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Company Participants

- Andrew Rose
- David Graham Stevens
- Geraint Jones
- Henry Allan Engelhardt
- Noel Summerfield
- Unverified Participant

Other Participants

- Andreas van Embden
- Andrew J. Crean
- Andy Hughes
- Cameron Husain
- Dhruv Gahlaut
- Fahad U. Changazi
- Greig N. Paterson
- Olivia Brindle
- Ravi Tanna
- Thomas Seidl

MANAGEMENT DISCUSSION SECTION

Henry Allan Engelhardt {BIO 3022947 <GO>}

Good morning and welcome to Admiral Group's 2015 Full Year Results Announcement. I'm Henry Engelhardt, Chief Executive. To my left is Geraint Jones, our CFO. We're going to talk a bit about the general results, and Geraint will go into some detail on the capital and dividends. Followed by myself and Andrew Rose, the CEO of compare.com, talking about our international operations; David Stevens, the COO and future CEO; and Noel Summerfield, our Head of Household, will then talk about the UK business. David will then wrap up, and then we'll open it up to your questions.

Well, this is the 12th time that I've been able to stand up and do a full-year results announcement, and it's been my pleasure on 11 occasions to be able to announce record profits for Admiral Group, this being the 11th occasion. Now, to many of you, we might seem a bit like a seedless watermelon. Fresh and tasty, of course, but you must wonder how can this regenerate itself? And yet we do year after year.

This year, it's a record profit, £377 million, 6% higher than last year. It's also a record number of customers at year-end, 4.4 million. And the interesting thing here is much of that customer growth actually came from the UK Household business, which Noel will talk about in just a couple of minutes.

The dividend is £1.14 and a bit. A final dividend of £0.634 will be paid in early June. The dividend percentage increase outpaced the earnings percentage increase due to the excess cash post-Solvency II, and Geraint will talk more about this in just a moment.

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This is one of my favorite charts. It's our historical turnover chart from the very first year, 1993, when we did £18 million of turnover. We now do that about every four days. It's all organic. It's in good economic times and bad. And now, once again, we've cleared the £2 billion mark.

The key point, though, to take from this slide is that the growth now is not wholly dependent on UK Motor and price comparison. In 2011, when we first cleared the £2 billion mark, it was virtually all UK Motor and price comparison. But now the growth is coming from other parts of the group.

So, what kind of year was it in total? Well, I call it the year of the uncut diamond. 2015 was the year of the uncut diamond. It's certainly a diamond and the financial year is quite a sparkling one. But we're just really starting to see the potential from the underwriting year.

I'd like to draw your attention to the bullet points on the left for Admiral Seguros' ConTe and the Household business, all of which had very successful profitable years. We also continue to invest in our future, in particular in the U.S. and France.

Geraint?

Geraint Jones {BIO 19738535 <GO>}

Thanks, Henry. Good morning, everyone. I'm going to look in a bit more detail at the record profit that Henry referred to, and then I'm going to talk about capital and dividends.

First up, the profit which is, hopefully, a familiar slide which shows where our record £377 million of profits came from in 2015. One of the highlights clearly is the UK Car Insurance result. The profit there was up by over 11% to £440 million. That's due to an improved combined ratio and higher investment income. That profit obviously dominates the total there, comprising 118% in the dark blue.

International Insurance, that's in the green, a similar proportion to previous years with a loss of £22 million. Another profit in ConTe was offset by investments in Elephant and L'olivier in particular.

In comparison, you can just about make out blips from a small profit in 2014 to a loss in 2015, with profits of Confused, Rastreator and LeLynx offset by our investments in compare.com.

And the yellow at the bottom there's everything else that's mainly our shares in costs and the debt interest cost. You'll hear lots more on the business performance very shortly.

Turning to capital. Let's take a look how the group measures up against the new Solvency II capital requirements. As you remember, Admiral will initially use the Standard Formula to calculate the requirement. And towards the end of last year, we agreed an Add-On to that Standard Formula with the PRA. The Add-On mainly reflects the risk to profit commissions that's on our Solvency II balance sheet.

The chart top left shows group capital before and after the final dividend on the Solvency II basis. So, these are different numbers to those you'll see in the accounts compared to the new capital requirement on the right-hand side. And as you can see, the position is very strong. The Solvency ratio, even after deducting the final dividend, is over 200%.

Just to reiterate, we are planning to submit an application to use our own internal model to calculate the capital requirement during 2017. And that's likely to mean it will be the end of 2017 at the earliest before that model is approved and then used. And at that point, we'll confirm target ranges to Solvency coverage. But given our balance sheet and business model, I currently expect

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they will be something in the order of 125% to 150%, and we've shown the results of the few sensitivities on the Solvency ratio in the appendix of the presentation.

We've said many times in the past that we don't believe in retaining capital in the company that isn't needed to Solvency or buffers. That remains the case. Although suggested on the last slide, we enter Solvency II with surplus capital and we intend to return that to our shareholders. However, despite the fact that we are now live into the Solvency II regime, uncertainties remain, notably the model approval and Capital Add-On reassessment processes. And so, we think it's appropriate to phase the return over two years to three years basically until the model is approved and we're up and running with that model.

But the first such additional return on capital is £33 million, and that will be paid with the final 2015 dividend. As you can see on the slide, we're expecting the total to be in the region of £150 million to £200 million, which includes that £33 million. And every time we make one of these additional returns over the next couple of years, we'll show it separately from the rest of the dividend. Clearly, of course, if anything changes, then the actual numbers might be different.

Moving into the new regime has also prompted a review of our dividend policy which, as you know, has been in place since Admiral floated back in 2004. We've decided to change it slightly by increasing the normal dividend element from 45% of post-tax profits to 65%. In practice, at least for the foreseeable future, we don't expect this change in the policy to affect the total dividend payout ratio. And we expect that level, not including the additional returns of capital I referred to on the previous slide, to remain in line with the historical average, somewhere in the 90%s in terms of the payout ratio.

The key reason for the change is set out on the slide. Having consistently paid out 90% plus of profits every year since we floated, we think that a higher normal dividend level reflects a more appropriate balance between the normal and special parts of our dividend. Don't forget, of course, the 90% to 95% or thereabouts isn't guaranteed and is subject, of course, to change depending on what's going on in our business at that particular point in time, but that's the reason we'll guide for the time being.

Okay. What does that all that mean for the final 2015 dividend? Let's take a look. As you can see, we're thinking about dividend for the next few years in three parts. First up in the dark blue, the normal dividend, 65% of earnings. And then the special dividend in the green, which combined with the normal, gets us to the familiar 90%s or so percentage payout. And then the additional return, and some call it special-special or the super special, which sits on the top in the blue.

