Remuneration Policy at the 2021 AGM and as part of these proposed changes, the intention is to adopt a post-employment shareholding policy. Further details are outlined within the Remuneration Report on page 132.

Responsible Investment

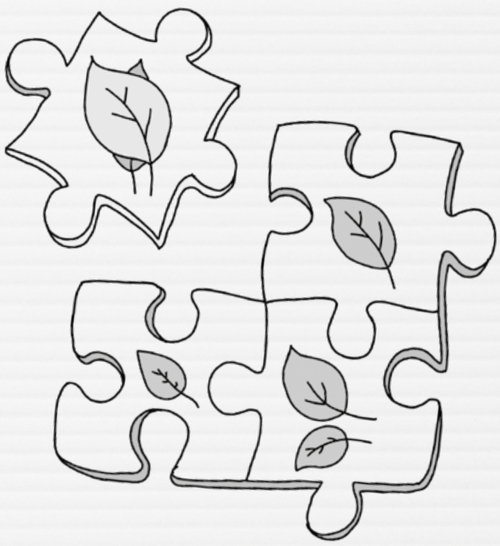
Admiral's Responsible Investment approach was fully integrated in 2019 and is applicable to all investments. We aim to mitigate Environmental, Social and Governance (ESG) related risks and achieve more sustainable long-term returns.

In particular, we require ESG considerations to be integrated into each step of investment decision-making. This includes monitoring the ESG risks, reviewing the ESG capabilities of external asset managers and consideration of ESG factors on implementing new asset types. Our initial focus has been on the Group's fixed income mandates, which represent over 50% of our total assets, with the remaining exposure (c.45%) in cash and money market funds. Within these mandates:

- Average ESG rating of 'A' (MSCI Rating).
- Minimum average ESG rating requirements in our portfolios (either using MSCI or internal asset manager ratings).
- No energy firms deriving >10% revenue from coal or tar sands, and no cluster munitions.
- Requested our external asset managers to favour green bonds when they offer a similar financial profile to other issues.
- Carbon Emissions Intensity (aggregate emissions financed for every million dollars invested in the companies) below pre-determined benchmark.

During 2020, we have continued to ensure all our asset managers are signatories of the UN Principles for Responsible Investment (PRI) and thoroughly review their ESG processes, with all Admiral's asset managers scoring an A or A+ in relevant responsible investment categories. We engaged with asset managers to define methodology which will assess our portfolios against the 2015 Paris Agreement, and we became a member of the Institutional Investors Group for Climate Change (IIGCC), as we look to formally adopt targets for reducing carbon intensity and alignment to the Paris Agreement.

For 2021, our investment priorities include setting carbon intensity reduction targets for our investment portfolio, exclusions for climate change laggards, and minimum allocations to securities with clear positive impacts (for example, providing climate solutions or progress towards the UN Sustainable Development Goals).



Governance report continued

Board leadership and company purpose

Role of the Board

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. Part of the Board's role is to promote the Group's culture and, in particular, ensure that its uniqueness is safeguarded in such times of change.

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.

Matters reserved to the Board

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 Committees

The Board has delegated authority to several 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. In accordance with the UK Code, all members of the Audit Committee are 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.

Board activity during 2020

Due to the Covid-19 pandemic social distancing restrictions and lockdown measures, the Board had to adapt to meeting remotely for the majority of 2020. Despite holding less face to face meetings and more virtual meetings in the year, this has not hampered the effectiveness of the Board. The Board met on twelve occasions during the year with all these meetings being held over one or two days and one of the meetings being a separate strategy meeting.

Principal areas of focus for the Board during 2020

Governance
- Considered progress made in completing the actions arising from the 2019 external Board Effectiveness Review
- CEO transition updates
- Succession planning and Group talent management update
- Reviewed and approved revised Matters Reserved for the Board

Stakeholders
- Updates from the Chair of the Employee Consultation Group, including on the ECG effectiveness review
- Update on culture and people
- Updates on gender and diversity
- An update on Group talent management
- Board session in March on the impact of climate change and its importance for the Group
- Updates on responsible investing and ESG
- An update on climate change
- Consideration of the stakeholder map that identified the Group's main stakeholders and engagement processes and mechanisms that were in place

Strategy
- Strategy review updates
- Group Strategy Review at the Group strategy session in October which also considered product diversification
- Sale of price comparison businesses under the Penguin Portals umbrella

Regulatory Updates
- Internal Model Application Process (IMAP) updates
- Own Risk and Solvency Assessment Report (ORSA) review
- PRA attended the October Board
- Consideration of the potential impact of the FCA pricing review of General Insurance products

Operational Performance
- Updates on the impact of the Covid-19 pandemic, including topics relating to response and risk, travel insurance, financial projections, possible long-term consequences and emergency cover plans
- 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
- Presentation from Admiral Pioneer
- Consideration and approval of the Group's 5 Year Plan

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.

On the agenda for 2021
- Continue to stay close to how the Group's employees are thinking and feeling and ensure that the Employee Consultation Group continues to embed in the UK and internationally. Oversee the evolution of Admiral' culture post-Covid-19, whilst ensuring that its uniqueness is preserved with introduction of a more permanent flexible working approach for all. Continue 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. Ensure that Admiral remains a Best Company to work for.
- Continue to devote Board time to the consideration of the views of the Group's other key stakeholders in implementing the Group's strategy, and ensure there is regular engagement through appropriate channels.
- Ensure Diversity and Inclusion objectives are embedded in the Group and that work continues to ensure that there is a diverse pipeline of talent available for succession planning for senior roles.
- Ensure that Board dynamics evolve to encompass a post-lockdown way of working.
- Provide support to and approve a sustainability strategy and monitor progress against agreed metrics.
- Continue to oversee the Group's exploration of opportunities to diversify beyond car insurance.
- Oversee and challenge the delivery of Admiral 2.0, including keeping under review the Group's technology and digital capabilities to ensure they are appropriate as the Group looks to explore opportunities beyond car insurance.
- Ensure that the IT strategy across the Group has sufficient focus on resilience, agility, economies of scale and risk management.
- Gain a deeper understanding of external risk factors, notably competitors, industry regulatory and technology threats/ opportunities, developments and disruptors, including the impact of the FCA's general insurance pricing review.
- Continue to maintain a focus on cyber security.
- Continue to evaluate the Group's response to the Covid-19 pandemic to distil lessons learned and how these can be applied to future planning.
- Continue to oversee work on the IMAP and preparation for its submission to the regulator for approval

Governance report continued

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 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 (until her appointment to the Board in August) 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, when these can take place. 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).

The Board Chair, although not being able to continue her in-person visits to each of the Group's overseas operations during the year, has visited the Group's overseas operations virtually. The Non-Executive Directors were invited to join her on the virtual visits. Non-Executive Directors also attended virtual briefing sessions on different aspects of the Group's UK business.

The Non-Executive Directors and the Chair met virtually during the year without the Executive Directors being present, including before each Board meeting.

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 usually invited to join the Board for dinner, which gives the opportunity for informal interaction between Directors and management. However, these opportunities have not always been able to take place during the year, as a result of the various Covid-19 restrictions which have been in place. As this has been the case since March 2020, the Chair has continued to hold one-to-one meetings with members of the Group's senior management team on a virtual basis.

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 2020 is provided in the table below. In addition to the seven scheduled Board meetings held during the year, there was one additional Board meeting held in February to discuss CEO succession, three in April 2020 to discuss the dividend and 'Stay at Home' refund to customers and one in December 2020 to consider and approve the sale of Penguin Portals. Similarly, the nine Audit Committee meetings set out in the table below, includes one additional Audit Committee meeting that was called at short notice. The large increase in Group Risk Committee meetings was a result of the increased oversight required of the Group's risks and controls as a result of the Covid-19 pandemic and to oversee the Internal Model Application 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.

Culture: Monitoring and Assessment

It is critical that Admiral's culture evolves and adapts as the business environment 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 December, the Board received an update on culture and people which considered the Great Place to Work and Best Companies survey results, headlines from local surveys that had run through the year and the impact of Covid-19 and remote working on Admiral's culture and the additional support that had been provided to staff during the year.

	Board meetings	Audit Committee meetings	Group Risk Committee meetings	Nomination and Governance Committee meetings	Remuneration Committee meetings
Total meetings held	12	9	17	6	12
Annette Court (Chair)	12		6*1	6	
David Stevens*2 (Chief Executive Officer)	12				
Geraint Jones (Chief Financial Officer)	12				
Owen Clarke	12			6	12
Karen Green	12	9			
Jean Park	12		17		12
Manning Rountree	12		14*3		
Justine Roberts	12			6	4*4
Andy Crossley	12	9	11*1		
Michael Brierley	12	8*5			8*4
Jayaprakasa (JP) Rangaswami	5*6				
Milena Mondini de Focatiis	3*7				

*1 Annette Court stepped down as a member of the Group Risk Committee and Andy Crossley became a member on 29 April 2020.
*2 David Stevens stepped down from the Board and his role as Group CEO on 31 December 2020.
*3 Due to prior commitments, Manning Rountree was unable to attend the ad-hoc Group Risk Committee meetings held on 26 February 2020, 11 May 2020 and 26 November 2020.
*4 Justine Roberts stepped down as a member of the Group Remuneration Committee and Michael Brierley became a member on 4 March 2020.
*5 Due to a prior commitment, Mike Brierley was unable to attend an additional Group Audit Committee meeting held on 6 February 2020.
*6 JP Rangaswami was appointed to the Board during the meeting held on 29 April 2020.
*7 Milena Mondini de Focatiis was appointed to the Board at the meeting held on 11 August 2020.

The Board received updates on the variety of initiatives that are in place 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 regular monthly staff surveys together with an annual employee engagement survey – Best Companies and Great Places to Work survey, there are a number of other 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 Milena' 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. Pulse survey results during the Covid-19 pandemic demonstrated that employees continued to feel well supported by their managers, the majority enjoyed working from home and communication was scored highly.

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 December, the Board received an update on the culture scorecard, which aims to provide a benchmark to monitor culture across the Group, to ensure that it continued to align with our purpose and values and provide greater insight to the Board. The scorecard matrix is produced quarterly and reported through the Group's Conduct Risk Framework and subsequently 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. The Board recognised that it had not been possible to adequately monitor three of the nine measures within the scorecard for the majority of 2020, as a result of the challenges posed by Covid-19, but was satisfied that mitigating activity had been put in place to monitor the areas covered by the three measures in the interim. The aim is to resume reporting on these measures in the usual way in 2021.

Governance report continued

Stakeholder engagement

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 fully understand 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. Due to the Covid-19 pandemic, such meetings, briefings and conferences with investors have taken place virtually since early 2020.

In addition, the Chair, Senior Independent Director (SID) and CEO Designate held 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 SID 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), unless circumstances such as the Government's Covid-19 lockdown restrictions prevent public gatherings. Given the Covid-19 outbreak earlier in the year and the UK Government prohibition on public gatherings of more than two people, it was not possible for shareholders to attend the 2020 AGM in person. The 2020 AGM went ahead as a functional meeting to comply with the Company's articles of association, relevant legal requirements and to enable shareholders to vote on the important customary annual business. Shareholders were encouraged to submit questions to the Board in advance of the AGM. The Board considered the questions received and written responses were provided following the AGM.

The Chairs of the Audit, Remuneration, Nomination and Governance and Group Risk Committees usually 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, or in advance, if there are restrictions in place on public gatherings. 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 159.

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 2020. The PRA attended the Board in October 2020, 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. The Board is also kept up to date with the regular communications between the AIGL Board and the Gibraltar Financial Services Commission.

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 the Group's whistleblowing arrangements and was satisfied that they 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 Whistleblowing Policy.

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 October 2020. 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.

The results of our board evaluation review concluded that the Board continues to operate effectively.

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 SID, 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. It is the Non-Executive Directors' role to provide constructive challenge, strategic guidance, offer their respective specialist advice and hold management to account.

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

Chair

- Runs the Board and sets its agenda, with an emphasis on strategic issues.
- Ensures the Board has effective decision-making processes, demonstrating objective judgement and applying sufficient challenge to proposals.
- Facilitates constructive Board relations, including effective contribution from Non-Executive Directors.
- 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.

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.

Governance report continued

Composition, succession and evaluation

Board Succession

Further to her appointment as CEO Designate and in line with the Group's succession and development planning processes, Milena Mondini de Focatiis has continued to prepare for her succession to the role of Group CEO on 1 January 2021. There has been a comprehensive CEO transition process in place during 2020 which has been closely monitored by the Nomination and Governance Committee, with regular updates also provided to the Board. As part of the process, Milena Mondini de Focatiis was appointed as an Executive Director of the Board on 11 August 2020.

Following an external search for a candidate that could enhance the Board's technology expertise and existing skills, JP Rangaswami was appointed as an independent Non-Executive Director with effect from 29 April 2020. JP Rangaswami has a wealth of large-scale technology experience gained through his roles as Chief Information Officer (CIO) with Dresdner Kleinwort (2001 to 2006) and Managing Director/Chief Scientist at BT Group (2006 to 2010). JP has also been Chief Scientist with Salesforce (a US cloud-based software company) and was Chief Data Officer (CDO) and Group Head of Innovation with Deutsche Bank (2015 to 2018). He has operated in financial services for over ten years and understands the challenges of working in a regulated environment. JP is also a former global CIO of the Year as well as European Innovator of the Year. He is currently a Non-Executive Director of Allfunds Bank and Daily Mail and General Trust (DMGT). Further details on the appointment process are located in the Nomination and Governance Committee Report on page 128.

As reported in last year's Annual Report, the Chair will reach her nine year tenure as a Non-Executive Director on the Group Board in March 2021 and the Board had considered the position of the Chair remaining in post for a period beyond the nine year term. Having consulted shareholders, it remains the Board's intention that, subject to annual approval by shareholders, Annette Court will remain as Chair of the Group Board for up to three years beyond March 2021 with the expectation that she would serve two years.

We believe that there is a particularly strong rationale to extend the Chair's tenure beyond the 9 years recommended by the UK Code, which is based on ensuring Board continuity following David Stevens, a founder of Admiral, stepping down from his role as CEO, coupled with an uncertain external environment due to the ongoing impact of the Covid-19 pandemic. The SID, together with the support of the Board, intends to commence the search for a replacement Chair during 2022.

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.

Prior to David Stevens stepping down from the Board, the Board comprised twelve Directors: the Chair (who was independent on appointment), three Executive Directors, and eight independent Non-Executive Directors. As can be seen from the Directors' biographies on pages 96 to 98, 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.

Director	Date of appointment	Current length of service as a Non-Executive Director at 31 December 2020
Annette Court	21 March 2012	8 years 9 months
Jean Park	17 January 2014	6 years 11 months
Manning Rountree	16 June 2015	5 years 6 months
Owen Clarke	19 August 2015	5 years 4 months
Justine Roberts	17 June 2016	4 years 6 months
Andy Crossley	27 February 2018	2 years 10 months
Mike Brierley	5 October 2018	2 years 3 months
Karen Green	14 December 2018	2 years
JP Rangaswami	29 April 2020	8 months

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, 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 128.

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 eight 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 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, and his membership of the Nomination and Governance Committee. 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 will lead on the appointment of a new Chair, 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 election or 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. Further details can be found in each of the biographies. 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 usually 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. During 2020, the Non-Executive Director induction programme has required some adaptation to take account of the Covid-19 pandemic lockdown restrictions, with much of it being facilitated virtually to ensure that the induction experience matches the former face to face experience. Feedback to date on the updated induction programme has been positive.

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. This has been facilitated virtually during 2020.

Governance report continued

Board Evaluation

Progress with 2019 Board Evaluation Recommendations

The externally facilitated Board evaluation, performed by Ian White (who had no other connections with the Group or its Directors) in 2019, made a number of key recommendations to enhance the effectiveness of the Board and its Committees. These included, but were not limited to:

Key Recommendation	Progress Update
Increased focus on the need to enhance the Board's expertise in technology.	Developing a better understanding of Admiral's technology and digital capabilities was one of the Board's objectives for 2020. As well as relevant sessions having been scheduled for the Board throughout 2020, on 29 April 2020, JP Rangaswami was appointed to the Group Board following an external search. Further details about his expertise in technology can be found in his Board biography. The UK insurance business also appointed a Chief Information Officer and a Chief Digital Officer to strengthen senior management in these areas.
Ensuring that there continued to be appropriate challenge from the Board on the matters discussed and consideration given to ways this could be enhanced.	One of the Board's objectives for the year was to challenge management on the delivery of transformation of the core business and, to facilitate this, additional updates on different aspects of the project were arranged throughout the year.
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.	Non-Executive only sessions are scheduled at the start of each Board meeting and also arranged separately, as required.
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.	The setting of the Board's agenda is a collaborative process between the Company Secretary, the Chair and senior management. Agenda planners are used to help prioritise agenda items.
Further enhancement in 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.	The Board's expectations in respect of format, content, length and timing of papers have been documented and will continue to be reviewed, where appropriate.
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.	Induction sessions for new Board Directors are tailored depending on their background and experience. For example, additional sessions with UK insurance management were arranged as part of JP Rangaswami's induction to help develop a good understanding of the business.
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.	A Board Education Programme has been developed and is updated in accordance with feedback received throughout the year.

The relationship between the Executive and the Non-Executive Directors continues to be good, with 'trust and openness' and 'working with management' questions scored highly.

2020 Board Evaluation

Having last carried out an external Board evaluation in 2019 in accordance with the Code requirement that FTSE 350 companies should carry out an externally facilitated evaluation of the Board at least every three years, the 2020 Board evaluation process was facilitated internally with use of a questionnaire developed by Independent Audit, who have no other connection with the Group or its Directors. The online questionnaire was sent to all Board members and regular Board attendees and considered:

- Board composition together with the utilisation of the experience, skills and expertise, as well as diversity of Board members.
- Board dynamics and the interaction between the Chair, Non-Executive Directors and management to achieve the Board's objectives.
- 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 evaluation were discussed at the January 2021 Board meeting and showed a board that appeared to be functioning well, with some identified opportunities for improvement. Consideration was given to the skills, characteristics and diversity needed on the Board to underpin the strategy and will continue to be kept under regular review as part of the work of the Group Nomination and Governance Committee.

The relationship between the Executive and the Non-Executive Directors continues to be good, with 'trust and openness' and 'working with management' questions scored highly. The change to virtual meetings was felt to have been competently dealt with and had not adversely impacted the effectiveness of meetings.

The Board has a good understanding of the risks within the business. However, Environmental, Social and Governance (ESG) was highlighted as an area which the Board thought there was room to better understand the strategic opportunities and risks from emerging technology, as well as ensuring that the right information was available to monitor our ESG performance. A Board education session on ESG monitoring has been proposed for 2021. IT security was another area highlighted as a continued area of focus and a Board education session to test the Group's processes and procedures in respect of crisis management was proposed for 2021.

2020 Board Committee Effectiveness Reviews

Further information on each of the Board Committees' evaluations can be found within the respective Board Committee reports.

Individual Director Evaluation

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 Chair also carries out the performance assessments of each of the Non-Executive Directors. Each of the Directors were determined to have continued to effectively contribute to the work of the Board in 2020. The performance of the Chair is reviewed by the Board led by the 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.

The Audit Committee

Committee members

Karen Green (Chair)
Mike Brierley
Andy Crossley

Number of meetings

9

Focus for the year

Alongside considering the impact of Covid-19 on the Group's processes, control environment, financial reporting and key accounting judgements, the Committee's focus this year has been on:

- Challenging 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 independent actuarial advisers.
- Leading the external audit services tender process and making a recommendation to the Group Board.
- Focusing on management's preparedness for the introduction of IFRS 17 and the implications for the Group to ensure these are well understood and operationalised.

Dear Shareholder,

I am pleased to set out in this report an update on the main activities of the Committee in 2020.

Providing support to the Board in its oversight of financial reporting and the control environment across the Group remained a key area of focus of the Committee during the year. The Covid-19 pandemic is a significant, ongoing, worldwide event and the Committee has considered its impact across the Group's processes, control environment, financial reporting and key accounting judgements, including the Going Concern status of the Group and its material subsidiaries.

The setting of insurance claims reserves in accordance with the Group's agreed reserving methodology is a key accounting judgement in the Group's Financial Statements (as set out in note 5 to the Financial Statements), and the Committee continues to place considerable focus on this area. 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 independent actuarial advisers. In 2020, this included the impact of Covid-19 on both claims frequency and claims severity in addition to the ongoing focus on claims settlement patterns post the 2019 Ogden discount rate change and the potential impact of Covid-19 in this regard.

Karen Green
Chair of the Audit Committee

As referenced in the 2019 report, the Committee continued to review and subsequently approved management's proposals to transition to using Admiral's internal actuarial estimates for UK Car Insurance best estimate claims reserves. As part of this process, the Committee received a report from an external consultant following a review of the internal reserving team's processes and controls. The transition was implemented ahead of the Group's 2020 interim financial reporting, with the Group's external actuarial advisors continuing to provide an external estimate on a consistent basis to previous periods but as validation of Admiral's internal estimate rather than an input to the financial statement reserving process.

The Committee also considered the impact of the pandemic on other key accounting judgements and the Group's control environment. In relation to critical accounting judgements and key sources of estimation uncertainty, this included the impact on the Group's loans business, Admiral Financial Services Limited (AFSL) in particular, the implications for the IFRS 9 provision for expected credit losses, and the detailed work supporting the Group's Going Concern and Viability disclosures set out in the 2020 interim and year-end financial statements. This included consideration by the Committee of the detailed work undertaken by the Group Risk Committee in respect of the Group's solvency and liquidity position including stress and scenario testing as set out in the Group Risk Committee Report.

The Committee received reports from both the finance and internal audit teams in relation to the design and effectiveness of material controls in the context of the move to remote working that arose as a result of Covid-19. This included specific consideration of the 2020 year-end financial reporting process, potential risks and challenges arising from the remote working environment and steps taken by management to mitigate those risks.

The Committee continued to spend time considering the valuation and carrying value 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, and the Group's loans business, AFSL, received particular attention during the year as the Committee reviewed management's recommendation to recognise further small impairments in the carrying value of the parent company's investment in Elephant and Compare.com.

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 2020 and discussed with Deloitte the rationale for the year-on-year increase.

As referenced in the 2019 report of the Audit Committee, the Committee led an external audit tender process during the year. The Committee evaluated seven audit firms in accordance with an agreed set of criteria, including independence, audit quality indicators, geographical location and reach, and industry experience. Following this process, Deloitte, KPMG and PwC were invited to participate. Following completion of the process, and on the recommendation of the Committee, the Board approved the proposal to recommend to shareholders, the reappointment of Deloitte as the Group's external auditor, at the 2021 AGM. Further details of the tender process are included later in this report.

Although the introduction of the new insurance accounting standard, IFRS 17 *Insurance Contracts* has been deferred to January 2023, the Committee has continued to focus on management's preparedness for its introduction and, the implications for the Group to ensure these are both well understood and operationalised. In this context, the Committee received several updates on the introduction of IFRS 17, including an initial financial impact assessment. The Committee also had a separate education session facilitated by Deloitte, recapping on the implementation of IFRS 9 and considered the Group's financial assets, including loans, within its scope.

The Committee considered and reviewed the Group's whistleblowing policy and received quarterly updates on the use of the policy and the instances of whistleblowing that had been raised across the Group during the year. During the year, the Board concluded that the Group's 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 received a report from management on the circumstances that led to the dividend rectification process, as referenced in the Directors' Report, which included proposed enhancements to the process so that the issue is not repeated in the future.

Finally, 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.

Karen Green
Chair of the Audit Committee
3 March 2021

The Audit Committee continued

Membership

Membership of the Committee at the end of the year was: Karen Green (Chair), Andy Crossley and Mike Brierley. 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, Chief Actuary 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 with the Group Head of Internal Audit on a regular basis and the Committee also held two private meetings with the Group Head of Internal Audit, who was appointed to the role on 1 April 2020.

The external auditor was invited to attend all of the Committee's meetings held in 2020 and in relation to the 2020 year end process, excepting those agenda items when its own performance/appointment was to be reviewed or where any other conflict was identified. In addition, two private meetings were held between members of the Committee and the auditor. The Chair also met regularly with the auditor during the year.

Role and Responsibilities

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, including that of the Group's Going Concern status;
- Provide advice (where requested by the Board) on whether the Annual Report and Accounts, 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;
- Keep under review the effectiveness of the Company's internal financial controls, internal control and risk management systems;
- 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;
- Review the Group's procedures for handling allegations from whistleblowers;
- Conduct the tender process 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;
- Approve the remuneration and terms of engagement of the Group's external auditor;
- Review and monitor the Group external auditor's independence and objectivity, and the effectiveness of the audit process taking into consideration relevant UK professional and regulatory requirements;
- Review the policy on the engagement of the Group external auditor to provide non-audit services, ensuring that there is prior approval of non-audit services, considering the impact this may have on independence and taking into account the relevant ethical guidance in this regard; and
- Reporting to the Board on how it has discharged its responsibilities.

Summary of key activities during 2020

The agenda for the meetings taking place during the year are agreed by the Committee Chair. 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, two additional meetings were held during the year, one was called to review a trading statement issued during the year, and the second to consider the transition to using the Admiral internal reserving team's actuarial projections as a basis for financial reporting. The majority of the Committee's meetings in 2020 were held remotely, again as a result of the Covid-19 pandemic. The agendas are updated regularly to allow for new items to be included.

During the year the Committee reviewed the following:

- The Group Annual Report, trading statement and interim results announcement, including key accounting judgements and disclosures;
- Parent company financial statements (both annual and interim), including key accounting judgements and disclosures;
- Financial statements for the Group's UK insurance entity, Admiral Insurance Company Limited, including key accounting judgements and disclosures;

- The Group Solvency and Financial Condition Report ('SFCR'), including disclosures specific to Admiral Insurance Company Limited;
- 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 2021 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 an external consultant reviewing Admiral's reserving process and controls ahead of the transition to using Admiral's internal actuarial reserve estimates as a basis for the Group's financial 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 actuaries and internal actuarial team to assist the Committee in concluding on the adequacy of the Group's reserves;
- Reports prepared by management demonstrating risk transfer within reinsurance contracts in line with the requirements of IFRS 4;
- Reports from Deloitte, the external auditor, on their proposed audit scope and plan;
- 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 whistleblowers 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;
- European Insurance Internal Audit updates, including an update 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;
- An update from the Chair of the US Audit Committee (of the Group's subsidiary Elephant Insurance Services) on the activities of that Committee;
- Presentations and papers 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 of IFRS 9, an education session delivered by the Group's external auditors, recapping on the implementation of IFRS 9, the implementation of the Group Minimum Control Standards framework, Solvency II Technical Provisions and other Solvency II reporting, and consideration of areas of the year end processes subject to heightened risk as a result of remote working;
- A paper from management noting the outcome of the review of the process and controls in relation to the dividend rectification issues, as referenced within the Directors' Report;
- Its own Terms of Reference;
- Its own effectiveness;
- Meetings held with the external auditors and also with the Group 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 the valuation of gross insurance, and reinsurance claims reserves, and the calculation of the IFRS 9 provision for expected credit loss (ECL).

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 2020 and also at the conclusion of the external audit of these full year Financial Statements.

Valuation of gross insurance and reinsurance claims reserves

The Committee continued to spend significant time reviewing and challenging the approach, methodology and key assumptions adopted by management in setting reserves for insurance liabilities and reinsurance recoveries in the Financial Statements to ensure consistency with the Group's stated reserving approach to set reserves at a prudent level.

In this context, the Committee challenged management on the important judgements and assumptions used in estimating outstanding claims and reinsurance recoveries. Further information is set out in more detail in the critical accounting estimates section of Note 1 to the financial statements.

In 2020, a number of specific issues relating to the valuation of claims reserves and reinsurance recoveries were focused on by the Committee. The first of these was management's proposal to transition from using an external actuarial best estimate projection of claims reserves and recoveries, to Admiral's internal actuarial reserving team's projected best estimate, as a basis for financial statement reserving for the UK Car Insurance business. Having reviewed initial proposals during the previous financial year, the Committee reviewed management's formal transition proposal during the first half of 2020, which included a summary of:

- Enhancements made to process and control documentation in preparation for the transition;
- A presentation by an external consultant on findings of a 'review and recommend' engagement on the reserving processes and controls, including recommendations for future enhancement;

The Audit Committee continued

- Recommendations for appropriate thresholds for differences between Admiral's internal best estimate reserve projections and that of the Group's external actuarial advisors who will continue to provide a best estimate reserve projection in a validation capacity;
- The impact of the transition from the external best estimate to the internal best estimate in absolute terms;
- The ongoing scope of the external actuarial review as validation of the internal best estimate;
- Minor enhancements to existing reserving governance processes;
- Risks arising from enacting the transition, ahead of the half-year, given the impact of the Covid-19 pandemic, and appropriate mitigations.

The Committee was satisfied that management's proposal was robust and had appropriately considered all relevant material risks and mitigations, and approved the transition, which was successfully implemented through the 30 June interim financial reporting process.

As in previous periods, the Committee held meetings specifically focused on reserving, receiving presentations from the internal UK car reserving team and the external actuaries. At these meetings management provided further information on the projected best estimate gross claims reserves and associated reinsurance recoveries, as well as the margin to be held above best estimate in the financial statements, and were challenged by the Committee as to their adequacy and the consistency of the level of prudence with prior periods.

The Committee reviewed and discussed the impact of Covid-19 on both claims frequency and claims severity as well as changes in claims settlement patterns after the new Ogden discount rate was announced in 2019, and as a result of Covid-19. The Committee also reviewed management's assessment of the level of uncertainty inherent in the claims reserves and changes to that assessment from previous periods.

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 to challenge management's proposal in respect of both best estimate reserves and margin held above best estimate to cover unforeseen deteriorations in the best estimate, the Committee is comfortable that an appropriate process has been followed, that the transition from external to internal best estimate has been managed effectively, and that there has been sufficient scrutiny, challenge and debate to give confidence that the reserving levels set provide an appropriate margin above best estimate, noting the consistency in the level of prudence in the reserves.

The Committee also received an update from the Group's external auditor, Deloitte, as part of the audit, regarding work performed in relation to the transition to using internal UK Car actuarial estimates, including focus on the completeness and accuracy of claims and exposure data from underlying systems; the design, implementation and operating effectiveness of key controls governing the actuarial models; and the accuracy of the output of those models. In addition, the Committee received an update on challenges raised in relation to management's qualitative and quantitative justifications for gross claims reserves and reinsurance recoveries included in the financial statements. Based on this work, the auditor was satisfied that the financial statement reserves remain appropriate and consistent with the Group's accounting policy.

IFRS 9 provision for expected credit losses

In 2020, the Committee has placed an increasing focus on reviewing and challenging the IFRS 9 provision for expected credit loss arising through the Group's loans business, AFSL, as a result of both the increasing materiality of the provision through growth in the Loans business to early 2020 and subsequently the impact of the Covid-19 pandemic on default experience, the assessment of circumstances indicating a significant increase in credit risk, and underlying forward-looking economic assumptions.

The Committee reviewed and challenged management's recommendation for the provision for expected credit losses, focusing on enhancements made to the provisioning methodology during the year, updates of data based on default experience before and during the pandemic, and macro-economic assumptions, including unemployment forecasts underpinning the forward-looking element of the provision. Further information on the provision and key assumptions are found in note 7 to the financial statements.

The Committee received a report from Deloitte, the external auditor in respect of work performed in relation to the AFSL expected credit loss (ECL) model, and in particular in respect of management's key judgements in selecting macro-economic scenarios and key assumptions within the provision. Based on the work performed, the auditor was satisfied that management's judgements remain appropriate within the current climate.

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 £10.5 million has been recognised in relation to the Group's investments in its US insurance business, Elephant Auto (£9.1 million) and its US comparison business, Compare.com (£1.4 million).

