esure Group plc

Annual Report and Accounts

for the year ended 31 December 2023

Company No: 07064312

Contents

At a Glance

Our Game Changer strategy defines a bold purpose: to fix insurance for good and create the UK's leading digital insurer.

Operating under three distinct brands

esure Sheilas' Wheels First Alternative

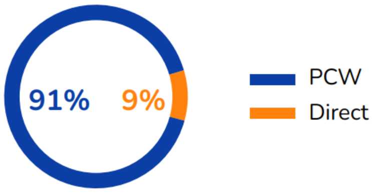
73%
(2022: 74%)
of Group policies that are Motor

£855m
(2022: £722.6m[1])
Turnover

27%
(2022: 26%)
of Group policies that are Home

£114.7m
(2022: £113.4m[1])
Turnover

esure distribution split by channel



esure FLEX

Our esure Flex products are 3* defaqto-rated and provide a more basic level of cover at a typically lower price point

defaqto EXPERT RATED ★★★★★ 2012-2023

Our core 5* defaqto-rated products provide customers with our most comprehensive Home and Motor cover

Delivering digital transformation

Our focus has been on migrating our entire customer base on to the industry-leading technology and data platform that underpins every aspect of our operation. We made solid progress on our migration work within 2023 and were delighted to have successfully completed migration in Quarter 1 2024.

New proposition launches, easy self-service, strong data capability

330k
new esure Flex Motor customers in 2023

esure FLEX
esure Flex Home successfully launched

8x
growth in unique customer log-ins to their online account

2.4m
chatbot interactions with our customers over 2023

78%
of mid-term adjustments can be fully self-served online on our new platform

89%
of customers completing these fully self-serve journeys rate them 4 or 5 out of 5 for ease

90%
of all claim types can be initiated digitally within our new platform

GenAI
summarising customer calls and identifying next best action to enhance speed of service

1.8m
total policies migrated to our new platform using bold mid-term approach

1bn+
over 1 billion customer, policy, claims and billing datapoints migrated across complex programme

248,000
claims successfully migrated to our new platform

83%
of policies flagged as suspicious by Machine Learning tools are confirmed as fraudulent and cancelled

Strong partners

EIS powered by aws databricks braze

[1] All of the 2022 comparatives are re-stated following the adoption of IFRS17 from 1 January 2023, as described in Note 2 of the financial statements.

Financial Year 2023 – Key Facts

Growth
2023

In-force Policies (million)

2.07m

2022: 2.32m

Turnover (£m)[1]

£970m

2022: £836m[2]

Net Insurance Revenue[1] (£m)

£752.1m

2022: £738.6m[2]

Quality
2023

Net Loss Ratio[1]

78.7%

2022: 68.4%[2]

Expense Ratio[1]

23.8%

2022: 24.1%[2]

Combined Operating Ratio[1]

102.5%

2022: 92.5%[2]

[1] Alternative performance measure (APM). The rationale for the use of these metrics, can be found in the Glossary of Terms and Measuring Performance on pages 89 to 93

[2] All of the 2022 comparatives are re-stated following the adoption of IFRS17 from 1 January 2023, as described in Note 2 of the financial statements

Returns

2023

Trading Profit (£m)[1]

-£16.7m

2022: £49.8m[2]

IFRS Loss After Tax (£m)[1]

-£60.1m

2022: -£25.0m[2]

Profit Margin (%)[1]

-2.1%

2022: 6.4%[2]

Underlying Return on Tangible Equity (RoTE) (%)[1]

-10.1%

2022: 11.2%[2]

Solvency Coverage (%)

151%

2022: 149%

[1] Alternative performance measure (APM). The rationale for the use of these metrics, can be found in the Measuring Performance and the Glossary of Terms on pages 89 to 93.

[2] All of the 2022 comparatives are re-stated following the adoption of IFRS17 from 1 January 2023. As described in Note 2 of the financial statements

Strategic Report

Chair's Statement

Strategy

2023 was a landmark year in our strategic transformation.

After significant focus on migration within 2023, we successfully concluded our digital migration in Quarter 1 2024. This was a major milestone in esure Group's drive to become the UK's leading digital insurer and will deliver significant benefits for our business and our customers.

All of our customers will increasingly benefit from our new state-of-the-art technology platform, bringing a more seamless experience whenever customers interact with us, supporting our mission to 'fix insurance for good'.

The efficiencies provided by the new platform will also enhance the future economics of the business. Completion of migration means that related investment comes to an end and dual run costs are removed as we decommission our legacy system in the first half of 2024.

Inflationary pressure within the market persisted throughout 2023. Our cautious approach to pricing and capital management has positioned esure well to successfully navigate a period of industry-wide challenges. Against a backdrop of persistent high claims inflation, we remained focused on long-term profitability and prioritised pricing strength over volume. We continue to closely monitor the macro and market environment but we are confident this strategy has stood us in good stead and provides cause for optimism as we look to 2024 and beyond.

The end of investment in the migration programme and of dual run costs, together with signs of market stabilisation, presents us with an excellent opportunity to profitably grow the business in 2024 and beyond.

We absolutely acknowledge the financial pressures consumers are facing within this inflationary market. Whilst increases to pricing have been unavoidable, we have maintained a focus on providing support to customers. Our customer communication has sought to better explain causes of inflation, whilst also providing resources and guidance for those experiencing money worries. We believe product innovation also has a role to play in alleviating financial pressures. Our recently launched Flex Home and Motor products support customers by offering more basic cover options at a typically lower price point. Continued assessment of fair value and affordability for customers will remain a key focus for us.

Board and Governance

The Board recognises that strong corporate governance is a key factor in delivering sustainable business performance and creating value for our stakeholders. Our Game Changer strategy and related core purpose of Fixing Insurance for Good have remained consistent throughout the year.

We have a very supportive shareholder who likewise remains committed to this ambition.

Elke Reichart will be leaving her role as Independent Non-Executive Director in April 2024. Elke's transformation expertise and counsel have been hugely valuable in shaping our progress and the Board and I thank Elke for her significant contribution throughout her tenure.

People and Culture

All our employees are key in fostering a business centred on customer-inspired innovation, collaboration and agility. Our teams have worked at pace and with dedication to progress the transformation and I am hugely grateful to all our colleagues for their hard work in delivering great value to all stakeholders. I would particularly like to thank our customer service teams. I know there have been periods where our levels of customer service have fallen short of the standards we expect to deliver. The Board is giving this significant focus and is encouraged by the progress the Executive team are making now that the new platform is fully embedded. Continuing to drive improved customer experience will be a priority throughout 2024 and I thank our customer service teams for their continued dedication to supporting our customers during a challenging time.

Investment

The concerted efforts of our team to migrate all customers on to our new platform creates exciting opportunities in the short, medium and longer term, whilst ending related investment and dual run costs.

Outlook

Promisingly, the market has moved in line with our approach to disciplined, sustainable pricing, representative of our costs. Reinforced by the completion of our migration and corresponding reduction in transformation investment, I am confident this will present excellent profitable growth opportunities going forward. We have made very encouraging progress and head into 2024 optimistic of our ability to leverage the capability of our new platform and deliver an enhanced experience for our customers.

Andy Haste
Chair of the Board of Directors

Chief Executive's Review

2023 has seen another year of significant investment in the business and strong progress in our transformation journey. This investment will deliver competitive advantage for us in 2024 and beyond, through a combination of enhanced efficiency, risk selection, pricing and customer service. Although we have seen weak profitability in 2023, the transformation progress made, alongside improving market conditions, give us an excellent platform from which to deliver profitable growth.

Market backdrop and trading

While the past two years have been challenging for UK personal lines insurance, I am proud of how the whole esure team has pulled together to navigate these headwinds, while keeping focus on building a better business for our customers and shareholders, for the long term.

Having recognised the highly inflationary environment and unsustainably weak levels of market pricing relatively early, we moved more quickly and significantly than the market to add rate. We have maintained our disciplined approach to pricing throughout the year, prioritising written profitability over policy volume. As a result, turnover has increased by 16% to £970m and Motor Average Written Premium has increased by 38%, off-setting a policy count reduction of 11%. We have also reduced the risk profile of the Motor and Home business during this period.

We finish 2023 with a robust, adequately priced book of business underpinned by a prudent reserving policy. Trading conditions have been challenging with the market slow to price for persistent high inflation and increasing claims frequency. Whilst these factors have contributed towards weak 2023 earned profitability, the written profitability of our business is now extremely strong and comparable to pre-Covid levels. We maintain a cautious assessment of the outlook for both on-going severity inflation and the potential for frequency to continue increasing from the lows seen during Covid. However, the launch of new propositions, trading algorithms and cross-selling capability makes us optimistic about our ability to grow profitably in 2024.

Our shareholder shares this optimistic outlook and has supported investment in the business with additional capital. This, combined with us successfully navigating a challenging trading environment, means our solvency position finished the year in the middle of our operating range at 151% and our outlook is for improving capital generation in 2024, as the level of spend on transformation reduces, cost efficiencies are realised and written profitability earns through.

Business transformation

We start 2024 in a strong position with our customer base on a new, industry-leading, cloud native platform. Having come to the end of a period of elevated technology spend where we have prioritised allocation of capital to our transformation project, we look forward to harvesting the fruits of our investment.

Our focus has been on reaching the most significant milestone yet in our transformation journey: the migration of all customers, across all three of our brands, to our new digital platform. We made solid progress on this complex, business-wide migration exercise throughout 2023 and were delighted to complete the migration within the first few weeks of 2024.

The completion of this multi-year programme will deliver multiple areas of competitive advantage for us in 2024 and beyond.

Our platform is fully cloud enabled with a single operational view of the customer, a growing offering of digital self-service options for customers and a rich, proprietary data capability. With all customers now increasingly benefiting from the enhanced service and claims handling experience that our platform provides, our focus is on optimising these experiences. We will support customer adoption of digital journeys and identify ways of continually making those journeys more intuitive, quick and easy, in line with our core purpose of fixing insurance for good.

Our platform enables more sophisticated pricing and risk selection and delivers greater operational efficiency, making colleagues' tasks and processes simpler. The platform also increases the speed with which we can launch new products and propositions, and allows seamless integration with suppliers and partners, opening up additional avenues for growth.

Colleagues and Customers

I am immensely proud of our progress this year. Delivering a highly complex, business-wide transformation programme demonstrates the expertise, focus and tenacity of our teams and the agile, entrepreneurial culture in which we operate. None of this would have been possible without the hard work and dedication of my colleagues, and I would like to take this opportunity to thank them for their commitment to our customers and to our values.

I am delighted that we have continued to strengthen our leadership team by appointing Anton Ossip to the role of Chief Claims Officer. Anton brings significant experience from the South African market where, as CEO of Discovery Insure, he successfully scaled an innovative insurtech into a market leader. Anton's experience and customer-first thinking are well attuned to our ambition to fix insurance for good.

On behalf of the Board, I would like to give our sincere thanks to my Executive team colleagues who have left esure Group in 2023. Kirsty Whitehead (General Counsel), Graham Hughes (Chief Claims Officer) and Roy Jubraj (Chief Strategy Officer) all leave with huge thanks for all they have done to drive our progress and with best wishes for the future.

We are acutely aware of the financial pressures high inflation is causing for our customers. Persistent industry-wide high inflation and claims frequency returning towards pre-Covid levels have led to substantial price increases both for our customers and more broadly across the market.

It has also placed significant strain on service levels at various times throughout the year. Mitigating these impacts and delivering excellent customer service remains a major focus for the Company.

esure Flex, our 3* defaqto-rated Motor product, was launched in Quarter 4 2022 to provide customers with a more basic level of cover at a typically lower price point. It has continued to scale, adding 330,000 customers during 2023. Recognising the appeal of the product and the importance of affordability, we launched a 3* Home product in Quarter 4 2023, increasing the breadth of options we provide to customers.

ESG

Building on our ongoing commitment to previously stated net zero targets, aligned with the ABI's climate change roadmap, we have reduced our Scope 1&2 carbon emissions by 85% from our 2013 baseline, and this year off-set 110% of our prior year Scope 1&2 emissions. We were pleased to receive a very strong 90% score from ClimateWise's assessment of our approach to combatting climate change and to be nominated for Sustainability Initiative of the Year at the Insurance Times Awards 2023, for our continuing work on supply chain decarbonisation.

We are delighted to have become one of Shelter's corporate charity partners and will be raising funds to support their work to combat homelessness. We have also continued our support of Brake, the road safety charity, raising awareness of the importance of road safety and cleaner air for children travelling to and from school.

Outlook

In 2023 we observed a steady improvement in market conditions as pricing returned towards more sustainable levels, offsetting recent claims inflation trends, and the return of claims frequency towards pre-Covid levels.

Having taken action to strengthen pricing ahead of the market we believe our pricing adequacy has now been restored to historic levels and, as a result, esure is well positioned to capitalise on this and deliver profitably into 2024. With inflation still a factor, we will remain committed to a sustainable pricing strategy and the active management of our risk exposure.

The end of migration investment and removal of dual run costs associated with our legacy system, combined with signs of market stabilisation and the economic advantages our new platform will bring, present us with an excellent opportunity to profitably grow the business.

David McMillan
Chief Executive Officer

Business Model – Driving Value

Our operating model supported by our strategic priorities drives growth, quality and returns.

Our Strategic Focus

Digital Leadership

In quarter 1 2024 we completed migration of our customer base on to our flexible, scalable technology platform, unlocking better customer experience and a lower expense ratio.

Enhancing Value

We are focused on delivering better outcomes for customers; delivering competitive products and frictionless, intuitive experience.

Exceptional Culture

Our team bring customer focus, insurance knowledge, technological expertise and a passion for our core purpose of fixing insurance for good.

A More Sustainable and Safer World

We seek to make everyday life safer and more sustainable; working hard to reduce our impact on the environment, whilst being a force for good within society.

What We Do

Great Value Products

Customer insight informs smart product and proposition design, delivered at competitive prices.

Excellent Customer Service

Combining seamless digital journeys with human service when it matters most.

Effective Claims Management

Expert, efficient, empathetic Claims management ensures we deliver for customers when they need us most.

Leading Data Science and Risk Selection

Extensive data assets and advanced data science inform our forensic understanding of insurance risk.

Efficient Balance Sheet

Our active risk management, reinsurance relationships and strong underwriting capability allow us to maintain an efficient balance sheet and generate enhanced long-term returns.

Low Cost Operations

With our focus on cost efficiency and investment in empowering customers to use digital channels, we strive to deliver leading unit economics.

How we share value with our stakeholders

Our Customers
We deliver high-quality, competitive products with intuitive and empathetic service

Read more on pages 10-13

Our Corporate Partners
Cost-effective customer acquisition via access to millions of informed customers on Price Comparison Websites.

Read more on page 15

Our Colleagues
We are committed to fostering a supportive and inclusive working environment focused on employee wellbeing.

Read more on pages 46-50

Our Investors
We work to deliver long-term returns for our shareholder, and through the cycle, deliver profitable growth

Read more on pages 46-50

Our Communities
We strive to make a positive impact through charity partnerships and colleague volunteering.

Read more on pages 46-50

Strategic Framework

Our purpose

Our purpose is to fix insurance for good and, in doing so, deliver growth, quality and long-term returns.

The four strategic pillars of our Game Changer strategy are:

1. We are creating the UK's **leading digital insurer**, built on industry-beating technology capabilities.
2. This will **enhance value**, delivering better outcomes for our customers and further strengthening our business.
3. esure's **exceptional culture** (diverse expertise, customer obsession, modern, collaborative and agile) will be key to our success.
4. We use our know-how to make **the world more sustainable and safer**.

1 Digital Leadership

We are creating the UK's leading digital insurer, built on industry-beating technology capabilities.

Delivering platform migration

Our bold migration approach of moving policies mid-term in risk-based tranches allowed us to migrate our entire customer base substantially faster than the typical renewals-based approach. Whilst the latter approach takes at least 12 months, delaying benefit delivery, we were able to migrate our entire Home customer base in just seven weeks.

As of Quarter 1 2024, we successfully migrated:

1.8m
policies

1bn+
policy datapoints

248,000
claims

7 weeks
Our entire Home customer base was migrated in just 7 weeks

Digital channel adoption

All our customers can now benefit from the enhanced experience our new platform delivers. We have continued work to launch new products and grow the number of digital journeys available to customers, providing better means of quickly and simply getting things done.

78%
of mid-term adjustments can be fully self-served end-to-end online

89%
of customers using these end-to-end experiences rate them 4 or 5 out of 5 for Ease

87%
of all Change of Mileage updates from customers on the new platform were processed entirely via digital channels

60:40
In January 2023, Telephony accounted for 88% of all customer contact, with 12% via LiveChat. In December 2023, this was 60 Telephony and 40% Live Chat

Having seen encouraging shifts in customer adoption of digital service options, we will continue to support and encourage greater use of digital channels, whilst providing human support where needed.

Leading data capability

Our data capability is one of our greatest assets. The Data Science team have successfully integrated proprietary machine learning models into our technology platform and are working across Pricing, Claims, Operations and Marketing to deliver improved customer outcomes and commercial benefit.

Highlights include:

AI

Generative AI, managed in a responsible manner, helps us summarise customer calls and identify the next best action, improving the speed with which we are helping customers and making things easier for colleagues

Working with the Alan Turing Institute, we have co-produced an academic paper outlining Reinforcement Learning research on an entirely new way of pricing within the market

123 price changes implemented, including 22 new proprietary rating factors and enhancements to Machine Learning pricing models, delivering rapid response to claims inflation and market data

83% of policies flagged as suspicious by Machine Learning tools are confirmed as fraudulent and cancelled

2 Enhancing Value

We enhance value, delivering better outcomes for our customers and further strengthening our business.

Launching products to meet customer needs

Our new platform gives us the ability to quickly launch new products and propositions, enabling us to leverage insight to respond to customer demand, boosting consumer choice. The platform can seamlessly integrate with suppliers, providing opportunities for new partnerships and additional growth.

In 2023 we have:

330k
Scaled our esure Flex Motor product to over 330,000 policies

esure FLEX
Launched our equivalent esure Flex Home product

defaqto EXPERT RATED ★★★★★
Relaunched our esure core 5* defaqto-rated Motor product across all PCW partners

Ensured all newly acquired and migrated customers can benefit from the enhanced experience our new platform delivers

Prioritised our plans for future proposition launches

Transforming Claims

Making a Claim is a key moment of truth for our customers. Our ability to support customers with expertise, efficiency and empathy, at a time when they need us most, has a massive bearing on our ability to grow positive brand perceptions and to retain their custom. We are transforming our end-to-end Claims experience with new features on our Claims platform including:

- Digital First Notification of Loss (eFNOL): customers can now initiate 90% of Claim types digitally
- Connected service channels pass information seamlessly across telephone, livechat and chatbot to improve customer experience
- Integrated damage assessment tools, which use customers' own photos to support their Claim
- Giving customers the ability to appoint their repairer
- Notification centre keeps customers informed of their Claim's progress
- Electronic payments get timely settlement payments straight into customers' bank accounts

3 Exceptional Culture

Exceptional culture will be key to our success.

We believe that fixing insurance for good can only be done through the combination of insurance and digital expertise. Our team has been hand-picked to provide the diverse range of skills we need and is then given the tools to work together to develop outstanding customer experience.