That actually amounts to £0.336 for the normal, £0.179 for the special, add those two together gets you to £0.515 per share, which is a H2 payout ratio of 98%. The additional return on the top, £0.119 is at £33 million, gets you to a grand total of £0.634, and that gets paid on the 3rd of June; with the other dates, on the top right-hand side. Of course, appreciate there is a fair bit going on with capital and dividend, so please feel free to bombard us with questions at the end or come and grab me afterwards.

Next up, my favorite chart. This shows our full-year dividends we've paid every year since we floated back in 2004, first full year being 2005. As you can see, it's a pretty solid record of dividend growth over time, ending up with another new record in 2015.

And on the right-hand side, you see the totals we paid since float, £2.1 billion and counting. That's three times the value of Admiral when we floated in September 2004. If we overlay the earnings per share on top, you clearly see how effective the Admiral model is, enabling returns to shareholders, over 90% of earnings distributed every year.

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Before I sit down, it's not the main part of the presentation, but I just wanted to draw your attention to the fact that we have agreed extensions to our UK Motor quota share contracts, so we've fully allocated our capacity out to the end of 2018. The terms on those contracts are no worse than the expiring deals, and actually we're reducing Admiral's net share of the UK underwriting from 25% to 22%. That reflects strong demand and attractive terms.

That's it from me. Henry's standing on his feet and he's going to be joined by Andrew to talk about our international operations.

Henry Allan Engelhardt {BIO 3022947 <GO>}

Thank you, Geraint. I'm now joined by Andrew Rose, the CEO of compare.com.

This is a map. It is a map to remind you where the Admiral businesses reside, and I'll talk to the insurance businesses, and then Andrew will talk to the price comparison businesses.

The story for the international insurance businesses is continued growth. Now, please note the chart in the upper left of turnover is translated into sterling, so exchange movements have been flattered by the euro and insulted by the dollar. But there are no euros or dollars in the vehicle count. The count is up 14% 2015 over 2014 and 30% 2015 over 2013. This growth comes despite Admiral Seguros actually reducing its vehicle count in 2015.

Now, the chart on the right, on the bottom right, I believe is quite important because it shows you, in the red numbers there, what the combined ratio, including ancillaries, is. And actually in some of the countries we're in and what we would call ancillaries are actually accounted for in the combined ratios of companies in that market, in particular in Spain. And you can see that the number there is 115%, and we're getting ever closer to an international breakeven.

Now, Admiral Seguros had a fantastic year, and I really can't say enough about the job, the whole team, certainly the management team but every person in that organization did, to focus and concentrate on getting us to a breakeven result on an underwriting year basis. It's a fantastic triumph of the team on very small volumes with low average premiums to be able to bring home actually a profit of €1 million.

And now, and this is in a market that hasn't seen a price increase in a decade. It's a market characterized by rampant discounting when you come up for renewal. It's different than the UK market where the UK market is dominated by advertising by price comparison businesses. Even though there are successful price comparison businesses in Spain, it's the insurers that still dominate the advertising landscape, spending four or five times the amount that the price comparison businesses spend on TV.

But it's sort of all changed now for the Spanish market. Spain has something called Baremo, which is a bodily injury protocol. And basically, Baremo itemizes body parts and puts a specific cost to them. So, your arm is €3,000. Your arm is €3,000. Your arm is €3,000 - it doesn't matter whose arm, its €3,000. The awards typically are quite small and they are static. So, there's no long tail for bodily injury awards because all you have to do is look and say, oh, you lost an arm, that's €3,000. It's not a debate. It's not a negotiation.

One thing I would like to advise you is if you're going to get hit by a car, don't do it in Spain because you don't get big awards. But you will get bigger awards than you used to get because Baremo has changed. From January 1 this year, especially the upper limits at Baremo have gone up quite significantly. And there are estimates that this will add 5 points to 15 points to the bottom line for the market on loss ratio.

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In a market that's drifted from kind of 92% combined 10 years ago to about 101% today, with no price increases and just a little bit of inflation hitting the system along the way, a 5-point to 15-point move on the bottom line is quite substantial. So, we should see quite robust price movements upward during the course of the year.

MAPFRE, the market leader, has actually already announced a 7% to 8% increase in the Spanish market, and others are starting to follow suit. Now, to achieve breakeven, Admiral Seguros actually had rate increases last year. And now is in a very good position to reap the benefit of those increases and take the growth as the others start to increase rates, and this also will stimulate – these increased rates will stimulate more shopping, more and more consumers looking for other types of insurance and using price comparison more, which Andrew will talk about in just a minute. So, a very interesting time in the Spanish market.

ConTe also had a great year. Now, this is a market that's actually much, much more similar to the UK market. It is characterized by violent cycles, big price increases, big price decreases which stimulates – both of which tend to stimulate shopping for consumers. It has high-ish average premiums. It has large bodily injury claims and long tails. So, much more akin to the market we're used to dealing with in the UK. And it has a quite, quite substantial and growing price comparison sector.

Now, ConTe recorded its second straight year of financial year profits, but its back years are performing very nicely. In fact, now, when we look back, we see 2012 was actually profitable. 2012 was the fourth full year for ConTe which is, again, a remarkable achievement to take a direct operation and get it to profitability in year four.

We do think that even though the market is currently in a bit of a soft part of its phase, the combined ratio for the market is in the mid-90%s, there are still opportunities to grow, particularly when one attaches itself to a growing distribution channel. And last week, ConTe took second in the Great Place to Work contest in Italy, quite an achievement.

Now, I'm very excited by L'olivier in the French market, and this is largely down to a law change that came about a year ago called the Loi Hamon, H-A-M-O-N, Hamon, and it has nothing to do with ham. It's the guy's name. And basically, it changed a lot for consumers. It made it easy to switch insurers. Previously, France was arguably the hardest market for consumers to switch, including the sending of a registered letter, to your old insurer if you wanted to move.

That's all changed now. If you're with your insurer for 12 months, you can go at any time. They can't charge you a fee for leaving. The new insurer will set everything up for you and take care of all the grunt work and you can go.

Now, this isn't revolution in France. It's not like everybody is bursting to their balconies and, yes, we're free, we're free. No, it's not happening. But it is evolution, and we're seeing that largely through the growth in price comparison that people are cottoning on to the fact that they don't have a hassle to leave and they can save some reasonable sums of money.

And this bodes very well for L'olivier. Now, you might remember L'olivier in 2014 took a bit of a timeout year in that it had to in-source. We had an outsourced model. We in-sourced. We had to create and build and implement a computer system and establish a call center which we did in Lille. And now in 2015, we started to grow again. And you can see that the business virtually doubled in size in 2015, and we expect a lot more growth in 2016.

Last for me is Elephant, good growth in 2015. We're finding this is another market where insurers are feeling a bit of pain. Again, very different from the UK, much more similar to the Spanish market in that it's got low bodily injury cost due to limited liability. It's short tail. And therefore, you

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don't have vicious market cycles as you do in UK, Italy and a little bit in France. So, you have a steady line.