The impairment of Elephant Auto of £9.1 million reflected an impairment of £6.3 million in the first half of 2020 following a change in the results of discounted cash-flow forecasts for the business, primarily as a result of Covid-19. The resulting valuation at this stage was £33.6 million and equivalent to net asset value of the company. Subsequent movements of £2.8 million during the second half of the year relate to changes in this net value asset only.

The impairment in Compare.com of £1.4 million reflected movement in the net asset value (considered to be the 'recoverable amount' as defined by the accounting standard).

The Committee also considered an impairment analysis in relation to the parent company's investment in the Group's loans business, AFSL. Management's recommendation was that no impairment in the carrying value of the Group's investment in AFSL was required as the value in use of the business, calculated using a discounted cash-flow approach, remained higher than the carrying value of the investment. The Committee was satisfied with management's recommendation after discussion and challenge of the key assumptions and scenario analysis underpinning the impairment analysis.

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 3 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 August 2020 and was satisfied that it was aligned with current regulatory guidance, including the changes introduced in the Revised Ethical Standard 2019 which came into effect in March 2020.

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, in order to safeguard the independence and objectivity of the external auditor.

Unless required by law or regulation, any non-audit services will: a) be subject to ratification by the Committee if the cost does not exceed £15,000, or be subject to prior approval from the Committee where the cost exceeds £15,000 or such costs in the aggregate exceed £30,000 and b) in aggregate and where applicable, 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 consider whether:

- It is probable that an objective, reasonable and informed third party would conclude that the understanding of the Group obtained by the auditor for the audit of the financial statements is relevant to the service; and
- The nature of the service would compromise auditor independence.

The Committee will continue to monitor regulatory developments in this area to ensure that its policy on non-audit fees adheres to current guidance.

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 Audit Quality Reviews (AQR) published in September 2020 and the external auditor's firm wide transparency report, an updated version of which was published in 2020. Following this review, the Committee concluded that the auditor, Deloitte LLP, remained independent and and carried out an effective external audit process.

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. In line with the FRC rules on audit partner rotation, this will be Mark McQueen's final year in the role of senior statutory audit partner for the Group and he will rotate off after the 2020 year end.

Audit fee

During 2020, the Committee reviewed and approved the audit fee proposal for the 2020 year end Group audit. The agreed fee for the audit and other assurance related services for 2020 is £1.6 million (2019: £1.3 million), with the increase reflecting changes to the scope of the audit, resulting from growth in and changes to the Group's businesses, an increased hourly rate, the audit having to be performed remotely in response to the Covid-19 pandemic and the introduction of additional procedures relating to going concern, for example, also as a response to Covid-19, as well as revisions to International Standards on Auditing.

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

Audit tender

The Group last completed an audit tender in 2015 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.

The Audit Committee continued

In last year's Annual Report and Accounts, it was reported that a recommendation had been 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. Pursuant to its responsibility for conducting the tender process and making recommendations to the Board regarding the appointment, reappointment and removal of the external auditor, the Committee led the tender process during 2020. As part of the process, Committee members attended regular Audit Tender Steering meetings with management to discuss and agree matters including, but not limited to, the evaluation criteria; the tender timetable; the FRC's 2020 AQR; and the equivalent reviews published by ICAEW, in assessing and determining potential firms to invite to participate in the tender.

The Group's major shareholders were consulted early in the tender process to obtain their views on the background and proposed timing of the tender, the evaluation criteria and selection mechanism, as well as the firms that the Group intended to invite to participate in the tender.

Following an assessment of key criteria that included independence, audit quality indicators and industry experience, the Group's auditors, Deloitte, were invited to tender, together with KPMG and PwC. The tender process involved (i) a formal written submission from each firm, having identified that each firm had the right level of experience and resource, as well as being independent, (ii) each firm holding individual meetings with key members of management and members of the Audit Committee, which were conducted mainly virtually and (iii) a virtual presentation from each of the tendering firms, which focused on the Group's key business risks, their proposed audit approach, expected changes in the audit market and included two scenario based questions provided to the firms in advance of the presentations.

Following completion of this robust and independent audit tender process, and on the recommendation of the Committee, the Board approved that Deloitte should be recommended to shareholders as the Group's auditors at the 2021 AGM. A resolution to that effect will be proposed at the AGM.

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

Internal Audit

Following a thorough handover process from his predecessor, the Group Head of Internal Audit was appointed to the role on 1 April 2020. He 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 all of the Group's material internal controls, including financial, operational and compliance controls on behalf of the Board. The Group Head of Internal Audit also carries out an annual review of the effectiveness of the Group's systems of internal control and risk management and reports on the outcome of this review to the Committee. In February 2021, the Group Head of Internal Audit reported an adequate level of assurance in relation to the Group's arrangements for risk management, control infrastructure, governance and fraud prevention controls.

The Committee reviewed and approved the Group Internal Audit Policy which includes the Group Internal Audit Terms of Reference setting 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.

Members of the Committee also receive all issued audit reports, enabling them to challenge the reports' content, including the rating, and related recommendations. The Committee approves the Internal Audit plan 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.

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.

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 its meeting in February 2021 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. Areas identified for improvement included ensuring that the resolution of audit findings was discussed with management owners, rather than addressed to the Group Head of Internal Audit, the consistency and delivery of Committee papers, and it was agreed that further education sessions should be arranged in respect of IFRS 17, the use of cloud and agile methods within the business and audit market reform.

The Group Risk Committee

Committee members

Jean Park (Chair)
Andy Crossley
Cristina Nestares
Manning Rountree

Number of meetings

17

Focus for the year

As well as ongoing consideration of Admiral Group's risk strategy, risk appetite and risk monitoring; key developments and areas of focus for the Committee during 2020 have included:

- The ongoing oversight of the Group's response to the Covid-19 pandemic, and the appropriateness of the steps taken to manage its impact on Admiral's principal risks and uncertainties;
- Monitoring the work undertaken throughout the Group to ensure that the business was prepared to meet the challenges of Brexit; and
- Overseeing the development and enhancement of the Admiral Internal Model.

Dear Shareholder,

As Chair of the Group Risk Committee, I am pleased to present the Committee's report for 2020.

As a consequence of the wide-ranging implications of, and in response to, the Covid-19 pandemic's impacts on the Group's risk profile the Committee met much more frequently in 2020.

The Committee has received 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'). Key developments included: the impact of Covid-19; ensuring the business was prepared to meet the challenges of Brexit; and the development of the Admiral Internal Model.

During the year the Committee reviewed the Board's risk strategy and risk appetite across the Group. The Committee also considered a refresh of the suite of Key Risk Indicators with associated triggers and limits, reflecting the updates to the Group Risk Appetite.

During 2020 the Committee has received and challenged regular updates from the Group and its subsidiaries in relation to the impact of Covid-19 on Admiral's principal risks and uncertainties, as well as the steps taken to appropriately manage these risks.

- The Committee has supported the Group's very cautious approach to the reopening of its offices. During this process, the Committee has sought to ensure the careful management of staff physical wellbeing and mental health, as well as continuing to provide a high level of service to our customers;

Jean Park
Chair of the Group Risk Committee

The Group Risk Committee continued

- The Committee has continued to challenge management's focus on enhancing operational resilience, IT and information security, including the risk implications of the hardware and software rollout to support remote working. This focus also includes wider considerations of other operational changes made to enable Admiral to continue to provide quality customer service remotely;
- The Committee has reviewed the Group solvency and liquidity positions in response to market volatility and wider economic uncertainty, including the review of the 'ORSA Update Report (Coronavirus)', prior to Board approval, and providing review of and insight into the decision to provide an 'Admiral Stay at Home Refund'; and
- The Committee receives regular updates on key Group projects, including the close monitoring of any impact that Covid-19 has had, with appropriate focus and resource dedicated to ensuring that significant projects continue to progress.

While the impact of Covid-19 on a number of Admiral's principal risks and uncertainties has reduced as we have moved through 2020, the Committee will continue to monitor the impact of any further local or national lockdowns as well as other measures put in place to tackle Covid-19.

Following the announcement of the Brexit deal, but subject to a deep understanding of the implications of the deal, the Committee continues to monitor the position and receives regular updates on the work being completed throughout the Group. This is focussed on monitoring supply chain changes, albeit these are mitigated in the short term due to stockpiling by suppliers, and communication to customers via direct communication and FAQ. Whilst there is limited business travel, due to Covid-19 restrictions, this is another area that is being monitored to ensure that there is clarity on the rules for travel to and from the EU nations. The agreement of a data adequacy bridging period of 6 months has allowed more time to ensure that appropriate controls are in place.

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 to calculate the solvency capital requirement. Much of 2020 has been focused on the enhancement of the model following feedback from previous independent validation cycles.

The Group continues to maintain a regulatory capital add-on to cover risks not captured within the Standard Formula. The Committee has 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 Covid-19 impacts. The Group continues to make use of Undertaking Specific Parameters (USPs) for AIGL and the Volatility Adjustment (VA) for AICL and AIGL.

Throughout 2020 the Committee challenged and reviewed the setting of, and outputs from, regular stress and scenario testing and reverse stress testing, with continued focus on the principal risks and uncertainties facing the Group. The output was incorporated into the 'ORSA Update Report (Coronavirus)' produced earlier in 2020, as well as the annual Group ORSA Report for 2020, both of which the Committee reviewed prior to Board approval.

The Group's project governance framework has enabled the Committee to have oversight of the material projects and change programs 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 Brexit, cyber security and the use of Cloud based technology.

The on-going focus on monitoring and reporting customer outcome risks has been further enhanced through the continued embedding of the Group Conduct Risk Framework. Similarly, the Group minimum standards continue to be enhanced to reflect the 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 Park
Chair of the Group Risk Committee
3 March 2021

Composition of the Group Risk Committee

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

The Committee held five scheduled meetings, with a further thirteen additional meetings taking place, predominantly dedicated to Covid-19 and the Admiral Internal Model.

Duties and Responsibilities of the Group Risk Committee

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

The responsibilities of the Committee can be summarised as:

- Overseeing the development, implementation and maintenance of the Group's overall Risk Management Framework and ensure that it is in line with emerging regulatory, corporate governance and best practice guidelines.
- Considering and recommending to the Board for approval the Group's risk appetite, as well as ongoing monitoring and review of the Group's risk exposures.
- 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.
- Reviewing the Group's proposed interim and final dividend payments.
- Reviewing the annual Group ORSA Report and any required interim ORSA Report, with recommendations being provided to the Board for approval.
- Reviewing and approving the Solvency II Actuarial Function Reports on Reinsurance and Underwriting each year.
- Reviewing the Group's progress to IMAP implementation.
- Monitoring the adequacy and effectiveness of the Group's Risk and Compliance functions.
- Approving the annual plans for the Group Risk and Compliance functions which include reviewing regulatory developments and any planned meetings between the PRA and FCA and the business.
- Reviewing any significant risk issues that have a material impact on the customers of the business and/or concern the regulator.
- Ensuring the adequacy and effectiveness of the Group's systems and controls for the prevention of financial crime, and data protection systems and controls.
- Reviewing the Group's compliance with Solvency II.
- Considering the annual process for the review and appraisal of adherence to Group Minimum Standards.
- Reviewing compliance with Group policies, including the Group's Reinsurance Policy, the Group ORSA Policy, and Group Underwriting Policy.
- Reviewing and approving the remuneration report from the CRO prior to Remuneration Committee sign off, as well as providing feedback on the Directors Remuneration Policy, and commenting on remuneration metrics to help ensure there is no conflict with risk management objectives.
- Reviewing reports from the Group Risk, Group Compliance, Group Data Protection and Privacy, and Group Internal Audit functions.

The Committee Chair reports formally to the Board on the Committee's 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 notable: movements in the operation's risk profile; risk events; and emerging risks. Risk Management Committees also assess and monitor 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 Committee.

Principal Risks and Uncertainties

The Board of Directors 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, page 85.

Risk Management and Internal Control Systems

The system of risk management and internal control over Admiral's 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. Furthermore, risk management can only provide reasonable and not absolute assurance against material misstatement or loss. The Group Board is ultimately responsible for the Group's system of risk management and internal control and, the Group Audit Committee (GAC) has reviewed the effectiveness of this system.

The Group Risk Committee continued

The Group Board has delegated the development, implementation and maintenance of the Group's overall risk management framework to the Group Risk Committee."

The Group 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 2020; and that, up to the date of approval of the Annual Report and Accounts, it is regularly reviewed by the Group Board and accords with the internal control guidance for Directors provided in the 2018 UK Corporate Governance Code.

The Group 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 page 85. The Group 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 Group Board in monitoring the integrity of the Group's reported financial statements.

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

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

The Group Board has delegated to the GAC the review of the adequacy and effectiveness of the Company's internal financial controls, and internal control and risk management systems.

The Subsidiary Boards, GRC, and entity Risk 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 GAC, also receive regular reports from the Internal Audit function, which include recommendations for improvement of the control and operational environments.

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 GAC as to its activities, together with copies of the minutes from Subsidiary Board meetings, the GRC and the GAC.

The GAC's ability to provide assurance to the Group Board depends on the provision of periodic and independent confirmation, primarily by Group 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.

Statement of Assurance

Based on the conclusions of our work, as detailed above and including the oversight and review of the 2020 Group ORSA Report, the Group Risk Committee can provide the Group Board with an adequate level of assurance in relation to its arrangements for risk management.

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

1st Line of Defence

1st Line of Defence: The Group Board recognises that the day-to-day responsibility for implementing policies for risk identification, assessment and management lies with the senior management, whose operational decisions must take into account risk and how it can be controlled effectively.

2nd Line of Defence

2nd Line of Defence: The 'second line of defence' is led by the Group Chief Risk Officer and comprises the Corporate Governance functions and Committees that are in place to provide oversight of the effective operation of the internal control framework. The Corporate Governance functions facilitate the oversight and operation of the Group Policy Framework and Group Minimum Standards, covering risk management and controls for all material risks to the Group. The Corporate Governance functions perform second line reviews, including reviews of the capital modelling and business planning processes to support the Group Board's assessment of the Group's on-going viability. Regular reviews of all risks are undertaken in conjunction with senior management, with the results of these reviews recorded in risk registers and reported to the appropriate governance forums and Boards.

3rd Line of Defence

3rd Line of Defence: The 'third line of defence' comprises the independent assurance provided by the GAC and the Group Internal Audit function. Internal Audit undertakes a programme of risk-based audits covering all aspects of both the first and second lines of defence. The findings from these audits are reported to all three lines, i.e. Management, the Executive and oversight Committees, and the GAC.

Viability statement

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 twelve months on an annual basis.

At least annually, 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.

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 ORSA 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 2020 solvency ratio position.

The principal risks and uncertainties faced by the Group are set out on pages 85 to 93, and note 6 to the financial statements sets out the Group's objectives, policies and procedures for managing financial assets and liabilities. During the year, the key risk drivers impacting Admiral Group's principal risks and uncertainties are Covid-19 and Brexit:

Covid-19

- The Admiral Group Board and Group Risk Committee, as well as Subsidiary Boards and other governance forums throughout the Group have undertaken coordinated action to monitor and control Admiral's response to the Covid-19 pandemic. Allowing the Group to appropriately manage impacts to its principal risks and uncertainties and ensure that customers continue to receive a high quality of service.

The Group Risk Committee continued

- Admiral has closely monitored and managed the operational impacts of the Covid-19 pandemic. Throughout the pandemic the Group has prioritised the physical, mental and financial wellbeing of its staff; initially asking all but a small number of staff to work from home. A very cautious approach to the re-opening of certain offices was taken in accordance with all relevant local and national regulation and legislation; this approach has been continuously monitored as local Covid-19 situations developed.
- As part of asking staff to work remotely Admiral has undergone a large roll out of IT hardware and software. While this has positively impacted operational resilience, it has also necessitated system and process changes to mitigate new or specific changes in risk. For example, this includes processes to ensure social distancing of staff collecting hardware, as well as Covid-19-secure processes for hardware that needs to be returned. The Group has driven forward these positive technological enhancements, while also considering the wider implications that these developments and other factors may have for the future of work in 2021 and beyond.
- Admiral has also closely monitored and managed impacts to its solvency and liquidity, including monitoring the Group's compliance with applicable FCA and PRA requirements resulting from Covid-19. In June 2020, as part of the Group's response to the Covid-19 pandemic an 'ORSA Update Report (Coronavirus)' was undertaken which included updated capital requirements and a forward-looking assessment of risk and capital.
- The 'ORSA Update Report (Coronavirus)' included the setting of, and outputs from, regular stress and scenario testing and reverse stress testing, with continued focus on the principal risks and uncertainties facing the Group.
- The Committee received regular updates on AFSL's decision to initially pause lending in March 2020 and then cautiously return to lending towards the end of the year; receiving subsequent updates regarding AFSL's forward-looking plans in light of market developments.
- The Committee also provided review of and insight into the decision to delay the 2019 final special dividend payment as announced in April, in light of regulatory guidance to insurers urging restraint on the payments of dividends due to the uncertainty of the economic environment caused by the Covid-19 pandemic. The Group continues to closely monitor market movements, with regular reviews by the Group's Investment Committee.
- The Committee continues to meet more frequently to monitor and assess the continuing challenges of Covid-19 to Admiral Group and its subsidiaries.

Brexit

- With regards to Brexit planning, Admiral took a prudent approach and prepared for a 'no-deal' outcome at the end of the transition period (31 December 2020). As part of these preparations Admiral has sought to minimise any current and potential future impact of a 'no-deal' scenario on its customers, operations and staff. Examples of key actions in achieving this include:
  - Establishing the Group's European insurance and price comparison businesses in Spain and France, ensuring that the Group can continue to service European customers.
  - Early and ongoing communication with UK suppliers to identify, and mitigate, any potential supply chain risks through identifying and stockpiling key products.
  - Communications to customers of the changes that they would need to be aware of via direct communications and FAQ pages.
  - Communicating changes to staff in terms of 'right to work', including settlement schemes, and business travel between the UK and Europe for UK and European staff.

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 period up to and including December 2023.

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.

Summary of key Group Risk Committee activities in 2020

During the year the Committee:

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

2. Received and challenged regular updates related to Covid-19, including: impact on the Group's principal risks and uncertainties; staff health and wellbeing; return to office plans; IT and information security updates; operational resilience; and the impact on subsidiaries within the Group.

3. Reviewed and provided insight into the Group's decision to dispose of Penguin Portals and Preminen to RVU, as announced to the market on 29 December 2020.

4. Received regular updates on AFSL's decision to pause lending (March to July 2020).

5. Recommended the 'ORSA Update Report (Coronavirus)' and the '2020 Group ORSA Report' for Board approval prior to submission to the regulator and approved the ORSA Policy.

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

7. Reviewed the Group's proposed dividend level, capital plan and capital buffer in line with the capital policy. This included consideration of the deferred dividend in light of regulatory guidance and the 'Admiral Stay at Home Refund'.

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

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

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

11. 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.

12. Received regular updates in relation to key programmes of work including Brexit, Information Security, IT, GI Pricing Practices as part of the Group's enhanced project governance framework.

13. Received updates on the impact of risk events throughout 2020.

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

The Nomination and Governance Committee

Committee members

Annette Court (Chair)
Owen Clarke
Justine Roberts

Number of meetings

6

Focus for the year

The Committee's main focus in 2020 was on the CEO transition following the comprehensive process to select the CEO Designate, Milena Mondini de Focatiis, who was appointed as an Executive Director to the Board in August. The Committee also focused on:

- Conducting an external search for an additional Board member to enhance the Board's technology expertise, which led to the appointment of Jayaprakasa (JP) Rangaswami as an independent Non-Executive Director.
- 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.

Dear Shareholder,

The main focus of the Nomination and Governance Committee during the year was the CEO transition following the comprehensive process to select the CEO Designate, Milena Mondini de Focatiis (the details of which were disclosed in the 2019 Annual Report). Having made significant progress in achieving the transition plan, Milena Mondini de Focatiis was appointed as an Executive Director to the Board in August. We also conducted an external search for an additional Board member to enhance the Board's technology expertise, existing skills, breadth of experience and diversity. Following a robust and transparent recruitment process led by the Committee, Jayaprakasa (JP) Rangaswami was appointed as an independent Non-Executive Director.

The Committee received updates on the recommendations designed to strengthen the Group's existing governance arrangements, which included a review of the functions at Group level and the interaction of these functions across the wider Group's businesses.

Annette Court
Chair of Nomination and Governance Committee

The Committee also 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. It remains a priority to oversee the development of talent from within Admiral as well as attract talent externally in order to obtain specific skills where required.

In line with the requirements of Solvency II, the Senior Insurance Manager Regime, and in accordance with the Group's Senior Managers & Certification Regime 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 Nomination and Governance Committee
3 March 2021

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 six occasions in 2020.

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

Board Composition, Appointments and Time Commitments

The Committee reviews the leadership and succession needs of the Board and ensures appropriate procedures are in place for nominating, training and evaluating Directors. It 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.

As a result of the 2019 Board Evaluation recommendation on Board composition, the Committee engaged external recruitment consultants, MWM Consulting, to complete an external search for a candidate that could enhance the Board's technology expertise and existing skills, as well as enhance its diversity. MWM Consulting has no other connection with the Group or its directors. Having completed the process outlined above, some of which was carried out remotely, the Board, on the recommendation of the Committee, appointed Jayaprakasa (JP) Rangaswami as an independent Non-Executive Director with effect from 29 April 2020. Further information about his experience and skills is detailed on page 110 of the Corporate Governance Report.

Further to her appointment as CEO Designate in March 2020 and in line with the Group's succession and development planning processes, the Board, on the recommendation of the Committee, appointed Milena Mondini de Focatiis as an Executive Director of the Board on 11 August 2020. The Committee and the Board received regular updates on the CEO transition plan and progress made against it, along with progress updates on Milena Mondini de Focatiis' personal development plan. The transition plan comprised different phases to, amongst other things, gradually increase Milena's visibility through communications to the workforce, transfer reporting lines, increase her attendance at Board Committee meetings, particularly the Group Remuneration Committee and the Group Nomination and Governance Committee, and commence chairing the Group Executive Committee meetings. Through Milena's personal development plan, she has increased her exposure to the Group's key stakeholders, undertaken a strategic review and enhanced her understanding of the business areas and the other business lines within the Group in order to equip her for the role of Group CEO.

As part of the normal rotation of Committee membership, the Committee considered and recommended to the Board for approval, the appointment of Andy Crossley to the Group Risk Committee and the stepping down of Annette Court, and the appointment of Michael Brierley to the Group Remuneration Committee and the stepping down of Justine Roberts. The Committee also considered the appointment of Cristina Nestares as a non-director member of the Group Risk Committee and recommended her appointment based on the valuable contributions she has made to those meetings as an attendee.

During the year, the Committee reviewed the skills matrix that identifies the skills of current Board members and informs individual Board member training needs and succession planning. 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.

The Nomination and Governance Committee continued

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. At its meeting in June 2020, the Board considered talent management and succession planning within the Group, recognising that, whilst Admiral's succession planning promoted diversity of all kinds, there was further work required to detail the extent of diversity within those succession plans. The Board was also updated on the creation of the new Group People Talent and Development function. It is intended that this new Group function will focus on the talent development and succession planning for Admiral's senior leaders but will also provide support to cross-country initiatives. Effective internal talent management ensures that Admiral's unique culture is preserved as far as possible.

The Committee remains satisfied that effective 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.

Diversity and Inclusion

Diversity and the variety of perspectives that it brings has been proven in studies to increase innovation and creativity, and, as a result, improves performance. It also has other positive impacts, such as providing greater awareness, widens the talent pool and challenges the views or practices that have become embedded over time. Admiral's strategy depends on all of these things, which are enhanced by diversity, and supports our goals to provide good value financial products; an excellent and convenient service; a great place to work; good returns for its shareholders; and a sustainable business for the long-term.

In June, 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, including progress updates against each, include:

(i) Having one member of the senior executive team who is responsible and accountable for gender diversity and inclusion. Cristina Nestares (EUI CEO) replaced David Stevens as the accountable executive for gender diversity following his stepping down as Group CEO on 31 December 2020.

(ii) Setting internal targets for gender diversity in senior management. Progress against the Group's target of 40% of women in senior management by 2023 is detailed below.

(iii) Publishing progress annually against these targets in reports on the Group's website. Progress updates on the Group's progress against the HM Treasury's Women in Finance Charter commitments are provided on an annual basis on the Group's corporate website.

(iv) Linking the pay of the CEO to the progress made against these internal targets on gender diversity. The remuneration of the former Group CEO, David Stevens, was linked to our UK internal diversity targets until he stepped down from the role on 31 December 2020. The Group Remuneration Committee will be re-introducing the link between the diversity targets and the CEO's reward, specifically for the UK as a first stage. As Cristina Nestares (EUI CEO) is replacing David Stevens as the accountable executive for gender diversity, the Group Remuneration Committee and the EUI Board will consider introducing a criteria of progress against the Women in Finance target within the non-financial performance measures of the EUI CEO, and work on this will progress in 2021.

The Committee seeks to ensure that a clear recruitment strategy for Board appointments is in place and is aligned to this Policy.

Gender Diversity

The Group has 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 constituted 42% of our plc Board on 31 December 2020.

During the year, 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. The Hampton Alexander Review target of 33% female representation has been achieved across our UK operation, with females representing 57% of our Senior Executives and 34% of their direct reports. Globally, females represent 47% of our Senior Executives and 28% of their direct reports. The Committee will continue to monitor the initiatives in progress to increase diversity in the pipeline of talent available.

The Group also continued to focus on achieving the goals of the Women in Finance Charter during the year, 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 at least maintaining its position against the target of 40% women in the Senior Executive team by December 2023

Ethnic Diversity

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 discuss how measures to develop a diverse pipeline of talent as regards Board appointments could be developed and monitored. The Group Board comprises one Board member of colour, which meets one of the Parker Review's key recommendations for FTSE 100 companies by 2021. Further information on how the Group is developing candidates for the pipeline is outlined in the Diversity Forum & Diversity Project section below.

The Group remains committed to providing equal opportunities, eliminating discrimination, and encouraging diversity amongst its employees both in the UK and overseas.

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.

Diversity Forum & Diversity Project

In June, 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. There are several initiatives that continue to be progressed under each workstream and examples of the progress made to improve diversity in the talent pipeline include:

- A representative of the Diversity Forum is invited to Employee Consultation Group meetings to ensure consideration is given to diversity matters when forming views and recommendations, specifically relating to personal development and career progression.
- We are working with Business in the Community and, in 2018, signed the Race to Work Charter having committed to achieving its 5 Calls to Action by the end of 2020. Further information on how we have achieved the 5 Calls to Action is outlined within our Sustainability Report.
- Communicating to search firms our commitment to making progress in both gender diversity and to meeting the Parker recommendations when engaging them to recruit middle and senior levels of talent, without compromising calibre.
- In May 2020, the Diversity 2020 Project initiated a cross border piece of research to determine and analyse the measures taken at all levels of recruitment within the various business entities in the group to promote and ensure diversity in the recruitment process.
- Other initiatives to improve our communications about Admiral being an open and diverse employer include the sponsorship of Black History Month, working closely with Race Council Cymru, hosting an exhibition of Welsh Black Icons and working with local community BAME groups.

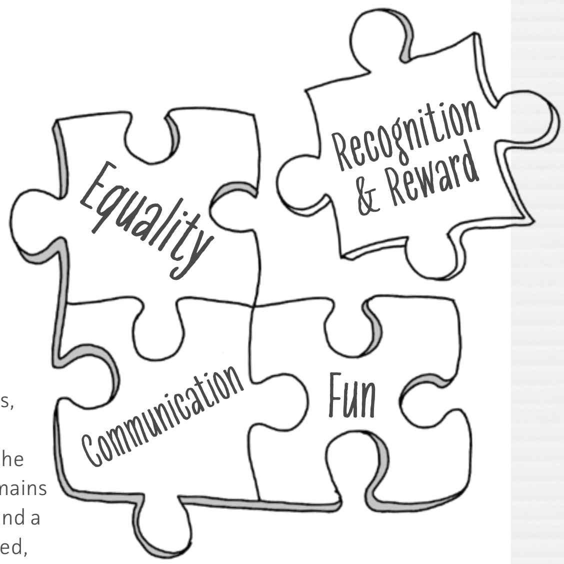
The Board and senior management recognise that longer term remote working brought about by the Covid-19 pandemic, could make it more difficult to recognise discrimination and support those that may be impacted. Admiral is committed to adapt to the new environment and ensure that it provides an equal workplace for all our staff.

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 Strategic Report on page 69.

Committee Effectiveness Review

As part of the Committee's annual review of its performance and processes, each Committee member completed a questionnaire designed to provide objective assessment of the Committee's performance, including its effectiveness in monitoring Board composition, considering Executive and Non-Executive succession, overseeing talent management, succession planning and developing directors' knowledge. The Committee discussed the results of the review at its meeting in January 2021 and concluded that, overall, the Committee remained effective. Areas of focus and improvement for the Committee in 2021 were identified as including better oversight of senior talent development and succession plans, and of the governance arrangements in place between the Group and subsidiary functions.

Jigsaw Pieces
Part of the bigger picture



Admiral's culture is underpinned by four equally important pillars: communication, equality, reward & recognition, and fun.

For many years, in line with this unique culture, Admiral co-founders and former CEO's Henry Engelhardt and David Stevens gave all employees a jigsaw piece when they first joined the business. The tradition of the jigsaw piece symbolises the importance of togetherness and unity at Admiral, as a jigsaw cannot be completed unless you have all the necessary pieces connected together correctly.

2020 was a year like no other, and our employees have swiftly adjusted to all the changes throughout the year, whilst continuing to fully support our customers, our communities and each other. Our jigsaw theme is a reminder that despite the upheaval of 2020, the Admiral culture remains as strong and important as ever before, and a reminder that we are stronger when united, and can accomplish our goals together.

The Remuneration Committee

Committee members

Owen Clarke (Chair)
Mike Brierley
Jean Park

Number of meetings

12

Focus for the year

As well as considering the impact of Covid-19 on the Group's remuneration arrangements, the Committee's focus this year has been on:

- Reviewing our Remuneration Policy to ensure that it takes into account developments in corporate governance and best practice, whilst maintaining the distinctive approach which has supported our success to date, and consulting with our major shareholders on this.
- Determining appropriate remuneration arrangements within the Policy for Milena Mondini de Focatiis as she takes over the role of CEO on the retirement of David Stevens - a significant transition from leadership of the business by founders, who retain a substantial personal shareholding, to the next generation of leadership.

"Admiral has a simple remuneration structure which reinforces our unique culture and creates strong alignment with our shareholders."

Owen Clarke
Chair of the Remuneration Committee

Dear Shareholder,

I am pleased to introduce the Directors' Remuneration Report for the year ended 31 December 2020, which has been prepared by the Remuneration Committee (the 'Committee') and approved by the Board.

I would like to thank shareholders for supporting Admiral's Annual Report on Remuneration at the April 2020 Annual General Meeting (AGM) which was approved by 99.5% of shareholders.

As part of this report the Committee is introducing our new Directors' Remuneration Policy for shareholders to consider at the 2021 AGM in April. The current Policy was approved by shareholders in 2018. A summary of the changes proposed is included in this statement, and the full policy is detailed on pages 137 to 145 of this report.

During the year the Committee has consulted with a number of Admiral's larger shareholders and proxy agencies. The engagement indicated strong support whilst helping to inform what the Board believes is an appropriate renewal of our Policy.

I look forward to welcoming you at our AGM in 2021 and to your continued support for both remuneration resolutions in this year's meeting.

Business context: Admiral's business performance and how we responded to the impact of Covid-19

2020 represented another strong set of results given the challenging circumstances, with a 2% increase in Group turnover and a 21% increase in the Group's share of pre-tax profit to a record level of £638.4 million. The proposed final dividend for 2020 is 86.0p per share (2019: 77.0p per share), representing a normal dividend (65% of post-tax profits) of 63.6 pence per share and a special dividend of 22.4 pence per share.