2023 progress

We have continued to review the skills we have in the business, delivering the internal digital capability we need to optimise what we have built for customers and to drive profitable growth. This has involved moving toward our long-planned target operating model, making initial headcount reductions in some areas and focusing on knowledge and skills transfer from our partners to our colleagues as the former roll-off our transformation programme.

Game Changing Talks

Our series of all colleague events help us connect in-person, share progress and celebrate success

Inclusion

Bespoke senior leader workshop on how to nurture an inclusive culture in which all colleagues can thrive

Embracing hybrid working

Empowering our colleagues to balance the needs of the team, the individual and the business

Leading Change

Course delivered to >200 people leaders, building a culture of adaptability, ownership and accountability

Supporting parents

We have enhanced our policies to support all parents

4 A More Sustainable and Safer World

Using our know-how to make the world more sustainable and safer.

We strive to be a force for good for customers, colleagues, the communities we are proud to serve and for the environment.

We believe that unmitigated climate change is a key risk for the insurance industry as well as a systemic threat to our society and we are committed to playing our part in helping the UK transition to a sustainable, low carbon economy.

As a motor insurer, we are naturally passionate about creating safer roads for our customers and their families.

2023 progress

Social initiatives:

We were delighted to become corporate charity partners of Shelter, supporting their fantastic work to combat homelessness

We support Brake's Kids Walk where over 110,000 primary school children took part to demand their right to safer roads and cleaner air

We have 130 colleagues in our Women in Data community and were awarded Women in Data Partner of the Quarter, Quarter 3 2023

All esure colleagues receive two paid volunteering days. Teams use these for a variety of good causes including supporting food banks, nature conservation and charity shops

Environmental initiatives:

We were proud to have scored 90% in ClimateWise's assessment of our action to combat climate change

We were shortlisted for Sustainability Initiative of the Year at the 2023 Insurance Times Awards for our work on supply chain decarbonisation

Through our support of GreenTheUK, we planted three hectares of wildflowers to help UK pollinators thrive, as well as sponsoring five sea kelp sites, aiding biodiversity and carbon sequestration

100% of our branded bodyshops and over 93% of our total Motor repair network are carbon neutral

Investment Case

The Group is well positioned to drive value and is looking to do so by focusing on our three key priorities:

Growth

Our mission is to become the UK's 'go to' digital personal lines insurer and as a result deliver long-term sustainable growth for the Group.

The Group has 2.07 million In-force Policies and delivers award winning customer service. While we distribute directly to consumers using our established brands, the majority of our distribution is through Price Comparison Websites, the customers' channel of choice.

We have an opportunity to serve more customers' home and motor insurance needs through the cautious growth of our competitive underwriting footprint.

Our Game Changer strategy is bringing together digital transformation with our customer-centric approach to build a significant competitive advantage in this highly fragmented, profitable market.

We recognise that there will be periods when market conditions are not conducive to near-term growth and, in those circumstances, we will take a long-term view and demonstrate pricing discipline at the expense of short-term growth.

Quality

In addition to maintaining our core insurance disciplines our transformation programme has built an advanced digital platform. With the entire customer base now supported by this new platform, we are well placed to deliver low-cost personalised customer experience using advanced data science to optimise customer service. The flexibility and ability to scale and customise the platform will allow us to expand the propositions offered and to further improve our management of insurance risk.

We have an experienced, high calibre and diverse management team with deep expertise in insurance, technology, customer experience and data to allow the Group to deliver on its promise to fix insurance for good.

Returns

The combination of the Group's trading and underwriting performance with its efficient balance sheet structure is expected to deliver strong profitability over the medium term. Our disciplined financial and risk management approach and cautious reserving philosophy give the Group its strong balance sheet.

We expect our Game Changer strategy to support already strong underwriting, pricing and claims management discipline through further automation and data science capabilities.

Financial Review

Key Performance Indicators ('KPIs')

Growth
2023

In-force Policies (m)
2.07m
2022: 2.32m

Turnover[2] (£m)
£970m
2022: £836m[1]

Net Insurance Revenue[2] (£m)
£752.1m
2022: £738.6m[1]

Retention Rate (%)
67%
2022: 71%[1]

Quality
2023

Net Loss Ratio (%)
78.7%
2022: 68.4%[1]

Expense Ratio
23.8%
2022: 24.1%[1]

Employee Engagement
6.7
2022: 7.2

[1] All of the 2022 comparatives are re-stated following the adoption of IFRS17 from 1 January 2023, as described in Note 2 of the financial statements.

[2] Alternative Performance Measure (APM) – the rationale for the use of these metrics can be found in the Glossary of Terms and Measuring our Performance on pages -89 to 93

Complaints (% of policies)

1.32%

2022: 1.0%

Referrals to the Financial Ombudsman (% of policies)

0.04%

2022: 0.03%

Combined Operating Ratio (%)

102.5%

2022: 92.5%[1]

Returns
2023

Trading (Loss)/Profit (£m)

-£16.7m

2022: £49.8m[1]

Profit Margin (%)

-2.1%

2022: 6.4%[1]

Loss After Tax[2] (£m)

-£60.1m

2022: -£25.0m[1]

Underlying RoTE (%)

-10.1%

2022: 11.2%[1]

Solvency Coverage (%)

151%

2022: 149%

[1] All of the 2022 comparatives are re-stated following the adoption of IFRS17 from 1 January 2023, as described in Note 2 of the financial statements

[2] Alternative Performance Measure (APM) – the rationale for the use of these metrics can be found in the Glossary of Terms and Measuring our Performance on pages 89 to 93

2023 was a year of disciplined trading against heightened claims inflation and a return of claims frequency towards pre-Covid levels. The end of the year marks a significant milestone in esure's transformation journey and has seen pricing adequacy restored.

The Group maintained focus on pricing and underwriting discipline above short-term policy growth. Looking forward, the Group now believes it is very well positioned to capitalise on improving market conditions, underpinned by a material improvement in written underwriting profitability, and the successful migration of all policies on to the new technology platform.

Financial Summary

Year ended 31st December	2023	2022 Restated
£m		
In-force policies	**2.07**	2.32
Turnover[1]	**969.7**	836.0
Motor trading profit[1]	**21.5**	90.2
Home trading profit/(loss)[1]	**1.1**	-6.0
Central trading costs[1]	**-39.3**	-34.4
Trading (loss)/profit[1]	**-16.7**	49.8
Exceptional investment performance	-2.2	-10.6
Non-Trading costs	-57.3	-67.2
Finance costs[1]	-12.4	-8.8
Loss before tax[1]	**-88.6**	-36.8
Loss Ratio[1]	**78.7%**	68.4%
Expense Ratio[1]	**23.8%**	24.1%
Combined Operating Ratio[1]	**102.5%**	92.5%
Profit margin[1]	**-2.1%**	6.4%
Return on tangible equity[1]	**-10.1%**	11.2%
Solvency Ratio	**151%**	149%

[1] All of the 2022 comparatives are re-stated following the adoption of IFRS17 from 1 January 2023. As described in Note 2 of the financial statements

Financial Overview

Conditions across the Motor and Home insurance markets were competitive whilst high levels of claims severity inflation remained a feature and Motor claims volumes returned towards pre-Covid levels. However, these drove meaningful price increases across the market where the Association of British Insurers reported a 25% increase in average written premium across Motor and 13% across Home.

Against this backdrop, esure maintained its focus on pricing and underwriting discipline prioritising margin over outright growth in volumes. Written rate significantly exceeded the market for both Motor and Home business with Motor average written premium increasing by 38%. This pricing discipline together with a decision to prioritise the allocation of capital to our Transformation programme led to a 11% decrease of in-force policies.

Group Trading Profit, esure's measure of underlying long-term profitability, reduced to a loss of -£16.7m (2022: £49.8m). The reduction was due to weaker written profitability earning through from 2022 and a continuation of heightened Motor claims inflation in the first half of the year. Claims frequency also continued to increase towards pre-Covid levels. However, prioritisation of rate and risk selection during the year has significantly improved written underwriting margin. This is expected to materially benefit 2024 earned profitability and leaves esure well placed to grow in the future.

Significant focus on the Group's transformation activities continued throughout 2023, with a further £57.3m (2022: £67.2m) of Non Trading costs during the year, primarily relating to the Group's Transformation programme. As a result, esure's overall level of profitability reduced to a reported loss before tax of -£88.6m (-£36.8m). Having successfully completed the migration of all policies onto the new technology platform during Quarter 1 2024, this cost is expected to materially reduce in 2024 as only residual costs relating to programme run-off will remain. The business also continued to incur approximately £10m of dual run trading costs in 2023 resulting from legacy technology infrastructure that will be decommissioned in the first half of 2024.

Group solvency coverage remains within the target operating range at 151% (2022: 149%) with the increase driven by a combination of equity capital injection and underlying business performance, offset by continued spend on the Group's Transformation programme.

Turnover

Year ended 31 December	2023			2022 Restated		
£m	Motor	Home	Total	Motor	Home	Total
In-force policies (million)	1.50	0.57	**2.07**	1.72	0.61	**2.32**
Gross written premiums	769.4	99.4	**868.8**	639.4	96.4	**735.8**
Instalment income	52.0	5.5	**57.5**	45.2	5.5	**50.7**
Admin and cancellation fees	17.7	0.6	**18.3**	20.0	0.7	**20.7**
Other ASR income	15.9	9.2	**25.1**	18.0	10.8	**28.8**
Turnover	855.0	114.7	**969.7**	722.6	113.4	**836.0**

Group turnover increased 16% during 2023 as a result of significant price increases across both Motor and Home with this pricing discipline resulting in an 11% reduction of in-force policies.

Underlying price increases of 51% on Motor together with targeted reductions in risk mix resulted in a 38% year-on-year increase in average written premium. In-force policy count reduced by 11% to 1.50m (2022: 1.72m) as the business prioritised margin with the impact partially mitigated by the successful scale-up of the Motor Flex product on the new technology platform. Motor gross written premium increased by 20% accompanied by growth in instalment income driven by the higher average premiums, offset partially by lower policy fees and other ASR income, largely due to lower volumes. Overall Motor turnover grew by 18%.

Similarly, underlying price increases on Home of 34% led to a 12% year on year increase in average written premium after taking account of action to reduce the risk profile of business underwritten in the year. In-force policy count reduced 7% to 0.57m (2022 0.61m) reflecting the strength of pricing action relative to the market. Home gross written premium and turnover increased by 3.1% and 1.1% respectively.

Net Loss Ratio

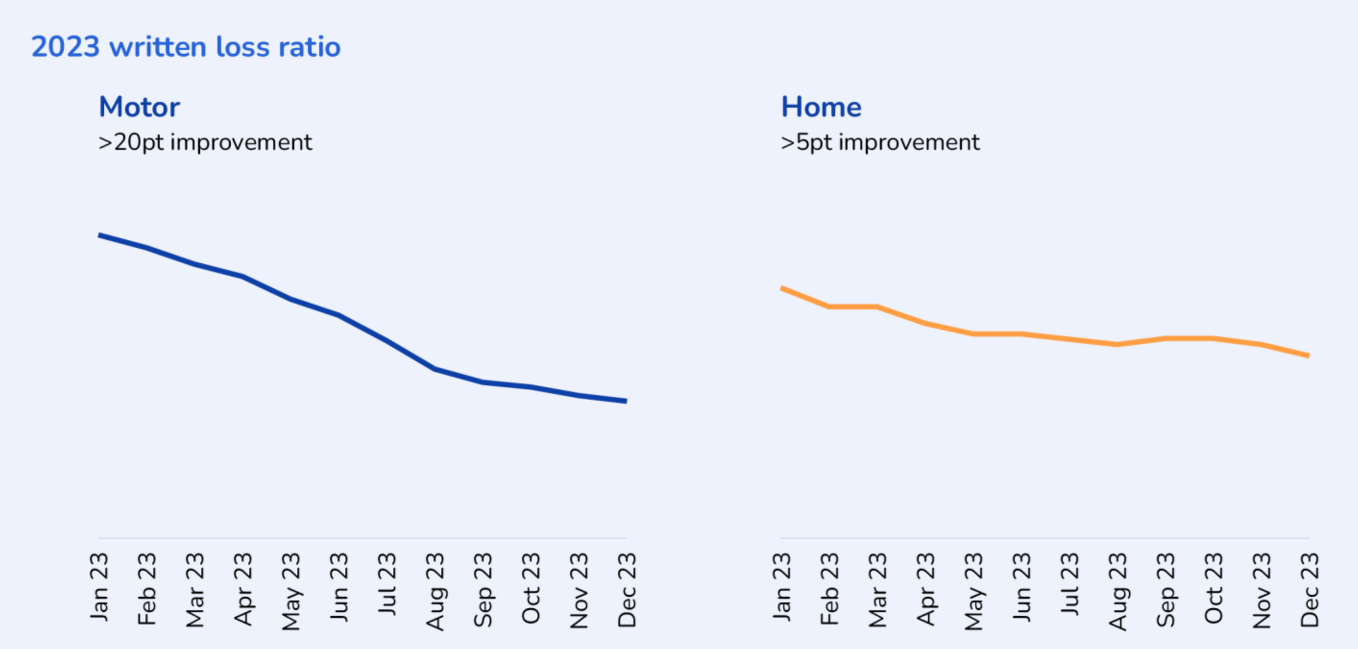
Year ended 31 December	2023			2022 Restated		
%	Motor	Home	Total	Motor	Home	Total
Current accident year	81.4	81.9	**81.5**	77.7	72.7	**77.0**
Weather impact versus. Normalised expectation	n/a	-4.7	**-0.6**	n/a	13.7	**1.8**
Prior year reserves	-2.6	0.5	**-2.3**	-11.6	-3.0	**-10.4**
Reported Net Loss Ratio	78.8	77.7	**78.7**	66.1	83.4	**68.4**

Total Reported Net Loss Ratio increased by 10.3pts to 78.7% during 2023. Whilst written premiums and underwriting margin have materially benefitted from price increases during the year, the full impact will not be reflected until 2024.

Motor Reported Net Loss Ratio increased by 12.7pts, with the current accident year loss ratio increasing by 3.7pts. The current year loss ratio reflects continued market wide claims severity inflation across damage loss costs and an increase in claims volumes towards pre-Covid levels, partially offset by higher pricing levels. Prior year favourable reserve releases were 9pts lower in 2023 reflecting the higher inflationary impact on 2022 claims, somewhat off-set by releases on earlier accident years.

Home Reported Net Loss Ratio reduced 5.7pts, primarily driven by continued efforts to manage the risk profile away from volatile perils (e.g. Flood). The portfolio benefited from a more benign year for severe weather that had been a significant feature of 2022.

The significant increase in pricing strength over the course of the year has resulted in a sharp reduction in the expected loss ratio for business written in the final quarter of 2023 compared to business written at the start of the year, with the Quarter 4 Motor written loss ratio over 20 percentage points lower than the written loss ratio in quarter 1. Over the same period, the Home written loss ratio is over 5 percentage points lower.



Expense ratio

Year ended 31 December	2023			2022 Restated		
%	Motor	Home	Total	Motor	Home	Total
Expense ratio	22.5%	33.3%	**23.8%**	22.7%	33.4%	**24.1%**

The expense ratio remained broadly flat year on year as a result of the Group's continuing efforts to pro-actively manage its cost base. The Group's operating expenditure in 2023 includes the impact of carrying approximately £10m of dual run costs related to esure's legacy technology platform which is due to be decommissioned in the first half of 2024 following the successful migration of policies to the new platform.

Investment income

Year ended 31 December	2023			2022 Restated		
£m	Motor	Home	Total	Motor	Home	Total
Investment income	30.5	4.1	**34.6**	16.5	3.1	**19.6**
Exceptional investment performance			**-2.2**			**-10.6**
Total investment income			**32.4**			**9.0**

The Group deploys a conservative investment strategy with the primary objectives of capital preservation and maintaining liquidity. Through close alignment of the asset and liability durations the Group can deliver appropriate returns while minimising earnings and capital volatility. Investment income is allocated to the Motor and Home portfolios and reported within their respective Trading Profit figures, and in 2023 increased due to improving yields.

In 2022, the rising interest rate environment resulted in a degree of volatility for fixed income investments resulting in exceptional investment losses being recognised in the income statement. In order to give a better view of the Group's underlying profitability, Trading Profit was restated to remove these exceptional investment losses. These losses primarily related to valuation movements arising from the impact of the increase in the interest rate environment on bond portfolios held at fair value through the profit and loss account. The majority of these losses were realised during 2022 as the Group continued to reduce the level of risk within the investment portfolio. In 2023 the level of exceptional investment performance materially reduced, to -£2.2m (2022: -£10.6m) and the average yield available on reinvestment in the bond portfolio increased to 4.5% (2022: 4.4%).

Profitability

Year ended 31 December	2023				2022 Restated			
£m	Motor	Home	Central	Total	Motor	Home	Central	Total
Trading (Loss)/Profit	21.5	1.1	-39.3	-16.7	90.2	-6.0	-34.4	49.8
Profit margin				*-2.1%*				*6.4%*
Exceptional investment performance				-2.2				-10.6
Non-trading costs				-57.3				-67.2
Finance costs				-12.4				-8.8
Loss Before Tax				-88.6				-36.8

Non-trading costs

The Group continued to invest heavily in strategic transformation activities with 2023 marking the final year of significant activity across the transformation programme. £56.2m of the non-trading costs incurred in the year related to the transformation programme (2022: £63.6m) with the total spend on transformation amounting to £202m since the programme started in 2021. The expenditure, which is not expected to be an on-going feature of the Group's cost base, relates to delivering operational efficiency and excellent customer experience. 2024 is expected to see further benefits emerge through operational efficiencies reducing the marginal cost to serve, as well as reduction in dual run costs as legacy technology infrastructure is fully decommissioned.

Finance costs

The Group incurred £12.4m (2022: £8.8m) of finance costs related to Tier 2 Subordinated Debt. The £125.0m 6.75% ten-year Tier 2 Subordinated Notes issued on 19 December 2014 were substantially refinanced in June this year with £100m redeemed and replaced by £100m 12.0% ten-year Tier 2 Subordinated Notes. The £75.0m 6.0% Restricted Tier 1 issuance on 22 July 2021 is accounted for under IFRS as equity, therefore the coupon is recognised on payment through other comprehensive income rather than as a finance cost.

Reinsurance

The Group purchases reinsurance as a risk transfer mechanism to mitigate risks that are outside the Group's appetite for individual claim or event exposure and to reduce the volatility caused by large individual and accumulation losses. By doing so, this reduces the impact that an event can have on the capital position and underwriting results in both Motor and Home. The Group's reinsurance programmes are due for renewal annually on either 1 January or 1 July.

Currently, the Group has in place non-proportional excess of loss reinsurance programmes for its Motor and Home underwriting activities. The purpose of these programmes is to provide cover for both individual large losses, for Motor and Home, and accumulation losses arising from natural and other catastrophe events for Home. Motor and Home reinsurance treaties are in place covering all years in which the Group has underwritten policies.

In 2023, the Group also had 40% whole account quota share reinsurance in place with various long standing reinsurance partners (2022: 40%).

The 2024 Motor excess of loss programme has been finalised with a significant reduction in the rate payable to reinsurers reflecting the substantial increase in average written premium over the course of 2023.

Solvency

The Group seeks to maintain an appropriate level of capitalisation and solvency to ensure that regulatory requirements are met with a prudent buffer and to ensure that there is sufficient capital available to fund profitable growth opportunities.