And the market kind of trades between 98% and 102%. And 98% is brilliant and 102% is disaster. Not exactly the UK market, is it? And now, the insurers are bumping up against the 102%. And therefore, we're seeing rate increases in the market. And that is something that's very good because it stimulates consumer shopping. That's excellent for Elephant and also very good for compare.com, which is a perfect segue for me to turn over to Andrew to talk about price comparison.

Andrew Rose {BIO 18735195 <GO>}

Thank you, Henry. Good morning, everybody. As Henry has mentioned, my name is Andrew Rose. I'm the Founder and CEO of compare.com. It's good to be back talking to you guys again. Let's talk comparison businesses.

Confused delivered a lower profit as a result of a very competitive market with an enormous amount of ad spending. And you turn on the TV here in the UK as I have found, you are inevitably going to see a comparison ad. Confused continues to invest in its core business and expand its Carfused offering, giving consumers a fully integrated shopping experience for their auto-related expenses.

Rastreator and LeLynx were once again profitable, each growing quotes and revenue while maintaining their market-leading positions. Investment into the U.S. comparison business, compare.com, continued in 2015 with quite favorable results. I'll get into more details on that in a few minutes.

Lastly, we're pleased to announce that MAPFRE has once again partnered with Admiral, in this case, on a business called Preminen. Preminen will explore comparison business opportunities in other geographies, continuing Admiral's start small, test and learn philosophy.

As I mentioned a moment ago, Rastreator and LeLynx both have quite good years in 2015. In addition to the growth, Rastreator launched new TV campaigns and entered new verticals, reaffirming its position as a market-leading comparison destination.

LeLynx took advantage of the law change that Henry mentioned to encourage more shopping. It worked with quote volumes and ultimately revenue both climbing to new records. Additionally, LeLynx used a variety of campaigns to further solidify its position also as market leader.

Moving on to compare.com, a business that I obviously know well. I often tell folks when they ask about this business that it has the great opportunity for success, not the guarantee thereof. Well, in 2015, we exploited that opportunity quite favorably, growing meaningfully to multiples of prior-year levels.

First, our carrier panel doubled to more than 60 brands, including nearly half of the top 25. Our early successes delivered a large increase in volumes, helping to attract new entrants, and a quite noticeable exit in Google Compare. Google's exit, however, was global and across multiple verticals, most of them actually outside insurance, credit cards, mortgages, banking products, and most likely reflects an outward strategy change rather than an indictment on their U.S. insurance business. Given we were many multiples of their size already and we did not include their business in our forecast, its impact to us was negligible.

Back to compare.com, our 1 million-plus quotes came with ever-improving acquisition economics, ultimately leading us to our first national TV ad campaign in Q4. Those efforts were very successful and continue in a test-and-learn scale in 2016.

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As I mentioned, our economics have shown very meaningful improvements, 77% on a quote basis and 86% on a per-sale basis. This comes from improvements across the business. Conversion continues to improve. Our longest-term partners continue to see their conversion rates increase. We can exploit their learnings with our newer partners, gaining even greater speed, yielding even more favorable growth.

The national TV test I mentioned earlier showed substantial upside economics and bodes well for further improvements as we complete our existing carrier integration backlog and add further carriers in the face of Google's exit. A repeat of that test, the TV test, on a larger scale delivered comparable results, leading us to continued controlled spend now on a national basis.

All this leads us to continued and expanded investment in compare.com, with another loss forecast in 2016 driven off the back of this expanded advertising. We would not be able to do this if we didn't have satisfied carrier partners, 100% of them rating the partnership with compare.com as excellent or very good.

Additionally, we must satisfy customers. And as you can see from the comments above, they're thrilled. They're thrilled when they see this true comparison experience, something that you see here in the UK every day. The challenge for us is to deliver that experience nationally to all customer segments as we move to more national advertising.

In closing, compare.com has had quite a favorable year in 2015. We are not at the finish line, however, and challenges most definitely remain. And now to David and Noel to give us an update on the UK.

David Graham Stevens {BIO 1990356 <GO>}

Thank you, Andrew. So, I'm going to start with just highlights from the key core Car Insurance business in the UK. We've insured 5% more vehicles than we did a year ago, 7% higher turnover and 11% more profits from a year ago. So, a strong result from the core business.

I'm going to go on for a couple of pages to talk about the market and particularly going to argue that some of the commentary on premium inflation so far has been a bit overblown, but conversely arguing that also some of the commentary on claims inflation has been a bit overblown. And now I'm going to focus on Admiral's results in the Car Insurance business and hand over to Noel who, in an important first for Admiral, will talk about our Household Insurance business.

So, premium inflation. The AA survey, plus 20%; the Confused survey, plus 13%. Six quarters of year-on-year premium inflation has led to some commentary that I think exaggerates the true extent of premium inflation achieved to-date. We focus on the ABI index, an index which is the most reliable index, including as it does both new business and renewal premium.

And if you look at the ABI increase, the green bar here is showing the annual year-on-year increase, and the blue bar is showing the cumulative change since the beginning of 2012. If you look at that, you'll see a premium inflation number of 5.7% at the end of 2015. Now, some of you might - despite that number, you might remember a number around 8%. That 8% includes the IPT increase that was introduced in November of 2015, and therefore, it's irrelevant to the underlying profitability of the Car Insurance business, although relevant to the consumers and to shopping behavior. What you'll also notice is a reminder that the premium inflation we've had to-date still leaves us 5% lower than we were at the beginning of 2012.

Moreover, it takes a while for written premium to feed into earned premium. And so these numbers essentially equated to a roughly 4% increase in average written premium in 2015 but actually flat earned premium outcome for 2015. So, there's a way to go before the market has introduced premium increases sufficient to correct for some of the premium deflation of 2013 and 2014.

What about the trend side of the equation? Now, there's quite a lot of commentary, much of it built around the situation on small bodily injury claims that has led to speculation that claims inflation in 2015 is unusually or has been unusually high. And indeed, the numbers for small bodily injury at plus 5%, using here notifications of the MOJ portal, are indeed substantial increases.

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But there are other factors in play or there were other factors in play in 2015. And one of those is the – in the sense that the overall frequency shock seems to have largely mitigated. At the half year, we were looking at 2% year-on-year increase in overall frequency when we're talking about disposable income and petrol prices. The second half of 2015, and particularly the last quarter of 2015, was actually much more positive on frequency, such that the overall results for 2015 is at only 0.5% increase.

The other piece of the equation, which is a much more complex piece of the equation to get your arms around, is what's happening on large bodily injury inflation. This obviously often gets ignored because of its complexity. But I suspect 2015, when we know for sure in a couple of years, will have proved to be a relatively benign year for large bodily injury inflation, mainly for 2014 with such a horrible year.