The past year has been dominated by the Covid-19 pandemic, and whilst the disruption created many challenges, Admiral maintained its commitment established early in the pandemic to support and invest in customers, staff, emergency workers, partners and local communities.

Our continued focus on doing the right thing saw us respond quickly to the crisis as it developed, to ensure that we could provide the necessary support to our stakeholders. Our actions highlighted two of our key strengths – agile and competent execution in the short term, and building a sustainable business for the long term.

Our Customers

We continued to provide quality service to our customers remotely. We gave back £110 million through the premium rebate in the UK and made further substantial pricing reductions across our operations to reflect the lower frequency as a result of less driving during lockdowns. Pricing reductions were also made in the international operations to recognise the lower claims frequency trends as customers stayed at home and drove less during the Covid-19 lockdowns. We also provided additional support to our customers and key workers across the UK and international operations. Further information on our key worker initiatives can be found in the Sustainability section of this report on page 62.

We have long-standing customer initiatives and processes which seek to measure how our customers feel about our services, reward staff who perform above expectations and make our customers smile. This was reflected as Admiral UK was named the 2020 Direct to Consumer Business of the Year in The Insurance Times Awards.

Our People

We placed the health and well-being of our people at the centre of our response, as we facilitated homeworking and took a cautious approach to reopening our offices. Various initiatives were implemented to optimise staff working from home capabilities, including providing staff with all the necessary equipment to excel in their respective roles. Staff engagement levels were continually monitored to ensure we were providing staff with all the support they required. This included prioritising the mental health and wellbeing of our staff, which we promoted through our Ecare programme and a range of other initiatives. In addition, staff in the UK received an extra 5 days of annual leave. Employees were paid their full salaries and no support was received from government schemes*[1], with the exception of a small number of staff in our French insurance business who were furloughed and whose salaries were paid through a French government support scheme.

Our Community

We launched the Admiral Support Fund with £6 million committed to support our local communities. Through this fund, alongside contributing to the Covid-19 Support Fund established by the UK insurance and long-term savings industry, we have been able to support our local communities in Wales and across our international operations. The fund responds to staff requests, which has enabled us to cater to a wide variety of community needs. A full overview of the Admiral Support Fund and the actions we have taken to support our local communities in Wales and across our international operations can be found on page 75 of this report. During 2020, our local community support in response to Covid-19 was provided alongside our regular community activities, such as sponsoring Pride Cymru and working to promote employability across our local communities.

On page 74 of this report, you will find more information on how we stood by our long-term community commitments that were affected by Covid-19, and examples of how we promoted employability across our UK and international operations.

2020 Awards

We are very proud of our achievements this year, particularly receiving the Lifetime Masters award by the Great Place to Work Institute (UK), achieving 5th place in The Great Place to Work Institutes' Best Workplaces for Women for Super Large Organisations (UK), achieving 8th place in the Great Place to Work Institute's Europe's Best Workplaces awards and ranking 14th best Workplace in the World on the annual 25 World's Best Workplaces list. For a full list of our awards and achievements in 2020, please refer to page 27 of this report.

In March 2020 the Board announced that David Stevens had informed the Board of his intention to retire following an amazing contribution to the Group over the last 28 years and that Milena Mondini de Focatiis had been appointed as CEO-Designate. Subsequently in August Milena was formally appointed as an Executive Director. 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. Milena brings a deep appreciation of the special Admiral culture, entrepreneurial spirit, commercial track record and people development skills.

The Committee and I would like to note the generous gift to Admiral staff from David and Heather Stevens on David's retirement of £10 million, with full-time employees receiving £1,000 each and part-time employees £500. Although this is a personal gift rather than from the company, the payment is in line with Admiral's unique culture of sharing the significant value created since our founding 28 years ago with our employees.

The Remuneration Policy aims to align with and support this unique culture.

*1 Fewer than 15 staff in our French insurance business, L'oliver, who were unable to work during the Covid-19 crisis due to caring responsibilities, were furloughed and were paid at 90% of their base salary through French government support schemes.

The Remuneration Committee continued

Recap of remuneration structure at Admiral

Admiral has a simple remuneration structure which reinforces our culture and creates strong alignment with shareholders:

- Base salaries are targeted at the lower end of our peer group.
- Pensions for the executive directors are fully aligned with that offered to the workforce, and have been for some time, set at a maximum level of 6% of base salary subject to an overall maximum employer contribution of £15,000.
- Executives are encouraged to build up significant shareholdings in the Group to maximise shareholder alignment. 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 Executive Directors, vesting is also dependent on performance against a scorecard of metrics which have been developed over time to now include risk and customer outcomes and performance against strategic objectives.
- Shareholder alignment is 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.
- Admiral pays 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 over short term, individual performance and also provides a direct link to shareholder pay-outs. The DFSS bonus payable to Executive Directors is subject to a +/- 20% adjustment based on performance against a scorecard of metrics which have been developed over time to now include risk and customer outcomes and performance against strategic objectives.

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 focussing on collective success, and is aligned with Admiral's philosophy around the efficient use of capital and distribution of surplus profits, all of which aligns to shareholder interests.

Decisions made by the Remuneration Committee in 2020 on Executive Director compensation

Taking into account the approved remuneration structure and Admiral's business performance, the Committee made the following decisions during 2020:

- Based on performance to 31 December 2020, 98.5% and 83.3% of the DFSS award granted in 2018 will vest to Geraint Jones and Milena Mondini de Focatiis, respectively. The full details of this are on page 149.
- Geraint Jones and Milena Mondini de Focatiis also received a DFSS bonus of £252,703 and £150,796 respectively. 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. In addition, the DFSS bonus was subject to an overall adjustment to take into account any trigger events which were considered to have a material customer, regulatory or financial impact. The full details of the DFSS bonus calculations are on page 149.
- During the course of 2020, Geraint Jones was granted awards under the DFSS of 45,000 shares. This is the equivalent to £1,231,650 or 477% of Geraint's cash salary. These awards will vest on three-month EPS growth vs. LIBOR, TSR vs. FTSE 350 (excluding investment companies), ROE and the average outcomes of the scorecards of risk and customer measures used to assess DFSS bonus adjustments over the performance period. Further details can be found on page 149.
- Milena Mondini de Focatiis' base salary was set at a level of £695,000 from the date of her appointment as CEO. Our Remuneration Policy allows for salary progression for a newly appointed executive director, but we would note that the Committee set this base salary without an expectation of applying significant future salary progression as Milena establishes herself in the role (whilst it is expected that normal salary increases will be considered each year as otherwise set out in the Policy).
- Geraint Jones' cash base salary was increased by 2% in January 2021 below the average increase for other employees of 5%. In line with the existing Policy, Geraint Jones received an award of 5,000 salary shares, equivalent to £117,450 during 2020. Further details on these shares can be found on page 152. Under the new Policy Geraint Jones will no longer continue to receive salary shares and the value of these has been converted into base salary (on a neutral basis), giving a 2021 salary level of £404,660. This change is proposed to structure Geraint's fixed remuneration consistently with Milena's following her appointment and to simplify our remuneration arrangements. It should be noted that this has no impact on Geraint's pension entitlement.
- The Committee reviewed the metrics that will apply to DFSS awards and DFSS bonus awards for 2021. Further details are shown on page 149. In particular, the Committee considered the use of Environmental, Social and Governance ('ESG') measures. Whilst the DFSS already comprises a number of measures within the ESG agenda, covering customers, our people, risk and governance, the Committee intends to carry out a more substantive review of how we most appropriately incorporate ESG into our remuneration arrangements, in line with our strategy in this area (see page 93), and implement any new approach in the next twelve months.

2020 Remuneration Policy Review

The Remuneration Policy was last approved by shareholders at the 2018 AGM, effective for a maximum of three years. Consequently, the Committee is seeking shareholder support for a revised Remuneration Policy at the 2021 AGM. During 2020, the Committee reviewed the existing Remuneration Policy and consulted with major shareholders to discuss proposed changes.

The key context to the review was the CEO change announced in March 2020, with Milena Mondini de Focatiis taking over the role on the retirement of David Stevens. This represents a significant transition from leadership of the business by founders (David, and before him, Henry Engelhardt), who retain a substantial personal shareholding, to the next generation of leadership.

David Stevens chose not to participate in the DFSS due to his substantial shareholding. The Committee considers it a priority to ensure alignment of Milena's interests with Admiral's shareholders through an appropriate package, including her participation in the DFSS, as she takes up the role of CEO.

The Committee believes that our existing approach to remuneration as reflected in our 2018 Policy has been effective in contributing to the Group's success and therefore, we are proposing modest adjustments rather than fundamental changes to the 2018 Policy. The proposed Policy is set out in full on pages 137 to 145, with changes from the 2018 Policy noted. However, the key points to highlight are:

- **Base Salary:** No change to the Policy, save that salary shares will no longer be awarded to Geraint Jones and the value will be converted into base salary (on a value neutral basis).
- **Discretionary Free Share Scheme (DFSS):** No change to our overall approach, save as mentioned above, Milena will participate in the plan where David has not. The maximum opportunity will be amended from 600% of salary / £2,000,000 to 500% of salary (no absolute GBP limit). The absolute GBP limit is removed to accommodate share price fluctuations, with this change balanced by the lower % limit – note that we are not proposing to make awards at this maximum level. Due to the phase out of LIBOR, the intention is to express future EPS targets as absolute growth levels.
- **In-employment and post-termination shareholding requirements:** We are proposing to increase our in-employment shareholding requirement from 300% to 400% of salary, reinforcing our commitment to our approach of encouraging executives to build up significant shareholdings in the Group. We are also introducing a new post-termination requirement under which executive directors will be required to hold 400% of salary in shares (or shareholding level held at time of termination if less than this) for a period of two years.

The proposed Remuneration Policy will be put to shareholders at the AGM in 2021 (subject to a binding vote). Both the Committee and the Board strongly believe that the proposed Remuneration Policy will continue to best serve the Group's strategic ambitions and incentivise executives to create value for our shareholders. The Annual Report on Remuneration (subject to an advisory vote) will also be put to a shareholder vote at the AGM. The Committee and I do hope that you vote in favour of both the report and Policy. I am available to discuss our Remuneration Policy and Annual Report on Remuneration with shareholders.

Owen Clarke
Chair of the Remuneration Committee
3 March 2021

Remuneration at a glance

"I would like to thank our shareholders for approving our Annual Report on Remuneration at the April 2020 AGM which was approved by 99.5% of our shareholders."

How did we perform in 2020?

Earnings per share (EPS) (pence)

179.5p

(2019: 148.3p)

Return on Equity (ROE) (%)

52%

(2019: 52%)

Full year dividend per share (pence)

156.5p

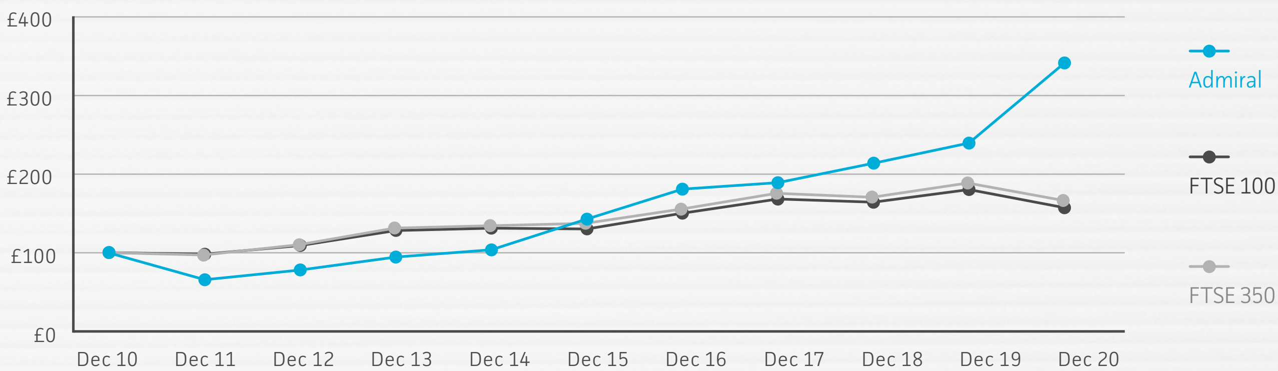
(2019: 140.0p)

1 year Total Shareholder Return (TSR)

42%

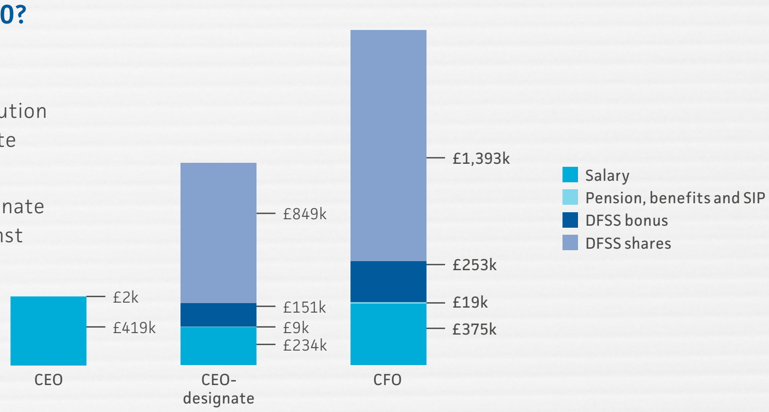
10 year TSR performance: Admiral vs. FTSE100 and FTSE350 indices

Growth in the value of a hypothetical £100 holding over ten years to 31 December 2020



What did our Executive Directors*1 earn in 2020?

- Salary for CFO includes 5,000 'salary shares'.
- Pension, benefits and SIP includes 2020 pension contribution of £1,345, £6,705 and £14,949 for the CEO, CEO-Designate and CFO, respectively.
- DFSS bonus of £150,796 and £252,703 for the CEO-Designate and CFO, including an adjustment for performance against scorecards of risk and customer measures.
- DFSS value for the CEO-Designate and CFO relates to 83.3% and 98.5% of their 2018 DFSS awards vesting, respectively.



*1 Chief Executive Officer, David Stevens, did not participate in any incentive plan given his significant shareholdings.

Directors' remuneration policy

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, the Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019 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 (the '2021 Policy') will come into effect, subject to shareholder approval, from the April 2021 AGM. The policy table below summarises the changes from the Remuneration Policy approved at the 2018 AGM (the '2018 Policy'). These changes are relatively minor in nature and include the removal of salary shares, adjustment to the DFSS award limit, increase in the in-employment shareholding requirement and introduction of a post-employment shareholding requirement.

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 focussing 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.

Directors' remuneration policy continued

2021 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	Change from 2018 Policy
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.	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 will not normally exceed 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. 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.	Under the 2018 Policy, in addition to his cash salary the CFO received an annual award of 'salary' shares. Salary shares will no longer be awarded under the new Policy. However, salary shares awarded in previous years will be allowed to continue to vest on the same basis as previously: awards vest 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.
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.	No change.
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).	No change.

Purpose and link to strategy	Operation	Opportunity and performance metrics	Change from 2018 Policy
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. Awards may be in the form of nil or nominal priced options or conditional shares. Awards are normally granted on an annual basis and vest after a minimum of three years subject to Group performance and continued employment. 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, misconduct, reputational damage and corporate failure. 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: A maximum face value on award of 500% of base salary 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 growth, ROE, relative TSR and a scorecard of strategic, customer and other non-financial metrics, or other measures selected by the Committee, as appropriate. Details of the measures, weightings and performance targets used for specific DFSS grants are included in the relevant year's Annual Report on Remuneration.	Change in maximum opportunity from limit of £2,000,000 / 600% of base salary under 2018 Policy to 500% of base salary.
DFSS bonus			
To further align incentive structures with shareholder interests through the delivery of dividend equivalent bonuses.	To incentivise shareholder value creation and efficient use of capital, management participates 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. The DFSS bonus is subject to a +/- 20% adjustment based on performance against targets based on a set of strategic, customer and other non-financial metrics. 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, misconduct, reputational damage and corporate failure.	Maximum opportunity: sum equal to the dividends payable during the year on awarded but unvested DFSS shares, subject also to a possible 20% upwards or downwards adjustment based on performance against a set of strategic, customer and other non-financial metrics. No bonus is payable unless dividends are payable on Admiral shares.	No change.

Directors' remuneration policy continued

Purpose and link to strategy	Operation	Opportunity and performance metrics	Change from 2018 Policy
Approved Free Share Incentive Plan (SIP)			
To encourage share ownership across all employees, using HMRC approved schemes for eligible UK employees.	All eligible UK employees participate in the SIP after completing a minimum 12 months' service. 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.	No change.
In-employment 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.	400% of base salary.	Requirement increased from 300% of base salary.
Post-termination shareholding requirement			
To further align the interests of Executive Directors with shareholders and encourage a focus on long-term sustainable performance	Shareholding required to be maintained at the in-employment requirement (or number of shares held at time of termination, if lower) for a period of two years post termination.	400% of base salary (or number of shares held at time of termination, if lower).	New requirement.

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 2021 Remuneration Policy. This includes all outstanding awards under the previous 2015 and 2018 Remuneration Policies, 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 growth in EPS, ROE, and relative TSR.

Growth in EPS 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. EPS targets have previously been expressed as growth in excess of three-month LIBOR. Due to the phase out of LIBOR, it is intended in future to express EPS targets as absolute growth levels.

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 measures which may include strategic, customer and other measures. The Committee believes that the additional emphasis on these measures reinforces Admiral's focus on our customers and on other non-financial Group priorities, 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 Executive Directors, participate in the DFSS. The Committee determines DFSS awards for those executives within its remit and on an aggregate basis for all other participants in the DFSS. For the Executive Directors, 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 customer, risk and other non-financial metrics.

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.

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 employee contribution up to a maximum of 6% of salary, subject to an overall maximum of £15,000 or provides the equivalent value in cash.

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	Contract duration
Geraint Jones	13 August 2014	Rolling contract, 12-month notice period
Milena Mondini de Focatiis	11 August 2020	Rolling contract, 12-month notice period

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.

Directors' remuneration policy continued

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 under most circumstances e.g. dismissal for cause or resignation.	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	Unless the Committee determines otherwise, 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.	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
Salary shares (CFO only, awards under 2018 Policy)	Resignation	Awards lapse under most circumstances e.g. dismissal for cause or resignation.	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	Unless the Committee determines otherwise, any unvested award will be pro-rated for time with reference to the proportion of the vesting period remaining at the point of change of control.	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 2020	Three months
Michael 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 2021	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
Jayaprakasa Rangaswami	3 years	29 April 2020	29 April 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 SIP, DFSS or DFSS bonus scheme and do not receive any pension contributions.

Details of the 2021 Policy on NED fees are set out in the table below:

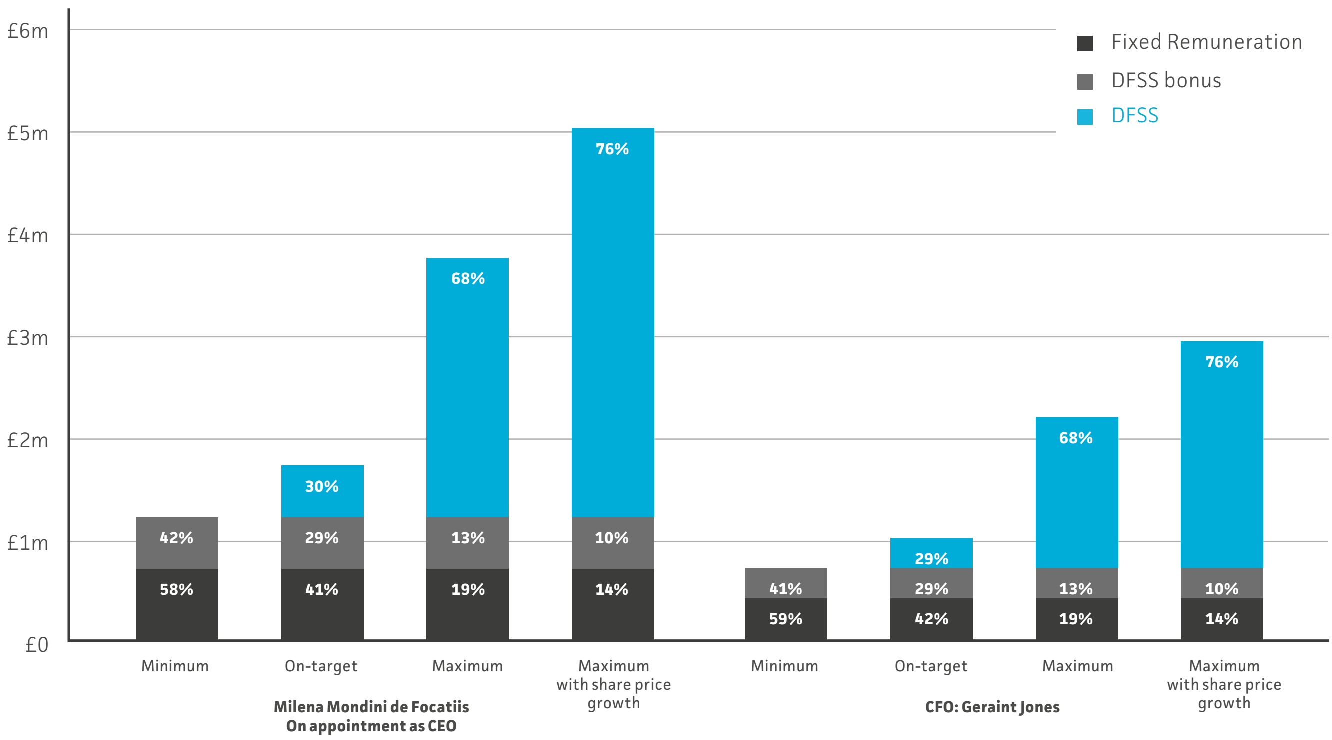
Purpose and link to strategy	Operation	Opportunity and performance metrics
To attract and retain NEDs of the highest calibre with experience relevant to the Company.	Fees are reviewed annually. The Group Chair fee is determined by the Committee after consultation with the Executive Directors. The NED fees are determined by the Group Chair 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. 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.

Directors' remuneration policy continued

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 an adjustment for performance on a selection of non-financial measures. Whilst the Executive Directors' final DFSS bonus outcome may be adjusted upwards or downwards for these measures 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 value of DFSS awards is calculated based on the average share price in the last three months of 2020 (£28.30) and the number of DFSS shares awarded in 2020 (45,000 shares). There are no salary shares to be awarded to the CFO from 2021 onwards.

Component	'Minimum'	'On-target'	'Maximum'	'Maximum with share price growth'
Base salary	• Annual cash salary for 2021			
Pension	• £15,000 annual contribution for CEO and CFO			
Benefits	• Taxable value of annual benefits provided (Estimated value based on Geraint Jones' disclosed figure for 2020)			
DFSS	• 0% vesting	• 25% average vesting	• 100% vesting	• 100% vesting plus 50% share price appreciation
DFSS bonus	• Based on the DFSS bonus paid to Geraint Jones in 2020 scaled pro-rata based on the size of DFSS awards proposed to be awarded in 2021.			

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 Board. 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. In developing the new 2021 Remuneration Policy, the Committee consulted with the Company's major shareholders and took their feedback into account. Shareholders consulted during this process were overall supportive of the proposed approach.

Considerations of Regulatory Requirements

The Committee regularly reviews the Remuneration Policy and structure in the context of Solvency II remuneration guidance, and EBA, PRA, and FCA expectations regarding the supervision of insurance firms. 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.

Annual report on remuneration

This section of the report provides details of how Admiral's Remuneration Policy was implemented in 2020 and how the Remuneration Committee intends to implement the proposed Remuneration Policy in 2021 (subject to shareholder approval).

Remuneration Committee Membership in 2020

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 implementation of the Remuneration Policy. Its remit includes recommending the remuneration of the Group Board Chair and the Executive Directors; approving the remuneration of senior management; and determining the composition of and awards made under the performance-related incentive schemes.

At the end of 2020 the Committee consisted of Owen Clarke, Jean Park and Michael Brierley. The Committee met 12 times during the year.

The Group Chair, CEO, CEO-Designate (as was during 2020), 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. No director is involved in deciding their own remuneration outcome. 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.

Committee activities

During the year ended 31 December 2020, in addition to its regular activities, the Committee also:

- Reviewed the Remuneration Policy in anticipation of the upcoming binding vote by shareholders at the AGM in 2021;
- Reviewed the remuneration arrangements for the appointment of Milena Mondini de Focatiis to the Board as CEO-Designate, and for her subsequent appointment as CEO;
- Reviewed the strategic, customer and ESG metrics introduced for adjustment of variable pay.

As mentioned in the Governance Report, during the year ended 31 December 2020, the Committee also performed its regular activities:

- 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 Gap reporting statistics;
- Reviewed risk events and their impact on variable pay;
- Undertook an evaluation of the Committee's performance during the year;
- Reviewed the Committee's terms of reference;
- Reviewed the Group's Malus and Clawback Framework;
- Reviewed external remuneration trends and market conditions.

Committee Effectiveness Review

As part of the Committee's annual review of its performance and processes, each Committee member completed a questionnaire designed to provide objective assessment of the Committee's performance, including in respect of the activities and general operation of the Committee. The Committee discussed the results of the review at its meeting in January 2021 and concluded that, overall, the Committee remained effective. Several areas of focus and improvement were identified for 2021, including oversight of reward strategy, the setting of both financial and non-financial performance targets at an individual and business level, the quality of information available on the pay of the wider workforce and Committee support.

Advisors to the Committee

During the year, in order to enable the Committee to reach informed decisions, advice on market data and trends was obtained from independent consultants, Mercer Kepler, FIT Remuneration Consultants and, following a review of advisors in July, Willis Towers Watson. Mercer Kepler, FIT Remuneration Consultants and Willis Towers Watson reported directly to the Committee Chair, and each of the firms are signatories to and abide 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. Willis Towers Watson also provided advice to the Company in relation to the adoption of IFRS 17. The fees paid to Mercer Kepler, FIT Remuneration Consultants and Willis Towers Watson in respect of work carried out in relation to the Committee in 2020 (based on time and materials) totalled £70,503, £16,731 and £95,100, respectively.

The Committee undertakes due diligence periodically to ensure that advisors remain independent of the Company and that the advice provided is impartial and objective. The Committee is satisfied that the advice provided by Mercer Kepler, FIT Remuneration Consultants and Willis Towers Watson is independent.

The Company Secretary also circulates market survey results as appropriate.

Summary of Shareholder Voting at the 2020 AGM

The table below shows the results of the advisory vote on the 2019 Annual Report on Remuneration at the 2020 AGM.

		For	Against	Total votes cast	Abstentions
Annual Report on Remuneration (2020 AGM)	Total number of votes	237,823,727	1,285,199	239,108,926	824,413
	% of votes cast	99.46%	0.54%		

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 2020 and 31 December 2019.

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	2020	£375,450	£425	£14,949	£390,824	£3,606	£1,393,775	£252,703	£1,650,084	£2,040,908
	2019	£358,400	£471	£14,976	£373,847	£3,583	£1,160,616	£201,600	£1,365,799	£1,739,646
David Stevens*1	2020	£419,515	£425	£1,345	£421,285	–	–	–	–	£421,285
	2019	£409,283	£471	£3,970	£413,724	–	–	–	–	£413,724
Milena Mondini de Focatiis	2020	£233,750	£163	£6,705	£240,618	£1,795	£848,606	£150,796	£1,001,197	£1,241,815
	2019	–	–	–	–	–	–	–	–	–

*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 13 March 2020 and 2 September 2020 with a value of £51,450 and £66,000 which have been valued using the average closing share price over the five days prior to the date of grant of £20.58 and £26.40, respectively. The 2019 values include 2,500 salary shares awarded on each of 18 March 2019 and 30 August 2019 with a value of £53,650 and £53,625 which have been valued using the average closing share price over the five days prior to the date of grant of £21.46 and £21.45, respectively. Neither David Stevens nor Milena Mondini de Focatiis received salary shares during the year.
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 2020 and 31 December 2019. For the 2020 figures, given that vesting occurs after the 2020 Directors' Remuneration Report is finalised, the figures are based on the average share price in the last three months of 2020 (£28.30). The 2019 figures have been trued up based on the market price on vest (£26.14). For 2020, favourable movements of £389,075 and £236,890 are included in the DFSS value, attributable to an increase in the share price over the vesting period for Geraint Jones and Milena Mondini de Focatiis, respectively. For 2019, £356,976 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.
7. Milena Mondini de Focatiis was appointed to the Board as CEO-Designate on 11 August 2020. Her 2020 remuneration includes salary, pension and benefits in respect of her service as CEO-Designate, DFSS bonus received after appointment and DFSS vesting on performance over the three-year period ending after her appointment.

Annual report on remuneration continued

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 years ended 31 December 2020 and 31 December 2019.

	Total fees			
	2020		2019	
Director	Fees	Taxable benefits*9	Fees	Taxable benefits
Annette Court*1	£326,218	£513	£318,249	£1,177
Owen Clarke*2	£102,460	£286	£104,125	–
Karen Green	£86,000	£163	£81,500	£265
Jean Park*3	£116,000	£887	£106,500	£1,026
Justine Roberts*4	£71,742	£98	£70,500	£284
Manning Rountree	£77,600	£4,899	£73,100	£729
Andy Crossley*5,8	£126,095	£1,218	£113,100	£1,281
Michael Brierley*6,8	£125,858	£2,699	£113,100	£1,262
Jayaprakasa Rangaswami*7	£43,826	–	–	–

*1 The 2020 fee for Annette Court is £326,218 (a cash fee of £228,353 and a share fee of £97,865).

*2 Owen Clarke was appointed Senior Independent Director on 31 December 2019. His fee for undertaking this role is £13,500 which was paid on top of his base fee and Committee fees. A payment of £40 in respect of Owen's annual fee for 2020, was paid in 2021.

*3 Jean Park's fees for 2019 and 2020 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 the Solvency II regulations and the Internal Model Application Process.

*4 Justine Roberts stepped down as a member of the Group Remuneration Committee on 4 March 2020.

*5 Andy Crossley was appointed to the Group Risk Committee on 29 April 2020.

*6 Michael Brierley was appointed to the Group Remuneration Committee on 4 March 2020.

*7 Jayaprakasa Rangaswami was appointed to the Board on 29 April 2020.

*8 The fees for Andy Crossley and Michael Brierley include additional fees in relation to their positions as Chairman of the EUI Limited Board of Directors and Admiral Financial Services Limited Board of Directors, respectively.

*9 Taxable benefits represent those expense reimbursements relating to travel, accommodation and subsistence in connection with the attendance at Board, Subsidiary and Committee meetings during the year, which are deemed by HMRC to be taxable. The amounts in the table are 'grossed-up' to include the UK tax paid by the Company on behalf of the non-executive directors. Non-taxable expense reimbursements have not been included in the table.

Incentive Outcomes for Financial Year to 31 December 2020 (audited)

DFSS Awards Vesting on Performance to 31 December 2020

On 26 September 2018, Geraint Jones was granted an award under the DFSS of 50,000 shares with a value at the date of award of £1,020,000 (based on a grant date share price of £20.40).

Vesting of the award was based on the achievement of performance conditions, being EPS growth vs. three-month LIBOR, TSR vs. FTSE 350 (excluding investment companies), and ROE, weighted equally and all measured over the three-year period 1 January 2018 to 31 December 2020. Over this period, the returns to our shareholders were strong, with TSR above upper quartile versus FTSE 350 companies and with ROE of 53%. The combination of these shareholder returns and EPS growth contributed to a vesting level of 98.5%. 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 measure	Performance range: Threshold	Performance range: Maximum	Performance range: 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	51.3 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	Above upper quartile	100%
Return on Equity (ROE) (33%)	25%	55%	25% for achieving threshold with straight line relationship to 100% for maximum performance	53.2%	95.6%
Total vesting					98.5%

Based on performance, the total amount that will vest to Geraint Jones in September 2021 will therefore be 98.5% (i.e. 49,250 shares), subject to his continued employment on the vesting date.