The Group's solvency coverage remains within our desired operating range at 151% with Eligible Own Funds of £418.2m at 31 December 2023 (2022: 149% and £389.6m). The impact of continued investment in the Transformation programme was offset by the issuance of £47.5m of new equity in Quarter 2. The Solvency Capital Requirement increased to £277.5m (2022: £260.7m), reflecting increased levels of reserves and future premium forecasts, partly offset by reduced levels of market risk.

The Group's capital position is outlined below:

Year ended 31st December	2023	2022 Restated
£m		
Own Funds	418.2	389.6
Tier 1	279.4	259.2
Tier 2	138.7	130.3
Solvency Capital Requirement	277.5	260.7
Coverage Ratio	151%	149%

Dividend policy

The Board considers issuing dividends to its Shareholder if the Group has excess capital and distributable reserves. The Board considers several factors when determining the level of dividend, which include but are not limited to the level of available distributable reserves, opportunities for growth, potential strategic opportunities, and the outlook for solvency capital, including capital generation and headroom required to absorb adverse capital events.

esure Group plc, the parent Company of the Group, is a non-trading holding company that derives its profits from dividends paid by its subsidiary companies. The Board reviews the level of distributable reserves and aims to maintain distributable reserves that provide sufficient cover for dividends.

The Group paid no dividend during 2023 (2022: £2.0m).

Outlook

The Group is well placed to capitalise on an improved outlook:

1. **Market environment:** As peers seek to restore profitability to meet target returns, esure is well placed to grow should conditions remain favourable having exceeded market rate increases during 2023.
2. **Margins:** Significant improvement in pricing adequacy and written underwriting profitability is expected to benefit 2024 earned profitability and capital generation.
3. **Transformation:** The Group expects to realise the benefits of the transformation programme through the delivery of enhanced customer experiences, operational efficiencies reducing the marginal cost to serve including the end of dual running costs, and a material reduction in transformation spend.

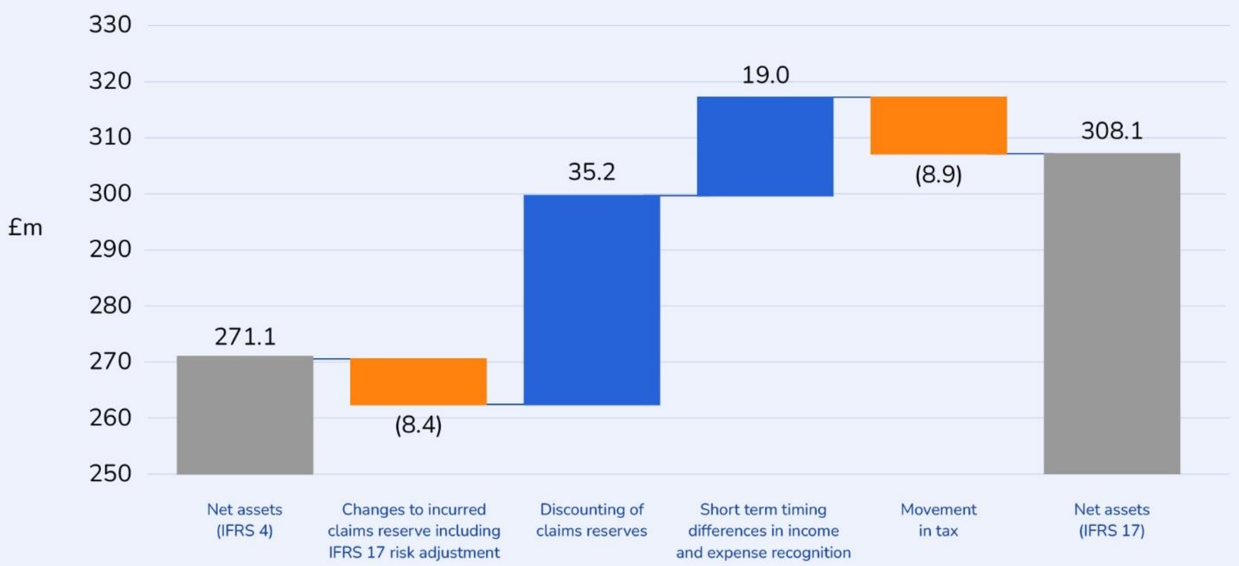
Transition to IFRS17

2023 marks the first year in which esure reports its financial results under IFRS17. The new standard replaces IFRS4 and establishes new principles for the recognition, measurement and presentation of insurance and reinsurance contracts, and is effective from 1 January 2023. IFRS17 does not change the underlying economics of the business. However, esure's alternative performance measures (APMs) have been redefined to better align to the new standard (see appendix for definitions).

Notable changes under IFRS17:

- Discounting of claims reserves whereby all claims will now be discounted using the risk free yield curve plus illiquidity premium with the unwind and change in discount rate recognised separately within Insurance Finance Income / Expense and Other Comprehensive Income respectively.
- Timing differences mainly relating to the recognition of premium instalment income, which under IFRS4 was earned in alignment with the outstanding amount but IFRS17 is earned in line with premium and the recognition of acquisition costs over the customer lifetime. Which under IFRS4 were expensed over the lifetime of the annual policy.
- Under IFRS 17 the use of a probability weighted best estimate of liabilities leads to the inclusion of events not in data (ENIDS). IFRS17 also introduces the concept of a risk adjustment to be included within the liability for incurred claims which reflects the non-financial risk in the claims reserving. The inclusion of management margin in claims liabilities under IFRS4 is no longer required as a consequence.
- Unwind of discounting relating to reinsurance contracts previously presented under finance costs are now classified within the Insurance Service Result.
- Tax has been calculated on the Day 1 adjustment at the prevailing rate.

The impact on 2022 net assets was as follows, £m:



The impact on 2022 income statement was as follows, £m:

Risk Management

Our risk management approach continues to ensure a consistent and robust management of risks and opportunities across the business to support The Game Changer strategy, with a particular focus this year on embedding new processes and controls from our Transformation programme.

Risk strategy

We have strategic risk objectives (shown below) aligned to The Game Changer strategy and Risk Management framework which informs the way we think about risk within the business. These objectives are owned by the Board and supported by measurable statements of risk appetite and Key Risk Indicators to provide the basis for the Group's strategic decision making and business planning. A range of quantitative and qualitative measures of risk, against which the actual or planned exposures and uncertainties are regularly monitored and reported to the Group Executive Committee, the Risk Committee and the Board.

Key Risk Theme:	Financial Sustainability	Solvency & Liquidity	Customer	Operational Risk & Reputation
Strategic Risk Objective:	We aim to manage financial risks to ensure the Group can continue to trade sustainably and grow profitability over the medium term.	We ensure there are appropriate financial resources in place to deliver our corporate objectives and policyholder obligations with consideration of prudential risks. We aim to hold own funds in excess of regulatory capital requirements and within a range set by appetite to ensure the business remains sustainable in the long term.	We ensure 'good outcomes' for our customers by having a customer focused strategy and culture with a strong focus on customer-centric product design, sales processes, services and claims delivery.	We manage our operational risks to ensure we prevent significant disruption to our services and failure to adhere to regulatory or legal requirements.
Link to Principal Risks:	• Underwriting Risk • Market Risk • Credit Risk	• Solvency & Liquidity	• Operational Risk • Change Risk • Conduct & Regulatory	

Climate Risk is considered a cross-cutting risk across all our Key Risk themes

Risk management framework

Our Risk Management framework defines a set of guidelines to identify, assess, treat, monitor and report risk across the business. It supports the consistent and robust identification and management of risks within desired levels, promoting openness, challenge, innovation and excellence in the achievement of objectives. Within this framework:

- Our risk culture defines acceptable behaviours, attitudes and shared values embedded into our decision-making and risk management processes;
- Our Policy framework articulates in a suite of policies the strategy, strategic risk objectives, legal and regulatory obligations, risk appetite and material risks within the business; and
- Our Own Risk & Solvency Assessment (ORSA) process is linked to our annual strategic planning process and includes our annual ORSA report which documents our capital requirements and risks associated with the current period and future periods. The key processes that underpin the ORSA include:
    - Stress testing and scenario analysis including reverse stress testing;
    - Business planning and assessment of the key risks;
    - Forward-looking assessments of the solvency position;
    - Own assessment of solvency based on the Group's capital modelling;
    - Assessment of the appropriateness of the standard formula for regulatory capital setting;
    - Risk appetite setting;
    - Material and emerging risk reviews;
    - Climate risk materiality assessment, modelling and metrics.

Risk governance

We manage risk through the three lines model which provides a simple and effective way to delegate and co-ordinate risk management roles and responsibilities across the organisation. Further information on the work of the Board Risk Committee can be found in the Governance section pages 66 and 67.

1st Line - Business functions that own and manage risks

- Primary ownership, responsibility and accountability for identifying, assessing and managing risks and controls.

2nd Line – Risk and Compliance functions that oversee compliance and management of risks

- Monitor and help implement effective risk management practices and facilitate the reporting of risk-related information.

Accountability for the Risk and Compliance function resides with the Chief Risk Officer, a member of the Group Executive Team who reports to the Chief Executive Officer. Independence is assured through direct access to the Chair of the Risk Committee.

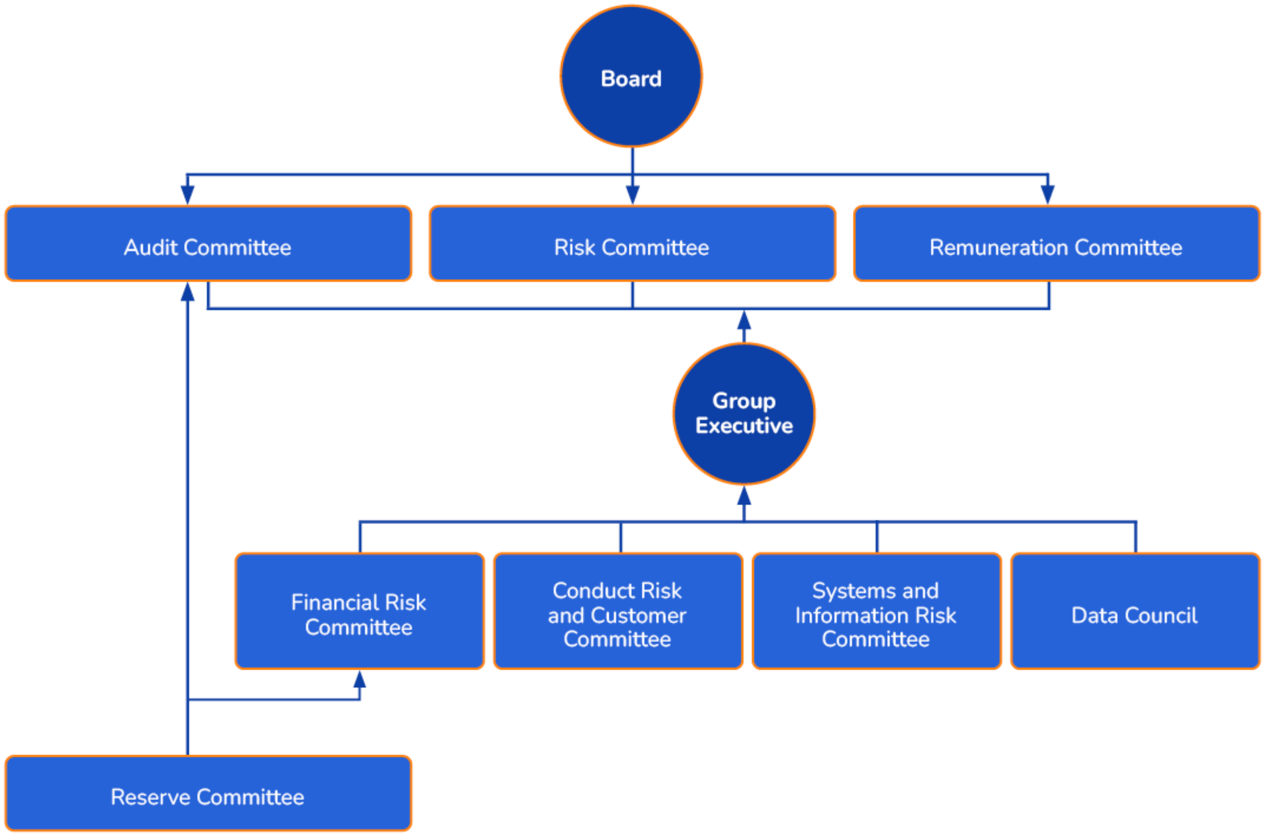
3rd Line – Internal Audit function that provides independent assurance

- Improves esure's operations through independent objective assurance and consulting activities.

The accountability for the Internal Audit function resides with the Chief Audit Officer (CAO), who reports to the Chief Executive Officer. The independence of the CAO is assured through a direct reporting line into the Chair of the Audit Committee.

Accountabilities across the Executive Team and senior management are clearly articulated and managed through the Group responsibilities map.

The Group's key Committees, which support senior managers in discharging their accountabilities, are shown in the following diagram:



Principal risks and uncertainties

Our principal risks remain the same as last year and despite the turbulent economic environment remain stable for most risks. Our Change risk is reducing following completion of our Transformation programme, although some uncertainty remains as we embed changes.

	Risk	Mitigation
Underwriting Risk Pricing Reserving Catastrophe **Trend:**	**Definition** Underwriting Risk represents the uncertainty in the profitability of the business written due to variability in premium rates as well as the value and timing of claims -this can impact historic (reserve risk) as well as future exposures (pricing and catastrophe). **Current risk profile** We operate in a highly competitive pricing environment and continue to face heightened underwriting risks due to the inflationary impacts from the wider economy; the uncertainty on longer term impacts from the FCA General Insurance Pricing Practices (FCA GIPP) (2021); the Civil Liability Act (2020); changes to tariff and Judicial College Guideline awards for bodily injury (2024); and potential shifts in customer behaviour as they adapt to the heightened cost of living.	• Our reinsurance programme protects the business from individual large losses, catastrophe events, adverse reserve development and adverse loss ratio movement. • Claims management processes are designed to contain claims leakage and feedback claims trends whilst providing strong customer service • A risk adjustment is held above the Actuarial Best Estimate under IFRS17. In addition, independent external actuaries assess the adequacy of the Group's reserving assumptions.

Market Risk

Interest Rate

Equity

Spread

Concentration

Trend:

Definition

Market Risk represents the uncertainty in the financial position due to fluctuations in the level and volatility of market prices of assets and liabilities.

Current risk profile

Uncertainty in general market conditions is driven by potential interest rate volatility by central banks; and increasing geopolitical tensions and activity.

Climate risks could impact market risk. These arise from the potential impact of the global transition to a lower-carbon economy.

- The investment strategy is set with consideration to the overall market risk appetite.
- Market risk is managed against this appetite through regular monitoring of issues including the drivers of investment return and value at risk measures, counterparty exposures, asset liability management and the interest rate sensitivities of our assets and liabilities.
- The investment strategy does not materially expose the Group to currency risk or the risks arising from active trading of derivatives.
- The Group policy concerning market risk aligns and ensures compliance with Solvency II ‘Prudent Person Principle’ requirements.

Credit Risk

Reinsurance

Counterparty

Supplier

Trend:

Definition

Credit Risk is the loss or adverse change in the Group’s financial situation resulting from fluctuations in the credit standing or default of counterparties to which the Group is exposed (note that investment counterparties are included within market risk).

Current risk profile

The Group has a low appetite for credit risk. The most material exposures are through its reinsurance counterparties.

- We evaluate the creditworthiness of reinsurers and concentration against our risk appetite metrics. These are monitored prior to the finalisation of any reinsurance contract and on an ongoing basis.
- As part of the Group’s supplier management process, credit exposures to significant third parties are monitored regularly.

Solvency and Liquidity Risk

Solvency

Liquidity

Trend:

Definition

Solvency Risk is the risk that the Group has insufficient capital to meet regulatory requirements. Liquidity risk is the risk that the Group is unable to realise investments and other assets to settle financial obligations when they fall due.

Current risk profile

The Group is currently operating within its desired solvency operating range and liquidity risk profile.

- Solvency risk is managed through the ORSA processes which include stress and scenario testing of a range of events and decisions.
- Liquidity risk is assessed by considering the Group’s operating cash flows, stressed for catastrophe scenarios, and liquidity strains.
- Regulatory risks that could impact solvency are monitored through our close relationship with the Prudential Regulation Authority (PRA) and other bodies.

Operational Risk

Operational Resilience

People

Outsourcing & Third-Party

Financial Crime & Fraud

IT, Data and Cyber

Business Processes

Trend:

Definition

Operational Risk is the loss or adverse impact due to failures with processes, people or systems – either within the Group or within suppliers / third parties.

Current risk profile

Our Operational Risk outlook is influenced by our Transformation programme. Once fully implemented we expect our market leading technology to significantly improve our operational resilience and reduce risk across IT, data, cyber, financial crime and fraud. Over the past year we have focused on our important business services to strengthen our operational resilience in our current operating model and strengthen our third party oversight.

- Our governance and risk framework provides an effective structure within which operational risks are identified, measured and managed. It ensures clear ownership of risks with effective reporting and escalation mechanisms, supporting management oversight and decision-making.
- We maintain specialist teams to provide business functions with expertise and support in operational resilience, people, IT, fraud, financial crime and cyber risk.

Change Risk

People

Systems

Data

Trend:

Definition

Change risk is the loss or adverse impact due to an inability to deliver change effectively or arising from uncertainty in the outcome or impact on current business operations.

Current risk profile

We expect levels of change risk in 2024 to reduce following the successful migration of the business onto the new platform. However, the risks will evolve as we embed our new systems and decommission our legacy data centre.

- A dedicated Transformation Office runs in parallel to business as usual during our change programme. As the programme comes to an end in 2024 this will be reduced and evolved into our on going change management processes.
- Independent assurance is sought from external risk consultancies at key points in our change journey.

Conduct and Regulatory Risk

Legal & Political

Compliance

Regulatory

Trend:

Definition

Conduct and Regulatory Risk is the risk of failing to deliver the appropriate treatment to, or meet the needs of, our customers throughout our customer interactions, product design and service delivery.

Current risk profile

The Group is averse to Conduct Risk, and this is reflected in our Risk Appetite statement and management decision-making. FCA GIPP has been embedded well within the business and we have successfully implemented changes to support our compliance with Consumer Duty regulations.

- Our mission to fix insurance for good and associated culture ensures the interests of customers, and their fair treatment are paramount, together with compliance with the letter and spirit of the law and regulation.
- We operate a strong governance framework, and the Conduct Risk and Customer Committee reviews all aspects of customer service.
- The Board actively exercises oversight through the Risk Committee with regular upward reporting of the risk profile against the customer and conduct risk appetite and has approved our Consumer Duty plan.
- We continue to monitor legal and regulatory developments in the UK and Europe, including through our close relationship with the FCA and PRA, Information Commissioners Office (ICO) and other bodies including the ABI.

Our approach to climate risk

Definition and risks

Climate risk includes all risks stemming from trends or events caused by climate change. We consider this against the two drivers of risk: Transition Risks - Risks that arise from the transition to a low-carbon and climate resilient economy and Physical Risks - Risks that arise from the physical effects of climate change.