These are numbers from the Institute of Actuaries showing the frequency and burning cost evolution, burning cost being the combination of frequency and average claim, the results for claims over £100,000 over the last four years. And what you see is 2014 was an unusually poor year with a frequency increase of 7%, and the big increase in average claim costs resulting in a 29% increase in overall cost.

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Now, these are gross numbers and reinsurers will take some of these payments as well as insurers. But what you do see here is a very volatile number, surprisingly so given these are market-level numbers. So, 2015 in a sense, I expect it will ultimately prove to be in a decent year just on the basis of reversion to mean.

So, those are some of the big picture things happening in the market as a whole. I'm now going to talk about Admiral's own experience and look at the claims ratio. You'll be familiar with this exhibit. It shows in the red line the market combined ratio as at December 2014 on a reported basis. It shows in the blue line Admiral's projected ultimate loss ratio as at December 2015, and the numbers in brackets represent the movement over the last 12 months in those projected ultimate.

And what you see is a very positive series of movements for 2011 through 2014, all of them 4 points or 5 points down over the 12 months. That movement was spread evenly between the first half and second half of the year for 2011, 2012 and 2013, but with focus in the first half of 2014. 2014 itself is at 77%, and 2015 has started at 82% with the first pick, which is exactly where 2014 was at this point 12 months ago. And that's a relatively conservative first pick, and I think that 2014 is a relatively conservative pick, reflecting the importance of larger bodily injury claims in the 2014 number, which increases the level of uncertainty around projection.

The positive movements that we've seen on the back years during 2015 contributed strongly to a very substantial reserve release. As you all know, reserve releases are always a feature of our profits, but 2015 was a particularly strong year, driven by those positive movements down in the ultimates. The buffer that we hold against projected best estimate is slightly up on the end of 2014 and slightly down on the middle of 2015.

What are the prospects for releases in 2016? Well, I think we would expect continued material releases for two reasons, partly because that referenced to potentially quite conservative projected best estimates for 2014 and 2015, and partly because we're bumping on up against the

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top of our reserving range in the sense that we have a reserving policy which states a range above best estimate that we should hold. And for the last two years or three years, we've been up at the top end of that range. And over time, we would expect it to be logical to migrate towards at least the middle of that range, and that should have positive impacts on reserve releases in 2016 and potentially beyond.

Now, I mentioned the market gone up about 6% in premium inflation. We did roughly the same during 2015. For about the six results presentation, we were all standing up and talking to you about a convergence of our average premium with the market. So, that 6% premium inflation has not fed fully through into average premium as the combination of our own rating actions and actions by our competitors has seen us a write a relatively lower premium book of business.

This year it actually tracks our average premium over the last 10 years against the market. We are blue. The market is red. And you can see that convergence over time since 2011. Although the interesting observation is, in a sense, the outliers here are 2010, 2011, and 2012 when the market withdrew wholesale from large parts of the higher premium business.

It's very gratifying in the context, particularly of converging average premiums, to see that our expense ratio advantage maintains its scale. This has always been the fundamental foundation of our combined ratio advantage of 20 points plus. And the fact that we've maintained that advantage in 2013 and 2014 despite convergence on average premium is very gratifying.

So prospects for the future, I think that there will be continued premium inflation in the market for 2016, as you've seen the inflation to-date is not enough to significantly turn the market. Although I would say that the uncertainty created about the prospects for small bodily injury form following the Chancellor's expression of an intention to reform does create some uncertainty, but the reform itself looks like it's getting pushed further and further back into 2017.

I think we could probably say that the pure year combined ratios are very likely to have peaked in 2015 for the market as a whole. And I find it very encouraging that that peak is likely to be materially both the previous two, three peaks, which may bode promisingly for the rationality of our industry going forward, which is in both the interests of our consumers and our shareholders.

And lastly, as I've said earlier, we would expect our results in 2016 to be supported by sustained material reserve releases.

There is Noel.

Noel Summerfield {BIO 20595795 <GO>}

Thank you, David. Good morning, everyone. My name is Noel Summerfield and I am Head of UK Household business. Today I'm going to talk about three things; the home insurance market, the performance of our Household business and some future opportunities.

Okay. So, starting with the home insurance market, it's large, second only to Motor at £6 billion GWP. The market is generally profitable on an underwritten basis, with the exception being weather event years. As you can see from the left of the slide, in recent years, due to the lack of any significant weather, the loss and expense ratios have made up equal parts of the combined.

The graph went back further and to the last real weather event year from 2007, combined ratio would have been somewhere around 119%. You can see on the right, we have more consumer shopping online, growth price comparison has been significant. However, a portion of home insurance customers using the price of Household channel trails after Motor, which one might suggest is headed for growth. We launched our home insurance business on December 18, 2012...

David Graham Stevens {BIO 1990356 <GO>}

For those listening on the phones, we're just taking a break to add a microphone.

Noel Summerfield {BIO 20595795 <GO>}

Okay. First technical glitch of the day. It's an important first for me as well...

Okay. So, we launched our home insurance business on December 18, 2012. And the strong Admiral brand, as well as our understanding of the price comparison channel, has led us to

grow book of business to over 300,000 customers within three years. The mix of cover written is fairly typical, with over three quarters of our customers choosing to buy combined buildings and contents.

For the price comparison channel, we're in the top three ranked by sales volume. I'm going to talk a little bit now about one of the ways we've achieved this.

Okay. As you can see, the slide shows a price page from a price comparison website. First thing to mention here is that we just trade under the Admiral brand unlike Motor. Second thing to mention is that we have a tiered product offering, as you can see, Admiral, Admiral Gold, and Admiral Platinum. This allows customers the choice of trading off price and cover to find the most suitable product for their needs.

Okay, moving on. As you can see on the left of the slide, we're outperforming the market on expense. We've achieved this by replicating many of the elements which have given Motor an expense advantage, in particular, by embracing the price comparison channel to help us achieve low acquisition costs. The loss ratio for 2015 is 66% on an earned basis due to the portfolio being more heavily weighted towards new business when compared to the rest of the market.

On the right of the slide, you can see that the Household business made its first profit. And keeping with the other speakers this morning, perhaps I should add that this is my favorite chart. A note here would be that as we're new to Household, our approach to reserving has been a conservative one. Although due to their low value, short tail claims in Household, the opportunity for future significant reserve releases is unlikely.

Finally, the Household business had similar long-term quota share contracts in Motor, but with Admiral retaining a 30% share.

Given that the past few months have seen a number of storms, it felt appropriate to talk about how we fared. So, for the storm and flood events at the end of last year, we estimate that, based on our market share, our losses were about a fifth of the size that they should have been. We've achieved this by using good quality granular data and maintaining a disciplined and reasonably conservative approach to risk selection.