On 26 September 2018, Milena Mondini de Focatiis was granted an award under the DFSS of 36,000 shares with a value at the date of award of £734,400 (based on a grant date share price of £20.40). This award and the applicable performance conditions related to her previous divisional role rather than her role of CEO-Designate and Executive Director.

Vesting of the award was based 67% on the achievement of performance conditions and 33% on a time basis. The performance portion was based on growth in turnover and combined ratio performance in our Italian, Spanish and French motor insurance businesses.

Based on performance, the total amount that will vest to Milena Mondini de Focatiis in September 2021 will be 83.3% (i.e. 29,986 shares), subject to her continued employment on the vesting date. The Committee reviewed this vesting outcome and concluded that it was appropriate.

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, misconduct, reputational damage or corporate failure.

DFSS bonus in respect of 2020

In line with the Remuneration Policy, the Group paid a bonus to all holders of DFSS shares in 2020, which was equivalent to the dividend payable on all outstanding DFSS shares awarded but not yet vested. The 2020 bonus for Executive Directors also includes a potential +/- 20% adjustment to the DFSS bonus based on performance of a set of risk and customer metrics, which for 2020 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 in respect of the UK Insurance business.	25%
Customer feedback	Admiral business benchmarking survey outcome in respect of the UK Insurance business.	25%
Governance outcomes	Metrics covering risk event escalation, staff attrition, % of activity plans completed for Group Risk, Group Audit and Group Compliance, audit report outcomes and support of initiatives.	25%
Internal stakeholder feedback	Internal stakeholder feedback on the Executive Directors' 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 Executive Directors' performance to determine the outcome of this element.

Annual report on remuneration continued

Details of the measures used in the scorecard and outcomes are summarised in the table below:

					Outcomes			
					Milena Mondini de Focatiis		Geraint Jones	
Category		Metrics	Target	Max	H1	H2	H1	H2
Group performance metrics	Customer outcomes	• Sales, renewals and post sales servicing • Claims • Complaints • IT key risk indicators	12.5%	25%	6.3%	15.8%	6.3%	15.8%
Group performance metrics	Customer feedback	• Measured through the Admiral Business Benchmarking survey	12.5%	25%	20.0%	17.5%	20.0%	17.5%
Group performance metrics	Governance measures	• Strategic objectives • Risk event escalation • Attrition • % completion of activity plans • Risk Register • Audit report outcomes	12.5%	25%	17.8%	18.3%	17.8%	18.3%
Individual metrics	Stakeholder feedback	• Individual stakeholder feedback score	12.5%	25%	19.0%	19.0%	19.0%	19.0%
	Total		50%	100%	63.0%	70.5%	63.0%	70.5%
	Overall scorecard multiplier		100%	120%	105.2%	108.2%	105.2%	108.2%

The overall outcome of the scorecard was assessed to be a 105.2% multiplier to the DFSS bonus paid for H1 2020 and a 108.2% multiplier to the DFSS bonus for H2 2020 (to be paid in 2021).

In addition, the Executive Directors' DFSS bonus is subject to a further relevant trigger adjustment (negative only) to take into account relevant trigger events which are considered to have a material customer, regulatory or financial impact.

During the year, and in addition to the above, the Committee took into account relevant trigger events as part of the established risk adjustment process, and determined to apply a 6.4% reduction in the H2 DFSS bonus outcome for the CFO, to give an overall outcome of 101.3%. This was due to circumstances that led to the dividend rectification process. Given the ultimate responsibility for this rests with the CFO the Committee determined that this amendment in outturn was proportionate and sufficient. The overall DFSS bonus paid to Geraint Jones for 2020 was £252,703. The DFSS bonus paid to Milena Mondini de Focatiis in 2020 following her appointment to the Board was £150,796.

David Stevens did not receive DFSS bonus as he did not participate in the DFSS.

DFSS bonus payments are subject to malus and clawback provisions.

Scheme interests granted in 2020 (audited)

DFSS

In September 2020, Geraint Jones was granted an award under the DFSS of 45,000 shares (unchanged from 2019) with a value at the date of award of £1,231,650 (based on share price of £27.37, equivalent to 477% of cash base salary).

The three-year period over which performance will be measured is 1 January 2020 to 31 December 2022. The award is eligible to vest on the third anniversary of the date of grant (i.e. September 2023), 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. three-month LIBOR, TSR vs. FTSE 350 (excluding investment companies), ROE and a scorecard of strategic, customer and other non-financial measures. The performance conditions are summarised in the table below.

		Performance range		
Performance measure	**Weighting**	**Threshold**	**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 strategic, customer and other non-financial measures	20%	Vesting of between 0% and 100% of this element is based on the aggregate outcomes of the scorecards used to determine the DFSS bonus adjustments over the 3-year performance period. Further details of the aggregation of these scorecards 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, misconduct, reputational damage and corporate failure.

SIP

In March 2020, Geraint Jones was granted an award under the SIP of 88 shares with a face value of £1,811, which will vest on 13 March 2022, subject to continued employment.

In September 2020, Geraint Jones and Milena Mondini de Focatiis were granted awards under the SIP of 68 shares each with a face value of £1,795, which will vest on 2 September 2023, subject to continued employment.

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.

Annual report on remuneration continued

Implementation of Remuneration Policy for 2021

Executive Directors

Salary, pension and benefits

Salaries for the Executive Directors in 2021 have been determined in line with the proposed Remuneration Policy, subject to shareholder approval. Milena Mondini de Focatiis' salary was increased by 16.8% to £695,000, effective 1 January 2021, on her appointment as CEO.

Geraint Jones' cash salary was increased by 2% effective 1 January 2021 to £263,160. This increase was below the average increase for the overall employee population. In previous years, Geraint has received awards of 5,000 salary shares p.a. Under the proposed Remuneration Policy, salary shares will no longer be awarded and the value of these will be built into base salary. For this purpose, the value of the salary shares was calculated based on the average share price over the last three months of 2020, £28.30. The total base salary effective 1 January 2021 was therefore £404,660. This change is proposed to simplify our remuneration arrangements. It should be noted that this has no impact on Geraint's pension entitlement.

The Executive Directors will continue to participate in the Group Personal Pension Plan on a consistent basis as other employees, 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.

DFSS

The Committee intends to make awards under the DFSS to Milena Mondini de Focatiis and Geraint Jones in September 2021 of 90,000 and 52,500 shares, respectively. The intention to increase Geraint's award from the 45,000 shares awarded in 2020 follows a review of his overall remuneration package including consideration of internal and external relativities. The Committee will confirm the size for each of the 2021 DFSS awards closer to the award date. In determining whether the award size should differ from the above number of shares, the Committee will consider any large share price change over the prior year, and in particular whether this is due to external factors out of management control. The actual 2021 DFSS awards will be disclosed in the 2021 Annual Report on Remuneration.

It is currently anticipated that the vesting of 2021 DFSS awards for Milena Mondini de Focatiis and Geraint Jones will continue to be assessed across the three-year performance period depending 80% on three-year EPS growth (although due to the phase out of LIBOR, we intend in future to express targets as absolute growth levels), TSR vs. FTSE 350 (excluding investment companies) and ROE, and 20% on a scorecard of strategic, customer and other non-financial metrics. As per award size, the Committee will confirm the performance conditions and targets to be attached to the 2021 DFSS award closer to the award date and will disclose them in the 2021 Annual Report on Remuneration.

The Committee is mindful of the potential impact of the forthcoming implementation of the IFRS 17 accounting standard on the Group's reported financial results. At this stage the nature and degree of any such impact has not been determined. For DFSS awards which will straddle the change in accounting standard, the Committee intends to set targets on the current basis. However, it will keep these under review and apply its discretion to ensure that the targets remain no more or less stretching than originally anticipated as a result of the accounting change.

The table below summarises the strategic, customer and other non-financial metrics which will apply to 2021 DFSS awards. There will also be the potential for downwards adjustment subject to an assessment of adherence to the enterprise risk management framework.

Strategic Pillar	Measures	Weighting %
Customer – 35%	Customer outcomes	17.5%
	Customer feedback	17.5%
Strategy – 30%	1. Progress towards Admiral 2.0 (data and analytics goal)	12.5%
	2. Diversification – existing non-motor product development (both top line and KPIs), in particular Household and Loans	7.5%
	3. Diversification – development of new products	5.0%
	4. Progress towards defining motor mobility strategy	5.0%
People – 20%	Great Place to Work Trust Index	20.0%
Environmental, Social and Governance – 15%	Governance measures	15.0%

Whilst the DFSS already comprises a number of measures within the ESG agenda, covering customers, our people, risk and governance, the Committee intends to carry out a more substantive review of how we most appropriately incorporate ESG into our remuneration arrangements, in line with our strategy in this area (see page 93), and to implement any new approach in the next twelve months.

DFSS bonus

As in prior years, Milena Mondini de Focatiis and Geraint Jones will be eligible to receive DFSS bonus in 2021. 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 set of risk and customer metrics. The details of the metrics and any adjustment applied will be provided in the 2021 Annual Report on Remuneration.

The same non-financial measures as above will apply, as will the potential for downwards adjustment subject to an assessment of adherence to the enterprise risk management framework.

Chair and Non-Executive Directors

Fees for the Board Chair and other Non-Executive Directors were reviewed in January 2021 having previously been last reviewed in 2020. Increases were made, effective 1 January 2021, to the Board and Committee Chair fees (other than the Nomination and Governance Committee) to reflect the increased time commitment of these roles.

	2021 fee (p.a.)	2020 fee (p.a.)
Chair	£336,004*1	£326,218*1
NED base fee	£65,000	£65,000
Additional fee for chairing:		
• Audit Committee	£23,000	£21,000
• Group Risk Committee	£43,000*2	£41,000*2
• Remuneration Committee	£23,000	£19,000
• 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	£10,000
• Nomination and Governance Committee	£5,000	£5,000
Additional fee for being Senior Independent Director	£13,500	£13,500

*1 The 2021 fee for the Board Chair increased by 3% from £326,218 to £336,004 and comprises a cash fee of £235,203 and a share fee of £100,801 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 2021 to Jean Park continues to include an additional fee of £20,000 per annum in recognition of the increased time commitment required as a consequence of the Internal Model Application Process.

Payments to Past Directors

Following stepping down from the role of CEO on 31 December 2020, David Stevens will continue as an adviser to the Group in a part-time capacity, with a salary of £70,000 per annum. No other payments were or will be made to him in connection with leaving employment.

CEO and CFO pay ratio

The table below sets out the pay ratios for the CEO and CFO for the periods ended 31 December 2019 and 31 December 2020.

CEO Pay Ratio

Year	Method	Lower quartile	Median	Upper quartile
2020	Option A	15:1	13:1	9:1
2019	Option A	17:1	15:1	10:1

CFO Pay Ratio

Year	Method	Lower quartile	Median	Upper quartile
2020	Option A	74:1	62:1	42:1
2019	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 2020. 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 for 2019 and 2018.

Annual report on remuneration continued

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.

The employee pay levels for 2020 are detailed below:

	CEO	CFO	P25 (lower quartile)	P50 (median)	P75 (upper quartile)
Salary*1	£419,515	£375,450	£20,545	£19,600	£21,097
Total Remuneration*2	£421,285	£2,040,908	£27,431	£33,015	£48,419

*1 As noted above, the lower quartile, median and upper quartile employees were identified on a total remuneration basis. It is the case that the median employee on a total remuneration basis has a lower base salary than the lower quartile and upper quartile individuals, with the other pay elements making up the remainder of the package.

*2 The single figure of remuneration for the CEO and CFO includes actual salary and pension costs paid during 2020, 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 2020 vs. 2019 have remained consistent. As David Stevens declined 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 2020.

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 2019 to the financial year ended 31 December 2020.

	2020 £m	2019 £m	% change
Distribution to shareholders	453	401	13%
Employee remuneration	456	419	9%

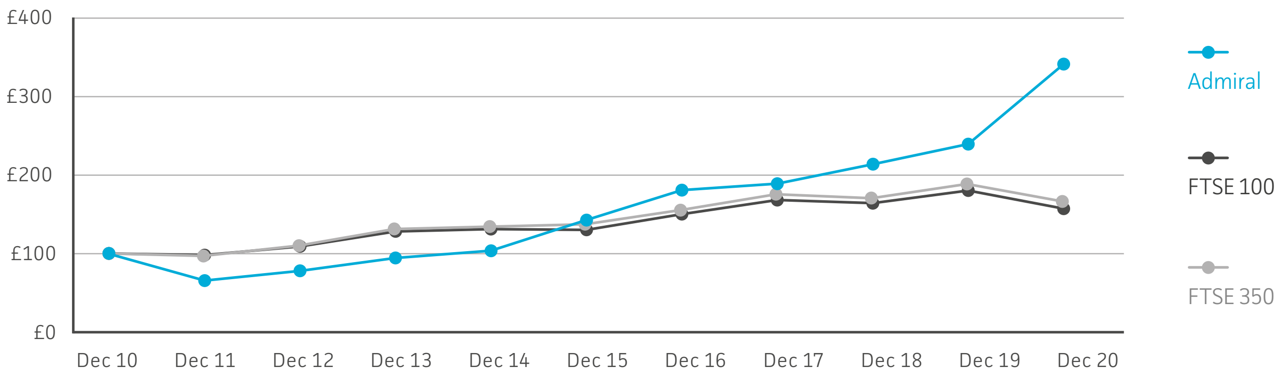
The Directors are proposing a final dividend for the year ended 31 December 2020 of 86.0 pence per share bringing the total dividend for 2020 to 156.5 pence per share (2019: 140.0 pence per share).

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 2020. 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 2020



CEO	2011	2012	2013	2014	2015	2016		2017	2018	2019	2020
Incumbent	Henry Engelhardt	Henry Engelhardt	Henry Engelhardt	Henry Engelhardt	Henry Engelhardt	Henry Engelhardt*1	David Stevens*2	David Stevens	David Stevens	David Stevens	David Stevens
CEO single figure of remuneration	£358,199	£373,759	£387,546	£393,260	£397,688	£148,776	£246,023	£395,019	£403,662	£413,724	£421,285
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	2011	2012	2013	2014		2015	2016	2017	2018	2019	2020
Incumbent	Kevin Chidwick	Kevin Chidwick	Kevin Chidwick	Kevin Chidwick	Geraint Jones*3	Geraint Jones	Geraint Jones	Geraint Jones	Geraint Jones	Geraint Jones	Geraint Jones
CFO single figure of remuneration	£1,048,130	£1,431,218	£1,444,443	£1,204,164	£363,551	£539,704	£599,139	£1,184,445	£1,461,813	£1,739,646*4	£2,040,908
DFSS vesting outcome (% of maximum)	100%	100%	100%	70%	85%	69%	50% and 0%	74.2%	87.6%	88.8%	98.5%*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 2019 report for the value of the 2017 DFSS based on the actual share price on vest (£26.14).

*5 98.5% of Geraint Jones' 2018 DFSS award will vest in September 2021 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 maximum) is meaningless.

Annual change of each Director's pay to the annual change in average employee pay

The following table summarises the annual percentage change of each Director's remuneration compared to the annual percentage change of the average remuneration of the Company's employees, calculated on a full-time equivalent basis.

Financial year ended 31 December	2020 (% change)		
Percentage change in Director's remuneration	**Base salary/fees**	**Taxable benefits*1**	**DFSS bonus**
Executive Directors			
David Stevens	2%	-10%	n/a
Geraint Jones	4%	-10%	25%
Milena Mondini de Focatiis	n/a	n/a	n/a
Non-Executive Directors			
Annette Court	2%	-56%	n/a
Owen Clarke	-2%	n/a	n/a
Karen Green	6%	-38%	n/a
Jean Park	9%	-14%	n/a
Jayaprakasa Rangaswami	n/a	n/a	n/a
Justine Roberts	2%	-65%	n/a
Manning Rountree	6%	572%*3	n/a
Andy Crossley	6%	-5%	n/a
Michael Brierley	11%	114%	n/a
Percentage change in employees' remuneration*2	5%	12%	18%

*1 Taxable benefits represent those expense reimbursements relating to travel, accommodation and subsistence in connection with the attendance at Board, Subsidiary and Committee meetings during the year, which are deemed by HMRC to be taxable. The amounts in the table are 'grossed-up' to include the UK tax paid by the Company on behalf of the Non-Executive Directors. Non-taxable expense reimbursements have not been included in the table.

*2 Due to unavailability of data the employee figures above exclude a small number of individuals in our US businesses.

*3 The 2020 taxable benefits for Manning Rountree include a transatlantic flight.

Annual report on remuneration continued

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. Our proposed 2021 Remuneration Policy would, if approved, increase this guideline from 300% to 400% of base salary. Geraint Jones currently meets the 300% shareholding guidelines and Milena Mondini de Focatiis currently has five years to build up a shareholding to meet Admiral's shareholding guidelines.

As at 31 December 2020, the Directors held the following interests:

	Shares held					
Director	Beneficially owned outright	Subject to continued employment only	Subject to performance conditions	Shareholding requirement (% of 2020 salary)	Current shareholding (% of 2020 salary)	Requirement met?*4
Geraint Jones	83,994*1	64,250*2	90,000	300%	> 300%	Y
David Stevens	8,672,950	–	–	300%	> 300%	Y
Milena Mondini de Focatiis	51,301*1	30,171*3	121,000	300%	< 300%	N*5
Annette Court	10,905					
Owen Clarke	142,852					
Jean Park	4,000					
Jayaprakasa Rangaswami	–					
Justine Roberts	–					
Manning Rountree	–					
Andy Crossley	1,079					
Michael Brierley	3,413					
Karen Green	–					

*1 Total includes SIP shares both matured and awarded.

*2 Total reflects shares from the 2018 DFSS award (performance test has been applied, and award is due to vest in September 2021) and salary shares awarded in 2018, 2019 and 2020.

*3 Total reflects shares from the 2018 DFSS award (performance test has been applied, and award is due to vest in September 2021) and SIP-equivalent shares awarded in 2018.

*4 The final column in the above table relates to meeting the current Remuneration Policy requirement of 300% of salary. Subject to shareholder approval at the AGM, the new policy will increase the requirement to 400% of salary.

*5 Milena Mondini de Focatiis has five years from her appointment as Executive Director (11 August 2020) to meet the guidelines.

There have been no changes to Directors' shareholdings since 31 December 2020.

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.

Executive Directors' 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 2020 or maturity (£)	Date of award	Final vesting/ maturity date
Geraint Jones									
DFSS	50,000	–	44,400	–	£18.10	£905,000	£1,160,616	26/09/2017	26/09/2020
DFSS	50,000	–	–	50,000	£20.40	£1,020,000	£1,453,000	26/09/2018	26/09/2021
DFSS	45,000	–	–	45,000	£21.00	£945,000	£1,307,700	26/09/2019	26/09/2022
DFSS	–	45,000	–	45,000	£27.37	£1,231,650	£1,307,700	24/09/2020	24/09/2023
Salary Shares	2,500	–	–	2,500	£18.70	£46,750	£72,650	09/03/2018	09/03/2021
Salary Shares	2,500	–	–	2,500	£20.59	£51,475	£72,650	24/08/2018	24/08/2021
Salary Shares	2,500	–	–	2,500	£21.46	£53,650	£72,650	18/03/2019	18/03/2022
Salary Shares	2,500	–	–	2,500	£21.45	£53,625	£72,650	30/08/2019	30/08/2022
Salary Shares	–	2,500	–	2,500	£20.58	£51,450	£72,650	13/03/2020	13/03/2023
Salary Shares	–	2,500	–	2,500	£26.40	£66,000	£72,650	02/09/2020	02/09/2023
SIP	95	–	95	–	£19.08	£1,813	£2,120	17/03/2017	17/03/2020
SIP	85	–	85	–	£21.08	£1,792	£2,293	18/08/2017	18/08/2020
SIP	96	–	–	96	£18.70	£1,795	£2,790	09/03/2018	09/03/2021
SIP	87	–	–	87	£20.59	£1,791	£2,528	24/08/2018	24/08/2021
SIP	84	–	–	84	£21.46	£1,803	£2,441	18/03/2019	18/03/2022
SIP	83	–	–	83	£21.45	£1,780	£2,412	30/08/2019	30/08/2022
SIP	–	88	–	88	£20.58	£1,811	£2,557	13/03/2020	13/03/2023
SIP	–	68	–	68	£26.40	£1,795	£1,976	02/09/2020	02/09/2023
Milena Mondini de Focatiis									
DFSS	36,000	–	33,298	–	£18.10	£651,600	£870,410	26/09/2017	26/09/2020
DFSS	36,000	–	–	36,000	£20.40	£734,400	£1,046,160	26/09/2018	26/09/2021
DFSS	36,000	–	–	36,000	£21.00	£756,000	£1,046,160	26/09/2019	26/09/2022
DFSS	–	85,000	–	85,000	£23.08	£1,961,800	£2,470,100	24/04/2020	24/04/2023
SIP equivalent (through DFSS)	96	–	–	96	£18.70	£1,795	£2,790	09/03/2018	09/03/2021
SIP equivalent (through DFSS)	87	–	–	87	£20.59	£1,791	£2,528	24/08/2018	24/08/2021
SIP	84	–	–	84	£21.46	£1,803	£2,441	18/03/2019	18/03/2022
SIP	83	–	–	83	£21.45	£1,780	£2,412	30/08/2019	30/08/2022
SIP	–	88	–	88	£20.58	£1,811	£2,557	13/03/2020	13/03/2023
SIP	–	68	–	68	£26.40	£1,795	£1,976	02/09/2020	02/09/2023

The value at maturity relates only to shares vested. For SIP and Salary Shares the price at award reflects the average closing share price over the five days prior to the award date.

The closing price of Admiral shares on 31 December 2020 was £29.06 per share.

By order of the Board,

Owen Clarke
Chair of the Remuneration Committee
3 March 2021

Directors' report

The Directors present their Annual Report and the audited Financial Statements for the year ended 31 December 2020.

Further information

Employee polices
on page 80

Customers
on page 58

Business Model
on page 18

Stakeholder Engagement
on page 108

Our People
on page 64

Being a responsible business
on page 76

Remuneration report
on page 146

Strategic report
on page 9

Corporate Governance report
on page 100

SECR
on page 78

Statutory disclosures

Group results and dividends

The profit for the year, after tax but before dividends, amounted to £527.8 million (2019: £428.4 million). The Directors declared and paid dividends of £425.7 million during 2020 (2019 £367.8 million). Refer to note 12b for further details.

The Directors have proposed a final dividend of £250.4 million (86.0 pence per share). Subject to shareholders' approval at the 2021 Annual General Meeting (AGM), the final dividend will be paid on 4 June 2021 to shareholders on the register at the close of business on 7 May 2021.

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 key stakeholders

Detailed information on the Group's engagement with its key stakeholders is set out in the Strategic Report on pages 58 to 79.

Diversity

The Group's gender diversity information for the financial year, together with an explanation of the policies related to diversity are set out in the Strategic Report on page 69.

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.

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 6j to the Financial Statements.

Directors and their interests

The present Directors of the Company are shown on pages 96 to 98 of this Report, whilst Directors' interests in the share capital of the Company are set out in the Remuneration Report on page 156. A list of Directors in the financial period to 31 December 2020 is shown on page 107.

Greenhouse gas emissions

Disclosures related to greenhouse gas emissions are set out in the Strategic Report on page 77.

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 Group Risk Committee 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 2021, 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	10.1%
Henry Engelhardt & Diane Briere de l'Isle	27,105,472	9.1%
BlackRock, Inc.	16,397,268	5.5%
Moondance Foundation	11,900,000	4.0%
Mawer Investment Management Ltd.	11,317,609	3.8%
FMR LLC	10,459,454	3.5%
N.M. Rothschild & Sons Ltd.	9,676,785	3.3%
David & Heather Stevens	8,672,950	3.0%

The interests of Directors and Officers and their connected persons in the issued share capital of the Company are given in the Remuneration Report.

Further information on the rights attaching to shares under the employee share schemes are provided in the Remuneration Report.

Additional information for shareholders

The following provides the additional information required for shareholders in accordance with the Takeovers Directive and the respective UK law.

At 31 December 2020, 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.

If a poll is called at a general meeting, 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 and directors 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 (entered into in the normal course of business). None are considered to be significant in terms of their impact on the business of the Group as a whole.

Power to issue shares

At the last Annual General Meeting, held on 30 April 2020, authority was given to the Directors to allot unissued relevant securities in the Company up to a maximum of £196,024, representing the Investment Association's Guidelines limit of approximately two thirds of the issued share capital as at 23 March 2020. This authority expires on the date of the Annual General Meeting to be held on 30 April 2021 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 2021 and the Directors will seek to renew this authority for the following year.

Directors' report continued

In line with the 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 either election or 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 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 the company's registered office of Tŷ Admiral, David Street, Cardiff, CF10 2EH on Friday 30 April 2021 at 2.00pm, notice of which will be sent to shareholders with the Annual Report.

Distributions

In 2020, the Board became aware of certain procedural issues in respect of payments of interim dividends on 2 October 2020, 20 October 2010 and 21 October 2009 (together, the Relevant Distributions) which means that the Relevant Distributions had been made otherwise than in accordance with the requirements of the Companies Act 2006.

At the AGM to be held on 30 April 2021, a resolution will be proposed which will, if passed, authorise the appropriation of distributable profits to the payment of the Relevant Distributions and the entry by the Company into two deeds of release. One deed of release will release shareholders from all claims which the Company has or may have in respect of the payment of those Relevant Distributions and the second deed of release will waive any rights the Company has or may have to make claims against former Directors and Directors in respect of the Relevant Distributions. The entry by the Company into each deed of release constitutes a related party transaction (as defined in the Listing Rules). The overall effect of the proposed resolution is to return all parties to the position they would have been in had the Relevant Distributions been made in full compliance with the Companies Act 2006.

The Company is also putting in place new procedures relating to all distributions which will ensure that relevant legal requirements are complied with in the future, including a filing and compliance automated reminder system and additional training to relevant employees in respect of the Company's filing obligations.

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 provision 36 as set out in the Corporate Governance Report on page 103.

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 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 adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union 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 IFRS as adopted by the EU; and
- 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 Directors' Report and the Strategic Report include 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

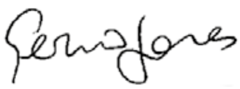
The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Following completion of the tender for the Group's audit services and the Board's approval of the Audit Committee's recommendation to re-appoint 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
3 March 2021



Geraint Jones
Chief Financial Officer
3 March 2021

Financial Statements

"We believe in the test and learn approach"

Independent Auditor's Report

to the Members of Admiral Group plc

Report on the audit of the financial statements

1. 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 2020 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and 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.

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 14 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 15 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, International Accounting Standards in conformity with the requirements of the Companies Act 2006 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).

2. 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. The non-audit services provided to the Group for the year are disclosed in note 9c to the financial statements. 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.

Independent Auditor's Report continued

to the Members of Admiral Group plc

3. 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; • Change in reserving process to use internal projections; and • Assessing the scenarios and assumptions used in the determination of loan loss provision. Within this report, key audit matters are identified as follows: Newly identified Increased level of risk Similar level of risk Decreased level of risk
Materiality	The materiality that we used for the Group financial statements was £31.8 million which was determined on the basis of 5% of profit before tax ('PBT').
Scoping	We identified eight reporting components which we determined should be subjected to full scope audits this year. Specific audit procedures were completed in respect of seven 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 98% of the Group's profit before tax, 97% of the Group's revenue and 97% of the Group's net assets.
Significant changes in our approach	In 2020, management has changed the UK motor reserving process, using an internally projected best estimate. Given the UK motor reserves are one of the largest and most judgemental balances in the Group financial statements, we have identified an additional key audit matter related to this change. Following developments in the Admiral Loans business, including further growth of the book and the economic impacts of the Covid-19 pandemic, we have included the calculation of the loan loss provision as a key audit matter for the current year. Specifically, the key audit matter relates to the macro-economic scenarios and assumptions driving the future expected credit losses. We previously identified a key audit matter associated with the valuation of projected excess of loss reinsurance recoveries following an enhancement to the methodology applied in calculating such recoveries during 2019. As there has been no further change in the methodology, and we did not identify any material findings related to this risk in the prior period, this no longer forms a key audit matter. Furthermore, we previously identified a key audit matter in respect 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'). Given the estimation uncertainty in the valuation is no longer considered to be as significant, we no longer consider it to be a key audit matter.

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the Directors' assessment of the Group's and Parent Company's ability to continue to adopt the going concern basis of accounting included:

- We obtained an understanding of the relevant controls relating to management's going concern assessment process.
- We evaluated management's going concern assessment in light of Covid-19; this included obtaining evidence such as underlying business plans and forecasts to support the key assumptions.
- We assessed management's reverse stress testing and the likelihood of the various scenarios that could adversely impact upon the Group's liquidity and solvency headroom.
- We inspected the Group ORSA ('Own Risk and Solvency Assessment') to support our understanding of the key risks faced by the Group, its ability to continue as a going concern, and the longer-term viability of the Group.
- We obtained and inspected correspondence between the Group and its regulators, the FCA and PRA, as well as reviewing the Group Risk Committee meeting minutes, to identify any items of interest which could potentially indicate either non-compliance with legislation or potential litigation or regulatory action held against the Group.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the reporting on how the Group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Independent Auditor's Report continued

to the Members of Admiral Group plc

5. 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.

5.1. Valuation of gross insurance claims reserves

Key audit matter description	The Group's gross insurance claims reserves total £2,920 million as at 31 December 2020 (2019 year-end: £2,899 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 may have a material impact on the overall year-end result reported. 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 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, related to large bodily injury claims, is our key area of focus. Refer to page 117 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 obtained an understanding and tested the operating effectiveness of relevant controls relating to the key actuarial assumptions identified and the setting of the management margin applied as an uplift on the projected actuarial best estimate. We obtained and inspected the reports from both management, and management's external expert actuary, and have involved our actuarial specialists to challenge management's key assumptions. We also assessed the objectivity and competence of management's expert. We benchmarked management's frequency assumptions against available industry data and considered the comparison in the context of the risk profile of the Group'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 key 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.

5.2. Change in reserving process to use internal projections

Key audit matter description	In 2020, management transitioned from using a best estimate produced by an external actuarial expert to using an internal projection as a basis for financial statement reserving for the UK Car insurance business. Management's external actuarial expert continues to provide an external estimate on a consistent basis to previous periods, but as validation of Admiral's internal estimate rather than an input to the financial statement reserving process. Our audit work over the change in the reserving process required significant input from our actuarial specialists and was the focus of a significant amount of audit effort; therefore, we considered this a key audit matter. Specifically, we focussed on the risk that the methodology was not applied as designed and intended, through either errors or omissions in the internal models and processes used. Refer to page 117 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 obtained an understanding and tested the operating effectiveness of relevant controls governing the actuarial models. This included involving our IT specialists to test the general IT controls in respect of the actuarial models utilised by the Group's internal reserving function. Furthermore, we involved our actuarial specialists to reproduce the output from management's reserving models for all material classes of claims for UK motor business, including bodily injury, to assess whether the models used by management accurately implement the methodology described in management's actuarial papers.
Key observations	Based on the procedures described above, we consider management's UK Car Insurance reserving model to be appropriate and in line with the Group's accounting policy.