The Group seeks to minimise our exposure to transition risks although we see commercial opportunities for the Group to support the transition in our product offerings. We manage physical risks primarily through inclusion in underwriting risk We use reinsurance in the short-medium term to limit our exposures to physical risk. The Board manages our strategy to take account of the medium to long term impacts of climate change and ensure we have propositions which support the transition whilst ensuring we are resilient to climate risks.

See the table below for examples of risks that may impact the Group.

Driver	Risk Category	Example	Time horizon
Transition Risks	Policy risk Legal risk Technology risk Market sentiment risk Reputational risk	**Underwriting risk** is susceptible to a lack of experience and data over new and changing products, regulation and initiatives (e.g., electric vehicles, solar panels, subsidence, gas boilers), creating a short-term mismatch between claims and premiums. Due to the short nature of esure's insurance contracts premium can be updated rapidly to reflect trend minimising the time of increased exposure. Hence this is not deemed material.	Short to Medium Term
		Strategic risk: Car usage risk - The transition to a low-carbon economy could reduce demand for motor insurance products and services. Our core business plan relies on the continued development of the motor insurance market. Whilst there is the possibility of lower car usage in the next two to three years in the planning horizon, any material impact is expected to emerge in the longer term.	Medium to Long Term
		Market risk impacts on the valuation of the investment portfolio from a sudden disorderly transition driven by rapid global action and policies materialising over the medium-term that result in achieving a temperature increase being kept below 2°C (relative to pre-industrial levels)	Short to Medium Term
		Operational/reputational/strategic risk and opportunities relating to the various climate change products and opportunities available in the market and those being implemented by esure, including car usage or ownership, use of green parts, and tree planting.	Short to Medium Term
Physical Risks	**Acute physical risk** arising from weather-related events such as storms and floods. **Chronic physical risk** arising from longer-term changes in the climate	**Strategic risk: Reinsurance capacity risk** - the risk of reinsurance capacity reducing if there are more frequent and more severe extreme events impacting reinsurers. We monitor with brokers the potential implications of severe global climate driven events on the reinsurance market and the potential impact on reinsurers' appetites for writing UK Motor and Home reinsurance. We do not consider it likely that climate change will render UK reinsurance unviable over the current planning horizon. Any material impact is expected to emerge over the longer term.	Medium to Long Term
		Credit/counterparty risk exposure is largely due to esure's reliance on reinsurance, and the risk of default due to increased weather-related claims.	Medium to Long Term

Risk focus

Climate risk is an important part of our Climate Strategy and remains an area of focus for the Group. Through our risk management framework, all business functions are engaged in assessing and continually reviewing the materiality of our exposure to climate change risks. Our holistic view of the relevant type of climate change risks the Group faces is supported by a combination of qualitative and quantitative risk updates, risk appetites and KRIs, which are regularly reported to the different committees and forums across our governance structure. Our climate-related management information is used to influence our business decisions, policies, and plans.

The CRO has ownership over the day-to-day identification and management of financial risks arising from climate change. The Financial Risk Committee supports the CRO by providing oversight and challenge.

Our ongoing climate risks and opportunities are managed through the following key processes:

- Climate-related risk governance is integrated into our overall risk governance framework (see above) as a cross-cutting risk.
- Climate risk assessment and modelling is performed as part of ORSA process at a Group level on at least an annual basis. Including:
  - Climate risk scenarios and PRA climate risk stress tests are performed as part of our annual scenario and stress testing exercise
  - A climate risk adjustment is included in the weather capital modelling
  - Materiality assessment informed from the above assessment and modelling (see table below)
  - As part of our continued enhancements to the process we intend to include more defined short, medium and long term assessments within our materiality assessment.
  - Climate risks are recorded and maintained via our Risk Management system
  - Counterparty engagement with the repairer network on climate change initiatives on opportunities to aid the market towards net zero

Materiality Assessment

Driver	Risk	Underwriting (Home)	Underwriting (Motor)	Market (scenarios consider risk drivers in aggregate)	Credit / Counterparty	Operational / Reputational / Strategic
Transition Risks	Policy	Low	Medium	Medium	Low	Medium
	Legal	Medium	Low	Medium	Low	Low
	Technology	Medium	Medium	Medium	Low	Medium
	Market sentiment	Low	Low	Medium	Low	Medium
	Reputational	Low	Low	Medium	Low	Medium
Physical Risks	Acute physical	Medium	Medium	Medium	Medium	High
	Chronic physical	Medium	Medium	Medium	Low	Low

Materiality Key:

High	The risk could influence the decision-making or the judgement of the Board and Management in relation to long-term strategy
Medium	Scenarios consider losses >£10m as being plausible during the next 2-3 years, however these are not considered material to the Group continuing as a going concern
Low	Does not fall into above categories

The table above is based on a mixture of quantitative and qualitative assessments as appropriate historical data is limited for some themes.

Climate Risk is not considered a material risk to the Group in the short term which is defined as the next 2-3 years of our planning horizon, due to the reinsurance protections we have in place for extreme weather events; writing policies that can be repriced annually at renewal; and the composition of the investment portfolio. However, in the medium-long term (above 3 years) i.e. after the planning period, the risk can become material, particularly in the Acute Physical category for reputational and strategic risk with the evolving effects of weather events.

Weather modelling

Climate risk adjustments for weather have been incorporated into uncertainty modelling, both in pricing and capital modelling used for risk quantification. There is limited reliable data for some perils and therefore judgements have been made. We engage with external firms to ensure we are informed as climate modelling evolves.

Stress Testing and Scenario Analysis

The Group is considered resilient to climate risk and we have concluded that it is not material to the Group in the short to medium term. In forming this view we have considered a range of stress scenarios reviewed by the Risk Committee as part of the ORSA process, these included:

- multiple weather events occurring over an 18-month period, these are less extreme but more frequent events that are not protected by reinsurance due to being lower than the retention level;
- extreme windstorms where the Group is materially protected by reinsurance, however this tests the upper limits in place; and
- impacts to the investment portfolio from defined regulatory stress tests based on scenarios where the temperature increase is kept below 2°C and in excess of 4°C relative to pre-industrial levels. This considers the look-through of the industries within the investment portfolio, the impact is limited due to the high concentration of corporate bonds and our approach to investment through our Responsible Investment Policy.

As more data is emerging further scenario analysis will take place in 2024.

The Financial Risk Committee (composed of Executive and senior management) and the Board Risk Committee review our climate-related metrics to track our performance trends and provide analysis on the key drivers of current and future performance. The metrics reviewed are shown below.

Climate Risk KRI		Description	Trend since 2020
Carbon Emissions [metric tonnes] (Reputational Transition Risks)	Scope 1	Direct emissions from owned and controlled sources.	Upward
	Scope 2	Scope 2: Indirect emissions from the generation of purchased electricity, steam, heating and cooling consumed	Downward
Investments (Market Transition Risks)	Climate VaR (%)	A mix of historic published scenarios from the regulator is used to calculate the climate Value at Risk (VaR) percentage impact on our investment portfolio at the 1 in 100 level (or 1% chance) using long-term temperature estimations	Downward
	Monetary Risk (£m)	As above but quantifying the £ amount impact	Downward
	Carbon Footprint of Investments Portfolio (metric tonnes)	A weighted average measure of company greenhouse gas emissions per $ million of investment. Methodology is aligned to “carbon footprint” as defined by TCFD and The EU’s Sustainable Finance Disclosures Regulation	Downward
	Portfolio carbon intensity (tCO_2/$m)	A weighted average of company emissions per $million of sales. Methodology is aligned to “weighted average carbon intensity” as defined by TCFD and “GHG intensity” under the EU’s Sustainable Finance Disclosures Regulation	Downward
Underwriting / Pricing (Underwriting Physical Risks)	1-in-200 catastrophe loss (£m)	Modelled 1 in 200 (0.5% probability in any one year) impact of catastrophe weather conditions	Downward
	AAL (£m)	Average annual loss for catastrophe weather events	Downward

Our targets align to those set out within the Association of British Insurers (ABI)’s Climate Change Roadmap: net zero across Scope 1 & 2 emissions by 2025; reducing Scope 3 emissions by 50% by 2030 and reaching net zero across Scope 1, 2 & 3 emissions by 2050. We are developing our associated Transition Plan, which will include interim carbon intensity milestone targets to help us assess progress toward these longer-term ABI-aligned targets. Our overarching sustainability risk appetite is to remain net zero across Scope 1 and 2 emissions.

We have seen a downward trend in our investment exposure to climate risk in line with changes to our assets under management, including action to divest from some high emission funds.

We have seen a reduction in our underwriting risk exposure since 2020 in part due to de-risking the Home portfolio, however some of this is due to refinements in our modelling. There is a risk this metric will increase due to growth plans; the macroeconomic environment including inflation environment; and the potential for more frequent extreme weather events occurring.

It remains too early to consider long-term trends, however as more data points become available, we will be able to assess how our risk exposure is changing over time.

Due to limited data available in relation to climate risks, some judgements have been made in our quantitative analysis in relation to weather events.

There are also regular discussions with investment managers and other external firms on the quality and appropriateness of data received that feed into some of our metrics as there continue to be developments in the market on approaches to these assessments.

Non-Financial and Sustainability Information Statement

Climate-related Financial Disclosures Regulations

The Group has reported against the climate related disclosures (CRFD) contained in the Companies (Strategic Report) (Climate Related Financial Disclosure) Regulations 2022 that are required for periods commencing on or after the 6 April 2022. As a large Public Interest Entity esure Group plc is in scope for reporting against these new regulations. There are 8 regulations under these new reporting requirements, and we have set out our reporting under the regulations below. During 2023 we made solid progress on identifying our climate change risks, setting climate related targets and embedding the governance structure however there is more analysis to be undertaken in 2024 as we look at the opportunities and risks in more detail towards developing a transition plan.

Requirements	Progress
Governance A description of the organisation's governance arrangements in relation to assessing and managing climate-related risks and opportunities	The Board's oversight of climate-related opportunities is considered as one of the four pillars of our Strategic Framework. (A more Sustainable and Safer World). The Board has 2 briefings a year on climate change KPI's and reviews the ORSA annually which documents progress on climate risk scenarios. The ESG policy is approved annually and this documents the managements responsibilities for climate change. Further information can be found in • ESG Report - Governance Section: Pages 44 and 45 • Strategic Framework: A more Sustainable and Safer World – page 15
Description of how the company identifies, assesses and manages climate related risks and opportunities	Climate risk cuts across all our four key risk themes and we use our existing Risk Management framework to identify and assess climate-related risks within the business units. Further information can be found in the Risk Management Section pages 30 to 33
Description of the processes for identifying, assessing and managing climate related risks are integrated into the company's overall risk management processes.	Our embedded Risk Management framework including our risk culture, policy framework, and Own Risk & Solvency Assessment (ORSA) process integrates climate-related risk means that each of the business functions are engaged in assessing and reviewing climate risks. Refer to the Climate Section in the Risk management report on pages 30 to 33
Describe the (i) The principal climate-related risks and opportunities arising in connection with the company's operations and;(ii) The time periods by reference with which those risks and opportunities are assessed	We continue to conclude that climate risk remains a material long-term risk but we do not consider it likely to be material in the 2-3 year planning horizon due to reinsurance protections. We have identified various risks and opportunities as part of the risk management ORSA process. Refer to the Climate section in the Risk management report on page 30 for more information
Description of actual and potential impacts of the principal climate-related risks and opportunities on the company's business model and strategy	Climate risk remains an area of focus for the Group and all business functions are engaged in assessing our materiality of exposures to climate change risks and opportunities. During 2023 we identified various climate related risks and opportunities but these risks and opportunities need to be embedded within the company's financial planning process and forecasting and this will be a focus for 2024. Refer to the Climate section in the Risk management report on pages 30 to 33
Analysis of the resilience of the company's business model and strategy, taking into account different climate-related scenarios	We use weather modelling, stress testing and scenario analysis and climate risk KRIs to assess how our risk exposure is changing over time. This enables us to understand the potential impact and resilience of our strategy and incorporate this into our planning processes. Refer to the Climate section in the Risk management report on pages 30 to 33
Description of the targets used by the company to manage climate-related risks and to realise climate-related opportunities and performance against those targets.	We use a variety of Climate Risk KRIs to track our performance and assess how our risk exposure is changing over time. See Climate Risk section on page 33 for a description of KRI's

Description of the KPI's used to assess progress against the targets used to manage climate-related risks and realise climate-related opportunities and calculations on which those KPI's are based.	Our targets are aligned to the ABI's Climate Change Road map: net zero across Scope 1 and 2 emissions by 2025; reducing scope 3 emissions by 50% by 2030 and reaching net zero across scope 1,2 and 3 by 2050. During 2024the group will work towards the development of a transition plan which will include interim carbon intensity milestone targets to help us assess progress toward these longer-term ABI aligned targets. Climate risk KRIs are included on page 33 Risk Management section under specific Climate Risk on pages 30 to 33

The following table highlights information relating to environmental, employee, social, respect for human rights, anti-corruption and anti-bribery matters and provides a reference for where additional information can be found in the Annual Report that supports the requirements of sections 414CA and 414CB of the Companies Act 2006.

Business Model	We aim to fix insurance for good and be the UK's leading digital insurer. A description of the Business Model is on page 10 and the Investment Case on page 16.
Environmental	Our approach to Climate Risk is provided on pages 30 to 33and our actions taken on reducing our environmental impact are provided on pages 3 to 40. Our role and ambition with respect to the environment, local communities and employees is described in our ESG policy that is reviewed and approved annually by the board. The principal risks relating to Climate Risk can be found on pages 30 to 33.
Employees	We are committed to making esure a brilliant place to work. How we aim to do this is and engage our people is described in our ESG section Under "engaging our people" on page 48. We have various policies in place which help us execute on our ambition for our employees including an Inclusion and Diversity Policy, Health & Safety Policy, Code of Conduct and Whistleblowing Policy. Our key risks are the ability to recruit and attract a talented and diverse workforce with digital skills.
Human rights	We are committed to respecting all human rights and seek to ensure that we treat all colleagues, customers and suppliers fairly avoid discrimination and respect individuals privacy. We have implemented a modern slavery policy within our supply chain and operations. For further information see page 73 Our key risks are recruitment and retention and ensuring we
Anti-bribery and anti-corruption	The Group maintains high ethical standards in carrying out its business activities and we have a zero tolerance approach to acts of bribery and corruption. The Group's Code of Conduct and Financial Crime Policy help all employees to understand and meet the high standards of personal and professional integrity required of them. Any activity that might potentially be interpreted as the Group or its employees offering and giving or requesting and accepting a bribe is strictly prohibited. Further information can be found on pages 73 and 74 with respect to other policies we have in place. Our key risks are failure to prevent and detect financial crime.
Social matters	We have an Environmental Social and Governance Policy that outlines our approach to nurturing partnerships that deliver social impact within the communities we are proud to serve. We have a "Driving for Good" management committee which oversees our ESG strategy. Further information can be found in our ESG section on pages 36 to 45.

Environmental, Social & Governance (ESG)

Driving Good is a key component of our Game Charger strategy. Whilst eradicating pain points and enhancing customer experience is core to all we do, we will only truly succeed in our mission to Fix insurance for good if we are also a force for good for our colleagues, the communities we are proud to serve and for the environment.

Environment

Working to reduce our environmental impact, focusing on:

- Climate
- Nature & Biodiversity

Colleagues

Creating an exceptional culture where colleagues can develop and thrive, focusing on:

- Equity, Inclusion & Diversity
- Supporting colleagues in and out of work
- Recognition & Reward

Communities

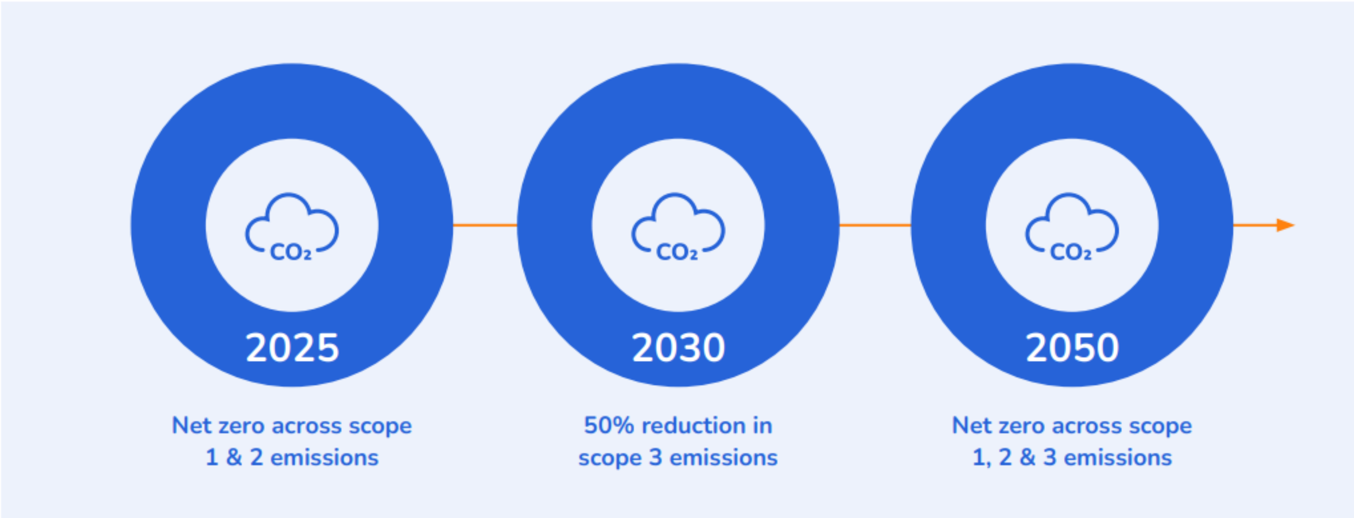
Develop partnerships that further social causes we're passionate about, focusing on:

- Safer roads
- Tackling homelessness
- Inspiring female talent

All underpinned by a strong foundation of Governance rigour

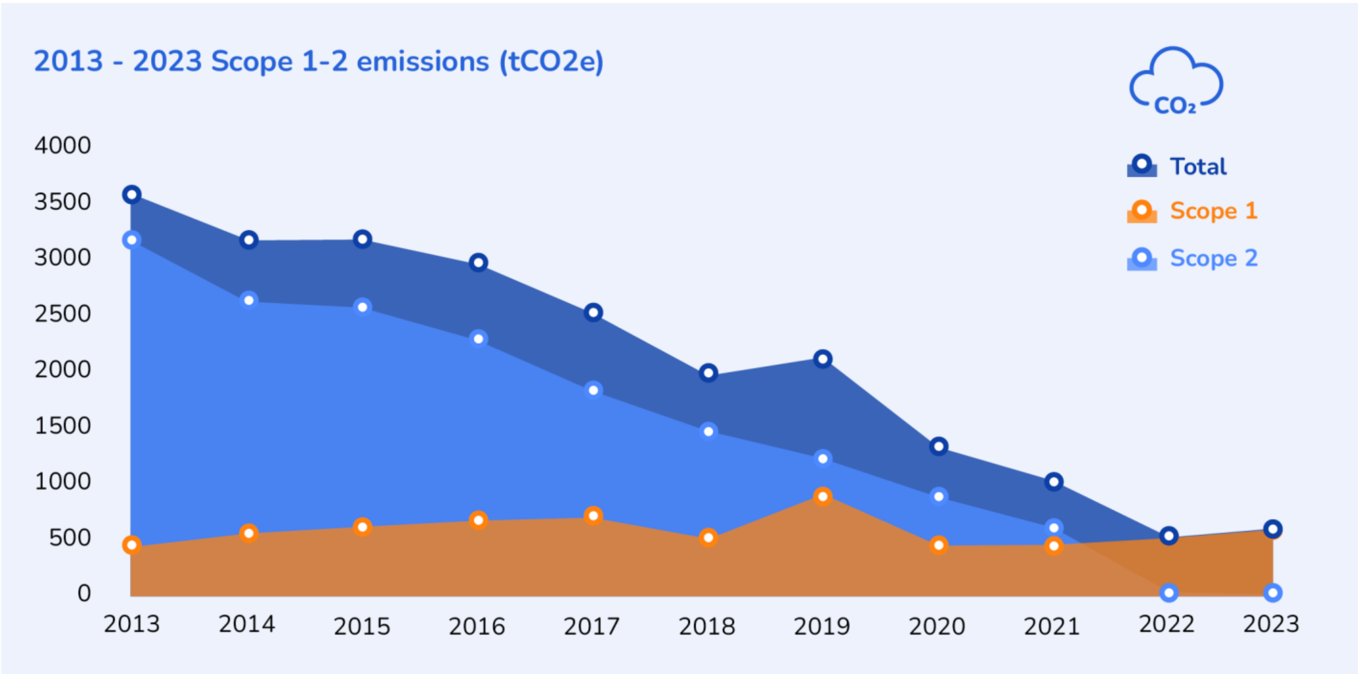
Environment

We are committed to playing our part in helping the UK become a sustainable, low-carbon economy. We believe that unmitigated climate change is a key risk for the insurance industry, as well as a systemic threat to society. We have set targets (below) aligned with the ABI Climate Action Roadmap and designed to align with the scale of emission reductions required to limit warming to 1.5°C.