Looking ahead, there are a number of exciting opportunities for growth. The increase of the price comparison channel and the launch of Flood Re should mean that there are more customers shopping, which is good news for a growing business, and we have 3.3 million Motor customers in the UK, and this represents a sizeable opportunity for those customers to also buy our home insurance product.

That's all on Household. I'll hand you back to David.

David Graham Stevens {BIO 1990356 <GO>}

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Thank you, Noel. So, a strong performance on our core business, yet another strong performance in our core business. Household's small but laying the foundations of something big and valuable. And internationally strong progress across our direct insurance and price comparison businesses, some of which I think have got genuinely important potential future implications for value of the company.

Now, it's not our approach to make projections and forward guidance, but there's something I will predict with a degree of confidence, and that's within 10 weeks I will take over from Henry as CEO. I've had the joy and honor of working with Henry for 25 years. This is Henry and myself in 1991 laughing at our business plan, as indeed most other people did. But fortunately, not everyone. And over those 25 years, I've seen Admiral prosper and do very well by its customers and its staff and its shareholders.

I myself started in marketing and took on pricing and claims thereafter, and then became the Head of the UK Direct Insurance business, which I've done for the last few years while Henry has focused more heavily on international.

Now, some of you may be wondering what's going to change, I've got three answers for you. A lot, quite a lot and nothing. A lot in terms of relative workload between Henry and myself. But I'm very happy to say that Henry is staying on in the executive capacity. He will be working part-time, but he will have a very important job of running our price comparison businesses in the UK and internationally.

Something else changes a lot going forward, and that's Admiral in the sense that the secret of our success has always been one of continual change. Changing how we do what we do and, and in fact, what we do, and doing it faster than the competition and better than the competition, and that will remain an important part of what we do.

What will change quite a lot? Well, that's the organization under me. The business that Henry and myself and five or six other people have been key to over the last few years will prosper on the back of those five people or six people taking on more and more over the next few years, and there will be organizational changes as part of my taking over CEO, which I'll talk about more at the half year, which will see those five or six individuals take on a bigger and bigger share of responsibility of the running of the business. I myself will remain focused heavily on the UK, but will obviously be closely involved in what's happening internationally.

And what will change not at all? The fundamentals of Admiral. The fundamentals of Admiral does make it a great company to insure with, a great company to work for and a great company to own.

So on that note, I'll open it up for questions. Who's got the microphone?

Q&A

Q - Andy Hughes {BIO 15036395 <GO>}

Hi. Thanks so much. Andy from Macquarie. A few questions, if I could. The first one is on – I think I described it as a retreat previously from the younger driver portfolio, and it looks like a pretty good decision given the increase in bodily injury claims in 2014. So, was there some foresight of what was going to happen or the rebalancing of the books with low-risk drivers, is that something that we expect to reverse sometime soon? I'm interested to know what's driving the decision there, whether it's telematics or whether it's structural in terms of what you saw was coming.

And the second part was on the capital reserves. You mentioned moving the capital buffer down, yet still paying out quite a lot of your earnings. Doesn't that mean that the kind of – the best estimate versus the plus ratio is part of your capital buffer, so when the capital position therefore

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deteriorates, it results in paying out more of your reserve buffer between AB and actual book loss ratios. Thanks.

A - Henry Allan Engelhardt {BIO 3022947 <GO>}

I'll take the first one and, Geraint, would you take the second? I don't think it was a brilliant foresight on our part to reduce our participation in the young driver market in the expectation of 2014 being a horrible year. I think in truth that that pattern on big bodily injury claims is a volatile pattern that I've never heard anyone really particularly rationally explain in terms of the violence of the mix.

What we have just observed in our own book is the relative attractiveness of that part of the market over the last two years or three years has diminished relative to the more standard part of the market, and that explains some of it. And the other element that explains it is that a number of our competitors, having been put off those segments in 2009, 2010, 2011, 2012, have gradually re-entered them and that pricing has, in fact, affected our share of the market.

A - Geraint Jones {BIO 19738535 <GO>}

The second question was on the change in the reserve margin moving to the middle of the range of our reserving policy. The level of Solvency II capital is actually based on best estimate loss ratios, and so this is a significant change in the best estimate loss ratios, and that's the driver of the Solvency II capital.

Q - Andy Hughes {BIO 15036395 <GO>}

That's my point, right? So if you drop your book loss ratios towards your best estimate and then you pay out all of those dividends, then obviously your solvency will deteriorate.

A - Geraint Jones {BIO 19738535 <GO>}

That's correct. I'm not sure what's David's talking about wholesale slashing of the reserve margin. We're talking about a gentle move down into the middle of our range rather than becoming a best estimate reserve overnight, which is far from the truth.

Q - Dhruv Gahlaut {BIO 16209870 <GO>}

Good morning. Dhruv Gahlaut, HSBC. Just a couple of questions. Firstly, on the home business, could you talk about the duration of the quota share, what you have with your partners there as in terms of how long do they go?

Secondly, is there any restriction in terms of how much you can grow over the next couple of years from the reinsurance partners?

On the home front itself, the cross-sell, do you guys need to do any investment to be able to start cross-selling at this point? And have you – as in how – as in where are you in that whole process of cross-selling?

And one question on your – on the Google tie-up – sorry, not the Google tie-up, the tie-up which you have with MAPFRE, could you – as in, could you say it in terms of what we should expect in the next couple of years in terms of charges, et cetera, in the P&L?

A - Geraint Jones {BIO 19738535 <GO>}

Okay. So, I'll take the reinsurance questions. I think maybe Noel will take cross-sell, and MAPFRE will be Henry.

On the reinsurance, the long-term deals they take us into the early parts of the next decade. They don't have material caps on volumes.

A - Noel Summerfield {BIO 20595795 <GO>}

...good. So, we've done some small cross-sell tasks to-date which has been encouraging. We're in that process of implementing a new policy administration system. One of the benefits that we'll get when that launches is the ability to effectively cross-sell, so it's coming soon

Q - Dhruv Gahlaut {BIO 16209870 <GO>}

Would it be this year?

A - Noel Summerfield {BIO 20595795 <GO>}

Sorry?

Q - Dhruv Gahlaut {BIO 16209870 <GO>}

Will it be this year?

A - Noel Summerfield {BIO 20595795 <GO>}

Yes.

A - David Graham Stevens {BIO 1990356 <GO>}

There's a question just next to you.

Q - Dhruv Gahlaut {BIO 16209870 <GO>}

Sorry, the third one was the tie-up...

A - David Graham Stevens {BIO 1990356 <GO>}

Oh, Preminen, sorry. Yeah.

Q - Dhruv Gahlaut {BIO 16209870 <GO>}

Yeah

A - Henry Allan Engelhardt {BIO 3022947 <GO>}

Sorry. Preminen is a joint venture 50/50 with MAPFRE. It's a small amount of money being put in to investigate and invest in possible price comparison businesses in various parts of the world. It's not a meaningful sum of money.