5.3. Valuation of loan loss provision

Key audit matter description	The loan loss provision recognised totals £42.0 million as at 31 December 2020 (2019 year-end: £24.0 million). The valuation of the loan loss provision represent a significant area of judgement in the financial statements. Given the Group does not have through-the-cycle historical loss information, and places a high level of reliance on management judgement, we focused our work around the selection of macro-economic scenarios, such as the effect of unemployment in terms of the increase in the provision should the economy worsen due to the on-going impact of Covid-19. Key assumptions applied in the model include the Significant Increase in Credit Risk (SICR) indicators applied in the model, the correlation between the movement in the economy and the expected defaults and the judgements that are included in the calculation of the probabilities of default. Our challenge of management's selection of macro-economic scenarios and weightings applied to the IFRS 9 model represents an area where we focus significant audit time and effort. As such, we consider this a key audit matter. Refer to page 118 in the Audit Committee report where this is included as a significant issue and note 3 and note 7b in the financial statements which refer to this matter.
How the scope of our audit responded to the key audit matter	We obtained an understanding of relevant controls governing the macro-economic selections and the IFRS 9 model, including any model adjustments applied. With the assistance of our internal IFRS 9 credit modelling specialist team, we challenged whether the model was compliant with the requirements of IFRS 9 and established market practice. Furthermore, we benchmarked the macro-economic scenarios to market peers and, with the assistance of our internal economists, challenged areas of inconsistency. We also tested the model mechanics to assess whether it is operating in line with management's documentation. We did this through review of the model, comparison to the methodology and reperformance of the determination of probabilities of default, losses given default and SICR where necessary.
Key observations	Based on the procedures described above, we consider management's selection of scenarios and assumptions used in the determination of loan loss provision to be appropriate.

Independent Auditor's Report continued

to the Members of Admiral Group plc

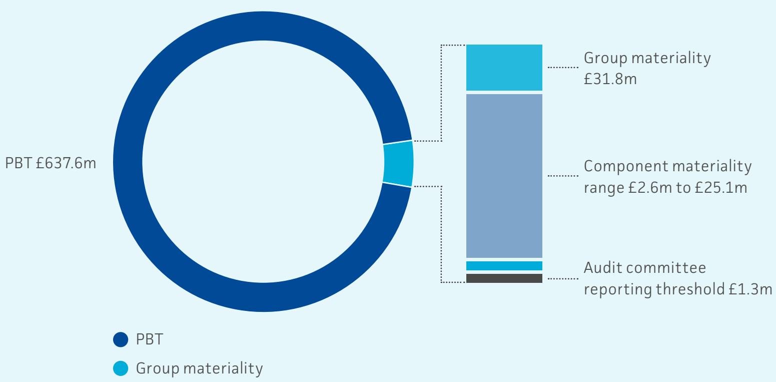
6. Our application of materiality

6.1. 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	£31.8 million (2019: £26.1 million)	£2.9 million (2019: £3.0 million)
Basis for determining materiality	5% (2019: 5%) of profit before tax ('PBT') from continuing and discontinued operations.	3% (2019: 3%) of two-year average of net assets.
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 (2019: 1% of gross earned premium and 3% of equity).	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.



6.2. Performance materiality

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 financial statements	Parent company financial statements
Performance materiality	70% (2019: 70%) of Group materiality	70% (2019: 70%) of Parent Company materiality
Basis and rationale for determining performance materiality	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; • our past experience of the audit, which has indicated a low number of uncorrected misstatements identified in prior periods; and • the fact that Admiral Group plc is a publicly listed entity where there is exposure to significant media coverage.	

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £1.3 million (2019: £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.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

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 and the Admiral Group plc parent entity. This is consistent with our scoping in 2019.

Each of these significant components was subjected to a full-scope audit, completed to individual component materiality levels which ranged from £2.6 million to £25.1 million (2019: £1.7 million to £18.6 million) dependent upon the relative significance of each individual component.

Additionally, we have completed specific audit procedures, designed to address specific audit risks, for seven (2019: two) further components.

The components within the scope of our audit procedures account for 98% (2019: 97%) of the Group's profit before tax, 97% (2019: 95%) of the Group's revenue and 97% (2019: 94%) of the Group's net assets.

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.

Revenue

Profit before tax

Net assets

7.2. Working with other auditors

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. Typically, each year we visit the operations in Rome, Madrid, Seville and Richmond but, given the presence of Covid-19, this was not possible for 2020. In response to this limitation, we directed and supervised the work of the component auditors by increasing the frequency of phone calls with the component audit teams, participating in videoconferences and viewing certain key audit documentation remotely.

8. Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

We have nothing to report in this regard.

Independent Auditor's Report continued

to the Members of Admiral Group plc

9. 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.

10. 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.

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.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. 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, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for Directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit and the Audit Committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance, including the interim dividend that was not made in accordance with the Companies Act 2006 (see page 160 of the Directors' Report);
  - 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 of fraud or non-compliance with laws and regulations; and
- the matters discussed among the audit engagement team including significant component audit teams and involving relevant internal specialists, including tax, actuarial, IT, and industry specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: valuation of gross insurance claims reserves for UK Car Insurance and valuation of loan loss provision. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, PRA and FCA regulations, and relevant tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty. These included the Group's operating licence and regulatory solvency requirements.

Audit response to risks identified

As a result of performing the above, we identified the valuation of gross insurance claims reserves, the change in reserving process to use internal projections and the valuation of loan loss provision as key audit matters related to the potential risk of fraud. 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 provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- 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;
- in response to the identified instance of non-compliance with Section 836 of the Companies Act 2006, in relation to distributable reserves (see page 160 of the Directors' Report), we assessed the Directors' response to ascertain whether any further steps should be taken, including inspecting relevant legal advice received by the Group; 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.

Independent Auditor's Report continued

to the Members of Admiral Group plc

Report on other legal and regulatory requirements

12. 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 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.

13. Corporate Governance Statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 158;
- the Directors' explanation as to its assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on page 125;
- the Directors' statement on fair, balanced and understandable set out on page 160;
- the Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 123;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 123; and
- the section describing the work of the Audit Committee set out on page 116.

14. Matters on which we are required to report by exception

14.1. 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.

14.2. 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.

15. Other matters which we are required to address

15.1. Auditor tenure

Following the recommendation of the Audit Committee, we were appointed by shareholders' approval at the Annual General Meeting on 30 April 2020 to audit the financial statements for the year ending 31 December 2020. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is five years, covering the years ending 31 December 2016 to 31 December 2020.

15.2. 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).

16. 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
3 March 2021

Consolidated Income Statement

For the year ended 31 December 2020

Continuing operations	Note	Year ended 31 December 2020 £m	Year ended Re-presented 31 December 2019 £m
Insurance premium revenue		2,265.3	2,198.4
Insurance premium ceded to reinsurers		(1,513.7)	(1,489.0)
Net insurance premium revenue	5	751.6	709.4
Other revenue	8	329.4	324.3
Profit commission	5	134.0	114.9
Interest income	7	36.8	30.8
Interest expense	7	(7.2)	(6.3)
Net interest income from loans		29.6	24.5
Investment return – interest income at effective interest rate	6	33.9	36.4
Investment return – other	6	26.8	(0.7)
Net revenue		1,305.3	1,208.8
Insurance claims and claims handling expenses	5	(1,318.6)	(1,568.1)
Insurance claims and claims handling expenses recoverable from reinsurers		1,025.4	1,208.8
Net insurance claims	5	(293.2)	(359.3)
Operating expenses and share scheme charges	9	(814.6)	(758.9)
Operating expenses and share scheme charges recoverable from co- and reinsurers	9	456.6	441.2
Expected credit losses	6, 9	(33.6)	(14.2)
Net operating expenses and share scheme charges		(391.6)	(331.9)
Total expenses		(684.8)	(691.2)
Operating profit		620.5	517.6
Finance costs	6	(14.3)	(14.5)
Finance costs recoverable from co- and reinsurers	6	2.0	2.0
Net finance costs		(12.3)	(12.5)
Profit before tax from continuing operations		608.2	505.1
Taxation expense	10	(106.2)	(89.2)
Profit after tax from continuing operations		502.0	415.9
Profit before tax from discontinued operations	13	29.4	17.5
Taxation expense	13	(3.6)	(5.0)
Profit after tax from discontinued operations		25.8	12.5
Profit after tax from continuing and discontinued operations		527.8	428.4

	Note	Year ended 31 December 2020 £m	Year ended Re-presented 31 December 2019 £m
Profit after tax attributable to:			
Equity holders of the parent		528.8	432.4
Non-controlling interests (NCI)		(1.0)	(4.0)
		527.8	428.4
Earnings per share – from continuing operations			
Basic	12	170.7p	143.7p
Diluted	12	170.4p	143.4p
Earnings per share – from continuing and discontinued operations			
Basic	12	179.5p	148.3p
Diluted	12	179.2p	148.0p
Dividends declared and paid (total)	12	425.7	367.8
Dividends declared and paid (per share)	12	147.5p	129.0p

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2020

	Year ended	
	31 December 2020 £m	31 December 2019 £m
Profit for the period – from continuing and discontinued operations	527.8	428.4
Other comprehensive income		
Items that are or may be reclassified to profit or loss		
Movements in fair value reserve	40.6	34.6
Deferred tax charge in relation to movement in fair value reserve	(1.8)	(1.5)
Exchange differences on translation of foreign operations	3.5	(8.9)
Movement in hedging reserve	(2.4)	(0.9)
Other comprehensive income for the period, net of income tax	39.9	23.3
Total comprehensive income for the period	567.7	451.7
Total comprehensive income for the period attributable to:		
Equity holders of the parent	568.6	456.1
Non-controlling interests	(0.9)	(4.4)
	567.7	451.7

Consolidated Statement of Financial Position

As at 31 December 2020

	Note	As at 31 December 2020 £m	As at 31 December 2019 £m
ASSETS			
Property and equipment	11	140.4	154.4
Intangible assets	11	166.7	160.3
Corporation tax asset	10	22.9	–
Reinsurance assets	5	2,083.2	2,071.7
Loans and advances to customers	7	359.8	455.1
Insurance and other receivables	6	1,182.0	1,227.7
Financial investments	6	3,506.0	3,234.5
Cash and cash equivalents	6	298.2	281.7
Assets associated with disposal group held for sale	13	83.0	–
Total assets		7,842.2	7,585.4
EQUITY			
Share capital	12	0.3	0.3
Share premium account		13.1	13.1
Other reserves	12	94.9	55.1
Retained earnings		1,004.4	840.9
Total equity attributable to equity holders of the parent		1,112.7	909.4
Non-controlling interests		10.7	9.2
Total equity		1,123.4	918.6
LIABILITIES			
Insurance contract liabilities	5	4,081.3	3,975.0
Subordinated and other financial liabilities	6	488.6	530.1
Trade and other payables	6, 11	1,991.2	1,975.9
Lease liabilities	6	122.8	137.1
Deferred income tax	10	0.9	0.4
Current tax liabilities	10	–	48.3
Liabilities associated with disposal group held for sale	13	34.0	–
Total liabilities		6,718.8	6,666.8
Total equity and total liabilities		7,842.2	7,585.4

The accompanying notes form part of these financial statements.

These financial statements were approved by the Board of Directors on 3 March 2021 and were signed on its behalf by:

Geraint Jones
Chief Financial Officer
Admiral Group plc

Company Number: 03849958

Consolidated Cash Flow Statement

For the year ended 31 December 2020

	Note	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Profit after tax – from continuing and discontinued operations		527.8	428.4
Adjustments for non-cash items:			
– Depreciation of property, plant and equipment and right-of-use assets	11	23.6	23.8
– Impairment of property, plant and equipment and right-of-use assets	11	3.1	–
– Amortisation and impairment of intangible assets	11	19.2	18.7
– Movement in expected credit loss provision	6	25.8	13.8
– Share scheme charges	9	54.0	53.4
– Accrued interest income from loans and advances to customers		0.2	(0.6)
– Interest expense on funding for loans and advances to customers		7.2	–
– Investment return	6	(60.7)	(35.3)
– Finance costs, including unwinding of discounts on lease liabilities		12.4	12.6
– Taxation expense	10	109.8	94.2
Change in gross insurance contract liabilities	5	106.3	238.6
Change in reinsurance assets	5	(11.5)	(188.2)
Change in insurance and other receivables	6, 11	25.1	(147.0)
Change in gross loans and advances to customers	7	77.3	(168.7)
Change in trade and other payables, including tax and social security	11	40.2	174.4
Cash flows from operating activities, before movements in investments		959.8	518.1
Purchases of financial instruments		(2,389.2)	(2,048.2)
Proceeds on disposal/maturity of financial instruments		2,203.1	1,847.9
Interest and investment income received	6	10.1	11.6
Cash flows from operating activities, net of movements in investments		783.8	329.4
Taxation payments		(175.0)	(92.8)
Net cash flow from operating activities		608.8	236.6
Cash flows from investing activities:			
Purchases of property, equipment and software	11	(43.1)	(33.6)
Net cash used in investing activities		(43.1)	(33.6)
Cash flows from financing activities:			
Non-controlling interest capital contribution		2.4	1.6
(Repayment of)/proceeds on issue of loan backed securities	6	(46.3)	136.2
Proceeds/(repayments) from other financial liabilities	6	0.1	(50.3)
Finance costs paid, including interest expense paid on funding for loans	6, 7	(19.2)	(14.0)
Repayment of lease liabilities	6	(9.4)	(10.6)
Equity dividends paid	12	(425.7)	(367.8)
Net cash used in financing activities		(498.1)	(304.9)
Net increase/(decrease) in cash and cash equivalents		67.6	(101.9)
Cash and cash equivalents at 1 January		281.7	376.8
Effects of changes in foreign exchange rates		2.4	6.8
Cash and cash equivalents at end of period	6	351.7	281.7

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	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 2019	0.3	13.1	13.5	(0.3)	18.2	713.5	758.3	12.8	771.1
Profit/(loss) for the period – from continuing and discontinued operations	–	–	–	–	–	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
Balance at 1 January 2020	0.3	13.1	46.6	(1.2)	9.7	840.9	909.4	9.2	918.6
Profit/(loss) for the period – from continuing and discontinued operations	–	–	–	–	–	528.8	528.8	(1.0)	527.8
Other comprehensive income									
Movements in fair value reserve	–	–	40.6	–	–	–	40.6	–	40.6
Deferred tax charge in relation to movement in fair value reserve	–	–	(1.8)	–	–	–	(1.8)	–	(1.8)
Movement in hedging reserve	–	–	–	(2.4)	–	–	(2.4)	–	(2.4)
Currency translation differences	–	–	–	–	3.4	–	3.4	0.1	3.5
Total comprehensive income for the period	–	–	38.8	(2.4)	3.4	528.8	568.6	(0.9)	567.7
Transactions with equity holders									
Dividends	–	–	–	–	–	(425.7)	(425.7)	–	(425.7)
Share scheme credit	–	–	–	–	–	53.8	53.8	–	53.8
Deferred tax credit on share scheme credit	–	–	–	–	–	6.6	6.6	–	6.6
Contributions by NCIs	–	–	–	–	–	–	–	2.2	2.2
Changes in ownership interests without a change in control	–	–	–	–	–	–	–	0.2	0.2
Total transactions with equity holders	–	–	–	–	–	(365.3)	(365.3)	2.4	(362.9)
As at 31 December 2020	0.3	13.1	85.4	(3.6)	13.1	1,004.4	1,112.7	10.7	1,123.4

Notes to the Financial Statements

For the year ended 31 December 2020

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 accounting standards in conformity with the requirements of the Companies Act 2006, and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. 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 consolidated financial statements have been prepared on a going concern basis. In making this going concern assessment, the Directors have considered in detail the impact of the Covid-19 pandemic on the Group's financial position and performance, including the projection of the Group's profits, regulatory capital surpluses and sources of liquidity for the next 12 months and beyond.

In particular, as part of this assessment the Board considered updated projections of performance and profitability a number of times during the pandemic, with some key highlights including:

- The impact of the pandemic on the Group's profit projections, including:
  - The continuation of reduced motor insurance claims frequency when compared to pre-pandemic levels;
  - Changes in premium rates and projected policy volumes across the Group's insurance businesses;
  - Potential impacts on the cost of settling claims across all insurance businesses, including those arising from initiatives launched to help critical worker customers such as excess waivers and free hire cars;
  - Projected trends in other revenue generated by the Group's insurance business from fees and the sale of ancillary products;
  - The impact of elevated credit losses in the Group's Loans business arising from higher unemployment rates, arising from long-term economic stress;
  - Impacts on the projected growth on the Group's Loan book following the temporary closure to new business;
  - A potential increase in ongoing costs arising from the implementation and maintenance of business continuity plans and potential future hybrid working strategies.
- The Group's solvency position, which has been closely monitored through periods of market volatility experienced to date. Although impacted by market movements, and in particular widening credit spreads at the outset of the pandemic, these positions have largely reversed, with less volatile market movements experienced during the second half of 2020. The Group continues to maintain a strong solvency position above target levels;
- The adequacy of the Group's liquidity position after considering all of the factors noted above;
- The results of business plan scenarios and stress tests on the projected profitability, solvency and liquidity positions including the impact of severe downside scenarios that assume severe adverse economic, credit and trading stresses;
- The operational resilience of the Group's critical functions, including the ability of the Group to provide continuity of service to its customers through a prolonged period of stress;
- The stability and security aspects of the Group's IT systems;
- Impacts on the Group's strategic priorities including re-prioritisation of significant Group projects;
- The regulatory environment, in particular focusing on regulatory guidance issued by the FCA and the PRA in the UK and ongoing communications between management and the regulator;
- A review of the Company's principal risks and uncertainties and how the assessment of emerging risks may have changed in light of the pandemic;
- A review of an ad-hoc Covid-specific 'Own Risk and Solvency Assessment' (ORSA);

Other material factors considered, outside of the pandemic, include:

- The impacts of the UK-EU Brexit trade agreement that came into effect on 1 January 2021, on the Group's UK businesses;
- The sale of the Group price comparison businesses, Penguin Portals and Preminen along with the intention to return a majority of net proceeds back to shareholders after completion of the transaction.

Following consideration of all 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 consolidated 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.

Cash flows from operating activities before movements in investments include all cashflows in relation to the Group's insurance and reinsurance activities, and cash flows in respect of loans and advances issued to customers. Cash flows from financing activities include the cash flows on issues of loan backed securities, lease liabilities and other financial liabilities.

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.

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:

- Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2)
- Amendment to IFRS 16 Leases COVID 19-Related Rent Concessions
- Amendments to IFRS 3 Business Combinations
- Amendments to IAS 1 and IAS 8: Definition of Material
- Amendments to References to the Conceptual Framework in IFRS Standards

Other than the impact of 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.

Notes to the Financial Statements continued

For the year ended 31 December 2020

2. Basis of preparation continued

Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

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 ongoing interest rate benchmark reforms. The Group early adopted this standard for the period ending 31 December 2019.

In addition, Phase 2 of the Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 was issued in August 2020, and relates to issues that could affect financial reporting when an interbank offered rate (IBOR) is replaced with an alternative benchmark interest rate.

The amendments are relevant to the Group given that it applies hedge accounting to its benchmark interest rate exposures. The application of the amendments impacts the Group's accounting in the following ways:

- The Group had floating rate debt on its loan backed securities, linked to GBP LIBOR up until 15th June 2020 when those arrangements were renewed and rebased to SONIA at the same time;
- The floating rate debt and interest rate cashflow hedges that are taken out in relation to the loan backed securities were moved to arrangements linked to SONIA on 15th June 2020, to align the rebasing with the renewal of the loan backed facilities as set out above.

The Group has chosen to early apply the Phase 2 Amendments for the reporting period ending 31 December 2020, which are mandatory for annual reporting periods beginning on or after 1 January 2021. Adopting these amendments early enables the Group to reflect the effects of transitioning from IBOR to alternative benchmark interest rates without giving rise to accounting impacts, such as the derecognition of the interest rate hedge that was moved from LIBOR to SONIA in the year, that would not provide useful information to users of financial statements.

See note 6j for further details.

New and revised IFRS Standards in issue but not yet effective

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

- IFRS 17 *Insurance Contracts*;
- IFRS 10 and IAS 28 (amendments) *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture;*
- Amendments to IAS 1 *Classification of Liabilities as Current or Non-current;*
- Amendments to IFRS 3 *Reference to the Conceptual Framework;*
- Amendments to IAS 16 *Property, Plant and Equipment – Proceeds before Intended Use;*
- Amendments to IAS 37 *Onerous Contracts – Cost of Fulfilling a Contract;*
- Annual Improvements to IFRS Standards 2018-2020 Cycle: *Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture.*

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods, except as noted below:

IFRS 17 Insurance Contracts

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 *Insurance Contracts*. IFRS 17 outlines a general model, which is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

In June 2020, the IASB issued *Amendments to IFRS 17* to address concerns and implementation challenges that were identified after IFRS 17 was published. The amendments defer the date of initial application of IFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023, requiring a transition balance sheet at 1 January 2022.

The Group continues to assess the impact of IFRS 17 on its results and financial position.

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.

- **Classification of disposal group as held for sale, and presentation of discontinued operations**

In order for a disposal group to be recognised as held for sale under IFRS 5, a sale has to be considered highly probable and the disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary.

As set out in note 13 to these financial statements, on 29th December 2020, the Group announced that it had reached an agreement with ZPG Comparison Services Holdings UK Limited ('RVU') that RVU will purchase the Penguin Portals Group ('Penguin Portals', comprising online comparison portals Confused.com, Rastreator.com and LeLynx.fr and the Group's technology operation Admiral Technologies) and its 50% share of Preminen Price Comparison Holdings Limited ('Preminen') (including its subsidiaries and associates). Management considers that, given the announcement which is supported by a signed Sales and Purchase Agreement (SPA), and the expectation that the sale will be completed in the first half of 2021 subject to regulatory approval, the transaction meets the highly probable criteria and therefore these businesses are presented as a disposal group held for sale in the financial statements.

The disposal group is also considered to meet the criteria of a discontinued operation, being a part of a single co-ordinated plan to dispose of a separate major line of business. The results of the discontinued operation have therefore been presented separately on the Income Statement, with prior year comparatives also re-presented.

Notes to the Financial Statements continued

For the year ended 31 December 2020

3. Critical accounting judgements and key sources of estimation uncertainty continued

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

- **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.

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:

1) 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.

The Group, utilising the internal actuarial team, 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. The projection techniques are subject to review by an independent external actuarial specialist to provide an impartial assessment.

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 arising from the internal and external environment which may cause future claim cost inflation to deviate from that seen in historic data. Examples of these factors include:

- Changes in the reporting patterns of claims impacting the frequency of bodily injury claims;
- Emerging inflationary trends 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;
- Changes to the underlying process and methodologies employed in setting and reviewing 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.

2) 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, actuarial teams 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.

3) 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;
- 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 sensitivities in respect of the claims reserves, refer to note 5d(ii) of the financial statements. Note that these sensitivities are provided based on booked loss ratios, as it is impracticable to disaggregate the assumptions further, but for the disaggregated assumptions it is reasonably possible, on the basis of existing knowledge, that outcomes within the next financial year that are different from the assumption could require a material adjustment to the carrying amount.

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 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 size of the loan book and the increased uncertainty given the impact of Covid-19, 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;
- Identification of key scenarios to include and determining the credit loss in these instances.

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.

Refer to the analysis in note 7 to the financial statements for further detail on the Group's ECL methodology applied in the period.

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 2020 and comparative figures for the year ended 31 December 2019. 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, Inspop USA LLC, comparenow.com Insurance Agency LLC (indirect holding), Rastreator.com Limited, Rastreator Comparador Correduría 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, 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.

Notes to the Financial Statements continued

For the year ended 31 December 2020

4. Group consolidation and operating segments continued

(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 five 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.

Note that as a result of the planned sale of the comparison businesses (other than compare.com) and growth of the Admiral Loans business, the Group's reportable segments have changed, so that compare.com is now presented within 'Other' and Admiral Loans is presented as a separate segment. Accordingly, the Group has restated the previously reported segment information for the year ended 31 December 2019.

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 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.

Discontinued (Comparison)

As set out in note 13 to the financial statements, on 29 December 2020 the Group announced its planned sale of the majority of its comparison businesses. As such, these operations are considered a disposal group and are presented as discontinued operations in both 2020 and 2019.

The segment relates to the Group's comparison businesses: Confused.com in the UK, Rastreator in Spain, LeLynx in France, and the Preminen entities, which have a head office in Spain and operations in Mexico and India, and Penguin Portals, the 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.

Admiral Loans

The segment relates to the Admiral Loans business launched in 2017, which provides unsecured personal loans and car finance products in the UK, primarily through the comparison channel.

Other

The 'Other' segment is designed to be comprised of all other operating segments that are not separately reported to the Group's Board of Directors and do not meet the threshold requirements for individual reporting. It includes compare.com, the US comparison business, and Admiral Pioneer.

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.

An analysis of the Group's revenue and results for the year ended 31 December 2020, 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 2020							
	UK Insurance £m	International Insurance £m	Discontinued (Comparison)*6 £m	Admiral Loans £m	Other £m	Eliminations*2 £m	Total (continuing) £m	Total £m
Turnover*1	2,672.0	648.8	183.9	38.4	6.8	(22.2)	3,365.8	3,527.7
Net insurance premium revenue	539.8	211.8	–	–	–	–	751.6	751.6
Other revenue and profit commission	427.9	27.4	183.9	1.6	6.7	(22.2)	463.4	625.3
Net interest income	–	–	–	26.7	–	2.9	29.6	29.6
Investment return*5	50.8	–	–	0.5	–	(3.3)	48.0	48.0
Net revenue	1,018.5	239.2	183.9	28.8	6.7	(22.6)	1,292.6	1,454.5
Net insurance claims	(150.2)	(143.0)	–	–	–	–	(293.2)	(293.2)
Expenses	(170.0)	(87.4)	(151.4)	(42.6)	(9.8)	22.2	(309.6)	(439.0)
Segment profit/(loss) before tax	698.3	8.8	32.5	(13.8)	(3.1)	(0.4)	689.8	722.3
Other central revenue and expenses, including share scheme charges							(74.8)	(77.9)
Investment and interest income							4.9	4.9
Finance costs*3							(11.7)	(11.7)
Consolidated profit before tax*4							608.2	637.6
Taxation expense							(106.2)	(109.8)
Consolidated profit after tax							502.0	527.8
Other segment items:								
– Intangible and tangible asset additions	59.1	43.0	1.6	0.2	0.5		102.8	104.4
– Depreciation and amortisation	57.2	41.5	1.8	0.9	0.4		100.0	101.8

*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 14 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. Of the £22.2 million elimination of other revenue and profit commission, £22.0 million relates to discontinued operations, with the remaining £0.2 million relating to compare.com

*3 £0.7million 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 £637.6 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 £638.4 million. See note 14f for a reconciliation of the UK Insurance, International Insurance and Comparison turnover and profit before tax to the Strategic Report.

*5 Investment return is reported net of impairment on financial assets, in line with management reporting.

*6 See note 13 for further detail on discontinued operations.

Notes to the Financial Statements continued

For the year ended 31 December 2020

4. Group consolidation and operating segments continued

Revenue and results for the corresponding reportable segments for the year ended 31 December 2019 are shown below.

	Re-presented Year ended 31 December 2019							
	UK Insurance £m	International Insurance £m	Discontinued (Comparison)*6 £m	Admiral Loans £m	Other £m	Eliminations*2 £m	Total (continuing) £m	Total £m
Turnover*1	2,635.0	623.6	164.3	32.7	7.9	(19.4)	3,298.5	3,444.1
Net insurance premium revenue	533.2	176.2	–	–	–	–	709.4	709.4
Other Revenue and profit commission	407.6	22.5	164.3	1.9	7.9	(19.4)	439.2	584.8
Net interest income	–	–	–	21.7	–	2.8	24.5	24.5
Investment return*5	30.4	1.5	–	–	–	(2.8)	29.1	29.1
Net revenue	971.2	200.2	164.3	23.6	7.9	(19.4)	1,202.2	1,347.8
Net insurance claims	(215.8)	(143.5)	–	–	–	–	(359.3)	(359.3)
Expenses	(157.5)	(57.6)	(142.4)	(32.0)	(14.0)	19.4	(260.4)	(384.1)
Segment profit/(loss) before tax	597.9	(0.9)	21.9	(8.4)	(6.1)	–	582.5	604.4
Other central revenue and expenses, including share scheme charges							(72.3)	(76.6)
Investment and interest income							6.2	6.2
Finance costs*4							(11.3)	(11.4)
Consolidated profit before tax*3							505.1	522.6
Taxation expense							(89.2)	(94.2)
Consolidated profit after tax							415.9	428.4
Other segment items:								
– Intangible and tangible asset additions	51.7	34.5	1.4	0.8	–	–	87.0	88.4
– Depreciation and amortisation	57.4	33.1	1.8	1.2	0.5	–	92.2	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 14 for further information.

*2 Eliminations are in respect of the intra-group trading between the Group's comparison and UK and International insurance entities. Of the £19.4m elimination of other revenue and profit commission, £18.7m relates to discontinued operations, with the remaining £0.7m relating to compare.com.

*3 Profit before tax above of £522.6m 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 £526.1m. See note 14f for a reconciliation of the UK Insurance, International Insurance and Comparison turnover and profit before tax to the Strategic Report.

*4 £1.2m 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.

*5 Investment return is reported net of impairment on financial assets, in line with management reporting.

*6 See note 13 for further detail on discontinued operations.

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 Discontinued (comparison) revenues from transactions with other reportable segments is £22.0 million (2019: £18.7 million) which has been eliminated on consolidation, along with £0.2 million (2019: £0.7 million) of revenues from compare.com that are also eliminated on consolidation.

Revenues from external customers for products and services are consistent with the split of reportable segment revenues.

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 material enough to be presented as a separate segment.

Segment assets and liabilities

The identifiable segment assets and liabilities at 31 December 2020 are as follows:

	As at 31 December 2020						
	UK Insurance £m	International Insurance £m	Discontinued (comparison) £m	Admiral Loans £m	Other £m	Eliminations £m	Total £m
Reportable segment assets	6,446.7	1,006.0	112.6	427.3	226.1	(702.9)	7,515.8
Reportable segment liabilities	5,359.5	858.4	57.0	426.5	461.4	(654.2)	6,508.6
Reportable segment net assets	1,087.2	147.6	55.6	0.8	(235.3)	(48.7)	1,007.2
Unallocated assets and liabilities							116.2
Consolidated net assets							1,123.4

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 2019 are as follows:

	Re-presented as at 31 December 2019						
	UK Insurance £m	International Insurance £m	Discontinued (comparison) £m	Admiral Loans £m	Other £m	Eliminations £m	Total £m
Reportable segment assets	6,282.1	966.7	83.8	531.4	269.8	(902.9)	7,230.9
Reportable segment liabilities	5,232.7	824.4	43.6	524.8	599.1	(810.7)	6,413.9
Reportable segment net assets	1,049.4	142.3	40.2	6.6	(329.3)	(92.2)	817.0
Unallocated assets and liabilities							101.6
Consolidated net assets							918.6

Notes to the Financial Statements continued

For the year ended 31 December 2020

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)).

In the UK, in 2020 the Group announced a Stay at Home premium refund for all existing motor insurance customers, which amounted to £97.3 million net of insurance premium tax. The impact of this was to reduce gross insurance premium revenue (i.e. excluding co-insurer share of total premiums written) by £70.0 million, and to reduce net insurance premium revenue by £21.1 million. The full impact of the refund has been reflected in the current period. See note 14g for further details.

(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.

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 2020*1 £m	31 December 2019 £m
Total insurance premiums written before co-insurance*2	**2,957.2**	2,884.4
Group gross premiums written after co-insurance	**2,344.0**	2,273.7
Outwards reinsurance premiums	**(1,555.9)**	(1,541.4)
Net insurance premiums written	**788.1**	732.3
Change in gross unearned premium provision	**(78.7)**	(75.3)
Change in reinsurers' share of unearned premium provision	**42.2**	52.4
Net insurance premium revenue	**751.6**	709.4

*1 See note 14g for the impact of the Stay At Home premium refund issued to UK motor insurance customers on premiums written and net insurance premium revenue.

*2 Alternative Performance Measures – refer to the end of the report for definition and explanation, and to note 14a 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 Compania Seguros ('AECS') and Elephant Insurance Company. The vast majority of contracts are short term in duration, lasting for 10 or 12 months.