See page 38 for offset initiatives

Key progress in support of our decarbonisation targets:



The table below represents the 2023 greenhouse gas (GHG) reporting on esure Group plc's UK operations, alongside 2022 comparative data

Emissions from:		2023		2022
Tonnes of carbon dioxide equivalent (tCO_2e)	Scope 1	532	Scope 1	502
	Scope 2 (market based)	2	Scope 2 (market based)	3
	Scope 2 (location based)	673	Scope 2 (location based)	688
	Scope 3* (business travel)	504	Scope 3* (business travel)	111
	Total Scope 1 and Scope 2 (market based)	534	Total Scope 1 and Scope 2 (market based)	505

Of our total Scope 1 emissions, 328tCO_2e relate to Natural Gas (2022: 319tCO_2e), 172tCO_2e to Refrigerant (2022: 159tCO_2e), 28tCO_2e to Direct Mileage (2022: 20tCO_2e) and 4tCO_2e to Gas Oil (2022: 4tCO_2e).

*The year-on-year increase in our Scope 3 business travel emissions reflects an increase in office working.

Company's chosen intensity measurement	2023 tCO_2e/£m Turnover	2022 tCO_2e/£m Turnover
Turnover	£969.7m	£836.0m
tCO_2e/£m Turnover	0.55	0.60

Carbon emissions quantification methodology: The emissions footprint is calculated in accordance with the Greenhouse Gas (GHG) Protocol and Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance. Activity data has been converted into carbon emissions using published Department for Energy and Net Zero emissions conversion factors. The data used has been provided by the Group.
Emissions sources: The emissions footprint includes the Scope 1 combustion of fuel, fugitive and process emissions and Scope 2 electricity emissions associated with the activities for which the Group are responsible across our Reigate, Glasgow and Manchester offices.
Emissions data quality: The quality of the data used for the emissions footprint calculations has been rated as 'good', 'average', 'poor' based on benchmarks. Around 99.7% of emissions in the footprint were based on 'good' quality data meaning actual primary data as opposed to estimates; this is a weighted percentage according to contribution by the emissions source.

kWh Energy Consumed	Electricity	Natural Gas	Transport and other	Total
2023	3,248,059	1,793,206	132,545	5,173,810
2022	3,558,660	1,740,151	107,333	5,406,144

We lease seven vehicles for colleague use (4 EVs and 3 Hybrids) and the footprint associated with these during 2023 was estimated to be 0.01ktCO_2e

Operational

- We have sought to reduce the carbon footprint associated with our office infrastructure by replacing old, less energy-efficient air conditioning
- Having assessed office occupation levels, we took the decision to reduce office opening hours to reduce inefficient energy consumption.

Whilst driving carbon emissions reductions remains our priority, we choose to invest in offset initiatives equating to 110% of our prior year's Scope 1 & 2 emissions. In 2023, our investment supported:

- Water filters in Kenya, delivering positive carbon and nature impacts through reduced need to burn wood to boil water
- Solar power in India, replacing use of kerosene and electricity from a grid reliant on fossil fuels
- An afforestation project in Uruguay, certified by the Forest Stewardship Council
- Stove cookers in Bangladesh, helping families move away from cooking over open fires, reducing costs and cutting emissions

We will continue to offset 110% of our Scope 1 & 2 emissions on an ongoing basis.

Supply Chain:

Supplier engagement:

In Quarter 1 2023 we directly engaged twenty key carbon-intensive suppliers to understand:

- Their carbon emissions across Scope 1, 2 & 3 emissions
- Where emissions quantification was incomplete across all Scopes, suppliers' intended timeline to complete emissions footprinting
- Suppliers' net zero targets
- Key decarbonisation initiatives and examples of best practice

This project of supplier engagement saw us nominated for 2023 Insurance Times Awards for Sustainability Initiative of the Year. This work has delivered two key benefits:

- Empowering our Supplier Relationship Managers to have a better dialogue with suppliers on decarbonisation initiatives, encouraging and supporting opportunities to accelerate progress
- Enhancing data quality, with direct engagement reducing our reliance on proxy data

We completed this exercise again in Quarter 4 2023 and as a result quantified our 2023 Scope 3 Procured Goods and Services (PG&S) carbon footprint at an estimated 16.5ktCO_2e.

Our approach: We use primary data from key 22 carbon intensive suppliers (representing 32% of total PG&S and "read-across" primary carbon intensity data to other suppliers providing similar services (representing 15% of PG&S). Spend-based emission factors (using DESNZ Environmentally-Extended Input-Output (EEIO) factors) are applied to spend for all other suppliers for 2023 (using data to October, scaled to full year, representing 53% of PG&S).

We note that this area of carbon accounting is relatively immature and evolving, and therefore presents challenges. Many suppliers lack dedicated expertise to provide accurate footprint estimates across all Scopes, and employ inconsistent approaches to the methodology and rigour within their assessments. As such, whilst we have sought to estimate our supply chain footprint, we will continue to assess evolving guidance in this space.

In 2023, we have also embedded ESG factors within our tender process and assess these when engaging with new suppliers.

Motor supplier highlights

- 100% of esure branded bodyshops and over 93% of our total repair network are carbon neutral
- Our work to repair 1,664 bumpers rather than replace has saved 5 tonnes of plastic going to landfill
- 4104 recycled parts used in 2023 saving 153.3 tonnes of CO_2e, which is a 44% increase on 2022 CO_2e saving
- We have planted 923 trees in 2023 for each customer choosing to forgo taking a courtesy car during their repair
- To support the sustainability of our supply chain, we continue to sponsor Autoraise, a charity set up to help the UK vehicle repair industry attract young people into a range of technical apprenticeships

Home supplier highlights

- Carpet and flooring: assessing damage virtually has saved 956 customer visits and avoided 76,000 driven miles
- Contents recycling: 9% of furniture & electrical claims in 2023 have been repaired. Where a cash settlement has not been offered, the balance is recycled and nothing is sent to landfill via this route.

Investments:

Over 2023 we have continued to evolve our data sources, measurement and monitoring of carbon emissions related to our investment portfolio. This has enabled us to enhance our portfolio monitoring, covering assessments of both current carbon emissions attributed to the portfolio and expected future development of the issuers of the bonds we are invested in, and includes:

- Evaluating portfolios at a greater level of detail to enable better monitoring of, environmental metrics by asset classes where we can actively have an impact
- Embedding reporting to consider both the reported carbon emissions of issuers and the transition plans issuers have in place to support limits on global temperature increases
- Considering how best to estimate carbon emissions for assets not covered by standard assessments

Our financed emission measurement and monitoring follows the Greenhouse Gas Protocol (GHGP) framework and the Partnership for Carbon Accounting Financials (PCAF) standard, and for our investment portfolio this covers Scope 1 and Scope 2 emissions relating to corporate bonds and UK sovereign debt.

As these frameworks, methodologies and standards continue to evolve, the way certain asset classes are measured continues to improve, as does the comparability of different portfolios. However, the availability and reliability of appropriate data to assess portfolios is imperfect - while this has improved over 2023, there are still gaps to be addressed over time, such as carbon emissions attributed to supranational debt.

Despite the inherent difficulties in reliable measurement, we are working to understand our role in decarbonising the world, helping us to make informed decisions with our investment portfolio and actively influencing where we can.

Currently, based on available data sources covering 79% of our investment portfolio, emissions associated with those covered assets represent 79 ktCO_2e, equivalent to 84 tCO_2e per £1m of covered assets.

Asset Class	Coverage	ktCO_2e	tCO_2e / £m Invested	PCAF Weighted Data Score
Corporate Bonds	96%	15.3	27	3.1
Sovereign & Supranational Debt	72%	63.7	165	2.0
Total	79%	79.0	84	2.6

We expect the measurement of financed emissions to continue to evolve, with coverage levels increasing over time, including further asset types once the relevant standards have been agreed. This will present an opportunity to better understand our footprint and to further develop our strategy in relation to financed emissions.

Our investment strategy's primary objective is the protection of funds that back policyholders' claims, which in turn drives us to invest in highly liquid and highly rated investments, with UK government debt being a key element in achieving this. As a consequence, and under current measurement practices, we have a high dependency on relatively carbon intensive assets, with sovereign debt contributing to c.80% of our assessed investment portfolio carbon emissions. Therefore, our ability to influence and decarbonise is intrinsically linked to government policy and the decarbonisation of the UK as a whole, and hence we advocate for strong, consistent climate policy, regulation and action.

In the long-term, we are committed to aligning our primary investment objective of protecting policyholder funds with net zero carbon targets, however we recognise there will be challenges with short-term transition targets and we do not intend to materially change our asset mix. We believe the right activity is to support a real reduction in carbon emissions across the planet using influence, rather than a short-term strategy to adjust our portfolio asset mix away from current carbon intensive assets.

Having sourced data to better understand these dynamics, 2024 will see us work to refine transition plans given these constraints and conflicts, considering our asset allocation mix, individual issuer allocations, and publicly stated decarbonisation targets from leading issuers, agencies and states. It will also consider how best to use our voice to encourage and influence issuers to commit to their targets, via our investment managers and industry bodies. In addition, we expect to reconsider how to frame our short-term decarbonisation targets to better reflect the changing size of our asset portfolio. This will most likely result in the introduction of short-term carbon intensity targets.

Underwritten emissions:

We acknowledge the Partnership for Carbon Accounting Financials' guidance on emissions associated with our underwritten Motor portfolio. We are assessing the right methodology, data sources and attribution figure to deliver a robust quantification of the emissions associated with our Motor customers' driving activity.

This is an area of carbon accounting that is clearly in its infancy and still evolving. We will assess emerging guidance on the calculation of underwritten emissions. We believe there should be greater consistency around data sources used across the sector, as well as greater industry-wide discussion on the appropriateness of the attribution factor applied. We urge the UK government to continue efforts to provide clear guidance on reporting methodology and requirements.

We are also considering the appropriate strategy in relation to Underwritten emissions in line with our broader emissions targets. It is clear that our progress on this front is highly dependent on strong, consistent climate policy from the UK Government, to encourage widespread consumer behaviour change.

Our environmental partnerships:

We are proud to partner with GreenTheUK to support projects that support nature, biodiversity and carbon sequestration. Through our partnership, we planted 4,000m^2 of wildflowers to support pollinators, and funded five sea kelp restoration survey sites.

The Conservation Volunteers (TCV) support our tree-planting proposition whereby we plant a tree for every customer who chooses to forgo taking a courtesy car during their repair. Within this year's planting season, 1,000 trees were planted by TCV on our behalf, and registered as part of The Queen's Green Canopy project. TCV also provide us with colleague volunteering opportunities aimed at restoring natural habitats to support biodiversity.

Social

As part of our core purpose to fix insurance for good, we want to have a positive social impact. We focus on how we are creating a culture in which our **colleagues** can thrive and nurturing partnerships that deliver social impact in the **communities** we're proud to serve.

Our colleagues

As of 31 December 2023, we employed 1,222 people (2022: 1,538).

Engaging our people

We are committed to making esure a brilliant place to work.

Our exceptional culture has continued to evolve in line with our digital transformation. We are proud of how our colleagues adapted to significant business change in 2023, enhancing their digital skills on our new platform and transitioning towards our longer-term operating model.

To support and engage our people during this period of change, we introduced a new series of interactive broadcasts (Game-Changing Talks). We also maintained our continual listening approach via monthly engagement surveys, achieving an aggregated participation rate of 93%.

We ended the year with an overall engagement score of 6.7. This declined from 2022, with volatile market conditions and operational restructurings impacting our customer-facing teams. However, engagement was above benchmark across our enterprise functions. Our high score of 8.7 for 'management support' was testament to the care provided by leaders throughout the change journey.

Equity, inclusion, and diversity

Creating an inclusive workplace is paramount to reflect the breadth of customers we serve, attract and retain the best talent, and improve decision making.

Our Board equity, inclusion and diversity policy includes commitments to:

- Ensure inclusion and diversity are part of everything we do – from how we treat our customers, to how we work together every day.
- Work towards a target of 33% female members in our senior leadership team by the end of 2024 and a longer-term ambition of an equal gender split at each level in the business.
- Create an environment that nurtures individual differences and ensures the contributions of all our people are recognised and valued.

Key progress

As of 31 December 2023, we had the following diversity split:

- 55% of our colleagues were male (2022: 55%).
- 45% of our colleagues were female (2022: 45%).
- 30.1% of our senior leaders were female (2022: 31%).

We know there's more to do to build a truly inclusive and diverse workforce, but we also recognise this will take time. Over the last year, we have focused on:

1. Educating our leaders

We believe change starts from the top. Our senior leaders shared an objective in 2023 to improve diversity within their teams, receiving training to help them recruit without bias and make consciously inclusive decisions. While there is more to do, we were pleased to recruit three women to our Technology and Data senior leadership teams in 2023, which were previously comprised of only men.

2. Embedding an inclusive culture

Through our work to action the ABI's Making Flexible Work Charter, we proudly commenced our first job shares in 2023 and continued to support flexible working requests from day one. We also extended the use of Textio (a tool that removes biased language) across all colleague communications, and encouraged our people to share their diversity information, so we can better understand and support everyone.

3. Building strong communities

We are committed to connecting our diverse people and empowering them to learn from each other. Throughout the year, colleagues came together to discuss financial wellbeing, balancing caring responsibilities with work, and for in-person workshops to help esure women present themselves with positivity.

We are confident these improvements are taking us in the right direction to build a more inclusive business and will continue to invest in our people to drive positive change.

Ways of working

We enhanced our collaborative culture through continuing to embed hybrid working and introducing more cross-functional, Agile squads across the business. Through building this Agile mindset, we are using enriched customer insight to fuel product design, respond at pace to customers' evolving needs, and continuously improve with a 'test and learn' approach.

We also invested in developing our internal talent, strengthening our insurance DNA with advanced delivery, technology, and data skills. Our people's growth was supported by regular talent conversations and a blended learning approach, combining formal training with mentoring and pair-programming to boost our digital capability.

Reward and recognition

We continue to build a market-leading colleague proposition to attract and retain the best talent.

- We continued to pay salaries in line with the Living Wage Foundation's real Living Wage to lift wages for our lowest-paid colleagues.
- We fostered a culture of appreciation by recognising talent through our company-wide ACE Awards, and providing discretionary "thank you" and festive bonuses.
- We promoted flexible benefits, including expert advice on financial wellbeing.

Communities:

SHELTER	In Quarter 4 2023, we became an official corporate partner of Shelter, who exist to defend the right to a safe and secure home. As Home insurance providers, we understand the importance of having a safe, secure home and are proud to support Shelter's preventative and rehabilitative efforts to combat homelessness. As corporate partners we are developing a wide variety of initiatives aimed at raising funds for Shelter, engaging our colleagues, customers and suppliers.
pennies from heaven	In Quarter 4 2023, we launched a new initiative with Pennies from Heaven, supporting colleagues' charitable giving. The partnership enables colleagues to "round down" their salaries, donating the difference to Shelter.
Brake the road safety charity	2023 was the third year of our support of Brake, the road safety charity. We sponsored Brake's Kids Walk which saw over 110,000 primary school children campaigning for safer roads and cleaner air.
women in data	Our partnership with Women in Data has inspired us to grow our internal community of women and allies to 130 colleagues. We also continue our Girls in Data outreach programme, visiting local schools and universities to inspire the next generation of data professionals.
CIRCL	In Quarter 4 2023 we agreed a new partnership with Circl, through which colleagues from across our business will participate in two-way coaching conversations with young adults from under-represented groups. Our aim is to help remove barriers to social mobility, enabling greater diversity amongst tomorrow's business leaders, whilst also inspiring our colleagues' continued focus on the importance of diversity and inclusion.

ESG governance:

Our approach to governance of ESG and climate issues is summarised in the following diagram.

Board of Directors

- Signing off ESG policy
- Oversight of ESG activity
- Responsible for ensuring the Group has effective measures in place to manage ESG matters including risks and opportunities
- Receives regular ESG updates from senior executives
- Board Non-Executive Director with responsibility for ESG

Board Remuneration Committee

Agrees appropriate remuneration related to ESG factors for the senior management team

Board Risk Committee

Monitors and evaluates climate-related risks and opportunities (including Physical, Transition and Other)

Group Executive Committee

- Responsible for developing, monitoring and supporting ESG strategy in line with the ESG Policy
- Receives regular updates on ESG issues, including climate change
- Makes recommendations and provides Updates to the Board of Directors on ESG matters
- Provides regular ESG updates to the Board (at least twice a year)

Driving Good Management Committee

Chaired by the Director of Operations.

Comprised of leaders from key areas of ESG agenda.

- Directs and drives key ESG initiatives and improvements
- Makes recommendations and provides updates to the Group Executive Committee on ESG matters.

Driving Good Working Group

- Brings forward ESG initiatives and solutions.
- explores activities in three areas: Safer Driving, Green Driving and Sustainability.
- Coordinates with People and Inclusion & Diversity working groups.

Financial Risk Committee

Chaired by the CFO.

- Responsible for oversight of decision making related to financial risk and for ensuring that business activities and risks are identified and managed.
- Assesses financial risk exposure and issues related to climate change, supporting the Chief Risk Officer to discharge the Senior Management Function and Prescribed Responsibilities for the financial risks around climate change.
- Tracks metrics to monitor the exposure to financial risks from climate change.
- Define, launch, implement and monitor investment strategy.