Q - Ravi Tanna {BIO 16926941 <GO>}

Good morning. It's Ravi Tanna here from Goldman Sachs. I had three questions, please. The first one was just on the investment income side. Given the strength of the Solvency II capital position that you've laid out, is there scope or would you consider further re-risking the investment portfolio, given that it's still in a broader sector context, it's quite low risk in totality?

The second question was around the strength of the reserve releases that you've seen. And I'm just wondering whether there's any extent to which we can read across to your competitors in the market. I'm trying to understand what underlies the confidence behind the statement you've made around 2015 being the peak for your combined ratios for the market as a whole.

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And then the third one was around, again, capital and the trade-off between capital returns to investors and growth in the UK Motor market. And given the capital returns that you've set out today, what does this imply in terms of required investments for your international home businesses, et cetera, and what's underlying the growth piece?

A - David Graham Stevens {BIO 1990356 <GO>}

Geraint, do you want to take the two, the first and the third, and I'll come back on the second?

A - Geraint Jones {BIO 19738535 <GO>}

Yeah. On the investment portfolio, we have, as you'll see in the appendix, made a couple of changes over the past couple of years to move slightly up the risk spectrum. We're still you might say very low risk compared to the most of our peers. We think that's the right investment strategy to adopt. We always look for opportunities to invest in different asset classes or shift the balance when we think the risk-reward trade-off is appropriate. I'm not sure if we'll see major changes. I think we're pretty happy with where we are.

To the final one as well? Capital return to shareholders versus growth prospect, I think I'd point back to history. We started after flotation paying back 90% of profits to shareholders. We've done that every year for 11 years. We've grown Motor from 1 million customers to 3.3 million customers, set up a new Household business, got to 300,000 customers. Set up five, now have four international insurance operations, which are 700,000 customers. So, I think our business is able to grow as a result of the reinsurance structures and returned capital to shareholders. So, I don't see any major change in that trajectory.

A - David Graham Stevens {BIO 1990356 <GO>}

And on the cycle thing in my comment about 2015, I should reiterate that that was a comment about the pure-year result. And it's based on our assessments of where premiums are moving versus where claims inflation are moving. I wouldn't be as bold to try and project the reported result after all the releases, very hard to do.

Should we pass it to Greig and then bring it back? We're averaging about 3.2 questions...

Q - Greig N. Paterson {BIO 6587493 <GO>}

I'll actually ask for three numbers.

A - David Graham Stevens {BIO 1990356 <GO>}

Okay.

Q - Greig N. Paterson {BIO 6587493 <GO>}

One, in the future, I wish you could just put this in your financials because you actually said every time, the base rate, your base rate at year-end 2015 versus year-end 2014, A; B, the renewal new business impact in the sense of how that translates through into the ultimate loss ratios and your claims inflation that you've actually experienced .

A - David Graham Stevens {BIO 1990356 <GO>}

Well, I'm going to disappoint again, Greig, in a sense in as much I'm going to say that our premium inflation is roughly in line with the market at 6%. It's reasonably evenly spread between new business and renewals. And our claims inflation in 2015 I'll tell you in 2018.

Q - Greig N. Paterson {BIO 6587493 <GO>}

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So if you could just clarify, you said the premium rate increases was 6%, roughly in line with the market, and does that include renewal, new business impacts?

A - David Graham Stevens {BIO 1990356 <GO>}

That's new business and renewals combined.

Q - Greig N. Paterson {BIO 6587493 <GO>}

All right, cool. And that's year-on-year to December?

A - David Graham Stevens {BIO 1990356 <GO>}

Yes, that's end of December to end of December.

Q - Greig N. Paterson {BIO 6587493 <GO>}

And you won't say what claims inflation you booked in your...

A - David Graham Stevens {BIO 1990356 <GO>}

I don't know what it is. I'm waiting for 2018.

Q - Greig N. Paterson {BIO 6587493 <GO>}

No, I'm saying what you booked in the ultimate. That's...

A - David Graham Stevens {BIO 1990356 <GO>}

Well, you see our ultimates. You can take a reasonably accurate view.

Q - Greig N. Paterson {BIO 6587493 <GO>}

Thank you.

Q - Thomas Seidl {BIO 17755912 <GO>}

Thanks. Thomas...

A - David Graham Stevens {BIO 1990356 <GO>}

Excluding IPT.

Q - Thomas Seidl {BIO 17755912 <GO>}

Thomas Seidl from Bernstein. Two questions. On the U.S. side, you're going to reinvest or invest £25 million to £30 million. You showed an improvement in operating metrics. So, if you continue at this trajectory, when do you think you make breakeven and when do you identify a point and you're not getting there? First question.

Second question, are you going to implement a Solvency II internal model anyway or only if you get a substantial capital benefit?

A - David Graham Stevens {BIO 1990356 <GO>}

Andrew?

A - Andrew Rose {BIO 18735195 <GO>}

Our business in the U.S. is progressing quite favorably. So, from that standpoint, we had in line if not more favorable results last year than we have forecast. So, that's at least to the incremental investment. We'll continue to invest in the market as we continue to see favorable trajectory.

As far as breakeven, we don't like to put specific dates out there. It's August 17. I'm just not sure which year. So, we're going to get there as quickly as it makes sense for us to do so. But also we want to make sure that we're taking advantage of all the opportunities in the market, both in the personal lines as well as other market opportunities that might present as well.

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A - Henry Allan Engelhardt {BIO 3022947 <GO>}

On internal model, so what we say in our presentation, in the RNS, is that the standard formula for Admiral doesn't work particularly well. It doesn't capture one of our features of the business model, which is reinsurance from the associate and profit commission that goes with that. So, the rules effectively say if the standard format doesn't work for you as a firm, then you should develop an internal model. And effectively, that's what we're doing. Will we not implement the internal model if we don't get a big capital decrease, no? We'll carry on and implement it anyway.

Q - Cameron Husain

Hi. It's Cameron Husain from RBC. Three questions. First one just on I guess the level of business that you're seeding in the UK, it's dropping to 22%, can you just talk about I guess rationale on kind of medium-term outlook for what that ratio is likely to be?

And the second question just on the U.S. pricing comparison again. Can you just talk a little bit about the competitor environment, what you're seeing there? Are you seeing new people emerging? If they do, what does that do for your business model and breakeven? Thanks.

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A - David Graham Stevens {BIO 1990356 <GO>}

On the UK reinsurance and reinsurance arrangements in general, we're seeing a marked appetite from our existing reinsurers and from new reinsurers to participate with us alongside ourselves and our business. And the decision to take the share that we retained from 25% to 22% was partly because the deals are very attractive and partly because it was an option that let us build our relationships with our existing reinsurers but also opens the door on potential future important relationships.