5c. Profit commission

	31 December 2020 £m	31 December 2019 £m
Underwriting year (UK Motor only)		
2015 and prior	**38.2**	48.3
2016	**25.1**	27.5
2017	**23.3**	36.4
2018	**5.5**	–
2019	**20.9**	–
2020	**11.7**	–
Total UK Motor profit commission*1	**124.7**	112.2
Total UK Household and International profit commission*1	**9.3**	2.7
Total profit commission	**134.0**	114.9

*1 Of the total UK motor profit commission recognised of £124.7 million, £102.3 million relates to co-insurance arrangements and £22.4 million to reinsurance arrangements. The UK Household and International profit commission relates solely to reinsurance arrangements.

Sensitivities of the recognition of profit commission to movements in the booked loss ratio are shown in note 5d(ii).

Notes to the Financial Statements continued

For the year ended 31 December 2020

5. Premium, claims and profit commissions continued

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 considers material reserving issues such as large bodily injury claims frequency and severity.

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.

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, 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, the Group'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 the Group making above industry average reserve releases. The Group's booked claims reserves continue to include a significant margin above projected best estimates of ultimate claims costs.

As at 31 December 2020, the level of relative reserve margin is consistent with that at 31 December 2019, 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 the Group'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;
- 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.

Information regarding reinsurance credit risk is provided in note 6j to the financial statements.

(ii) Sensitivity of recognised amounts to changes in assumptions

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 2020 that would result from a 1%, 3% and 5% increase and decrease in the UK Car insurance loss ratios used for each underwriting year for which material amounts remain outstanding. This includes the impact on profit commission of the respective changes in booked loss ratios, which are also shown separately below.

Total impact on income statement (including profit commission)	Underwriting year 2017	2018	2019	2020
Booked loss ratio	70%	78%	76%	72%
Impact of 1% deterioration in booked loss ratio (£m)	(14.3)	(11.6)	(8.8)	(3.2)
Impact of 3% deterioration in booked loss ratio (£m)	(43.5)	(31.8)	(28.6)	(9.4)
Impact of 5% deterioration in booked loss ratio (£m)	(71.7)	(52.2)	(39.3)	(14.8)
Impact of 1% improvement in booked loss ratio (£m)	14.9	13.0	15.8	3.2
Impact of 3% improvement in booked loss ratio (£m)	44.1	42.3	44.2	9.7
Impact of 5% improvement in booked loss ratio (£m)	73.2	72.1	72.5	16.6

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.

Notes to the Financial Statements continued

For the year ended 31 December 2020

5. Premium, claims and profit commissions continued

The following table sets out the impact on equity and post-tax profit or loss at 31 December 2020 that would result from a 1%, 3% and 5% increase and decrease in the UK Car insurance loss ratios used for each underwriting year for which material amounts remain outstanding, on profit commission only.

	Underwriting year			
Impact on profit commission only	**2017**	**2018**	**2019**	**2020**
Booked loss ratio	70%	78%	76%	72%
Impact of 1% deterioration in booked loss ratio (£m)	(4.1)	(2.7)	(6.3)	(1.9)
Impact of 3% deterioration in booked loss ratio (£m)	(12.8)	(5.1)	(21.0)	(5.4)
Impact of 5% deterioration in booked loss ratio (£m)	(20.6)	(7.8)	(26.8)	(8.1)
Impact of 1% improvement in booked loss ratio (£m)	4.7	4.1	13.3	1.9
Impact of 3% improvement in booked loss ratio (£m)	13.4	15.7	36.7	5.7
Impact of 5% improvement in booked loss ratio (£m)	22.1	27.7	60.0	10.0

Sensitivities to key assumptions in the best estimate reserves have not been presented, given the significant and prudent margin held above best estimate reserves and the co- and reinsurance arrangements that are also considered when determining the net impact on the income statement. The underwriting year sensitivities presented above are considered to provide relevant and transparent information on the changes to key inputs to the financial statements.

(iii) Analysis of recognised amounts

	31 December 2020 £m	31 December 2019 £m
Gross		
Claims outstanding*1	2,919.9	2,899.4
Unearned premium provision	1,161.4	1,075.6
Total gross insurance liabilities	4,081.3	3,975.0
Recoverable from reinsurers		
Claims outstanding	1,319.3	1,354.2
Unearned premium provision	763.9	717.5
Total reinsurers' share of insurance liabilities	2,083.2	2,071.7
Net		
Claims outstanding*2	1,600.6	1,545.2
Unearned premium provision	397.5	358.1
Total insurance liabilities – net	1,998.1	1,903.3

*1 Gross claims outstanding at 31 December 2020 is presented before the deduction of salvage and subrogation recoveries totalling £70.5 million (2019: £71.7 million).

*2 The Group 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 the Group's net claims outstanding balance. Refer to note (v) below.

(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)	**2011 £m**	**2012 £m**	**2013 £m**	**2014 £m**	**2015 £m**	**2016 £m**	**2017 £m**	**2018 £m**	**2019 £m**	**2020 £m**	**Total £m**
Underwriting year (UK Insurance)											
2011 and prior	(694.4)	(325.5)	85.1	79.4	58.5	3.2	31.2	27.4	17.0	8.3	(709.8)
2012	–	(463.7)	(334.7)	49.8	69.2	8.6	59.9	30.3	8.5	6.3	(565.8)
2013	–	–	(431.1)	(325.5)	53.6	44.4	34.2	35.2	8.2	15.4	(565.6)
2014	–	–	–	(438.2)	(347.1)	25.6	17.1	52.0	15.7	22.5	(652.4)
2015	–	–	–	–	(428.4)	(411.2)	21.7	53.3	58.0	34.0	(672.6)
2016	–	–	–	–	–	(529.4)	(463.7)	82.1	54.8	46.1	(810.1)
2017	–	–	–	–	–	–	(691.8)	(615.0)	123.1	79.5	(1,104.2)
2018	–	–	–	–	–	–	–	(818.8)	(546.9)	52.8	(1,312.9)
2019	–	–	–	–	–	–	–	–	(812.4)	(476.2)	(1,288.6)
2020	–	–	–	–	–	–	–	–	–	(697.4)	(697.4)
UK insurance gross claims incurred	(694.4)	(789.2)	(680.7)	(634.5)	(594.2)	(858.8)	(991.4)	(1,153.5)	(1,074.0)	(908.7)	
Underwriting year (International Insurance)											
2011 and prior	(65.6)	(54.2)	1.1	10.8	3.0	4.6	1.8	2.8	1.6	0.4	(93.7)
2012	–	(58.0)	(53.7)	0.7	4.0	6.0	2.6	2.0	1.5	(0.8)	(95.7)
2013	–	–	(68.2)	(57.8)	4.2	7.7	3.3	5.8	1.3	0.2	(103.5)
2014	–	–	–	(85.2)	(65.5)	4.4	5.8	5.5	2.0	(0.4)	(133.4)
2015	–	–	–	–	(92.6)	(101.6)	7.7	3.1	0.1	(0.1)	(183.4)
2016	–	–	–	–	–	(138.9)	(125.3)	11.7	6.9	3.6	(242.0)
2017	–	–	–	–	–	–	(174.1)	(147.3)	16.5	8.6	(296.3)
2018	–	–	–	–	–	–	–	(204.9)	(165.7)	20.1	(350.5)
2019	–	–	–	–	–	–	–	–	(293.8)	(141.2)	(435.0)
2020	–	–	–	–	–	–	–	–	–	(233.6)	(233.6)
International insurance gross claims incurred	(65.6)	(112.2)	(120.8)	(131.5)	(146.9)	(217.8)	(278.2)	(321.3)	(429.6)	(343.2)	
Other gross claims incurred	–	(1.7)	(2.2)	(7.1)	(5.4)	(0.1)	(3.6)	(1.1)	–	–	
Claims handling costs	(25.9)	(26.0)	(22.9)	(21.4)	(22.6)	(27.1)	(35.5)	(37.9)	(64.5)	(66.7)	
Total gross claims incurred	(785.9)	(929.1)	(826.6)	(794.5)	(769.1)	(1,103.8)	(1,308.7)	(1,513.8)	(1,568.1)	(1,318.6)	

Notes to the Financial Statements continued

For the year ended 31 December 2020

5. Premium, claims and profit commissions continued

Analysis of claims incurred (net amounts)	Financial year ended 31 December 2011 £m	2012 £m	2013 £m	2014 £m	2015 £m	2016 £m	2017 £m	2018 £m	2019 £m	2020 £m	Total £m
Underwriting year (UK Insurance)											
2011 and prior	(323.6)	(148.3)	81.4	79.4	57.6	22.4	37.6	19.9	17.2	3.4	(153.0)
2012	–	(196.0)	(139.3)	49.8	69.2	19.4	59.1	30.6	4.9	8.2	(94.1)
2013	–	–	(184.4)	(135.0)	38.4	49.3	36.4	34.7	4.4	13.7	(142.5)
2014	–	–	–	(187.0)	(144.1)	(16.4)	25.3	38.4	17.2	18.6	(248.0)
2015	–	–	–	–	(182.1)	(162.0)	(2.6)	42.6	48.2	26.1	(229.8)
2016	–	–	–	–	–	(219.4)	(180.7)	48.1	50.7	46.6	(254.7)
2017	–	–	–	–	–	–	(214.3)	(182.9)	77.8	67.1	(252.3)
2018	–	–	–	–	–	–	–	(261.0)	(165.2)	40.6	(385.6)
2019	–	–	–	–	–	–	–	–	(258.1)	(142.5)	(400.6)
2020	–	–	–	–	–	–	–	–	–	(218.5)	(218.5)
UK insurance net claims incurred	(323.6)	(344.3)	(242.3)	(192.8)	(161.0)	(306.7)	(239.2)	(229.6)	(202.9)	(136.7)	
Underwriting year (International Insurance)											
2011 and prior	(28.3)	(24.4)	0.3	5.4	1.4	2.2	0.9	1.3	0.7	0.3	(40.2)
2012	–	(24.2)	(22.8)	(0.8)	2.0	2.2	1.3	1.0	0.7	(0.4)	(41.0)
2013	–	–	(26.6)	(23.5)	1.7	4.8	0.9	3.0	0.7	0.1	(38.9)
2014	–	–	–	(31.6)	(23.3)	1.8	1.8	2.2	0.8	(0.1)	(48.4)
2015	–	–	–	–	(33.4)	(39.6)	5.1	1.3	1.3	–	(65.3)
2016	–	–	–	–	–	(47.9)	(43.5)	6.3	2.4	1.5	(81.2)
2017	–	–	–	–	–	–	(60.7)	(51.5)	5.5	3.2	(103.5)
2018	–	–	–	–	–	–	–	(71.2)	(58.4)	7.8	(121.8)
2019	–	–	–	–	–	–	–	–	(89.6)	(50.1)	(139.7)
2020	–	–	–	–	–	–	–	–	–	(95.4)	(95.4)
International insurance net claims incurred	(28.3)	(48.6)	(49.1)	(50.5)	(51.6)	(76.5)	(94.2)	(107.6)	(135.9)	(133.1)	
Other net claims incurred	–	(0.8)	(2.1)	(6.9)	(5.4)	(0.2)	(2.6)	(1.1)	–	–	
Claims handling costs	(11.9)	(10.8)	(9.5)	(8.9)	(9.4)	(11.2)	(11.1)	(11.8)	(20.5)	(23.4)	
Total net claims incurred	(363.8)	(404.5)	(303.0)	(259.1)	(227.4)	(394.6)	(347.1)	(350.1)	(359.3)	(293.2)	

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	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**
Underwriting year (UK Car only)						
2015	87%	87%	83%	77%	72%	69%
2016	–	88%	84%	77%	73%	68%
2017	–	–	87%	83%	75%	70%
2018	–	–	–	92%	81%	78%
2019	–	–	–	–	92%	76%
2020	–	–	–	–	–	72%

(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, other than for the 2019 year which is presented on an accident year basis due to the impact of Covid-19.

	Financial year ended 31 December					
Gross	**2015 £m**	**2016 £m**	**2017 £m**	**2018 £m**	**2019 £m**	**2020 £m**
Underwriting year (UK Motor Insurance)						
2015 and prior	197.7	135.7	190.3	174.5	91.2	69.9
2016	–	–	23.7	70.6	50.6	46.3
2017	–	–	–	25.4	110.6	69.8
2018	–	–	–	–	83.2	57.3
2019	–	–	–	–	–	54.8
Total gross release (UK Motor Insurance)	197.7	135.7	214.0	270.5	335.6	298.1
Total gross release (UK Household Insurance)	–	–	1.6	4.6	8.3	9.2
Total gross release (International Insurance)	14.0	21.0	23.2	35.2	39.1	53.2
Total gross release	211.7	156.7	238.8	310.3	383.0	360.5

Notes to the Financial Statements continued

For the year ended 31 December 2020

5. Premium, claims and profit commissions continued

Net	Financial year ended 31 December 2015 £m	2016 £m	2017 £m	2018 £m	2019 £m	2020 £m
Underwriting year (UK Motor Insurance)						
2015 and prior	173.4	75.4	155.9	165.9	91.2	69.9
2016	–	–	10.0	47.1	50.6	46.3
2017	–	–	–	8.0	75.8	67.7
2018	–	–	–	–	25.8	40.7
2019	–	–	–	–	–	17.0
Total net release (UK Motor Insurance)	173.4	75.4	165.9	221.0	243.4	241.6
Total net release (UK Household Insurance)	–	–	0.5	1.4	2.5	2.8
Total net release (International Insurance)	6.5	9.9	9.5	13.5	14.4	18.6
Total net release	179.9	85.3	175.9	235.9	260.3	263.0
Analysis of net releases on UK Motor Insurance:						
– Net releases on Group net share (UK Motor)	84.6	58.3	92.1	111.4	121.7	104.3
– Releases on commuted quota share reinsurance contracts (UK Motor)	88.8	17.1	73.8	109.6	121.7	137.3
Total net release as above	173.4	75.4	165.9	221.0	243.4	241.6

The Group 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 2016 £m	2017 £m	2018 £m	2019 £m	2020 £m
Underwriting year					
2015 and prior	17.1	73.8	91.9	50.7	40.9
2016	–	–	17.7	29.5	27.0
2017	–	–	–	41.5	46.0
2018	–	–	–	–	23.4
Total releases on commuted quota share reinsurance contracts	17.1	73.8	109.6	121.7	137.3

Profit commission is analysed in note 5c.

(vi) Reconciliation of movement in claims provision

	31 December 2020		
	Gross £m	Reinsurance £m	Net £m
Claims provision at start of period	2,899.4	(1,354.2)	1,545.2
Claims incurred (excluding claims handling costs and releases)	1,612.4	(1,079.6)	532.8
Reserve releases	(360.5)	97.5	(263.0)
Movement in claims provision due to commutation	–	352.7	352.7
Claims paid and other movements	(1,231.4)	664.3	(567.1)
Claims provision at end of period	2,919.9	(1,319.3)	1,600.6

	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 claims handling costs and 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

(vii) Reconciliation of movement in net unearned premium provision

	31 December 2020		
	Gross £m	Reinsurance £m	Net £m
Unearned premium provision at start of period	1,075.6	(717.5)	358.1
Written in the period	2,344.0	(1,555.9)	788.1
Earned in the period	(2,265.3)	1,513.7	(751.6)
Foreign exchange differences	7.1	(4.2)	2.9
Unearned premium provision at end of period	1,161.4	(763.9)	397.5

	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

Notes to the Financial Statements continued

For the year ended 31 December 2020

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;

(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 fair value through profit or loss (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 customers, 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 SPPI, where the asset is not designated as FVTPL.

For the Group, these assets include government and corporate debt.

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.

For the Group these assets include liquidity funds investing in short duration assets and derivative financial instruments.

A gain or loss on disposal of an investment measured at FVOCI is 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

All financial liabilities are classified as subsequently measured at amortised cost using the effective interest rate (EIR) method, except for derivatives that are classified at FVTPL and subsequently measured at fair value.

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 from financial assets classified as FVOCI, and interest income from financial assets classified as amortised cost.

Finance costs from financial liabilities comprise interest expense on subordinated notes, loan backed securities, credit facilities and lease liabilities, calculated using the EIR method. The EIR method calculates the amortised cost of a financial asset or liability (or group of financial assets or financial liabilities) and allocates the interest income or expense over the expected life of the asset or liability.

6b. Investment return

	31 December 2020 £m			Re-presented*4 31 December 2019 £m		
	At EIR	Other	Total	At EIR	Other	Total
Investment return						
On assets classified as FVTPL	–	8.5	8.5	–	11.4	11.4
On assets classified as FVOCI*1*3	32.5	5.0	37.5	34.8	0.1	34.9
On assets classified as amortised costs*1	1.4	–	1.4	1.6	–	1.6
Net unrealised losses						
Unrealised losses on forward contracts	–	–	–	–	(0.1)	(0.1)
Accrual for reinsurers' share of investment return	–	12.9	12.9	–	(12.9)	(12.9)
Interest receivable on cash and cash equivalents*1	–	0.4	0.4	–	0.8	0.8
Total investment and interest income*2	33.9	26.8	60.7	36.4	(0.7)	35.7

*1 Interest received during the year was £10.1 million (2019: £11.6 million).

*2 Total investment return excludes £2.9 million of intra-group interest (2019: £2.8 million).

*3 Realised gains on sales of debt securities classified as FVOCI are £5.0 million (2019: £nil).

*4 2019 Investment return re-presented to show interest expense at EIR separately, and to exclude the movement on expected credit loss provisions now shown as a separate expense.

6c. Finance costs

Continuing operations	31 December 2020 £m	Re-presented 31 December 2019 £m
Interest payable on subordinated loan notes and other credit facilities*1*2	11.7	11.4
Interest payable on lease liabilities*1	2.6	3.1
Interest recoverable from co- and reinsurers	(2.0)	(2.0)
Total finance costs on continuing operations	12.3	12.5

*1 Interest paid during the year was £14.0 million (2019: £14.0 million).

*2 See note 7e for details of credit facilities.

Finance costs represent interest payable on the £200.0 million (2019: £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.

Notes to the Financial Statements continued

For the year ended 31 December 2020

6. Investment income and costs continued

6d. Expected credit losses

	31 December 2020 £m	31 December 2019 £m
Expected credit losses on financial investments	7.8	0.4
Expected credit losses on Loans and advances to customers*1	25.8	13.8
Total expense for expected credit losses	33.6	14.2

*1 Includes £7.8 million of write-offs, with total movement in the expected credit loss provision being £25.8 million.

See note 6f and note 7b for details of the impairment methodology.

6e. Financial assets and liabilities

The Group's financial assets and liabilities can be analysed as follows:

Continuing operations	31 December 2020 £m	31 December 2019 £m
Financial investments measured at FVTPL		
Money market and other similar funds	1,339.3	1,160.2
Financial investments classified as FVOCI		
Debt securities	1,912.7	1,776.3
Government gilts	177.3	174.0
	2,090.0	1,950.3
Equity investments (designated FVOCI)	11.3	7.5
	2,101.3	1,957.8
Financial assets measured at amortised cost		
Deposits with credit institutions	65.4	116.5
Total financial investments	3,506.0	3,234.5
Other financial assets		
Insurance receivables	977.9	948.9
Trade and other receivables (measured at amortised cost)	204.1	278.8
Insurance and other receivables	1,182.0	1,227.7
Loans and advances to customers (note 7)	359.8	455.1
Cash and cash equivalents	298.2	281.7
Total financial assets from continuing operations	5,346.0	5,199.0
Financial liabilities		
Subordinated notes	204.3	204.2
Loan backed securities	260.7	304.5
Other borrowings	20.0	20.0
Derivative financial instruments	3.6	1.4
Subordinated and other financial liabilities	488.6	530.1
Trade and other payables*1	1,991.2	1,975.9
Lease liabilities	122.8	137.1
Total financial liabilities	2,602.6	2,643.1

*1 Trade and other payables total balance of £1,991.2 million (2019: £1,975.9 million) above includes £1,502.6 million (2019: £1,491.3 million) in relation to tax and social security, deferred income and reinsurer balances that are outside the scope of IFRS 9.

The maturity profile of financial assets and liabilities under the scope of IFRS 4 & IFRS 9 at 31 December 2020 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	–	1,339.3	–	–
Deposits with credit institutions	–	55.4	10.0	–
Debt securities	–	202.7	429.1	1,280.9
Government gilts	–	–	–	177.3
Total financial investments	–	1,597.4	439.1	1,458.2
Trade and other receivables	–	204.1	–	–
Loans and advances to customers	–	116.9	125.6	117.3
Cash and cash equivalents	298.2	–	–	–
Total financial assets	298.2	1,918.4	564.7	1,575.5
Financial liabilities				
Subordinated notes	–	11.0	11.0	222.0
Loan backed securities	–	102.7	83.8	86.1
Other borrowings	–	20.3	–	–
Trade and other payables*1	–	1,751.4	–	–
Total financial liabilities	–	1,885.4	94.8	308.1

*1 Of the £1,751.4 million held within trade and other payables, £1,262.8 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.

The maturity profile of financial assets and liabilities under the scope of IFRS 4 & IFRS 9 at 31 December 2019 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	–	1,145.1	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	–	1,705.9	–	–
Total financial liabilities	–	1,839.5	101.9	358.7

*1 Of the £1,705.9 million held within trade and other payables, £1,221.3 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.

Notes to the Financial Statements continued

For the year ended 31 December 2020

6. Investment income and costs continued

The maturity profile of gross insurance liabilities at the end of 2020 is as follows:

	< 1 year £m	1–3 years £m	> 3 years £m
Claims outstanding	874.3	816.3	1,229.3
Unearned premium provision	1,161.4	–	–
Total gross insurance liabilities	2,035.7	816.3	1,229.3

The maturity profile of gross insurance liabilities at the end of 2019 was 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

6f. Financial investments

	31 December 2020			
	FVTPL £m	FVOCI £m	Amortised Cost*2 £m	Total £m
AAA-AA	471.9	889.7	38.8	1,400.4
A	637.0	756.7	325.9	1,719.6
BBB	52.3	380.1	52.3	484.7
Sub BBB	31.7	–	0.1	31.8
Not rated*1	146.4	74.8	–	221.2
Total financial investments	1,339.3	2,101.3	417.1	3,857.7

*1 The majority (£136.7 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 (£70.3 million) and other holdings (£14.2 million).

*2 Investments held at amortised cost comprise deposits with credit institutions and cash (including cash held by discontinued operations of £53.5 million).

	31 December 2019			
	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 FVTPL, directly attributable transaction costs. Transaction costs of financial instruments measured at FVTPL are expensed to the income statement 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 expected credit loss (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 other comprehensive income (OCI). Given the immaterial amount (£11.3 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 ECL 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 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 which require a calculation of impairment are considered based on an external credit rating agency or an assessment from the Group'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 below BBB are considered by the Group to have significantly increased in credit risk, and therefore are stage 2 under IFRS 9.

The impairment provision at 31 December 2020 is £8.7 million (2019: £0.9 million). 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 2020		31 December 2019	
	FVTPL £m	FVOCI £m	FVTPL £m	FVOCI £m
Level One (quoted prices in active markets)	1,339.3	2,090.0	1,160.2	1,950.3
Level Two (use of observable inputs)	–	–	–	–
Level Three (use of significant unobservable inputs)*1	–	11.3	–	7.5
Total	1,339.3	2,101.3	1,160.2	1,957.8

*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.

Notes to the Financial Statements continued

For the year ended 31 December 2020

6. Investment income and costs continued

6g. Cash and cash equivalents

Continuing operations	31 December 2020 £m	31 December 2019 £m
Cash at bank and in hand*1	298.2	281.7
Short-term deposits	–	–
Total cash and cash equivalents	298.2	281.7

*1 £4.4 million of cash is ring-fenced via a bank guarantee. See note 11f for further details.

Total cash and cash equivalents, including discontinued operations, is £351.7 million (2019: £281.7 million).

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 in line with that set out in note 6f above. 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.

6h. Other assets

Insurance and other receivables

Continuing operations	31 December 2020 £m	31 December 2019 £m
Insurance receivables*1	977.9	948.9
Trade and other receivables	179.0	262.8
Prepayments and accrued income	25.1	16.0
Total insurance and other receivables	1,182.0	1,227.7

*1 Insurance receivables at 31 December 2020 include £70.5 million in respect of salvage and subrogation recoveries (2019: £71.7 million).

Insurance receivables

Insurance receivables are measured at historic cost. Given the short-term duration of these assets no bad debt 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;

(iv) management judgement.

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.

Continuing operations	31 December 2020 £m	Re-presented 31 December 2019 £m
Receivables	13.8	22.0
Contract assets	23.7	24.8

The contract asset relates to the Group's right to consideration for work undertaken in the law company 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	31 December 2020 £m
At 1 January 2020	24.8
Revenue recognised	25.5
Transferred to trade receivables	(27.8)
Write-backs	1.2
At 31 December 2020	23.7

The amount of revenue recognised in 2020 from performance obligations satisfied (or partially satisfied) in previous periods in relation to the above contract balances is £nil (2019: £nil). See note 5c for details of profit commission recognised on previous underwriting years.

6i. Financial and lease liabilities

	31 December 2020				
	Subordinated notes £m	Loan backed securities £m	Other borrowings and derivatives £m	Lease liabilities £m	Total £m
Financial liability at the start of the period	204.2	304.5	21.4	137.1	667.2
Interest payable per income statement	11.1	6.2	1.6	2.6	21.5
Cashflows	(11.0)	(50.0)	(1.5)	(12.4)	(74.9)
Foreign exchange and non-cash movements	–	–	2.1	(0.4)	1.7
Transferred to assets associated with disposal group held for sale	–	–	–	(4.1)	(4.1)
Financial liability at the end of the period	204.3	260.7	23.6	122.8	611.4

Notes to the Financial Statements continued

For the year ended 31 December 2020

6. Investment income and costs continued

	31 December 2019				
	Subordinated notes £m	Loan backed securities £m	Other borrowings and derivatives £m	Lease liabilities £m	Total £m
Financial liability at the start of the period	204.1	168.3	71.8	–	444.2
Recognition of lease liabilities under IFRS 16	–	–	–	149.2	149.2
Interest payable per income statement	11.4	–	–	3.2	14.6
Cashflows	(11.0)	136.2	(50.3)	(13.6)	61.3
Foreign exchange and non-cash movements	(0.3)	–	(0.1)	(1.7)	(2.1)
Financial liability at the end of the period	204.2	304.5	21.4	137.1	667.2

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 2020 is £222.9 million (2019: £225.1 million).

Other borrowings

The Group holds a credit facility of £20.0 million which expires in August 2021. £20.0 million was drawn under this agreement as at 31 December 2020 (2019: £20.0 million). The Group also hold a revolving credit facility of £200.0 million which expires in June 2021. As at 31 December 2020, £nil was drawn down on this facility (2019: £nil). Amounts drawn under their respective agreements are shown within other borrowings in the table above.

The carrying value is a reasonable approximation of fair value.

Loan backed securities

An asset backed senior loan note facility of £400.0 million has been established in relation to the Admiral Loans business (see note 3 for details of the accounting treatment of the SPE). As at the year end, £260.7 million (2019: £304.5 million) of this facility had been utilised.

The carrying value is a reasonable approximation of fair value.

Lease liabilities

The Group leases various properties, with rental contracts typically for fixed periods of 5 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 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;
- 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 income statement so as to produce a constant period rate of interest on the remaining balance of the lease liability.

6j. 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 financial 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 2020 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 2020 £m	31 December 2019 £m
Reduction in equity	53.8	54.8

Also see notes 6f and 7 for further information on credit risk in relation to financial investments and Loans and advances to customers.

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:

- 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 and 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 segregated mandates and one investment fund. The guidelines of the investments ensure management of credit risk. Generally, the duration of the securities is relatively short (circa three years) and similar to the duration of the on-book claims liabilities;
- 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 retains the cash received from policyholders as collateral.

Loans and advances to customers

The risk appetite for the Admiral Loans 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 2020 and 2019 is insignificant.

Notes to the Financial Statements continued

For the year ended 31 December 2020

6. Investment income and costs continued

Trade and other receivables

Trade and other receivables 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. No further disclosure is provided due to this having an immaterial impact on the financial statements.

The Group's credit risk exposure to assets with external ratings is as follows:

	Rating	31 December 2020 £m	31 December 2019 £m
Financial institutions – Credit institutions	AAA	315.8	245.1
Financial institutions – Credit institutions	AA	907.3	925.2
Financial institutions – Credit institutions	A	1,719.6	1,483.2
Financial institutions – Credit institutions	BBB and below	737.7	688.7
UK Government gilts	AA	177.3	174.0
Reinsurers	AA	666.1	688.9
Reinsurers	A	144.1	160.6
Reinsurers	BBB and below	10.2	1.7

The Group's maximum exposure to credit risk at 31 December 2020 is £5,125.7 million (2019: £4,913.3 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.

There were no further significant financial assets that were past due at the close of either 2020 or 2019.

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 2020 £m	31 December 2019 £m
Reduction in equity	47.1	35.4

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 variability in the cashflows payable on the loan backed securities. This relates to the difference between fixed rate on loans written and 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 OCI.

This results in a hedging reserve at 31 December 2020 (and at 31 December 2019) in relation to the interest rate swap.

For the Group's loan backed securities and related interest rate swaps (which are bilateral agreements) the Group has now moved the relationships with the counterparties to amend the reference benchmark interest rate from GBP LIBOR to SONIA. This was completed on 15 June 2020.

The Group has early adopted 'Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases'. In ascertaining the accounting implications of the interest rate swap transaction associated with the renewal of the loan backed securities, the primary driver is whether the risk management objective has changed. The Group has determined that its risk management objective is unchanged, and therefore judges that the replacement or rollover of its hedging instrument into another hedging instrument is not an expiration or termination, meaning that hedge accounting is maintained and not de-recognised as a result of the change from LIBOR to SONIA. As a consequence, there has been no accounting implication associated with the replacement of the interest rate swap arrangement.

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 SONIA (with 5-day lag)	2025	£377.3m	Portfolio cash flow hedges of interest rate risk on SONIA

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 set up an IBOR transition project in 2019 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 has removed various references to IBOR in 2020 with only a small number of exposures remaining. Generally the reference benchmark has been moved to SONIA, or has a fallback to SONIA.

As the transition continues, the Group will continue to remove IBOR references as required.

Due to the immateriality of the transaction, 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.

Other financial assets and liabilities

There is no significant exposure to interest rate risk for other financial assets and liabilities due to these being held at amortised cost.

Notes to the Financial Statements continued

For the year ended 31 December 2020

6. Investment income and costs continued

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.

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 £1,503.7 million (2019: £1,442.1 million), £1,175.1 million (2019: £1,129.6 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 6e. 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.

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 £31.5 million (2019: £40.9 million); the exposure to net assets held in Euros (for both continued and discontinued operations) was £134.7 million (2019: £111.8 million).

The loss before tax derived from business carried out in the US was £8.9 million (2019: £18.5 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 £0.9 million (2019: £1.8 million).

The profit before tax derived from business carried out in Euros (for both continued and discontinued operations) was €20.0 million (2019: €11.9 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 £1.7 million (2019: £1.0 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, 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 using the process appropriate 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.

Lease interest income is recognised within interest income in the income statement over the term of the lease using the EIR method.

7b. Loans and advances to customers

	31 December 2020 £m	31 December 2019 £m
Loans and advances to customers – gross carrying amount	401.8	479.1
Loans and advances to customers – provision	(42.0)	(24.0)
Total loans and advances to customers	359.8	455.1

Loans and advances to customers are comprised of the following:

	31 December 2020 £m	31 December 2019 £m
Unsecured personal loans	371.3	445.8
Finance leases	30.5	33.3
Total loans and advances to customers, gross	401.8	479.1

Fair value measurement

The loans and advances are recognised at fair value at the point of origination and then subsequently on an amortised cost basis. This is deemed 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 (PD), exposure at default (EAD) and loss given default (LGD) 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. A behavioural PD is then used after 6 months based on observed default rates by month on book and risk grade.
- 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 excluding recoveries. 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;
- 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.