Specific Actions taken in 2023:

Board	• Deep Dive ESG sessions in January, June and November 2023, providing updates on all ESG initiatives, targets and progress, from female representation at different levels of the business through to key initiatives aimed at driving emissions reductions • Briefed on the findings of our full Scope 1, 2 and 3 carbon footprint in H1 2023, together with the key initiatives in place to drive further reductions • April 2023: a bespoke externally facilitated training programme was delivered to the Board that explored climate trends, climate disclosure, current regulation and emerging legislation, market good practices, and climate risk • Board members are members of the Chapter Zero community, which enables sharing of information on climate-related governance practices and access to expertise and learning opportunities
Board Remuneration Committee	• 2023 bonuses for all our senior leaders were indexed to delivering our ClimateWise target score to further incentivise the integration of the ClimateWise principles into our activities
Board Risk Committee	• Reviewed and approved the materiality assessment for Climate Risk, considering milestones for decarbonisation of our investment portfolio and approving our updated Environmental, Social and Governance (ESG) policy • The Group climate metrics were reviewed on a regular basis
Group Executive	• Reviewed the Group carbon footprint and our progress in implementing our climate strategy, including our targets for decarbonisation. • Reviewed our climate-related plans and next steps in areas including our investments, home insurance business, motor insurance business, our supply chain and in our operations. • Received bespoke externally facilitated training programme • Reviewed and approved our submission to ClimateWise
Driving Good Management Committee	Supported the business's progress in areas including: • Forming decarbonisation pathways and corresponding interim milestones • Significantly reducing reliance on proxy data within supply chain emissions calculations • Establishing better ongoing engagement and dialogue with suppliers on ESG • Adding new partnerships that enhance our credentials in supporting nature and biodiversity initiatives

Stakeholders

Section 172 statement of the Directors

The Board of Directors confirm that during the year under review it complied with the requirements of section 172(1) (a) to (f) of the Companies Act 2006. The Directors confirm they have acted, in good faith, to promote the success of the Company for the benefit of its members as a whole.

Under section 172 of the Companies Act 2006, a company's directors have a duty to discharge their responsibilities having regard, among other matters, to the:

a. likely consequences of any decision in the long-term;
b. interests of the Company's employees;
c. need to foster the Company's business relationships with suppliers, customers and others;
d. impact of the Company's operations on the community and the environment;
e. desirability of the Company maintaining a reputation for high standards of business conduct; and
f. need to act fairly as between members of the Company.

Stakeholder groups

The table below highlights the interests of our key stakeholders, our engagement methods and examples of the decisions made and actions we have taken during 2023 to support those interests. Further details can be found in the Group's Business Model and in the Strategic Report on pages 6 to 35.

The Board also engages with other stakeholders on specific issues, such as the tax authorities and the media. The Directors seek to ensure that their decision-making process not only considers the Company's purpose, strategy and values, but also reflects as far as possible, the interests of all stakeholders. Board papers identify, when relevant to a decision, other stakeholders interests. During the year, the Board considered the inputs, engagement and outcomes of the relationships between the Group and its stakeholder groups and has reflected on how the Group's corporate governance structure maintains and protects its reputation by upholding high standards of business conduct.

Our Engagement with Stakeholders

	Customers S172 sections (a), (c) and (e)	Colleagues S172 sections (a), (b) and (e)	Investors S172 sections (a), (e) and (f)
Why we engage	• We continually work hard to deliver better outcomes for our customers as part of our mission to fix insurance for good. We want to put things right within the insurance industry, bringing human values back into insurance to look after the customers we exist to protect. We will use industry-beating technology, insights and data, alongside fantastic customer service, to deliver more personalised experiences that meet the evolving needs and expectations of all our customers.	• Our people are a huge strength and are critical to our success. Our colleagues represent an exceptional people and skills capability combining deep-rooted insurance knowledge and others with leading technology and data capabilities. • A modern, collaborative, and agile culture allows us to derive maximum value from our technology and data platforms.	• As an Insurer and Public Interest Entity (PIE), we need to provide fair, balanced, and comprehensive information to instil trust and confidence and allow informed investment decisions to be made. • We consider the interests of our debt investors and our Shareholder. • We foster understanding with our Shareholder on our strategy and investment case providing opportunity for their input on the business and priorities.
How we engage	• Direct conversations with our Customer Service, Claims and Complaints teams • Social media and our commercial websites • Focus groups/ perception studies including new product design • Customer RNPS, TNPS and Trustpilot surveys	• Regular two-way multi-channel communication including face to face meetings, blogs/vlogs, social media (Yammer) and monthly engagement surveys • An independent whistleblowing helpline • Regular updates on gender and diversity, ethnicity, corporate culture and values • Colleague Representative Forums	• Regular programme of engagement with shareholder representatives at formal Board meetings, strategy days and Shareholder reviews • One-to-one Shareholder update meetings with the Chair, independent Non-Executive Directors, CEO, CFO and Group Executive Team members • Meetings with debt investors and investment houses and consideration of their interests in decision making • Annual and interim reporting
Our response – decisions and actions taken in 2023	The Board spent time on: • The pricing approach, associated governance and control framework to ensure quality and value of products, plus fair and reasonable treatment of all customers • A review of evolving customer journeys including digital offerings, with focus on ease of use, and proposition vision	The Board spent time on: • Regular review of colleague engagement surveys, including employee satisfaction scores, and other colleague related data on diversity, attrition, recruitment and sickness • Regular consideration of talent development and succession plans	The Board spent time on: • Trading strategy adopted in light of market movements • The 2024 Budget Plan and updated Capital Management Plan • Regulatory Capital Adequacy and management actions taken to optimise the capital position • 2014 Tier 2 debt repayment and issue of new Tier 2 debt

- Operational performance (Sales & Service, Claims and Complaints) monitoring to ensure full compliance with regulation
- Regular review of Customer metrics, including RNPS scores, complaints, retention and Digital Ease
- Assuring itself that our customers receive 'good outcomes' from our products and services by receiving reports in line with the FCA's Consumer Duty regulations.
- Review and approval of the Code of Business Conduct and Conduct Risk framework

- Approval of diversity and inclusion initiatives
- Approval of the Gender Pay Gap and Ethnicity Pay Gap reports
- Approval of the Modern Slavery Statement, Code of Business Conduct, Whistleblowing Policy, Health and Safety Policy and the 2023 annual bonus plan approved by the Remuneration Committee.
- Reviewed impact of inflationary environment on employees.

- Approval of the issue of additional shares as part of the equity injection from the shareholder
- Annual Report and Accounts and Half-Year review
- Financial and Operating performance and progress against Transformation programme delivery
- Investment returns
- External factors - competitor behaviour, evolving economic and market conditions, inflation, insurance industry performance and upcoming regulation

Links to our key risk objectives

- Customer
- Operational Risk/Reputation

- Operational Risk/Reputation

- Financial Sustainability
- Financial Protection/ Solvency & Liquidity
- Customer
- Operational Risk/Reputation

Further information

- Strategic Report pages 6 to 35
- ESG section on pages 36 to 45
- Customers on pages 12 and 13

- Colleagues on pages 41 and 42
- ESG section on pages 36 to 45
- Directors' Remuneration Report pages 68 to 70

- Strategic Report pages 6 to 35
- Corporate Governance pages 58 to 70
- esure Group plc website www.esuregroup.com

Corporate partners
S172 sections (a), (c), (d) and (e)

Regulators
S172 sections (a), (b) and (e)

Community and environment
S172 sections (a), (d) and (e)

Why we engage

Corporate partners

- Strong ethical relationships with our corporate partners ensures the security of supply chain and our speed to market.
- We rely heavily on the high standards of our carefully selected partners who are integral to us achieving our future strategic goals, market-leading products and services. It is crucial to foster these relationships, mitigate risks and promote business resilience.

Regulators

- To understand regulatory and policy changes which provide opportunities but may also pose a risk to our operations.
- We work closely with our regulators to ensure that our products and services evolve appropriately and mitigate any associated risks.

Community and environment

- Engaging with our communities is the right thing to do, is an integral part of our culture and helps drive the long-term viability of the business.
- We are committed to helping the UK become a sustainable, low-carbon economy and will play our part in combatting climate change. We believe that unmitigated climate change is a key risk for the insurance industry, as well as a systemic threat to society.

How we engage

Corporate partners

- Every supplier/partner has a designated supplier relationship manager to monitor performance and help enhance the relationship with dedicated processes to govern end-to-end relationships
- Due diligence process and regular Information Security and business continuity engagement
- Monitoring and support of the procurement governance practices for tender and contract management via a software application
- Application of fair payment terms and pricing and responsible sourcing practices
- Regular meetings throughout the year with reinsurance partners

Regulators

- Proactive and collaborative engagement with the PRA, FCA, CMA and ICO, and alignment of our approach to meet regulatory requirements
- Membership of industry bodies (ABI) to ensure active engagement in industry-wide discussions
- Regular and ad hoc meetings with regulators, attended by members of the Board and Executive team
- Open and transparent reporting

Community and environment

- Colleague community committees run by volunteers at each office location supporting fund raising for local charities
- Sponsorship deals and partnering with environmentally focused global charities
- Approving Shelter as our corporate charity partner
- A clearly articulated Climate Strategy and commitment to annual ClimateWise reporting

Our response – decisions and actions taken in 2023

Corporate partners

The Board spent time on:

- Review and approval of the Outsourcing and Material Third Party Suppliers Policy, and supporting Supplier Governance framework
- Approval of the renewal of Group's reinsurance arrangements
- Review of modern slavery risks in supply chains and approval of the Modern Slavery Statement

Regulators

The Board spent time on:

- Meeting with the PRA annually and receiving updates of regular communications between the executives and the regulators Responses to FCA, PRA, ICO, and ABI consultations and other requests
- A review of regulatory, technological and consumer trends

Community and environment

The Board spent time on:

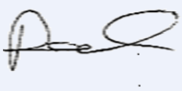
- Reviewing and approval of Code of Business Conduct, Modern Slavery Statement and Board Diversity Statement
- Reviewing and approval of our sustainability ambition, strategy, targets (aligned with the ABI Climate action roadmap) and initiatives aimed at combatting climate change and managing climate change risks.

• Approval of high-value key material supplier • Review and approval of the Supplier Code of Conduct • Approach to environmental sustainability and dialogue with supply chain including carbon footprint, and for motor it is recycled parts, carbon-neutral repairer network, and electric vehicle ready network • Third party impact on our Operational resilience	• Review and confirmation of compliance with our regulatory obligations including the new FCA Consumer Duty regulations • Review of our self-assessment against and plans to meet future regulatory expectations such as the 2025 Operational Resilience requirements. • Approving our key regulatory policies.	• Reviewing submission and results of ClimateWise reporting and agreeing ambitions for 2024 • Oversight of various colleague and community engagement initiatives
Links to our key risks • Financial Sustainability • Financial Protection/ Solvency & Liquidity • Operational Risk/Reputation	• Financial Protection/ Solvency & Liquidity • Customer • Operational Risk/Reputation	• Financial Sustainability • Customer • Operational Risk/Reputation
Further information • Strategic Report pages 6 to 46 • Financial Review pages 17 to 24 • Corporate Governance pages 58 to 70	• Strategic Report pages 6 to 46 • Risk management pages 26 to 29 • Corporate Governance pages 58 to 70	• See ESG section on pages 36 to 45 and our ClimateWise report

Statement of the Directors in respect of the Strategic Report

The Board reviewed and approved the Strategic Report on pages 6 to 46 on 29 March 2024

By order of the Board



David McMillan
Chief Executive Officer
29 March 2024

Corporate Governance Report

Chair's Introduction

We remain firmly committed to high standards of corporate governance and maintaining a sound framework for the control and management of the business. The Board recognises that effective governance is essential to the implementation of our strategy and key to the creation of long-term value for both our Shareholder and wider stakeholders including our employees. This report outlines our governance structure and describes the key activities for the year ended 31 December 2023.

Corporate Governance principles

The Group has applied the Wates Corporate Governance Principles for Large Private Companies (published by the Financial Reporting Council (FRC) in December 2018) and the Guidelines for Disclosure and Transparency in Private Equity Companies (the Walker PERG Guidelines) in respect of its financial year commencing on 1 January 2023 and on behalf of the Board of Directors, I confirm the Company has met the requirements of each that are set out within the Strategic Report and Directors Report. This year we have also included a summary of the Boards role regarding compliance with climate related disclosures. Further information can be found on pages 27 and 34.

Wates Principles

Purpose & Leadership	Please refer to the Strategic report on pages 6 to 46
Board Composition	Please refer to our Board of Directors on pages 53 to 56, and our Governance Framework on pages 58 to 67
Director Responsibilities	Please refer to our Governance Framework on pages 58 to 67
Opportunity & Risk	Please refer to our Risk Management Report on pages 26 to 29
Remuneration	Please refer to our Remuneration Committee Report on pages 68 to 70
Stakeholder Relationships & Engagement	Please refer to our stakeholder section on pages 46 to 50and our ESG report on pages 36 to 46

As a major UK general insurer, the Group is familiar and comfortable with the corporate governance practices expected of a public limited company without a premium listing but with listed debt and the legislation applicable to Public Interest Entities. The Group also complies fully with the corporate governance requirements of the Companies Act 2006, the Companies Miscellaneous Reporting (Regulations) 2018 and the Financial Services and Markets Act 2000 (and its associated regulations) in so far as they are applicable to it.

Governance highlights in 2023

- Strategy - consideration and revalidation of our key strategic pillars in light of market and economic developments and progress on our transformation programme, including a focussed strategy away day.
- Business performance and trading oversight – significant focus on performance and trading; the continued impact of inflation on claims; and on our regulatory capital adequacy together with the management actions taken.
- Transformation programme oversight – keen focus on technology, the target operating model and people capability, the development of digital skills and knowledge transfer. As well as ensuring appropriate risk management, delivery pace, financial control and effectiveness of relationships with our strategic suppliers and partners.
- People – regular review of colleague engagement and actions taken to respond to feedback, monitoring of the hybrid working model, consideration of use of the outsourcing model in South Africa, resource and succession planning, and knowledge transfer from our transformation partners.
- Customer – increased focus on our customer journeys, strategy and proposition, including product design, optimisation of customer experience and service delivery.
- ESG agenda - keen focus on all aspects of our ESG agenda, specifically on the Company's actions and planning on sustainability and Inclusion & Diversity.
- Board Effectiveness–tracking of the agreed actions following a self-evaluation assessment of effectiveness carried out in mid-2023.

Andy Haste
Chair of the Board of Directors
29 March 2024

Board of Directors

A Audit Committee member
R Risk Committee member
Rem Remuneration Committee member

Orange Denotes Chair
Blue Denotes invitation to attend

Andy Haste **Non-Executive Chair**

Appointed: March 2020

Background and experience

Andy has over 40 years' experience in financial services with a wealth of experience in board leadership, executing change, delivering profitable growth and increasing shareholder value. He has held several non-executive roles serving as a Chairman, Deputy Chair, Board Committee Chair and Senior Independent Director at a range of high-profile and regulated organisations. He was a member of the board of the Association of British Insurers (ABI) from 2003 to 2011 and a Visiting Fellow at the Oxford University Centre for Corporate Reputation between 2008 and 2019.

Prior appointments

Andy served as the Senior Independent Deputy Chairman of Lloyd's of London where he chaired its Remuneration Committee, Technology and Transformation Committee and Capacity Transfer Panel. He was also a member of Lloyd's Nominations and Governance Committee. Andy held previous roles including Chairman of Wonga Group, SID of ITV plc, Group CEO of RSA Insurance Group plc, CEO of AXA Sun Life PLC and Executive Director AXA UK Plc.

Committee membership

A R Rem

David McMillan **Chief Executive Officer**

Appointed: July 2019

Background and experience

During his career, David has been responsible for leading different businesses through start-up, high growth, restructuring and turnaround phases. He holds a BA in Finance and Computer-Science from Heriot-Watt University, an executive MBA from the University of Chicago and is a Fellow of the Institute of Management Accountants. Until March 2023, David was a non-executive director of Scottish Rugby Ltd.

Prior appointments

Prior to joining esure, David was Group Chief Operating Officer of QBE, one of the world's top 20 insurance and reinsurance companies and was responsible for Strategy, Transformation, Digital, Technology and Operations. Before QBE, he was Chief Executive Officer, Europe and India and Chairman of Global Health Insurance for Aviva plc. Earlier in his career at Aviva, David was Chief Executive Officer of UK General Insurance & Group Transformation Officer. He joined Aviva in 2002 following almost ten years with the management consulting arm of PricewaterhouseCoopers.

Committee membership

A R Rem

David chairs the Group Executive Committee.

Peter Bole Chief Financial Officer

Appointed: March 2020

Background and experience

Peter joined the business in January 2020 and was appointed Chief Financial Officer in March 2020. He is accountable for the leadership of the finance function, ensuring the effective delivery of all aspects of financial management of the business. Peter graduated with a 1st Class Honours degree from the University of Aberdeen and is a member of the Institute of Chartered Accountants of Scotland. He has over 25 years' experience in finance leadership roles across several strong consumer businesses within the Banking and Insurance sectors.

Prior appointments

Prior to joining esure, Peter was Chief Financial Officer of Virgin Money having moved there from Tesco Bank where he was also the Chief Financial Officer. Earlier in his career Peter held senior financial roles at Direct Line Group, Standard Life and Deloitte.

Committee membership

A R

Peter is a member of the Group Executive Committee.

Andrew Birrell Independent Non-Executive Director

Appointed: December 2019

Background and experience

Andrew is an independent non-executive director of Sun Life Financial of Canada (UK), Sanlam Group and Sanlam Life. He is a Senior Adviser to Sixth Street Partners in relation to their European and US Life insurance strategy. Until April 2022, he was an Executive Director and founder of Universal Partners Limited. Andrew has spent his career in financial services, general, life and health insurance, investment management and banking, primarily as CFO of fast growing, entrepreneurial insurance businesses. He is a Fellow of the Institute and Faculty of Actuaries and a Chartered Enterprise Risk Actuary.

Prior appointments

Previously, Andrew held roles as CFO of Guardian Financial Services Ltd, Group CRO and Group Chief Actuary of Old Mutual Plc, Chief Operating Officer and Chief Financial Officer at Investec Securities Ltd, South Africa and Chief Financial Officer of Capital Alliance Holdings, South Africa. He also held roles as Chairman of Assupol Holdings and Assupol Life Limited and as a non-executive director of Investec Life.

Committee membership

A R Rem

Elisabeth Ling Independent Non-Executive Director

Appointed: May 2022

Background and experience

Elisabeth is a Product Management and Data Science leader with over 25 years' experience and expertise in developing digital products and leading teams in start-ups, scale-ups and global companies. She advises CEO's of digital ventures on their product and scaling strategies In her most recent executive position, Elisabeth led product management and data teams at Elsevier where she was responsible for developing new digital commercial offerings for Researcher products. Elisabeth is currently a Member of AI Ethics Steering Committee at Digital Catapult. She holds an Applied Mathematics MSc from Ecole Nationale des Ponts et Chaussées (ParisTech) and an MA Marketing from ESSEC Business School.

Prior appointments

Elisabeth was a Board member and remains a product advisor to the CEO of Ometria, a marketing and customer data platform. Prior to that she held senior product roles at Talk Talk, eBay and PayPal. She is a noted expert in the field of artificial intelligence and was a member of the European Commission High level Expert Group on Artificial Intelligence & Ethics in 2019 and 2020.