Andrew?

A - Andrew Rose {BIO 18735195 <GO>}

We've seen a variety of money flow into the comparison space into a variety of competitors as the year has progressed, and we think that our success is drawing some other folks in. Obviously, we want to control as much of the market as we possibly can, but also it's an enormous market. Auto, in and of itself, is a $180 billion opportunity. So, the idea of paving that road all by ourselves, we'll do so if it makes sense, but we love having folks in there for the early parts of the tenure.

It was great to have Google enter a year ago because it said to the market that this is going to be real. Their exit, however, does not look to have much relationship to their performance in the actual insurance business in the United States, rather to an AdWords strategy, as I mentioned today. The opportunity cost relative to the revenue they can make by stealing one of their own paid spots, I think changed as they eliminated the number of advertising spots that they put on their site going forward.

A - David Graham Stevens {BIO 1990356 <GO>}

Can we switch to...

Q - Andreas van Embden {BIO 1795530 <GO>}

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Andreas van Embden, Peel Hunt. Just on your growth in the second half of the year, it seems to have accelerated through this policy count. Could you make a comment around how much of that is high renewals retention rate and how much is new business, and if it's material, the new business growth, where you're taking market share from?

And the second question is about your average premium per policy which is converging with the market. I think you showed an interesting slide last time where you showed you had an 8-percentage-point margin benefit from writing higher average premiums policy in the UK. Now you're seeing competitors entering your segments of the market. Has that sort of margin benefit eroded? Thank you.

A - David Graham Stevens {BIO 1990356 <GO>}

I'll take the second one first. What we said in previous exhibits, in previous presentations, is that to an extent, but only to a limited extent, it's easier to have a good expense ratio with high average premium.

What I think we're gratified to be able to show in this presentation is despite the fact that our relative average premium has been falling, our expense ratio advantage hasn't. So, we're obviously managing to offset the movement in average premium, or they are struggling to benefit from the movement in average premium. It's not clear which is which.

In terms of the growth of the business in 2015 in the second half, we introduced price increases earlier in the market in April of 2014, and we maintained a relatively constant rate during the course of 2015, whereas the rest of the market ticked up faster in the second half than in the first half. And that's one of the reasons why we've grown volume.

Slightly caution on market share. How do you define market share? If you define it by vehicles, yes, we're up. If you define it by premium, we're not that much. In the end of the day, it's premium that matters. What is happening as we go into lower average premium areas is we're exposed to more potential business at a lower average premium.

Did that answer more?

Q - Andreas van Embden {BIO 1795530 <GO>}

Retention, your retention.

A - David Graham Stevens {BIO 1990356 <GO>}

Retention, that hasn't materially been part of the equation. It's stayed very solid, but it hasn't particularly ticked up in the second half as in the first half.

Q - Andrew J. Crean {BIO 16513202 <GO>}

It's Andrew Crean with Autonomous. Three questions, if I can. On compare.com, could you tell us the number of crates and the number of policies you've actually placed in 2015?

Secondly, I wasn't quite sure, on the Solvency II coverage ratio, you talked about 125% to 150%. Was that where you think you'll fall when you get the internal model, or is that the range which you would seek to operate under...

And then thirdly, on the overseas businesses, I think you made a distinction between short-tail and long-tail markets and have been more successful in the more volatile long-tail markets. Could you say whether that has any implications to what your strategy will be in the two different types of market as you go forward?

A - Andrew Rose {BIO 18735195 <GO>}

Visitors were north of 5 million. Quotes were well north - well not well north, of 1 million. And we haven't released our specific sold policies, just treating that as a competitive advantage.

A - David Graham Stevens {BIO 1990356 <GO>}

Geraint, Solvency?

A - Geraint Jones {BIO 19738535 <GO>}

Solvency, 125% to 150% coverage ratio, that's not a done deal effectively yet. So, we'll confirm that over the course of the model development, but the 100% would be the capital requirement at that point, so 25% to 50% would be the margin of both the capital requirement.

Q - Andrew J. Crean {BIO 16513202 <GO>}

Is that where you expect to be or where you want to operate?

A - Geraint Jones {BIO 19738535 <GO>}

That's where we would expect to operate.

Q - Andrew J. Crean {BIO 16513202 <GO>}

Okay.

A - Geraint Jones {BIO 19738535 <GO>}

So, we would expect to operate our Solvency position after paying our dividends, would be somewhere in the region of 125% to 150% relative to our capital requirement at that point, calculated under our model.

Q - Andrew J. Crean {BIO 16513202 <GO>}

Thanks.

A - Henry Allan Engelhardt {BIO 3022947 <GO>}

The short tail/long tail also ties in with size of bodily injury claims. And what it really means is that in the longer tail, bigger bodily injury claims, you have more pricing volatility and you have more - it's a better catalyst for consumers to shop. So, it's easier for us in those markets, but it doesn't mean that there isn't shopping, there isn't change and there isn't distribution change going on in markets with short-tail bodily injury claims.

Q - Olivia Brindle {BIO 17273762 <GO>}

Hi. It's Olivia Brindle from Bank of America. Two questions, please. The first one just trying to understand your current year combined ratios or loss ratios. Appreciate large bodily injury is very volatile, but you must take some sort of view on that in your business planning. So, just wondering what we should expect on that current year loss ratio. Obviously, you've sort of hinted that maybe 2015 was particularly benign on large BI. You don't seem that bullish on pricing outpacing claims inflation at the moment. So, is there a possibility the current year loss ratio actually gets worse from here? Any thoughts on that would be helpful.

And then, secondly, just on the range of 125% to 150%, if you could clarify how you get to that. What is it based on? Presumably, the rating agency requirements are not that relevant for you. Is it based on some kind of stress scenario? Where does that number come from?

A - David Graham Stevens {BIO 1990356 <GO>}

Okay. On the prospects going forward, what I was looking to say was I didn't think enough had happened in 2015 in terms of premium inflation or as much of some commentators have said. And I think that makes me positive about the prospects for premium inflation in 2016 in the sense of that I think more has to happen. Because although 2015 represents a relatively low - potentially relatively low pure year worse points, cyclically speaking, it's still a pretty unpleasant current year profitability for the market as a whole. So, I would anticipate continuing premium inflation in 2016, and that would outstrip claims inflation with positive indications for the current year outcome.

Now, bear in mind, of course, that since our results tend to reflect the results of the business two years or three years ago because of the way we defer the recognition of profit, so you'd be careful about saying what's happened in sort of 2016 versus 2015 and then how that extrapolates into 2016's reported results.

And, Geraint, Solvency?