Notes to the Financial Statements continued

For the year ended 31 December 2020

7. Loans and Advances to Customers continued

Significant increase in credit risk (SICR) (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 the Group in the last 6 months, or
- the customer has a significant level of unsecured debt relative to the point of inception, or
- the risk grading score has fallen outside of current new business risk appetite, or
- the customer has made contact with the business to inform that they have been impacted by Covid-19.

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 four or more payments in arrears. In addition, a loan is deemed to be credit impaired where:

a) there is an Individual Voluntary Arrangement (IVA) agreement confirmed or proposed, or

b) customer has started or progressed bankruptcy action, or

c) a repayment plan is in place, or

d) 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 relative 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.

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 key economic driver of the losses from the scenarios is the likelihood of a customer entering hardship through unemployment. Unemployment forecasts include a risk grade split of PD based on the correlation between grade-level default rates observed relative to the change in unemployment rates in the previous downturn, adjusted for the unemployment forecast expected in the current economic environment.

The scenario weighting assumptions used are detailed below, along with the unemployment rate assumed in each scenario at 31 December 2020.

	31 December 2020 Scenario peak Unemployment rate	31 December 2020 Weighting	31 December 2019 Weighting
Base	8.2%	40%	50%
Upturn	7.0%	5%	25%
Downturn	9.3%	25%	20%
Severe	10.7%	30%	5%

The macro economic environment outlook has significantly altered since the prior year due to the Covid-19 pandemic and associated economic shock. This led to an overall increase in unemployment forecasts, with weightings skewed more towards downturn and severe scenarios.

In addition to unemployment, several customer characteristics including employment status, employment industry, debt levels and whether the customer has communicated to us an impact due to Covid-19 are considered. For each customer, the sensitivities from each characteristic are combined to determine an overall sensitivity.

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.

	31 December 2020 Weighting	31 December 2020 Sensitivity £m	31 December 2019 Weighting	31 December 2019 Sensitivity £m
Base	40%	(2.0)	50%	(1.7)
Upturn	5%	(4.9)	25%	(2.9)
Downturn	25%	0.3	20%	0.8
Severe	30%	3.2	5%	28.3

The sensitivities in the above tables show the variance to ECL that would be expected if the given scenario unfolded rather than the weighted position the provision is based on. At 31 December 2020 the implied weighted unemployment rate is 9.2%: the table shows that in a downturn scenario with a 9.3% unemployment rate the provision would increase by £0.3 million, whilst the upturn would reduce the provision by £4.9 million, base case reduce by £2.0 million and severe increase the provision by £3.2 million.

The sensitivity to the severe scenario has reduced year on year, but increased against the upturn scenario as the scenarios now have a narrower range, with a higher weighting towards the downturn and severe cases. This recalibration follows consideration of the Covid-19 pandemic and the resulting macro impact on unemployment.

Stage 1 assets represent 85% of the total loan assets; a 0.1% increase in the stage 1 PD, i.e. from 4.8% to 4.9%, would result in a £0.5 million (5%) increase in ECL.

Amounts arising from ECL: loans and advances to customers

The Group is exposed to credit risk from the Admiral Loans business.

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 default 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 probability of default (PD) in for stage 1 assets is 4.8% (2019: 1.8%) reflecting the expectation of defaults within 12 months of the reporting date. The average PD for assets in stage 2 is 67.0% (2019: 58.7%) reflecting expected losses over the remaining life of the assets. The PD for assets in stage 3 is 100.0% (2019: 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 2020 Total £m	31 December 2019 Total £m
Credit Grade*2					
Higher	251.8	17.8	–	269.6	337.1
Medium	77.3	16.8	–	94.1	114.7
Lower	14.1	2.9	–	17.0	10.9
Credit impaired	–	–	21.1	21.1	16.4
Gross carrying amount	343.2	37.5	21.1	401.8	479.1
Expected credit loss allowance	(10.9)	(12.7)	(17.9)	(41.5)	(23.4)
Other loss allowance*1	(0.5)	–	–	(0.5)	(0.6)
Carrying amount	331.8	24.8	3.2	359.8	455.1

*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.

Notes to the Financial Statements continued

For the year ended 31 December 2020

7. Loans and Advances to Customers continued

The following tables reconcile the opening and closing gross carrying amount and expected credit loss allowance.

2020	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 2020	456.2	6.5	16.4	479.1
Transfers				
Transfers from Stage 1 to Stage 2	(26.5)	26.5	–	–
Transfers from Stage 1 to Stage 3	(9.5)	–	9.5	–
Transfers from Stage 2 to Stage 1	0.8	(0.8)	–	–
Transfers from Stage 2 to Stage 3	–	(2.6)	2.6	–
Transfers from Stage 3 to Stage 1	–	–	–	–
Transfers from Stage 3 to Stage 2	–	–	–	–
Principal redemption payments	(180.0)	(1.3)	(1.6)	(182.9)
Write-offs	–	–	(7.7)	(7.7)
New financial assets originated or purchased	102.2	9.2	1.9	113.3
Gross carrying amount as at 31 December 2020	343.2	37.5	21.1	401.8

2019	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)	(0.8)	(130.2)
Write-offs	–	–	(0.5)	(0.5)
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

2020	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 2020	5.6	3.4	14.4	23.4
Movements with a profit and loss impact				
Transfers				
Transfers from Stage 1 to Stage 2	(0.7)	1.1	–	0.4
Transfers from Stage 1 to Stage 3	(0.2)	–	0.4	0.2
Transfers from Stage 2 to Stage 1	0.2	(0.4)	–	(0.2)
Transfers from Stage 3 to Stage 1	0.1	–	(0.1)	–
Changes in PDs/LGDs/EADs	2.4	5.2	9.3	16.9
New financial assets originated or purchased	3.5	3.4	1.6	8.5
Total net profit and loss charge in the period	5.3	9.3	11.2	25.8
Write-offs	–	–	(7.7)	(7.7)
Expected credit loss allowance as at 31 December 2020	10.9	12.7	17.9	41.5
Other movements with no profit and loss impact				
Transfers				
Transfers from Stage 2 to Stage 3	–	(2.4)	2.4	–
Transfers from Stage 3 to Stage 2	–	0.1	(0.1)	–

2019	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)

Notes to the Financial Statements continued

For the year ended 31 December 2020

7. Loans and Advances to Customers continued

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 2020 £m	31 December 2019 £m
Gross investment in finance leases, receivable		
Less than 1 year	8.4	8.1
Between 1 to 5 years	24.9	28.9
More than 5 years	–	–
	33.3	37.0
Unearned finance income	(3.3)	(4.2)
Net investment in lease receivables	30.0	32.8
Less impairment allowance	(0.8)	(0.4)
	29.2	32.4
Net investment in finance leases, receivable		
Less than 1 year	6.7	6.2
Between 1 to 5 years	23.3	26.6
More than 5 years	–	–
	30.0	32.8

The net investment in finance leases shown above is net of the unguaranteed residual value of £0.5 million (2019: £0.5 million).

7d. Interest income

	31 December 2020 £m	31 December 2019 £m
Loans and advances to customers	36.8	30.8
	36.8	30.8

Interest receivable on loans and advances to customers is recognised in the Income Statement using the EIR 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 2020 £m	31 December 2019 £m
Interest payable on loan backed securities	6.2	5.6
Interest payable on other credit facilities	1.0	0.7
Total interest expense*1	7.2	6.3

*1 Interest paid in total during the year was £5.2 million (2019: £6.3 million).

Interest expense represents the interest payable on loan backed securities through a SPE of £400.0 million (2019: £400.0 million) of which £260.7 million was drawn down at 31 December 2020 (2019: £304.5 million), and funding specifically allocated to the Admiral Loans business, in the form of credit facilities of £120.0 million (2019: £120.0 million) of which £20.0 million was drawn down at 31 December 2020 (2019: £20.0 million). Admiral Group also has a further credit facility of £100.0 million (2019: £100.0 million) of which £nil was drawn down at 31 December 2020 (2019: £nil).

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.

(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.

Notes to the Financial Statements continued

For the year ended 31 December 2020

8. Other Revenue continued

Products and services	Nature, timing of satisfaction of performance obligations and significant payment terms
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; • 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 financial statements, 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 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 *Revenue from Contracts with Customers* due to the nature of the income.

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 £625.3 million (2019: £584.8 million) represents total other revenue and profit commission and is disaggregated into the segments included in note 4.

	Year ended 31 December 2020						
	UK Insurance £m	International Insurance £m	Admiral Loans £m	Other £m	Total (continuing) £m	Comparison (discontinued)*2 £m	Total £m
Major products/service line							
Comparison*1	–	–	–	5.9	5.9	161.9	167.8
Instalment income	102.4	4.0	–	–	106.4	–	106.4
Fee and commission revenue	155.3	21.8	1.6	–	178.7	–	178.7
Revenue from law firm	26.7	–	–	–	26.7	–	26.7
Other	11.1	–	–	0.6	11.7	–	11.7
Total other revenue	295.5	25.8	1.6	6.5	329.4	161.9	491.3
Profit commission	132.4	1.6	–	–	134.0	–	134.0
Total other revenue and profit commission	427.9	27.4	1.6	6.5	463.4	161.9	625.3
Timing of revenue recognition							
Point in time	267.1	21.8	1.6	6.5	297.0	161.9	458.9
Over time	28.4	–	–	–	28.4	–	28.4
Revenue outside the scope of IFRS 15	132.4	5.6	–	–	138.0	–	138.0
	427.9	27.4	1.6	6.5	463.4	161.9	625.3

	Re-presented Year ended 31 December 2019						
	UK Insurance £m	International Insurance £m	Admiral Loans £m	Other £m	Total (continuing) £m	Comparison (discontinued)*2 £m	Total £m
Major products/service line							
Comparison*1	–	–	–	6.6	6.6	145.6	152.2
Instalment income	85.3	2.9	–	–	88.2	–	88.2
Fee and commission revenue	162.0	18.7	1.9	–	182.6	–	182.6
Revenue from law firms	32.9	–	–	–	32.9	–	32.9
Other	13.4	–	–	0.6	14.0	–	14.0
Total other revenue	293.6	21.6	1.9	7.2	324.3	145.6	469.9
Profit commission	114.0	0.9	–	–	114.9	–	114.9
Total other revenue and profit commission	407.6	22.5	1.9	7.2	439.2	145.6	584.8
Timing of revenue recognition							
Point in time	267.8	18.7	1.9	7.2	295.6	145.6	441.2
Over time	35.9	–	–	–	35.9	–	35.9
Revenue outside the scope of IFRS 15	103.9	3.8	–	–	107.7	–	107.7
	407.6	22.5	1.9	7.2	439.2	145.6	584.8

*1 Comparison revenue excludes £22.2 million (2019: £19.4 million) of income from other Group companies, including £22.0 million (2019: £18.7 million) from discontinued operations.

*2 See note 13 for further detail on discontinued operations.

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.

Notes to the Financial Statements continued

For the year ended 31 December 2020

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 Consolidated statement of changes in equity (2020: £53.8 million; 2019: £58.8 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.
- staff 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.

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.

Notes to the Financial Statements continued

For the year ended 31 December 2020

9. Expenses continued

9b. Operating expenses and share scheme charges

	31 December 2020		
Continuing operations	Gross £m	Recoverable from co- and reinsurers £m	Net £m
Acquisition of insurance contracts	166.2	(106.8)	59.4
Administration and other marketing costs (insurance contracts)	437.4	(321.0)	116.4
Insurance contract expenses	603.6	(427.8)	175.8
Administration and other marketing costs (other)	131.3	–	131.3
Share scheme charges	79.7	(28.8)	50.9
Movement in expected credit loss provision	33.6	–	33.6
Total expenses and share scheme charges – continuing operations	848.2	(456.6)	391.6

	Re-presented 31 December 2019		
Continuing operations	Gross £m	Recoverable from co- and reinsurers £m	Net £m
Acquisition of insurance contracts*1	156.7	(104.9)	51.8
Administration and other marketing costs (insurance contracts)	398.8	(307.2)	91.6
Insurance contract expenses	555.5	(412.1)	143.4
Administration and other marketing costs (other)	125.2	–	125.2
Share scheme charges	78.2	(29.1)	49.1
Movement in expected credit loss provision	14.2	–	14.2
Total expenses and share scheme charges – continuing operations	773.1	(441.2)	331.9

*1 Acquisition of insurance contracts expense excludes £0.2 million (2019: £0.7 million) of aggregator fees from other Group companies.

The £116.4 million (2019: £91.6 million) administration and marketing costs allocated to insurance contracts is principally made up of salary costs.

Analysis of other administration and other marketing costs:

Continuing operations	31 December 2020 £m	Re-presented 31 December 2019 £m
Expenses relating to additional products and fees	80.6	70.1
Loans expenses (excluding movement on ECL provision)	16.8	18.5
Other expenses	33.9	36.6
Total (continuing operations)	131.3	125.2

Refer to note 14 for a reconciliation between insurance contract expenses and the reported expense ratio.

9c. Staff costs and other expenses

Continuing operations	31 December 2020 Total £m	31 December 2020 Net £m	Re-presented 31 December 2019 Total £m	Re-presented 31 December 2019 Net £m
Salaries	298.8	100.1	271.9	88.9
Social security charges	32.6	11.6	27.8	9.7
Pension costs	16.2	5.4	13.0	4.2
Share scheme charges (see note 9f)	79.7	50.6	78.2	49.1
Total staff expenses	427.3	167.7	390.9	151.9
Depreciation charge:				
– Owned assets	12.0	3.0	11.2	3.3
– ROU assets	10.0	2.9	11.1	3.7
Amortisation charge:				
– Software	19.1	5.6	17.2	5.1
– Deferred acquisition costs	166.4	59.0	158.5	52.8
Auditor's remuneration (including VAT) (total Group):				
– Fees payable for the audit of the Company's annual accounts	0.1	0.1	0.1	0.1
– Fees payable for the audit of the Company's subsidiary accounts	1.2	0.6	0.9	0.8
– Fees payable for audit related assurance services pursuant to legislation or regulation	0.5	–	0.4	–

£8,880 (inclusive of VAT) (2019: £32,380) 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 70% (2019: 66%) of total fees and 30% (2019: 31%) 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.

9d. Staff numbers (including Directors)

	Average for the year 2020 Number	Average for the year 2019 Number
Direct customer contact staff	7,278	7,319
Support staff	3,559	3,510
Total	10,837	10,829

Notes to the Financial Statements continued

For the year ended 31 December 2020

9. Expenses continued

9e. Directors' remuneration

(i) Directors' remuneration

	31 December 2020 £m	31 December 2019 £m
Directors' emoluments	2.1	1.7
Amounts receivable under SIP and DFSS share schemes	2.7	1.2
Company contributions to money purchase pension plans	–	–
Total	4.8	2.9

(ii) Number of Directors

	2020 Number	2019 Number
Retirement benefits are accruing to the following number of Directors under:		
– Money purchase schemes	3	1

9f. Staff share schemes

Total share scheme costs for the Group, including discontinued operations share scheme costs of £3.1 million (2019: £4.3 million) are analysed below:

	31 December 2020					
	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	18.0	12.4	35.8	23.3	53.8	35.7
IFRS 2 charge for cash settled share schemes	–	–	4.2	2.5	4.2	2.5
Total IFRS 2 charge	18.0	12.4	40.0	25.8	58.0	38.2
Social security costs on IFRS 2 charge	1.6	1.0	8.7	5.9	10.3	6.9
Discretionary bonus on shares allocated but unvested	–	–	14.5	8.9	14.5	8.9
Total share scheme charges	19.6	13.4	63.2	40.6	82.8	54.0

	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	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

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%.

Analysis of gross cost	Financial year ended 31 December 2017 and prior £m	2018 £m	2019 £m	2020 £m	Total cumulative charge to date £m
Year of share scheme – SIP					
2015	11.6	2.0	–	–	13.6
2016	8.2	5.4	2.1	–	15.7
2017	3.3	5.5	5.5	2.4	16.7
2018*1	–	3.5	6.1	6.1	15.7
2019*1	–	–	3.6	6.2	9.8
2020*1	–	–	–	3.3	3.3
Gross IFRS 2 costs – SIP		16.4	17.3	18.0	
Year of share scheme – DFSS					
2015	19.0	7.0	–	–	26.0
2016	18.6	17.0	9.8	–	45.4
2017	3.6	13.0	14.5	6.7	37.8
2018*2	–	3.9	15.6	17.4	36.9
2019*2	–	–	3.5	11.1	14.6
2020*2	–	–	–	4.8	4.8
Gross IFRS 2 costs – DFSS		40.9	43.4	40.0	
Total IFRS 2 costs		57.3	60.7	58.0	

*1 Awards are made in March and September of each year, and vest over 36 months from award date. On the 2018 scheme, an average of 5 months' charge remains outstanding, on the 2019 scheme an average of 17 months' charge remains outstanding, and on the 2020 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 2018 main DFSS, 9 months' charge remains outstanding; on the 2019 main DFSS 21 months' charge remains outstanding, and on the 2020 main DFSS, 33 months' charge remains outstanding.

(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 2020 schemes is 982,643 (2019 schemes: 1,113,496; 2018 schemes: 1,192,302).

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 2020 schemes is 2,795,261 (2019 scheme: 2,637,196; 2018 schemes: 3,373,948).

The vesting percentage for most employees for the 2017 DFSS scheme which vested during 2020 was 94.4% (2016 DFSS scheme: 93.8%).

Notes to the Financial Statements continued

For the year ended 31 December 2020

9. Expenses continued

(iii) Number of free share awards committed at 31 December 2020

	Awards outstanding*1
SIP 2018*2	1,192,302
SIP 2019*2	1,113,496
SIP 2020*2	982,643
DFSS 2018*3	3,373,948
DFSS 2019*3	2,637,196
DFSS 2020*3	2,795,261
Total awards committed	12,094,846

*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 2020

During the year ended 31 December 2020, awards under the SIP H1 17 and H2 17 schemes and the DFSS 2017 schemes vested. The total number of awards vesting for each scheme is as follows.

	Original awards	Awards vested
SIP 2017 schemes	1,067,291	841,940
DFSS 2017 schemes	3,205,449	2,627,669

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 £23.13 (2019: £18.96).

The weighted average market share price at the date of exercise for shares exercised during the year was £25.60 (2019: £21.06).

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

Continuing operations	31 December 2020 £m	31 December 2019 £m
Current tax		
Corporation tax on profits for the year	101.6	87.1
Under-provision relating to prior periods	0.6	(0.3)
Current tax charge	102.2	86.8
Deferred tax		
Current period deferred taxation movement	4.0	2.8
(Over) provision relating to prior periods	–	(0.4)
Total tax charge per consolidated income statement	106.2	89.2

Factors affecting the total tax charge are:

Continuing operations	31 December 2020 £m	31 December 2019 £m
Profit before tax	608.2	505.1
Corporation tax thereon at effective UK corporation tax rate of 19.0% (2019: 19.0%)	115.5	96.0
Expenses and provisions not deductible for tax purposes	0.7	1.8
Non-taxable income	(10.5)	(4.9)
Impact of change in UK tax rate on deferred tax balances	0.4	0.3
Adjustments relating to prior periods	0.6	(0.7)
Impact of different overseas tax rates	(1.6)	(9.0)
Unrecognised deferred tax	1.1	5.7
Total tax charge for the period as above	106.2	89.2

The corporation tax receivable for continuing operations as at 31 December 2020 was £22.9 million (2019: £48.3 million payable). See note 13 for details of the corporation tax charge on discontinued operations, and the related corporation tax balance at 31 December 2020.

Notes to the Financial Statements continued

For the year ended 31 December 2020

10. Taxation continued

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 2019	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)
Tax treatment of share scheme charges through income or expense	(3.2)	–	–	–	–	(3.2)
Tax treatment of share scheme charges through reserves	6.6	–	–	–	–	6.6
Capital allowances	–	0.7	–	–	–	0.7
Carried forward losses	–	–	2.9	–	–	2.9
Movement in fair value reserve	–	–	–	(1.8)	–	(1.8)
Transferred to disposal group held for sale	(0.5)	(0.3)	(2.9)	–	(0.5)	(4.2)
Other difference	–	–	–	–	(1.5)	(1.5)
Balance carried forward at 31 December 2020	8.8	(1.7)	–	(7.2)	(0.8)	(0.9)

Positive amounts presented above relate to a deferred tax asset position.

The average effective rate of tax for 2020 is 19.0% (2019: 19.0%). An increase to the main rate of corporation tax in the UK to 25% was announced in the 2021 Budget, and is expected to come into effect in 2023. This will increase the Group's future tax charge accordingly.

The deferred tax asset in relation to carried forward losses (for continuing operations) remains at £nil at the year end (2019: £nil) due to uncertainty over the availability of future taxable profits against which to offset any deferred tax asset.

At 31 December 2020 the Group had unused tax losses amounting to £236.8 million (2019: £231.3 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 (2019: £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 – twenty years, aligned to lease agreement

In line with IFRS 16, and as set out further in note 6i 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.

(iv) 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 2020 and 2019 is allocated solely to the UK Insurance segment.

Notes to the Financial Statements continued

For the year ended 31 December 2020

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 period of up to three years. 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 revenue growth, along with expected changes in pricing and expenses incurred during the forecast period. Management estimates revenue 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 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	(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 and other movements*1	(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 1 January 2019	13.0	9.8	4.4	0.9	–	28.1
Net book amount						
At 31 December 2019	13.6	12.7	4.0	1.5	122.6	154.4
Cost						
At 1 January 2020	33.4	71.4	22.4	10.6	134.4	272.2
Transfer of assets associated with disposal group held for sale	(1.2)	(6.2)	(0.9)	(0.2)	(5.5)	(14.0)
Additions	3.1	14.1	0.8	0.2	0.1	18.3
Impairment	–	–	–	–	(3.1)	(3.1)
Disposals	–	(0.6)	–	(0.3)	(1.8)	(2.7)
Foreign exchange and other movements	0.7	(0.1)	0.3	(0.1)	0.1	0.9
At 31 December 2020	36.0	78.6	22.6	10.2	124.2	271.6
Depreciation						
At 1 January 2020	19.8	58.7	18.4	9.1	11.8	117.8
Transfer of depreciation associated with disposal group held for sale	(0.6)	(5.2)	(0.5)	(0.2)	(1.6)	(8.1)
Charge for the year	3.7	6.8	1.8	0.5	10.8	23.6
Disposals	–	(0.7)	–	(0.2)	(1.5)	(2.4)
Foreign exchange and other movements	0.1	–	0.3	(0.1)	–	0.3
At 31 December 2020	23.0	59.6	20.0	9.1	19.5	131.2
Net book amount						
At 31 December 2020	13.0	19.0	2.6	1.1	104.7	140.4

*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.

Notes to the Financial Statements continued

For the year ended 31 December 2020

11. Other assets and other liabilities continued

11c. Intangible assets

	Goodwill £m	Deferred acquisition costs £m	Software*1 £m	Total £m
At 1 January 2019	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
Additions	–	61.3	24.8	86.1
Amortisation charge	–	(59.0)	(19.2)	(78.2)
Disposals	–	–	(1.2)	(1.2)
Transfer of assets associated with disposal group held for sale	–	–	(1.2)	(1.2)
Foreign exchange movement	–	0.2	0.7	0.9
At 31 December 2020	62.3	27.3	77.1	166.7

*1 Software additions relating to internal development are immaterial in both 2020 and 2019. Gross carrying amount and accumulated amortisation of software as at the end of 2020 are £184.8 million (2019: £168.1 million) and £107.7 million respectively (2019: £94.9 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.

Only one year of forecasts is required to support the recoverable value of goodwill above. Given the short time period used to support the recoverable amount, no terminal growth rate or discounting is applied.

Refer to the accounting policy for goodwill for further information.

An analysis of deferred acquisition costs is given in the table below:

	Gross £m	Reinsurance £m	Net £m
At 1 January 2019	71.6	(48.2)	23.4
Additions	163.1	(108.3)	54.8
Amortisation	(158.5)	105.7	(52.8)
Foreign exchange movement	(1.6)	1.0	(0.6)
At 31 December 2019	74.6	(49.8)	24.8
Additions	168.4	(107.1)	61.3
Amortisation	(166.4)	107.4	(59.0)
Foreign exchange movement	1.0	(0.8)	0.2
At 31 December 2020	77.6	(50.3)	27.3

11d. Trade and other payables

	31 December 2020 £m	Restated*1 31 December 2019 £m
Trade payables	34.9	37.5
Amounts owed to co-insurers	240.9	220.8
Amounts owed to reinsurers	1,262.8	1,221.3
Other taxation and social security liabilities	72.9	79.6
Other payables	135.6	160.2
Accruals and deferred income (see below)	244.1	256.5
Total trade and other payables	1,991.2	1,975.9

*1 Other payables and Accruals and deferred income balances in 2019 have been restated to better reflect the nature of the underlying balances.

Of amounts owed to reinsurers (recognised under IFRS 4), £1,175.1 million (2019: £1,129.6 million) is held under funds withheld arrangements.

Analysis of accruals and deferred income:

	31 December 2020 £m	Restated*1 31 December 2019 £m
Premium received in advance of policy inception	98.3	131.7
Accrued expenses	77.2	66.1
Deferred income	68.6	58.7
Total accruals and deferred income as above	244.1	256.5

*1 Accrued expenses and Deferred income balances in 2019 have been restated to better reflect the nature of the underlying balances.

11e. Leases

Admiral Group plc hold various property under leasing arrangements that are now recognised as right-of-use assets and lease liabilities. A maturity analysis of lease liabilities based on contractual undiscounted cashflows is set out below:

	31 December 2020 £m	31 December 2019 £m
Maturity analysis – contractual undiscounted cash flows		
Within one year	13.8	12.9
Between two to five years	42.4	47.9
Between five to ten years	39.1	45.3
Over ten years	50.0	56.7
Total	145.3	162.8

Notes to the Financial Statements continued

For the year ended 31 December 2020

11. Other assets and other liabilities continued

Amounts recognised in the statement of financial position are as follows:

	31 December 2020 £m	31 December 2019 £m
Lease liabilities		
Current	11.0	9.7
Non-current	111.8	127.4
Total	122.8	137.1

See note 11b for right-of-use assets depreciation and the carrying amount of right-of-use asset at the end of the reporting period. Only one class of underlying assets is identified as leasehold buildings. Total cash outflows in relation to leases is disclosed under note 6i.

The Group has no significant financial commitments other than those accounted for as right-of-use assets and lease liabilities under IFRS 16.

11f. Contingent liabilities

The Group's 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 de Seguros ('Rastreator Comparador'), the Group's Spanish comparison business, has 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, with further notification of the 2016 year also now having been received from the Spanish Tax Authority, the liability could increase to €24 million. If this matter has not been resolved prior to the disposal of Rastreator Comparador, the contingent liability will remain with the Group.

The Group is also in early stage discussions on various corporate tax matters with tax authorities in Italy and Spain. To date, these discussions have focused on the transfer pricing arrangements in place between the Group's intermediaries and insurers.

No provision has been made in these financial statements in relation to the matters noted above.

The Group is, from time to time, subject to threatened or actual litigation and/or legal and/or regulatory disputes, investigations or similar actions both in the UK and overseas. All potentially material matters are assessed, with the assistance of external advisers if appropriate, and in cases where it is concluded that it is more likely than not that a payment will be made, a provision is established to reflect the best estimate of the liability. In some cases it will not be possible to form a view, for example if the facts are unclear or because further time is needed to properly assess the merits of the case. No provisions are held in relation to such matters. In these circumstances, specific disclosure of a contingent liability will be made where material. The Directors do not consider that the final outcome of any such current case will have a material adverse effect on the Group's financial position, operations or cash flows.

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, hedging 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 2020 £m	31 December 2019 £m
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
Proposed March 2020 (77.0 pence per share, 56.3 pence per share approved April 2020 and paid June 2020)	162.3	–
Declared August 2020 (91.2 pence per share, including 20.7 pence per share deferred, paid October 2020)	263.4	–
Total dividends	425.7	367.8

The dividends proposed in March (approved in April) represent the final dividends paid in respect of the 2018 and 2019 financial years. The dividends declared in August are interim distributions in respect of 2019 and 2020, with the deferred 20.7 pence per share special dividend relating to the 2019 financial year included in the 2020 interim dividend.

A final dividend of 86.0 pence per share (£250 million) has been proposed in respect of the 2020 financial year. Refer to the Chairman's Statement and Strategic Report for further detail.

12c. Earnings per share

	31 December 2020 £m	Re-presented 31 December 2019 £m
Profit for the financial year after taxation attributable to equity shareholders – continuing operations	502.9	418.9
Profit for the financial year after taxation attributable to equity shareholders – discontinued operations	25.9	13.5
Profit for the financial year after taxation attributable to equity shareholders – continuing and discontinued operations	528.8	432.4
Weighted average number of shares – basic	294,563,978	291,513,714
Unadjusted earnings per share – basic – continuing operations	170.7p	143.7p
Unadjusted earnings per share – basic – discontinued operations	8.8p	4.6p
Unadjusted earnings per share – basic – continuing and discontinued operations	179.5p	148.3p
Weighted average number of shares – diluted	295,034,233	292,094,797
Unadjusted earnings per share – diluted – continuing operations	170.4p	143.4p
Unadjusted earnings per share – basic – discontinued operations	8.8p	4.6p
Unadjusted earnings per share – diluted – continuing and discontinued operations	179.2p	148.0p

The difference between the basic and diluted number of shares at the end of 2020 (being 470,255 2019: 581,083) relates to awards committed, but not yet issued under the Group's share schemes. Refer to note 9 for further detail.

Notes to the Financial Statements continued

For the year ended 31 December 2020

12. Share capital continued

12d. Share capital

	31 December 2020 £m	31 December 2019 £m
Authorised		
500,000,000 ordinary shares of 0.1 pence	0.5	0.5
Issued, called up and fully paid		
296,692,063 ordinary shares of 0.1 pence	0.3	–
293,686,329 ordinary shares of 0.1 pence	–	0.3
Total share capital	0.3	0.3

During 2020, 3,005,734 (2019: 3,183,592) new ordinary shares of 0.1 pence were issued to the trusts administering the Group's share schemes.

755,734 (2019: 883,592) of these were issued to the Admiral Group Share Incentive Plan Trust for the purposes of this share scheme resulting in cumulative shares issued to the Trust at 31 December 2020 of 12,384,715 (31 December 2019: 11,628,981). Of the shares issued, 4,331,860 remain in the Trust at 31 December 2020 (2019: 4,389,821). These shares are entitled to receive dividends.

2,250,000 (2019: 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 25,711,948 (31 December 2019: 23,461,948). Of the shares issued 5,447,441 remain in the Trust at 31 December 2020 (2019: 5,823,675) 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 8,277,428 (2019: 8,691,542).

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.

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 (3 March 2021), the Group's regulatory solvency ratio, calculated using a capital add-on that has not been subject to regulatory approval, is 187% (2019: 190%). This includes the recognition of the 2020 final dividend of 86 pence per share (2019: 77 pence per share).