Committee membership

A R

Peter Shaw **Independent Non-Executive Director**

Appointed: March 2017

Background and experience

Peter has a wide range of experience in both risk and business roles throughout a career of over 30 years in financial services.

Prior appointments

Peter spent the majority of his career at Royal Bank of Scotland and NatWest, having joined as a graduate, progressing through a number of business roles before spending his last eight years in the risk function, latterly as chief risk officer for the Retail, Wealth and Ulster Bank businesses. He formerly also held the roles of non-executive director Aldermore Bank plc, Willis Ltd and at Bank of Ireland (UK) plc.

Committee membership

R A Rem

Elke Reichart **Independent Non-Executive Director**

Appointed: January 2021

Background and experience

Elke is a member of the Supervisory Boards of Bechtle AG. and TRUMPF SE +Co.KG. In September 2023 she was appointed Chief Digital Transformation Officer at Infineon Technologies AG and as a result has resigned from her role on the Board Risk Committee. Elke will remain on the Board and Chair of the Remuneration Committee until the 30 April 2024 and will not stand for re-election at the AGM.

She was formally CEO at TUI InfoTech and Chief Digital Officer at TUI Group, responsible for Group-wide IT solutions and implementation. Elke has 30 years' experience in the IT industry with a track record of driving large, global-scale business transformations.

Elke graduated in Roman Languages and Literature, Economics and Applied Information Sciences at the Universities of Gießen and Montpellier, France. She was named in the InspiringFifty DACH Awards and won CIO of the Year in 2019.

Prior appointments

Previously, Elke held management positions at Hewlett Packard (HP) USA and took over as Vice President for Strategy and Planning in 2012 and in 2013 she headed an international team in the largest transformation programme to date at HP. From 2009 to 2016, Elke was a member of the supervisory board of HP Germany. On her return from the USA in 2015, she started to work as a business consultant for CureVac AG, a biotech company in Germany.

Committee membership

Rem R A

Robin Marshall **Non-Executive Director**

Appointed: December 2018

Background and experience

Robin joined Bain Capital Private Equity in 2009. He is a Partner and Co-Head of the European Private Equity team. Robin serves as a non-executive director on the Board of the UK's Ministry of Defence. Prior to joining Bain Capital Private Equity, Robin was a Partner at 3i. He was the founding partner of 3i's US Private Equity business and before that was a Managing Director of 3i's UK business. Robin received his master's degree from the University of Glasgow. He was also a post-graduate Thouron Fellow at the University of Pennsylvania.

Prior appointments

Previously, Robin held roles with McKinsey & Company and Procter & Gamble.

Committee membership

None.

Philip Loughlin **Non-Executive Director**

Appointed: December 2018

Background and experience

Philip joined Bain Capital Private Equity in 1996. He is a Partner and serves as the Global Head of the Financial Services and Business Services Vertical. He is also a member of the Consumer/Retail Vertical. Philip received an MBA from Harvard Business School, where he was a Baker Scholar. He graduated cum laude with an AB from Dartmouth College.

Prior appointments

Prior to joining Bain Capital Private Equity, Philip was a consultant at Bain & Company. He also served in operating roles at Eagle Snacks, Inc. and Norton Company.

Committee membership

None.

Luca Bassi **Non-Executive Director**

Appointed: December 2018

Background and experience

Luca joined Bain Capital Private Equity in 2003. He is a Partner and co-Head of the Technology, Financial and Business Services vertical and a member of the European Private Equity team. Luca focuses on investments in the financial technology and services sector as well as on the coverage of Southern Europe (Italy and Spain). Luca received an MBA from Columbia Business School. He graduated magna cum laude with a BS in Economics from Bocconi University.

Prior appointments

Prior to joining Bain Capital, Luca worked for Goldman Sachs in the Investment Banking Division in London where he advised Italian and international companies on cross-border M&A transactions. Previously, he worked as a strategy consultant at Bain & Company in Milan where he focused on the financial services sectors.

Committee membership

Rem R A

James Stevens **Non-Executive Director**

Appointed: April 2020

Background and experience

James joined Bain Capital Private Equity in 2014. He spends the majority of his time focused on technology and financial services investments in Europe. He is a Partner with Bain Capital Tech Opportunities Fund. Previously he was with Bain Capital Private Equity for eight years.

He has an LLB, 1st Class Honours and a B. Com (Finance) from the University of Canterbury, New Zealand.

Prior appointments

Prior to joining Bain Capital Private Equity, James worked as a consultant at Bain & Company in London and Sydney across a number of sectors including Private Equity, consumer products and mining. Prior to this he worked in renewable energy across Asia.

Committee membership

A R

Group Executive Committee

David McMillan chairs the Group Executive Committee which comprises the Chief Financial Officer, Chief Risk Officer, Chief Technology Officer, Chief Customer Officer, Director of Operations, Chief People Officer, Chief Claims Officer

Company ownership

In December 2018, esure Group was acquired by Blue (BC) Bidco Limited, a wholly owned subsidiary of funds advised by Bain Capital Private Equity (Europe), LLP and its affiliates. esure was established in 2000 and is headquartered in Reigate, Surrey, UK. The company was originally conceived for the online channel which now dominates insurance distribution.

Bain Capital Private Equity (Europe), LLP is an investment adviser authorised and regulated by the FCA. Bain Capital Private Equity (Europe), LLP and Bain Capital Private Equity, LP are indirect subsidiaries of Bain Capital, LP, a global investment firm based in Boston, Massachusetts, USA. Bain Capital Private Equity (Europe), LLP is based in London and is the investment adviser to the following European private equity funds:

- Bain Capital Fund VII-E, LP
- Bain Capital Fund VIII-E, LP
- Bain Capital Europe Fund III, LP

and the investment sub-advisor to:

- Bain Capital Fund Europe – IV, LP
- Bain Capital Fund Europe – V, SCSp

Our Governance Framework

Board of Directors

Membership: Andy Haste (Chair), Executive and Non-Executive Directors

Membership of the Board Risk and Audit Committees consists of a sub-set of independent non-executives only. Membership of the Board Remuneration Committee consists of a sub-set of independent and Shareholder non-executives. Committee membership can be found on pages 53 to 56 of the report.

Responsible for:

- leadership and oversight of the Group and has overall authority for the management and conduct of the Group's business, strategy and development;
- ensuring the maintenance of a sound system of internal control and risk management (including financial, operational and compliance controls, and for reviewing the overall effectiveness of systems in place);
- the approval of any changes to the capital, corporate and management structure of the Group; and
- the environmental, social and governance agenda.

Audit Committee

Monitors the integrity of the Group's financial and solvency statements, the effectiveness of the external and internal auditors and internal control processes, and reviews the Group's whistleblowing policy.

Risk Committee

Reviews the effectiveness of the Group's risk management systems, the overall risk assessment processes and methodology and sets the Group's risk appetite.

Remuneration Committee

Accountable for remuneration policy, short and long-term incentives for Executives and the senior management team, and the appointment/ termination of individual Executives.

Group Executive Committee consists of the Chief Executive and his direct reports

Responsible for the overall management of the Group, driving its vision and strategy and ensuring the organisational culture leverages diversity, industry knowledge and customer insight.

Also comprises the Group Executive Risk Committee, Group Executive Transformation Committee, Group Executive ESG Committee, and Group Executive People Committee.

The role of the Board

Our role as the Board is to promote the long-term success of the Group. We do this by implementing and overseeing frameworks for governance, risk and performance management and receiving regular updates on governance, stakeholder engagement activities, risk, strategy, performance and culture.

The Board has delegated a number of its responsibilities to Board Committees. This assists the Board in carrying out its functions and ensures there is independent oversight of internal control, risk management and remuneration policy. These Committees are comprised of Non-Executive Directors and utilise the expertise and experience of their members to examine subjects in detail and make recommendations to the Board where required.

Whilst day to day responsibility for the business lies with the Executive management team, we maintain a Schedule of Matters Reserved for the Board to ensure that key decisions that affect the Group and are of the utmost importance to our Shareholder and wider stakeholders are taken by the Board as a whole.

Key matters reserved for the Board, :

- Approval of the Group's strategic plan and objectives and setting the Group's values and standards
- Changes to the Group's capital structure or arrangements including loans, repayments or reinsurance
- Approval of financial statements, capital adequacy and significant changes in accounting policies
- Approval of the Group's Risk Appetite Statements
- Approval of capital projects or treasury activities over pre-determined amounts
- Appointment and removal of Board members and Chair of the Board, Chief Executive Officer, Chief Financial Officer, Chief Risk Officer, Chief Actuary and Company Secretary
- Approval of significant Group policies

Areas of focus in 2023	Key matters considered	Outcome
Strategy	• Transformation programme	• Updates at each meeting (plus additional meetings) to monitor and challenge progress, scope, risk management, effectiveness of third-party partners, and budget on both technology and people/capability agenda • Input received, and assessed, from independent assurance review
	• Market	• CEO updates, and third party insights, on market M&A activity, competitor results, and new entrants
	• Regulatory developments	• Updates at each meeting on latest FCA and PRA regulatory developments, correspondence, discussions and our response • Monitored the Consumer Duty programme and compliance within required timescales
Culture/People	• Colleague engagement • Whistleblowing line review	• CEO updates on colleague engagement scores and feedback - appropriate action agreed and reviewed approach to employee communications and engagement scores • Full review of use of whistleblowing line over previous year
	• Modern slavery	• Review of Modern Slavery Act Statement, Supplier Code of Conduct, and processes adopted to ensure and track continued compliance
	• Mandatory training	• Mandatory training undertaken by Board members, and monitored for all colleagues
	• Group policies	• Approval of updated Group policies on Code of Conduct, Health and Safety (H&S), Financial Crime (including ABC, AML and Sanctions), Board Diversity, ESG and Whistleblowing
Risk	• Risk appetite and principal risks	• Conducted a robust assessment of the emerging and principal risks facing the Group and determined the appropriate risk appetite in order to achieve its long-term strategic objectives • Received an update on the effectiveness of risk management from the Risk Committee
	• ORSA	• Reviewed and approved the ORSA in November 2023
Operational Performance	• Operations • Claims • Customer experience	• Focused Board session on customer journey strategy and proposition vision • Considered the risk relating to talent and capability and reviewed succession plans at the most senior level of the business including a focus on improving diversity • Reviewed approach and status of cyber security and data privacy

Governance	• Governance framework • Succession planning • Effectiveness	• Reviewed and updated the terms of reference for the principal Committees • Considered the risk relating to talent and capability and reviewed succession plans at the most senior level of the business • Tracked progress against action plan agreed following externally facilitated evaluation
ESG	• Company initiatives, including ClimateWise Report and proposed Path to Net Zero • Inclusion & Diversity	• Focused Board sessions on all ESG-related activity being undertaken by the Group – participated in bespoke ESG training by PWC • Agreement of appropriate targets related to the same • Updated Equity, Inclusion and Diversity Policy and Board Diversity Policy • Published Gender Pay Gap report • Reviewed Ethnicity Pay Gap report • Considered results of ClimateWise report, and proposed areas of future focus • Approved initiatives and commitments supporting sustainability and I&D objectives
Financial Performance	• Monthly performance • Budget • Trading strategy • Capital strategy • Reinsurance strategy	• CFO updates on financial performance at every meeting • The Board reviewed performance against the 2023 budget and approved the budget for 2024 • Received regular updates on market environment and proposed trading response • Considered pricing dynamics and customer segmentation • Reviewed the reserving position. • Considered and reconfirmed appropriateness of solvency operating range. • Reviewed long-term capital plans, the redemption of and re-issuance of Tier 2 debt and approved the issue of additional shares as part of the equity injection from the shareholder Bain Capital • Approved the capital injection from the Shareholder • Approved proposed 2024 reinsurance programme
Trading Oversight	• Elevated Claims inflation • Movement in market pricing • Broader macro environment	• Disciplined approach to pricing within agreed guardrails • In light of market conditions, slowing growth ambitions in favour of disciplined pricing and underwriting

Roles and responsibilities

The Chair of the Board – Andy Haste

- Leads the Board and sets the agenda
- Promotes a culture of openness and debate
- Ensures the Board is effective
- Facilitates the contribution of Independent Non-Executive Directors and oversees the relationship between them and the Non-Executive Directors and Executive Directors

Chief Executive Officer, Executive Director – David McMillan

- Responsible for the performance and management of the Group's business
- Leads the senior Executive team in the day-to-day running of the Group's business
- Charged with recommending and then implementing the Board's strategy and decisions
- Responsible for ensuring effective internal controls and risk management systems
- Keeps the Chair informed on all important matters

Chief Financial Officer, Executive Director – Peter Bole

- Supports the CEO in the leadership and management of the Group's business
- Accountable for the leadership of the Finance function, ensuring the effective delivery of all aspects of the financial management of the business

Independent Non-Executive Directors – Peter Shaw, Andrew Birrell, Elke Reichart, Elisabeth Ling

- Bring a very broad level of experience across the financial, commercial, actuarial, technology, data science and product sectors
- Constructively challenge management and scrutinise performance
- Contribute to the development of the Group strategy
- Monitor the Group's performance
- Satisfy themselves on the effectiveness of financial controls, risk management and appropriate conduct
- Participate in the selection and recruitment of new Directors and succession planning

Non-Executive Directors – Robin Marshall, Phil Loughlin, Luca Bassi, James Stevens

- Bring representation of the Shareholder view to the Board
- Constructively challenge management and scrutinise performance
- Contribute to the development of the Group's strategy
- Monitor the Group's performance
- Satisfy themselves on the effectiveness of financial controls, risk management and appropriate conduct
- Participate in the selection and recruitment of new Directors and succession planning.

Directors' external activities and conflicts of interest

Directors have a statutory duty to avoid situations in which they have a direct or indirect conflict of interest or possible conflict of interest with the Company. Under the Company's Articles of Association, the Board has the ability to authorise any actual or potential conflicts that may arise. The Group has a Conflicts of Interest Policy which was last reviewed and approved by the Board Risk Committee in March 2023. There is a procedure in place to deal with any actual or potential conflicts of interest and Directors are required to review and confirm their interests annually. Prior to taking on additional responsibilities or external appointments, Directors are required to declare any interests that may give rise to a conflict of interest on appointment and to obtain authorisation from the Chair subsequently as they arise. It is a Director's responsibility to ensure that they will be able to meet the time commitment expected of them in their role in the Group. Any potential conflicts approved by the Board are recorded in a Conflicts of Interest Register and are noted by the Board at its next meeting. The Board is satisfied that the systems for the reporting of conflicts of interest continue to operate effectively.

Equity, inclusion and diversity

Succession planning and diversity remained a key area of focus for the Board during the year. The Board continues to focus on achieving an inclusive, balanced and diverse Board membership to include a mixture of skills, professional and industry backgrounds, geographical experiences and expertise, gender, tenure, ethnicity and diversity of thoughts. This brings a range of views, insights, perspectives and opinions which will improve its decision making and be of benefit to all the Company's stakeholders. The Board continues to focus on promoting diversity across its executive pipeline, senior leadership roles and all its employees.

Board evaluation

The Board continued to work against an action plan based on the development opportunities identified following the facilitated review in 2021. A self-evaluation was carried out mid-2023 showing that members of the Board considered that the Board and Board Committees continue to act effectively, that the Board are working better as a cohesive whole, and that greater diversity of skills and experience brought to the Board by the latest joiners had enhanced the overall effectiveness. A particular focus would be maintained on customer voice and customer needs, and on employee talent and engagement.

Progress on actions and results of the self-evaluation were formally discussed by the Board in July 2023. The Board has agreed to conduct a facilitated review in 2024.

Website

The Group's website www.esuregroup.com, provides a source of information for stakeholders about the Group and contains financial presentations and publications, including the online Annual Report, mid-year report in line with the Walker PERG Guidelines, the Group's ClimateWise report and recent press releases.

Audit Committee Report

The Audit Committee remained central to the Group's governance process, working with the Risk Committee, to ensure that the Group maintains a strong internal control environment. The Committee's key objective is to provide effective governance over the Group's financial reporting processes, the internal audit function and external auditor.

During the year, the Committee spent considerable time on the preparation for the introduction of IFRS17 and IFRS9. This has included the various judgements and assumptions relevant to the newly adopted standards and the impact of these on the group's financial statements in addition to the choice of accounting policies and related disclosures. The Committee also considered the impact of the inflationary environment on claims reserves including responding to the PRA's industry review of claims reserving. These were in addition to the regular reviews of financial reporting, the effectiveness of internal controls, regulatory reform, and challenged the work of both internal and external audit.

Audit Committee composition and meetings

The Committee is comprised of Independent Non-Executive Directors. Andrew Birrell is the Chair with the other members being Peter Shaw and Andy Haste. The Chief Executive Officer, the Chief Financial Officer, the Chief Risk Officer, the Chief Audit Officer, and Non-Executive Directors along with the external auditor, are invited to attend meetings of the Committee. Other members of senior management are invited to present reports as necessary.

Cross-membership of the Committee and the Risk Committee has permitted both Committees to ensure that their Terms of Reference remain appropriate to cover both the internal control and risk management frameworks of the Group.

Responsibilities

The key responsibilities of the Committee are to assist the Board in discharging its duties in respect of:

- Recommendations to the Board on the appointment / removal of the external auditor, their terms of engagement and fees.
- Agreeing the plan for the external audit, receiving and reviewing reports from the Group's external auditor, monitoring its effectiveness and independence.
- Monitoring and reviewing Internal Audit activities.
- Approving the annual Internal Audit plan and updates to that plan.
- Reviewing and monitoring the integrity of Group's financial statements, including the Annual Report and Accounts of the Group, the half year review and any other announcements relating to its financial performance.
- Reviewing and monitoring the integrity of the Company's reserving position
- Reviewing the Solvency and Financial Condition Report (SFCR)
- Reviewing the effectiveness of the Group's systems of internal controls.
- Reviewing the adequacy and effectiveness of the Group's Whistleblowing Policy.
- Focusing on compliance with legal requirements, whistleblowing, accounting standards and other regulatory or governance requirements.

The Committee is authorised to investigate any activity within its Terms of Reference and to seek any information that it requires from any employee. It has the right to consult professional advisors and, if it is not satisfied with the advice received, seek further independent professional advice. The Committee's Chair formally reports to the Board on its proceedings after each Committee meeting.

Key areas of focus in 2023

IFRS 17 and IFRS9

The Committee reviewed and monitored the implementation of both IFRS17 and IFRS9 including the key judgments with respect to the Group's financial position, the amended accounting policies, adjustments made on transition to the new reporting standards, the reserving processes and the impact on the Group's Alternative Performance Measures. The Audit Committee also held additional knowledge sessions to understand the impact of IFRS17.

Financial Reporting

The Committee, taking account of input from the external auditor, reviewed and challenged the financial reporting for the Group, including the Annual Report and Accounts and Solvency II reporting.

As part of these reviews, the Committee assessed whether suitable accounting policies had been adopted, whether management had made appropriate estimates and judgements and whether disclosures in this Annual Report and Accounts are fair, balanced and comprehensive and in line with the Wates Corporate Governance Principles for Large Private Companies and the Walker PERG Guidelines. This year that included consideration of the treatment of costs in relation to Transformation Project.

The Group's control environment underpins the integrity of the Financial Statements and the Solvency II reporting. The Committee considered reports from the CFO, the internal audit function and the external auditor in satisfying itself that the control environment supporting the Financial Statements is properly designed and operating effectively.