A - Geraint Jones {BIO 19738535 <GO>}

Solvency, the coverage ratios will be based on our own internal risk appetite rather than rating agencies' considerations. They will be based on stress tests and scenarios. We've shown some of the likely ones in the appendix on slide 52. You'll see that our Solvency ratio is reasonably - is very resilient at this types of stresses that most people will quote. Investment portfolio, short term, weather events, those sorts of things. So we think 125% to 150% is a probable range we'll end up at.

A - David Graham Stevens {BIO 1990356 <GO>}

We're probably running low on time. I am going to take - is there anyone on the phone that wants to ask a question. No, okay. A couple more...

Q - Fahad U. Changazi {BIO 15216120 <GO>}

Good morning. It's Fahad Changazi from Nomura. Can I just ask a philosophical question? Do you remember once upon a time before, the travails of 2011, where we used to wonder where your market share could get to and what you should be worth? Given that there might be some net growth now,

A - David Graham Stevens {BIO 1990356 <GO>}

Yeah.

Q - Fahad U. Changazi {BIO 15216120 <GO>}

And given the market has changed, we have lots of listed players. You talked about insurance-ness of Saga as well? Beforehand you used to talk about still a lot of headroom, still a lot of headroom, will you again reappraise us all on that. How should we be thinking about going forward from here, given how the market's changed? It's being explained, but there's more players. Thanks.

A - David Graham Stevens {BIO 1990356 <GO>}

Okay. Well, I think the experience of 2011 has taught us, indeed, to be much more philosophical about short-term car insurance patterns because, of course, in the event we wrote an awful lot of business in 2011, which gave us a slight wobbliness, turned out to be incredibly remunerative for our shareholders, as well as a positive for the customers in the market in the time where we offered a product where other people were in full flight.

In terms of the prospects, what I think is fair to say is that last time at roughly this point of the cycle, we managed to put on 60% in 18 months, two years in terms of volume. That isn't going to happen again. I take encouragement from the fact that we've put on some volume in the last 18 months.

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And I would hope to make some further progress if premiums increased during the course of 2015 on that front, but it will not be in any sense at the same order of magnitude.

In terms of the competence of our competitors, I think they should be getting better and certain individual companies definitely have. It's always a surprise to me if they don't manage to close the expense ratio advantage, and that is a surprise and, to an extent, a comfort. But I think collectively, the industry is more competent. But I think also that should feed through into the industry being more worth owning collectively than it might have been in the past.

Last question?

Q - Andy Hughes {BIO 15036395 <GO>}

Hi. Andy Hughes from Macquarie. I'm just going to ask the question about the average premium. So, if I think about kind of your strength historically, it's always been the underwriting, has been one of the – not just expenses. And if we look around the market in the course, like with the people at Hastings, you certainly have low expense ratios and they're pretty efficient and everyone's aiming to get to those kind of levels.

So, if your business is more normal in terms of its underwriting today, I'm just a bit confused about the prospect for future reserve releases, which you seem very positive about. Like you told us previously that you had a two-year to three-year lag on profitability coming through the balance sheet, P&L. And obviously, today we have the results or the profits from that exceptionally high period in terms of premiums coming through.

And so, I guess, the first question would be what's special about Admiral today compared to some of the other companies with more efficient structures in that mass market?

The second question would be, I guess, the profitability dynamics from the past and how's that wearing off.

And I think the third question is generally on the cost ratio. So, when I look at the cost ratio here an average premium, 16%, is almost the same as you're paying to a price comparison website. And so retention is going to play a much different part of the – an important part of the business than it did historically. So, is that a more different business today to what it was three years ago in terms of your approach, and what does that mean for earnings and profitability?

A - David Graham Stevens {BIO 1990356 <GO>}

Got so much in that question. I mean, it's...

Q - Andy Hughes {BIO 15036395 <GO>}

Sorry.

A - David Graham Stevens {BIO 1990356 <GO>}

...confidence on reserve releases is partly based on the fact that we always book well above that best estimate. And in fact, we're booking more above that best estimate over the last couple of years than we almost have ever before.

The points about ability to compete in different segments and whether we lose our differentiation as our average premium migrates towards the norm, well, one thing I'd say is we've been there before, if you look at the long-term history, and we've managed to outperform the market on loss ratio. Another answer would be we're only migrating towards that segment because it's giving us a better loss ratio than the segments we're migrating away from. So, that doesn't worry me.

In the expense ratio, retention is an important part of it. And we're very pleased over the last two years, generally, to have seen retention improve and actually outperform the market even though our average premium is above market average. So, how we're doing relative to the competitors in 2015, again, I'd say I'll tell you in 2018, but I think there are reasons to be confident.

So on that note, any last comments?

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A - Unverified Participant

Just before we finish, I'd just like to say a couple of words. And today being the last time that Henry will present Admiral's results, I remember as Chairman very clearly back 11 years ago, when I introduced him to present the first results of Admiral post-float for the 2004 year. Just to remind you, those results were a profit of £105 million from a turnover of £540 million entirely derived from the UK where we had just over 1 million customers.

Well, as you've seen today, 11 years later, we published results with profits and turnover between 3.5 and 4 times their 2004 level from 4.4 million customers across five countries. Our market value at float was just over £700 million. When I last checked my iPhone, our market value today is £5 billion.

It's no coincidence that Henry last week won the Sunday Times' Best Leader award for the third year in succession. Admiral's success is in large part down to the culture that Henry believes passionately is the way in which you get the best out of people. Anyone who'd spent time in our offices and also knows the insurance industry I think recognizes very clearly that Admiral is different. And that difference that Henry has created has brought with it considerable success and significant value for our shareholders.

So, on behalf of Admiral and all who are invested in Admiral, I'd like to take this opportunity both to say a huge thank you to Henry for what he has achieved and also to say that I'm actually delighted that he's going to be continuing to contribute to Admiral's ongoing success. Henry, thank you, and enjoy the time that you will now have more for yourself than you have in the past.

Can I on behalf of the analysts also say a great thank you to you, Henry. I've known you for 12 years. I remember having wrangled with you over the float price at £0.0265 which was rather challenging inside history. Over those 12 years, it's been a real pleasure to read your letters. They come up there along with Warren Buffett's. Not always understood all the analogies which you've drawn, I think it was one to liquidizing frog or a boiling frog or something, but we've got that past.

On a more technical note, analysts love numbers. And I think one of the great things about Admiral has been the ability to analyze you properly because you have had the courage to give numbers. I know that has cost you something. I know that others learned how to do the confused dot.com business because of your openness. But thank you for maintaining that openness and the openness and frankness of the discussion.

One other thing I would say is you always want to follow Henry's share tips. And this is the man who, when David dived in to about £1 or £10 when the shares were going down, he waited and then dived in at £8 and got the absolute low. So it is always worth watching what Henry does. But, Henry, over the 12 years, many, many thanks on behalf of all us analysts.

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A - Henry Allan Engelhardt {BIO 3022947 <GO>}

Thanks. Let's all see you in six months.

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