The Group's 2020 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 206%, with the reconciliation between this ratio and the 187% noted above being as follows:

	31 December 2020 £m	31 December 2019 £m
Regulatory solvency ratio (Unaudited)		
Solvency ratio reported in the Annual Report	187%	190%
Change in valuation date	(5%)	(10%)
Other (including impact of updated, unapproved capital add-on)	24%	(10%)
Solvency ratio to be reported in the SFCR	206%	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: Floor 3 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)	Dormant*
Registered office: Floor 4 No. 3 Capital Quarter, Cardiff, CF10 4BZ			
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

Notes to the Financial Statements continued

For the year ended 31 December 2020

12. Share capital continued

Subsidiary	Class of shares held	% Ownership	Principal Activity
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 Correduría 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
Incorporated in the United States of America			
Registered office: Deep Run 1, Suite 400, 9950 Mayland Drive, Henrico, VA 23233			
Elephant Insurance Company	Ordinary	100	Insurance company
Grove General Agency Inc	Ordinary	100	Insurance intermediary
Platinum General Agency Inc	Ordinary	100	Insurance intermediary
Registered office: Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801			
Elephant Insurance Services LLC	Ordinary	100	Insurance intermediary
Elephant Holding Company LLC	Ordinary	100 (indirect)	Insurance intermediary
Registered office: 6802 Paragon Place, Suite 410, Richmond VA 23230			
compare.com Insurance Agency LLC	Ordinary	58.14 (indirect)	Internet-based Comparison site
Inspop USA LLC	Ordinary	58.14	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 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: 10th Floor, 5 Churchill Place, London, E14 5HU			
Seren One Limited	n/a	0	Special purpose entity

Subsidiary	Class of shares held	% Ownership	Principal Activity
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 set out in the Directors' Remuneration Report.

Key management personnel received short term employee benefits in the year of £2,522,280 (2019: £1,957,868), post-employment benefits of £22,999 (2019: £18,946) and share based payments of £2,249,425 (2019: £938,258). 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. Discontinued operations

13a. Accounting policy

Disposal groups are classified as held for sale in accordance with IFRS 5 if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. A discontinued operation is a component of the business that has been disposed of or is classified as held for sale and represents a separate major line of business, or is part of a single co-ordinated plan to dispose of such a line of business.

The disposal group is measured at the lower of carrying value and fair value less costs to sell. Assets within a disposal group that is classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell, except for assets which are specified under IFRS 5 which shall continue to be measured in accordance with the applicable standard. These assets include, deferred tax assets, assets arising from employee benefits, financial assets within the scope of IFRS 9 and contractual rights under insurance contracts as defined in IFRS 4.

The assets and liabilities of a disposal group classified as held for sale are presented separately from the other assets and liabilities in the Statement of Financial Position. Non-current assets within a disposal group are not depreciated or amortised from the point of classification as held for sale. The results of discontinued operations are presented separately in the Statement of Comprehensive Income. The result comprises the profit or loss after tax from discontinued operations and other comprehensive income attributable to discontinued operations. In the period in which an operation is first classified as discontinued, the Income Statement, Statement of Comprehensive Income and applicable notes are represented to present those operations as discontinued.

Notes to the Financial Statements continued

For the year ended 31 December 2020

13. Discontinued Operations continued

13b. Description

On the 29th December 2020, the Group announced that it had reached an agreement with ZPG Comparison Services Holdings UK Limited ('RVU') that RVU will purchase the Penguin Portals Group ('Penguin Portals', comprising online comparison portals Confused.com, Rastreator.com and LeLynx.fr and the Group's technology operation Admiral Technologies) and its 50% share of Preminen Price Comparison Holdings Limited ('Preminen'). MAPFRE will also sell its 25% holding in Rastreator and 50% holding in Preminen as part of the transaction.

As such, management consider these entities to meet the definition of a disposal group as set out under IFRS 5 above.

The total transaction value, including the amount attributable to MAPFRE, is £508 million plus a further amount that will accrue until the date of completion of the Proposed Transaction ('Transaction Value'). The Transaction Value shall be satisfied in cash at completion of the Proposed Transaction subject to certain adjustments. The proceeds to Admiral, net of minority interests and transaction costs, will be around £450 million. As noted above, the final transaction value will depend on the completion date.

At 31st December 2020, the Group retains control and continues to consolidate the Penguin Portals Group and Preminen Price Comparison Holdings Limited. The sale is subject to regulatory approval but is expected to be completed within the first half of 2021 and will result in a loss of control. The disposal group is measured at its carrying value as this is lower than the fair value of the agreed sale price less transaction costs.

The disposal group is included within the 'Comparison (discontinued)' operating segment as stated in note 4.

13c. Financial performance and cash flow information

Financial information relating to the discontinued operations for the financial year ending 31 December 2020 and 2019 are presented below:

	31 December 2020			31 December 2019		
	Gross £m	Eliminations £m	Net £m	Gross £m	Eliminations £m	Net £m
Revenue (other revenue)	183.9	(22.0)	161.9	164.3	(18.7)	145.6
Interest Income	–	–	–	–	–	–
Net Revenue	183.9	(22.0)	161.9	164.3	(18.7)	145.6
Operating expenses and share scheme charges	(154.4)	22.0	(132.4)	(146.7)	18.7	(128.0)
Operating profit	29.5	–	29.5	17.6	–	17.6
Finance costs	(0.1)	–	(0.1)	(0.1)	–	(0.1)
Profit before tax from discontinued operations	29.4	–	29.4	17.5	–	17.5
Taxation expense	(3.6)	–	(3.6)	(5.0)	–	(5.0)
Profit after tax from discontinued operations	25.8	–	25.8	12.5	–	12.5

Operating expenses and share scheme charges include £3.1 million (2019: £4.3 million) of share scheme expenses that are not included in the segmental result in note 4. The net cash flows incurred by the disposal group are as follows:

	31 December 2020 £m	31 December 2019 £m
Net cash inflow from operating activities	36.1	21.9
Net cash (outflow) from investing activities	(1.0)	(1.5)
Net cash (outflow) from financing activities	(15.9)	(16.8)
Net cash inflow from discontinued operations	19.2	3.6

13d. Assets held for sale

	Note	31 December 2020 £m
Assets		
Property and equipment	11b	5.9
Intangible assets	11c	1.2
Deferred tax asset	10c	4.2
Trade and other receivables		18.2
Cash and cash equivalents		53.5
Assets associated with disposal group held for sale		83.0
Liabilities		
Trade and other payables		24.9
Lease liabilities		4.1
Corporation tax liability		5.0
Liabilities directly associated with disposal group held for sale		34.0

14. 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.

14a. Reconciliation of turnover to reported gross premiums written and Other Revenue as per the financial statements

	31 December 2020 £m	31 December 2019 £m
Gross premiums written after co-insurance per note 5b of financial statements	2,344.0	2,273.7
Premiums underwritten through co-insurance arrangements	613.2	610.7
Total premiums written	2,957.2	2,884.4
Other revenue – continuing operations	329.4	324.3
Other revenue – discontinued operations	161.9	145.6
Admiral Loans interest income	36.8	30.8
	3,485.3	3,385.1
Other*1	42.4	59.0
Turnover as per note 4b of financial statements	3,527.7	3,444.1
Intra-group income elimination*2	22.2	19.4
Total turnover*3	3,549.9	3,463.5

*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.

*3 See note 14g for the impact of the 'Stay at home' premium refund issued to UK motor insurance customers on Turnover in H1 2020.

Notes to the Financial Statements continued

For the year ended 31 December 2020

14. Reconciliations continued

14b. Reconciliation of claims incurred to reported loss ratios, excluding releases on commuted reinsurance

December 2020	UK Motor £m	UK Home £m	UK Other £m	UK Total £m	Int. Car £m	Int. Other £m	Int. Total £m	Group £m
Net insurance claims (note 5)	97.1	29.3	23.8	150.2	139.3	3.7	143.0	293.2
Deduct claims handling costs	(12.3)	(1.3)	–	(13.6)	(9.8)	–	(9.8)	(23.4)
Prior year release/strengthening – net original share	104.3	2.8	–	107.1	18.6	–	18.6	125.7
Prior year release/strengthening – commuted share	137.3	–	–	137.3	–	–	–	137.3
Impact of reinsurer caps	–	–	–	–	1.9	–	1.9	1.9
Impact of weather events	–	(2.3)	–	(2.3)	–	–	–	(2.3)
Attritional current period claims	326.4	28.5	23.8	378.7	150.0	3.7	153.7	532.4
Net insurance premium revenue	451.4	43.2	45.2	539.8	204.2	7.6	211.8	751.6
Loss ratio – current period attritional	72.3%	65.9%	–	70.2%	73.4%	–	–	70.8%
Loss ratio – current period weather events	–	5.3%	–	0.4%	–	–	–	0.3%
Loss ratio – prior year release/ strengthening (net original share)	(23.1%)	(6.4%)	–	(19.8%)	(9.1%)	–	–	(16.7%)
Loss ratio – reported	49.2%	64.8%	–	50.8%	64.3%	–	–	54.4%

December 2019	UK Motor £m	UK Home £m	UK Other £m	UK Total £m	Int. Car £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 – 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%

14c. Reconciliation of expenses related to insurance contracts to reported expense ratios

December 2020	UK Motor £m	UK Home £m	UK Other £m	UK Total £m	Int. Car £m	Int. Other £m	Int. Total £m	Group £m
Net insurance expenses (note 9)	76.7	11.4	5.2	93.3	78.5	4.0	82.5	175.8
Claims handling costs	12.3	1.3	–	13.6	9.8	–	9.8	23.4
Intra-group expenses elimination*1	–	–	–	–	0.2	–	0.2	0.2
Impact of reinsurer caps	–	–	–	–	1.1	–	1.1	1.1
Net IFRS 16 finance costs	0.5	–	–	0.5	0.1	–	0.1	0.6
Adjusted net insurance expenses	89.5	12.7	5.2	107.4	89.7	4.0	93.7	201.1
Net insurance premium revenue	451.4	43.2	45.2	539.8	204.2	7.6	211.8	751.6
Expense ratio – reported	19.8%	29.4%	–	19.9%	43.9%	–	44.2%	26.8%

December 2019	UK Motor £m	UK Home £m	UK Other £m	UK Total £m	Int. Car £m	Int. Other £m	Int. Total £m	Group £m
Net insurance expenses (note 9)	74.2	9.7	6.0	89.9	52.2	1.3	53.5	143.4
Claims handling costs	11.8	1.1	–	12.9	7.6	–	7.6	20.5
Intra-group expenses elimination*1	–	–	–	–	0.7	–	0.7	0.7
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%

*1 The intra-group expenses elimination amount relates to aggregator fees charges by the Group's comparison business, Compare.com to other Group companies: given the re-presentation of other comparison businesses to discontinued operations, those expenses are now included in net insurance expenses in note 9, as acquisition costs.

14d. Reconciliation of statutory profit before tax to Group's share of profit before tax, and profit after tax

	31 December 2020 £m	31 December 2019 £m
Reported profit before tax per the consolidated income statement – continuing operations	608.2	505.1
Non-controlling share of profit before tax – continuing operations	0.9	3.0
Group's share of profit before tax – continuing operations	609.1	508.1
Reported profit before tax per note 13 – discontinued operations	29.4	17.5
Non-controlling interest share of profit before tax – discontinued operations	(0.1)	0.5
Group's share of profit before tax – discontinued operations	29.3	18.0
Reported Group profit before tax – continuing and discontinued operations	637.6	522.6
Non-controlling interest share of profit before tax – continuing and discontinued operations	0.8	3.5
Group's share of profit before tax – continuing and discontinued operations	638.4	526.1

Notes to the Financial Statements continued

For the year ended 31 December 2020

14. Reconciliations continued

	31 December 2020 £m	31 December 2019 £m
Reported profit after tax per the consolidated income statement – continuing operations	502.0	415.9
Non-controlling share of profit after tax – continuing operations	0.9	3.0
Group's share of profit after tax – continuing operations	502.9	418.9
Reported profit after tax per note 13 – discontinued operations	25.8	12.5
Non-controlling interest share of profit after tax – discontinued operations	0.1	1.0
Group's share of profit after tax – discontinued operations	25.9	13.5
Reported profit after tax per consolidated income statement – continuing and discontinued operations	527.8	428.4
Non-controlling interest share of profit after tax – continuing and discontinued operations	1.0	4.0
Group's share of profit after tax – continuing and discontinued operations (SOCIE)	528.8	432.4

14e. Reconciliation of share scheme charges in Strategic report to Consolidated Income Statement and Consolidated Statement of Changes in Equity

	31 December 2020 £m	31 December 2019 £m
Net share scheme charges included in Group's share of profit before tax	53.8	52.7
Non-controlling interest share of net share scheme charges	0.2	0.7
Net share scheme charges included in Group profit before tax	54.0	53.4

14f. Reconciliation of note 4 to Strategic Report

i) UK Insurance

2020	Motor £m	Household £m	Travel £m	Total £m
Turnover	2,473.8	193.8	4.4	2,672.0
UK Insurance profit before tax – Strategic Report	683.4	15.4	(0.7)	698.1
Non-controlling interest share of PBT	0.2	–	–	0.2
Statutory profit/(loss) before tax	683.6	15.4	(0.7)	698.3

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

ii) International Insurance

2020	Spain £m	Italy £m	France £m	US £m	Total £m
Turnover	83.9	213.0	139.3	212.6	648.8
Profit/(loss) before tax – Strategic Report and Statutory		13.6		(4.8)	8.8

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)

iii) Comparison

	Discontinued				Continuing	Total
2020	**Confused £m**	**European £m**	**Other £m**	**Total (discontinued) £m**	**Compare (other) £m**	**Total £m**
Turnover	133.5	48.5	1.9	183.9	6.1	190.0
Group's share of profit before tax – Strategic Report	29.4	3.6	(0.7)	32.3	(1.3)	31.0
Non-controlling interest share of profit/(loss) before tax	–	0.9	(0.7)	0.2	(1.0)	(0.8)
Statutory profit/(loss) before tax excluding share scheme charges *1	29.4	4.5	(1.4)	32.5	(2.3)	30.2

*1 When share scheme charges are included, the statutory profit for discontinued operations is £29.4 million. See note 13 for further information.

	Discontinued				Continuing	Total
2019 – Re-presented*1	**Confused £m**	**European £m**	**Other £m**	**Total (discontinued) £m**	**Compare (other) £m**	**Total*1 £m**
Turnover	112.7	50.1	1.5	164.3	7.3	171.6
Group's share of profit before tax – Strategic Report	20.4	3.5	(1.6)	22.3	(4.3)	18.0
Non-controlling interest share of profit/(loss) before tax	–	1.0	(1.4)	(0.4)	(2.9)	(3.3)
Statutory profit/(loss) before tax excluding share scheme charges	20.4	4.5	(3.0)	21.9	(7.2)	14.7

*1 When share scheme charges are included, the statutory profit for discontinued operations is £17.5 million. See note 13 for further information.

14g. Reconciliation of Impact of 'Stay at Home' premium refund issued to UK motor insurance customers on Turnover, Total written premiums, Gross written premiums and net insurance premium revenue

	31 December 2020 £m
Total 'stay at home' premium refund issued to UK motor insurance customers	110.0
Insurance premium tax	(12.7)
Impact of premium refund on turnover and total written premium	97.3
Co-insurer share of premium refund	(27.3)
Impact of premium refund on gross written premium and gross earned premium	70.0
Reinsurer share of premium refund on reinsurers' written and earned premium	(48.9)
Impact of premium refund on net insurance premium revenue (written and earned)	21.1

Whilst the impact on premium in the period is £21.1 million, the ultimate impact is expected to be the majority of the total premium refunded due to the Group's co- and reinsurance profit commission arrangements. The majority of this has been reflected in the current year.

Parent Company Financial Statements

Parent Company Income Statement

	Note	Year ended 31 December 2020 £m Total	Year ended 31 December 2019 £m Total
Administrative expenses	2	(21.6)	(17.6)
Operating loss		(21.6)	(17.6)
Investment and other interest income	3	471.0	402.3
Interest income at effective interest rate	3	4.2	4.1
Impairment expense	4	(10.5)	(93.6)
Interest payable	6	(12.2)	(11.3)
Profit before tax		430.9	283.9
Taxation credit	7	4.9	3.9
Profit after tax		435.8	287.8

Parent Company Statement of Comprehensive Income

	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Profit for the period	435.8	287.8
Other comprehensive income		
Items that are or may be reclassified to profit or loss		
Movements in fair value reserve	4.3	4.2
Deferred tax in relation to movement in fair value reserve	(0.8)	(0.8)
Other comprehensive income for the period, net of income tax	3.5	3.4
Total comprehensive income for the period	439.3	291.2

Parent Company Statement of Financial Position

		As at	
	Note	31 December 2020 £m	31 December 2019 £m
ASSETS			
Investments in group undertakings	4	327.3	301.4
Intangible assets	5	0.4	0.6
Financial investments	6	281.0	324.2
Corporation tax asset	7	4.7	4.0
Trade and other receivables	8	193.3	184.7
Cash and cash equivalents	6	9.5	30.3
Total assets		816.2	845.2
EQUITY			
Share capital	10	0.3	0.3
Share premium account		13.1	13.1
Fair value reserve	10	23.4	19.9
Retained earnings		73.0	8.9
Total equity		109.8	42.2
LIABILITIES			
Subordinated and other financial liabilities	6	224.3	224.2
Deferred tax	7	5.2	4.4
Trade and other payables	9	476.9	574.4
Total liabilities		706.4	803.0
Total equity and total liabilities		816.2	845.2

The accompanying notes form part of these financial statements.

These financial statements were approved by the Board of Directors on 3 March 2021 and were signed on its behalf by:

Geraint Jones

Chief Financial Officer

Admiral Group plc

Company Number: 03849958

Parent Company Financial Statements continued

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 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
At 1 January 2020	0.3	13.1	19.9	8.9	42.2
Profit for the period	–	–	–	435.8	435.8
Other comprehensive income					
Movements in fair value reserve	–	–	4.3	–	4.3
Deferred tax charge in relation to movements in fair value reserve	–	–	(0.8)	–	(0.8)
Total comprehensive income for the period	–	–	3.5	435.8	439.3
Transactions with equity holders					
Dividends	–	–	–	(425.7)	(425.7)
Issues of share capital	–	–	–	–	–
Share scheme credit	–	–	–	53.8	53.6
Deferred tax on share scheme credit	–	–	–	0.2	0.4
Total transactions with equity holders	–	–	–	(371.7)	(371.7)
As at 31 December 2020	0.3	13.1	23.4	73.0	109.8

Notes to the Parent Company Financial Statements

For the year ended 31 December 2020

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.

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 party to a 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.

Notes to the Parent Company Financial Statements continued

For the year ended 31 December 2020

1. Accounting policies continued

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 of disposal) 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. For further detail, see note 9 in the consolidated financial statements.

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.

1.10 Intangible assets

Purchased software licences are classified as an intangible asset and stated in the balance sheet at a cost less accumulates amortisation. Software is amortised from the point at which the asset is operational and is amortised over the licence period.

1.11 Trade and other receivables

Trade and other receivables are measured at amortised cost, less any impairment.

1.12 Trade and other payables

Trade and other payables are measured at amortised cost.

2. Administrative expenses

Included within administrative expenses are re-charges of £3.3 million (2019: £3.1 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 2020 £m	31 December 2019 £m
Dividend income from subsidiary undertakings	470.0	401.0
Interest income – other	1.0	1.3
Interest income at effective interest rate	4.2	4.1
Total investment and interest income	475.2	406.4

4. Investments in Group undertakings

	£m
Investments in subsidiary undertakings:	
At 1 January 2019	292.3
Additions	102.7
Impairment	(93.6)
At 31 December 2019	301.4
Additions	36.4
Impairment	(10.5)
At 31 December 2020	327.3*1

*1 Of this amount £9.2 million relates to Assets held for sale. See note 11 for further detail.

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 £36.4 million relate to the following:

- Transfer of Admiral Intermediary Services, S.A.U. ('AIS') (£18.7 million investment) from an indirect shareholding through EUI Limited ('EUI'), to a direct shareholding held by Admiral Group plc ('AGp');
- Further investment in Admiral Financial Services Limited ('AFSL') (£15.5 million);
- 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 2020 a non-cash impairment loss of £9.1 million (2019: £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 fair value less costs to sell (equivalent to the Group's share of net asset value), of £30.6 million (2019: £39.9 million).

The impairment charge arises due to a change in the 5 year forecast resulting from a strategic decision to move to 6 month policies in line with the current US market, which reduces the valuation due to deferring projected underwriting year profits outside the 5 year forecast period, alongside the impact of Covid-19 on the current and future forecast performance of the business. This creates an adverse impact on the 5 year forecasts that are used as the basis of the value in use calculation.

Notes to the Parent Company Financial Statements continued

For the year ended 31 December 2020

4. Investments in Group undertakings continued

The carrying value is now based on fair value less costs of disposal, for which the Group's share of net assets has been used as a reasonable approximation, using tier 3 of the fair value hierarchy. Due to limitations on evidential market information and restrictions in readily available information, the Group's share of net assets has been used to estimate fair value less costs to sell.

As the valuation is based on the Group's share of net assets, any movement in future profits will impact the investment held. The Board continues to support Elephant Auto in the achievement of its goals.

Compare.com

In 2020 a non-cash impairment loss of £1.4 million (2019: £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 to reflect the loss incurred during 2020 to bring 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 £3.7 million (2019: £5.1 million). The impairment charge is presented within the 'Impairment losses' line of the Parent Company Income Statement.

The carrying value is based on fair value less costs of disposal, 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. Intangible assets

	Domain name £m	Software £m	Total £m
Cost			
At 1 January 2020	0.6	–	0.6
Additions	–	0.4	0.4
Disposal	(0.6)	–	(0.6)
At 31 December 2020	–	0.4	0.4
Amortisation			
At 1 January 2020	–	–	–
Charge for the year	–	–	–
Disposal	–	–	–
At 31 December 2020	–	–	–
Net Book Value			
At 31 December 2019	0.6	–	0.6
At 31 December 2020	–	0.4	0.4

6. Financial assets and liabilities

The Company's financial instruments can be analysed as follows:

	31 December 2020 £m	31 December 2019 £m
Investments classified as FVOCI		
Gilts (level 1 of the IFRS 13 hierarchy)	177.3	174.0
	177.3	174.0
Investments classified as FVTPL		
Money market and other similar funds (level 1 of the IFRS 13 hierarchy)	103.7	150.2
	103.7	150.2
Total financial investments	281.0	324.2
Financial assets held at amortised cost		
Trade and other receivables (note 8)	193.3	184.7
Cash and cash equivalents	9.5	30.3
Total financial assets	483.8	539.2
Financial liabilities		
Subordinated notes	204.3	204.2
Other borrowings	20.0	20.0
Trade and other payables (note 9)	476.9	574.4
Total financial liabilities	701.2	798.6

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 2020		31 December 2019	
	Carrying amount £m	Fair value £m	Carrying amount £m	Fair value £m
Financial liabilities				
Subordinated notes	204.3	222.9	204.2	225.1

The subordinated notes were issued on 25 July 2014 at a fixed rate of 5.5%, with a redemption date of 25 July 2024.

Total interest payable of £12.2 million (2019: £11.3 million) was recognised, of which £11.1 million (2019: £11.3 million) was in relation to the subordinated loan notes.

Notes to the Parent Company Financial Statements continued

For the year ended 31 December 2020

7. Taxation

7a. Taxation credit

	31 December 2020 £m	31 December 2019 £m
Current tax		
Corporation tax credit on profits for the year	(4.7)	(3.9)
Change in provision relating to prior periods	(0.4)	–
Current tax credit	(5.1)	(3.9)
Deferred tax		
Current period deferred taxation movement	0.2	–
Change in provision relating to prior periods	–	–
Total tax credit per income statement	(4.9)	(3.9)

Factors affecting the total tax credit are:

	31 December 2020 £m	31 December 2019 £m
Profit before tax	430.9	283.9
Corporation tax thereon at effective UK corporation tax rate of 19.0% (2019: 19.0%)	81.9	53.9
Expenses and provisions not deductible for tax purposes	2.5	18.4
Non-taxable income	(89.3)	(76.2)
Total tax credit for the period as above	(4.9)	(3.9)

At the year end, the corporation tax asset was £4.7 million (2019: £4.0 million.).

7b. 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 2019	(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
Tax treatment of share scheme charges through income or expense	0.2	–	–	–	–	0.2
Tax treatment of share scheme charges through reserves	(0.2)	–	–	–	–	(0.2)
Movement in fair value reserve	–	–	–	0.8	–	0.8
Balance carried forward at 31 December 2020	(0.2)	–	–	5.4	–	5.2

The average effective rate of tax for 2020 is 19.0% (2019: 19.0%).

The deferred tax liability at 31 December 2020 has been calculated based on the rate at which each timing difference is most likely to reverse.

8. Trade and other receivables

	31 December 2020 £m	31 December 2019 £m
Trade and other receivables	1.0	1.0
Amounts owed by subsidiary undertakings	192.3	183.7
Total trade and other receivables	193.3	184.7

Held within amounts owed by subsidiary undertakings is £176.5 million (2019: £183.7 million) which relates 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, £101.0 million is due in greater than one year (2019: £149.3 million).

9. Trade and other payables

	31 December 2020 £m	31 December 2019 £m
Trade and other payables	8.5	6.1
Amounts owed to subsidiary undertakings	468.4	568.3
Total trade and other payables	476.9	574.4

Held within amounts owed to subsidiary undertakings is £38.5 million (2019: £nil) which relates to loans with formal agreements in place between the parent and the subsidiary.

10. 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. Further information can be found within note 12 of the consolidated financial statements.

10a. Share capital

	31 December 2020 £m	31 December 2019 £m
Authorised		
500,000,000 ordinary shares of 0.1 pence	0.5	0.5
Issued, called up and fully paid		
296,692,063 (2019: 293,686,329) ordinary shares of 0.1 pence	0.3	0.3
	0.3	0.3

Notes to the Parent Company Financial Statements continued

For the year ended 31 December 2020

10. Share capital and reserves continued

10b. Dividends

Dividends were proposed, approved and paid as follows:

	31 December 2020 £m	31 December 2019 £m
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
Proposed March 2020 (77.0 pence per share, 56.3 pence per share approved April 2020 and paid June 2020)	162.3	–
Declared August 2020 (91.2 pence per share, including 20.7 pence per share deferred, paid October 2020)	263.4	–
Total dividends	425.7	367.8

The dividends proposed in March (approved in April) represent the final dividends paid in respect of the 2018 and 2019 financial years. The dividends declared in August are interim distributions in respect of 2019 and 2020, with the deferred 20.7 pence per share special dividend relating to the 2019 financial year included in the 2020 interim dividend.

A final dividend of 86.0 pence per share (£250.4 million) has been proposed in respect of the 2020 financial year. Refer to the Chairman's Statement and Strategic Report for further detail.

The profit and loss account of the Parent Company does not include any unrealised profits, therefore the amount available for distribution by reference to these accounts is £73.0 million. The Group also has substantial retained profits in its subsidiary companies which are expected to flow up to the Parent Company in due course, such that surplus cash generated can continue to be returned to our shareholders.

During the year to December 2020, the Directors became aware that interim dividends paid in 2009, 2010 and 2020 were made otherwise than in accordance with the Companies Act 2006 because interim accounts had not been filed prior to payment. A resolution has been proposed for the Annual General Meeting due to be held on 30 April 2021 to authorise the appropriation of distributable profits to the payment of the relevant dividends, and remove any right for the Company to pursue shareholders or Directors for repayment. The overall effect of the resolution would be to return all parties to the position they would have been in should the relevant dividends have been made in full compliance with the Companies Act 2006.

11. Assets held for sale

On the 29 December 2020, Admiral Group plc announced that it had reached an agreement with ZPG Comparison Services Holdings UK Limited ('RVU') that RVU will purchase the Penguin Portals Group ('Penguin Portals', comprising online comparison portals Confused.com, Rastreator.com and LeLynx.fr and the Group's technology operation Admiral Technologies) and its 50% share of Preminen Price Comparison Holdings Limited ('Preminen'). These entities are determined to be the disposal group. Further information can be found within the consolidated accounts.

The assets held for sale as at 31 December 2020 are presented below:

	Note	31 December 2020 £m
Assets		
Investments in subsidiary undertakings	4	9.2
Assets associated with disposal group held for sale		9.2

There are no associated liabilities with the disposal group.

12. Related party transactions

The Company has taken advantage of the exemptions permitted by Financial Reporting Standard 101.8 (k) and not disclosed details of transactions with other wholly owned group undertakings. Transactions with group undertakings that are not wholly owned by Admiral Group plc are disclosed below.

	Transaction Value 2020 £m	Balance at 31 December 2020 due/(to) related party £m	Transaction Value 2019 £m	Balance at 31 December 2019 due/(to) related party £m
compare.com Insurance Agency LLC (Subsidiary undertaking)	0.3	4.2	0.3	4.1

The balance owed from compare.com relates to a convertible loan issued for which interest is being accrued.

13. 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.

Admiral Group plc have provided a cap warranty to RVU on the Rastreator Comparador contingent liability outstanding, due to the proposed sale of Rastreator Comparador to RVU set out in note 13 to the Group financial statements. The warranty will commence at the point the loss of control is recognised. See note 11f in the consolidated financial statements for further information on the contingent liability.

14. Post balance sheet events

No events have occurred since the reporting date that materially impact these financial statements.

15. 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 2021.

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 balance sheet have been included.

Income statement

	2020 £m	2019 £m	2018 £m	2017 £m	2016 £m
Total premiums	2,957.2	2,938.6	2,766.4	2,499.4	2,193.9
Net insurance premium revenue	751.6	709.4	671.8	619.1	548.8
Other Revenue	520.9	494.4	460.6	401.1	360.6
Profit commission	134.0	114.9	93.2	67.0	54.3
Investment and interest income	60.7	35.3	36.0	41.7	53.1
Net revenue	1,467.2	1,354.0	1,261.6	1,128.9	1,016.8
Net insurance claims	(293.2)	(359.3)	(350.1)	(347.1)	(394.6)
Net expenses	(524.0)	(459.5)	(424.0)	(366.9)	(332.4)
Operating profit	650.0	535.2	487.5	414.9	289.8
Net finance costs	(12.4)	(12.6)	(11.3)	(11.4)	(11.4)
Profit before tax	637.6	522.6	476.2	403.5	278.4

Balance sheet

	2020 £m	2019 £m	2018 £m	2017 £m	2016 £m
Property and equipment	146.3	154.4	28.1	31.3	32.0
Intangible assets	167.9	160.3	162.0	159.4	162.3
Deferred income tax	3.3	–	0.2	0.3	8.4
Corporation tax asset	17.9	–	–	–	–
Reinsurance assets	2,083.2	2,071.7	1,883.5	1,637.6	1,126.4
Insurance and other receivables	1,200.2	1,227.7	1,082.0	939.7	784.9
Loans and advances to customers	359.8	455.1	300.2	66.2	–
Financial investments	3,506.0	3,234.5	2,969.7	2,697.8	2,420.2
Cash and cash equivalents	351.7	281.7	376.8	326.8	326.6
Total assets	7,836.3	7,585.4	6,802.5	5,859.1	4,860.8
Equity	1,123.4	918.6	771.1	655.8	581.7
Insurance contracts	4,081.3	3,975.0	3,736.4	3,313.9	2,749.5
Subordinated and other financial liabilities	488.6	530.1	444.2	224.0	224.0
Trade and other payables	2,016.1	1,975.9	1,801.5	1,641.6	1,292.2
Lease liabilities	126.9	137.1	–	–	–
Deferred income tax	–	0.4	–	–	–
Current tax liabilities	–	48.3	49.3	23.8	13.4
Total equity and total liabilities	7,836.3	7,585.4	6,802.5	5,859.1	4,860.8

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 14a 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. In 2020 a 'Stay at Home' premium rebate of £25 per vehicle was issued to UK motor insurance customers. The total refunded was £110 million. Of this total, £97 million has been reflected within the 2020 total premiums written, and therefore, turnover metric, with the remaining amount reflecting insurance premium tax.
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 14a 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. As noted in the Turnover metric above, in 2020 a reduction of £97 million has been reflected within 2020 total premiums written, to reflect the 'Stay at Home' premium rebate.
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 14d 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 including investment income (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

Alternative Performance Measures 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 14b to the accounts 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 14c to the accounts 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 14b and 14c.
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 the 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 reinsurance and coinsurance 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).

Glossary continued

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 transfers 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.

Registered Office
Tŷ Admiral
David Street
Cardiff
CF10 2EH

www.admiralgroup.co.uk