Liability for Incurred Claims

The valuation of the liability for incurred claims continues to be the most significant financial judgement relating to the Group's Financial Statements. As part of its consideration of this, the Committee received reports from the external auditor, the Chief Actuary, the Risk function and an independent review by an external consultancy firm. These reports considered the projected ultimate claims costs, inherent uncertainties, the range of potential outcomes and the impact of reinsurance arrangements.

The Committee, after challenging and debating the process, key judgements and assumptions and noting the inherent uncertainties associated with reserving for claims, is satisfied that outstanding claims reserves included in these Financial Statements are appropriate. In reaching this conclusion, the Committee specifically considered risks related to the impact of elevated inflation and the introduction of the Civil Liability Act, together with managements views of the claims reserves.

Other matters

The Committee also considered several other matters, including:

- The Group's Tax Strategy.
- half yearly report in line with the Walker Guidelines for publication.
- Proposed reforms to Corporate Reporting and Governance regimes under UK Corporate Governance Reform
- Solvency II returns to Regulator.
- Valuation of unlisted investment assets.
- The core financial controls framework for the new operating platform.
- Committee's Terms of Reference.
- Reviewed and challenged the external auditor's year-end reports and the statement of external auditor's independence.
- Reviewed and approved the external auditor's audit strategy, Audit Plan and fees including the areas of significant risk including reserve valuations; inflation; systems change; valuation of investments; and revenue recognition risk
- Approved the Policy for provision of Non-Audit Services by the External Auditor.
- Reviewed and approved the Internal Audit Charter.
- Reviewed and challenged the effectiveness of the Group's whistleblowing procedures and approved the Group Whistleblowing Policy.
- Responses to the Regulator on industry wide thematic enquiries

Internal Audit

Internal Audit has established a three-year audit cycle with annual delivery plans to focus on the most significant risks to the business and ensure that adequate controls are in place, and that they are designed and operating effectively. This is reviewed quarterly and draws on a range of inputs, including the Group's risk registers, to help plan and inform its priorities. The Committee concluded that it was satisfied with the plans and that they were addressing the key risks.

Internal Audit reports are presented to the Audit Committee on the effectiveness of the Group's systems of internal controls and the adequacy of these systems to manage business risk and to safeguard the Group's assets and resources. The Committee considered these, alongside updates from management, to satisfy itself that appropriate actions or mitigating controls are in place in response to any findings.

The Committee performed its annual review of the Internal Auditor and, having also considered management's opinion, the Committee was satisfied that the Internal Audit function remains independent, effective and fit for purpose.

External Audit Independence

Deloitte LLP, were newly appointed as auditors of the Group for the year ending 31 December 2022. The Audit Committee held a session in May to review their performance which also paid particular attention to the transition between the outgoing auditor and Deloitte LLP.. They also conducted an annual, formal review of the relationship, policies and procedures to ensure independence, including a review of the process and policy that governs the relationship for areas such as non-audit services by the External Auditor, restrictions on employees of the auditor working for the group and partner rotation.

The Group's policy on non-audit work is updated annually and was last updated on 28 November 2023. This policy ensures that the external auditor independence and objectivity are preserved and sets out when it may be appropriate for the external auditor to provide other services and the governance and safeguards in place around such appointments.

The Committee will review the performance and effectiveness of the external auditor, including consideration of the quality of the external auditor's report to the Committee and the interaction of the audit partner with the Committee in 2024. The Committee concluded that no conflicts of interest were found to exist between the work performed for the purpose of an external audit and the non-audit services provided by Deloitte LLP.

Details of fees paid to Deloitte LLP in 2023 are included in Note 11 in the Financial Statements.

Committee Terms of Reference

The Committee carried out a review of its Terms of Reference during 2023. As a result of its work during the year, the Committee has concluded that it has acted in accordance with its Terms of Reference. The Committee undertook a self-evaluation in 2023.

Andrew Birrell
Chair of the Audit Committee
29 March 2024

Risk Committee Report

The Risk Committee remained central to the Group's governance process in 2023, working with the Audit Committee, to ensure that the Group maintains a strong internal control environment. The Committee's key objective is to provide oversight of and advice to the Board on the current risk exposures and future risk strategy of the Group, including the development and implementation of the Group's risk management framework and the Group's approved risk appetite.

The Committee is comprised of Independent Non-Executive Directors. Peter Shaw is the Chair with the other members being Andrew Birrell, Andy Haste and Elke Reichart.

The Chief Executive Officer, the Chief Financial Officer, the Chief Risk Officer, the Chief Audit Officer, and Non-Executive Directors along with the external and internal auditors, are invited to attend meetings of the Committee. Other members of senior management are invited to present reports as necessary.

Cross-membership of the Committee and the Audit Committee has permitted both Committees to ensure that their Terms of Reference remain appropriate to cover both the internal control and risk management framework of the Group.

The Committee's key role is to provide oversight of and advice to the Board on the current risk exposures and future risk strategy of the Group, including the development and implementation of the Group's risk management framework and the Group's approved risk appetite which can be found in the Strategic Report on pages 6 to 46.

During the year, the Committee continued to have an open and transparent relationship with our regulators and considered feedback in respect of the ongoing suite of regulatory reviews and activity, both specific to the Group and industry wide.

Responsibilities

The Committee responsibilities in respect of the risk management framework are to:

- Provide advice to the Board on risk strategy and oversight of current risk exposures in relation to risk appetite;
- Keep under review the effectiveness of the Group's risk management systems, the overall risk assessment processes and methodology, and ensure that risk-based information is used effectively by management and the Board in the running of the business;
- Evaluate potential emerging trends, including but not limited to environmental, social and governance trends, that may result in future adverse developments against the Group's risk appetite or new risk issues facing the Group and their potential impact on the business model;
- Review the principal risk policies for consistency with the Group's risk appetite and approve any material changes to those policies;
- Oversee and challenge the design and execution of stress and scenario testing, this includes reverse stress testing, day-to-day risk management and management's responsiveness to the findings and recommendations from the Chief Risk Officer and the Risk Management function;
- Challenge due diligence on risk issues relating to material transactions and strategic proposals that are subject to approval by the Board;
- Provide advice, oversight and challenge necessary to embed and maintain a supportive risk culture and review the effectiveness of its embedding and maintenance throughout the Group;
- Review the capital adequacy of the Group, taking into account the forward-looking assessment of risks from the outcomes of the ORSA process and recommend to the Board for approval prior to submission to the Group's regulatory supervisor;
- Approve the annual objectives of the Risk Management function, ensuring it has adequate resources, independence and has appropriate access to information to enable it to perform its function effectively;
- Review the approach by which each principal risk is controlled, and new and emerging risks are identified and managed;
- Receive notification of any material breaches of risk appetite and discuss possible actions and solutions; and
- Consider the implications of any changes proposed to regulations and legislation that could be material to the Group's risk appetite, risk exposure, management of risk and regulatory compliance.

Key areas of focus

Key matters discussed by the Committee during the year are set out below:

- Regular oversight and review of governance and risk profile in relation to the Transformation programme, including assessing the management of change risks and the impact of the transformation on the overall business risk profile, including advising the Board on the current risk exposures, owning the external quality assurance programme, and future transformation risk strategy for the Group.
- Oversight of the ORSA process and reporting including assessment of the overarching risks within the Group.
- Oversight of responses and dialogue with the regulators in relation to pricing practices, reserving, in particular the impact of the inflationary environment on claims and risk exposure management.
- Reporting on and debating material risk areas including Operational Resilience, Pricing, Reserving, Solvency, Conduct and Customer risk, Investment risk, Data risk, Cyber risk and Climate risk.
- Deep dives took place on data governance, underwriting, legacy IT matters, insurance fraud and financial crime
- Assessment and debate regarding risk culture within the business.
- Review and approval of policies including Risk Management, Conduct Risk, Conflicts of Interest, Health and Safety, Privacy & Data Protection, Outsourcing and Material Third Party Arrangements, Financial Crime, ESG, Supplier Code of Conduct.
- Review of the 2023 and 2024 reinsurance programme for recommendation to the Board.
- Implementation of the Consumer Duty regulation and the Company's compliance therewith

In addition, pages 27 to 29 provide a summary of the principal risks faced by the Group and key mitigating actions and an overview of emerging risks, along with recent and anticipated future developments. Further information on the Group's approach to risk, including the associated governance framework for managing risk, stress testing and an analysis of the principal risks, is set out in the risk management section on pages 25 to 33.

Remuneration matters

The Committee has a duty to advise the Remuneration Committee regarding both the design of senior executive short-term and long-term incentive plans, to ensure that management are not being incentivised to take undue risks; and in discharging its responsibilities any risk management and control issues that have arisen that the Committee believes should be taken into account when determining executive remuneration payments under the aforementioned plans.

Risk management function

The Committee reviewed the remit and performance of the Group's risk management function to confirm that these functions have the requisite skills, experience and resources, along with unrestricted access to information, to discharge their responsibility effectively, in accordance with the relevant professional standards, and ensuring also that the functions have adequate independence.

Risk Committee Terms of Reference

The Committee carried out a review of its Terms of Reference in November 2023. As a result of its work during the year, the Committee has concluded that it has acted in accordance with its Terms of Reference. The Committee reviewed the actions and recommendations from the internal evaluation.

Peter Shaw
Chair of the Risk Committee
29 March 2024

Remuneration Committee Report

This report presents an overview of the approach to the remuneration of our Chair, Executive Directors, Independent Non-Executive Directors, Material Risk Takers and aggregate remuneration for our senior management team, together with a summary of our Remuneration Policy.

The Committee is appointed by the Board and is comprised of Independent Non-Executive Directors and a representative Non-Executive Director of the Shareholder.

Elke Reichart is Chair of the Committee and other members are Andrew Birrell, Peter Shaw and Luca Bassi.

The Chair of the Board, the Chief Executive Officer, the Chief People Officer, Chief Risk Officer, and Non-Executive Directors along with the external Committee advisors, are invited to attend meetings of the Committee, as appropriate for the agreed agenda. Other members of senior management are invited to present reports as necessary.

Roles and responsibilities

The role of the Remuneration Committee is to oversee remuneration arrangements and make decisions on behalf of the Board for Executive and Material Risk Takers (MRT) remuneration. In fulfilling their role, the Remuneration Committee is advised by the Chief Executive Officer, Chief People Officer, Chief Risk Officer and Chief Financial Officer. The Remuneration Committee may select, appoint, retain and terminate any remuneration consultants; and obtain (at the Company's expense) independent legal or other professional advice on any matters within its Terms of Reference. We have appointed FIT Remuneration Consultants as advisors.

The roles and responsibilities apply in practice as follows:

1. Appointment/termination of individual Executives
2. Pay review for individual Executives
3. Short-term incentive/ bonus payments for Executives
4. Long-term incentive award allocations/ grants for individual Executives
5. Short-term incentive/ bonus plan design (and annual targets for bonus purposes)
6. Long-term incentive plan design
7. Benefits Plan design
8. Agree population governed by Executive Remuneration Policy
9. Accountability for Remuneration Policy – Board approval for all proposed amendments
10. Setting of the Expense policy
11. Retirement terms
12. Contractual terms

Executive and Material Risk Takers Remuneration Policy

The Executive and MRT Remuneration Policy applies to the Chair, Executives and the Material Risk Takers. It is reviewed and agreed annually by the Remuneration Committee. In setting the policy and individuals' remuneration, the Remuneration Committee is mindful of the remuneration on offer to the wider employee population within the Group.

Key elements and principles of the Policy

The policy sets out key elements including key principles underpinning the policy and the regulatory framework within which the policy sits, in addition to the roles and responsibilities of the Remuneration Committee and the Chief Executive Officer in applying the policy.

The policy supports the Group's strategy and is based on the following key principles:

- Aligned to creating long-term sustainable success for the Group.
- Competitive within the markets in which it operates (but not excessive) and supports the Group's ability to attract and retain talent.
- Balanced appropriately between fixed and variable elements of remuneration in a way that rewards performance, encourages the right behaviours and eliminates undue behavioural and reputational risk and risk to the Group's capital base.
- Simple and transparent in its design.

Regulatory framework

The role of the Remuneration Committee is to review and if appropriate approve recommendations for the remuneration of the Executives and Material Risk Takers to ensure that they comply with the relevant legal and regulatory requirements including but not limited to the:

- Solvency II Directive regulations. The Group's size, as a Category 3 Insurer, allows some disapplication of certain aspects of the regulations where these are not appropriate;
- Guidelines published by the Investment Association and the Pensions and Lifetime Savings Association;
- Financial Conduct Authority's Remuneration Code, albeit recognising that esure is not bound by this; and

- Wates Corporate Governance Principles for Large Private Companies It also complies with the Companies Act 2006, and the Large and Medium-sized Companies and Group (Accounts and Reports) (Amendment) Regulations 2013.

This Remuneration Policy will be kept under review in line with development in best practice, new regulation and legislation and in the best interests of the Group.

Types of remuneration

The remuneration for Executives and MRTs is set at a level that maintains an appropriate balance between fixed base pay, variable pay and benefits, including:

- **Base pay**: provide a fair level of fixed base pay to individual Executives and MRTs which reflects the individual's experience, role, contribution and external market pricing.
- **Pension**: enable Executives and MRTs to build long-term savings for retirement in a tax efficient way. This includes participation in a Group pension scheme or receipt of a cash pension allowance.
- **Short-term Incentive – Bonus Plan**: motivate and incentivise the Executive and MRTs to deliver company performance in line with strategy and annual plan expectations. The bonus pool is calculated using a basket of both financial and non-financial measures. Bonus amount considers both business and individual performance.
- **Long-term Incentive – Management Incentive Plan:** motivate and incentivise Executives and MRTs to deliver long-term business plans, sustainable long-term growth and Group strategic priorities. A Management Incentive Plan (MIP) has been offered to a number of senior colleagues who are critical to achieving the long-term goals of the organisation. It is expected that this incentive will be realised in a number of years and is subject to successful achievement of the long-term targets.
- **Other benefits**: provide additional core benefits to Executives and MRTs that are market competitive. This may include provision of a range of benefits such as death in service, private medical insurance and other benefits as considered appropriate.

In setting the remuneration for Executives and MRTs, the Committee considers the remuneration on offer to the wider employee population within the Group. The Remuneration Committee and the Board closely monitor the Group's Gender Pay Gap reporting, our progress against the HM Treasury Women in Finance Charter and the organisation's approach to inclusion and diversity.

Chair and Independent Non-Executive Directors Remuneration Policy

Remuneration for the Chair is set by the Chair of the Remuneration Committee in consultation with the Shareholder. The remuneration for the Chair of the Remuneration Committee is set by the Chair of the Board, in consultation with the Shareholder, while the remuneration for the other Non-Executive Directors is set by the Chair of the Remuneration Committee and the Chair of the Board, in all cases advised by external advisers as necessary.

No individual is involved in decision making related to their own remuneration. The structure of remuneration for the Chair and Non-Executive Directors is through payment of fees to enable the Company to recruit and retain, at an appropriate cost, Non-Executive Directors with the necessary skills and experience to maintain appropriate guidance and oversight. Fees are reviewed annually, considering time commitments and equivalent benchmarks for comparable Non-Executive Director roles.

In addition to the remuneration described in this section, the Chair of the Board is also a participant in the MIP scheme described above.

Chief Executive Officer

The Chief Executive does not participate in the Remuneration Committee's discussion of his pay review and any variable remuneration award. The Remuneration Committee consults the Chair of the Board and the Shareholder on the Chief Executive's performance.

Risk management

Identification of Solvency II staff

The Group is required to identify the Solvency II staff who have a material impact on the risk profile of the organisation and who have specific remuneration arrangements in place. The remuneration policy identifies where the remuneration arrangements for Solvency II staff differ from the arrangements for the wider workforce. Employees have been notified if they are Solvency II staff and asked to confirm they understand the implications of this classification. The group of Solvency II staff, and the methodology used to determine them, are reviewed annually by the Remuneration Committee and all deferrals are reviewed and, if appropriate, approved by the Remuneration Committee.

Short-term variable remuneration – key control functions

Solvency II Key Control Functions (Risk & Compliance, Internal Audit and Actuarial) bonus is calculated with 30% based on shared business objectives, 30% on team/functional objectives and 40% on individual objectives.

Malus and clawback

The Group has malus and clawback procedures in place which cover all variable remuneration paid to Solvency II staff. The scenarios in which malus and clawback may be triggered include misconduct on the part of the individual and all material failures of risk management.

Risk adjustment process

The Group has established a Risk Adjustment Process to determine whether annual bonus payments and/or long-term incentive vesting appropriately reflect the Group's exposure to risk and compliance with our risk policies and procedures during the year. Following the year end, the Chief Risk Officer is asked to report on the following key areas of risk and compliance:

- **Adherence to risk profile:** has all business been carried out within the Group's approved risk appetite and not at the expense of deviating from the risk framework approved by the Board at the start of the year.
- **Assessment of risk culture and conduct:** have individuals followed the Group's risk policies and procedures, completed any relevant risk training and appropriately escalated any risk breaches within specified timeframes.

Following a discussion of any issues raised during this process, the Remuneration Committee, in consultation with the Chief Risk Officer and Chair of the Risk Committee, will make appropriate adjustments to payments or levels of vesting.

Directors' remuneration

Remuneration received by the Directors for the year ended 31 December 2023 is shown below:

All Directors	Year ended 31 December 2023	Year ended 31 December 2022
Directors' emoluments	**£3,400,631**	£2,491,681
Payments in respect of pension[1]	**£137,500**	£137,500
Total	**£3,538,131**	£2,629,181

[1] Or cash supplement in lieu of pension

Highest Paid Director	Year ended 31 December 2023	Year ended 31 December 2022
Directors' emoluments	**£1,835,658**	£1,215,616
Payments in respect of pension[1]	**£90,000**	£90,000
Total	**£1,925,658**	£1,305,616

[1] Or cash supplement in lieu of pension

Remuneration for other members of the senior management team

The principles and remuneration structures described within the Executive and MRT Remuneration Policy apply throughout the whole senior management team, with the exceptions of bonus for employees within Solvency II Key Control functions.

Remuneration for wider employees

The Group seeks to pay all staff competitively and fairly for the roles they undertake. esure applies similar principles for remuneration across the workforce to those that apply to Executive Directors. All permanent employees are eligible to receive a bonus on a discretionary basis, subject to company and individual performance.

Gender Pay Gap report

Gender Pay Gap data is reviewed on a regular basis, and 2023 data has been published on the Group website.

Loss of office

Within the terms of the agreed policy, as appropriate, the Committee will approve any termination payments to be made to Executives and Material Risk Takers including pay in lieu of notice, annual bonus, deferred bonus, long-term incentives and ex-gratia payments. To avoid actual or perceived reward for failure, the Group has a policy framework for termination payments made to Executive Directors and MRTs based on voluntary resignation or termination for cause; severance terms agreed for an individual and death, ill health, disability, injury, or where the individual's employing company or business leaves the Group.

Remuneration Committee Terms of Reference

The Committee carried out a review of its own Terms of Reference during 2023. As a result of its work during the year, the Committee has concluded that it has acted in accordance with its Terms of Reference. An Internal evaluation took place in 2023.

Elke Reichart
Chair of the Remuneration Committee
29 March 2024

Directors' Report

Directors' Introduction

The Directors Present their Report Together with the Audited Accounts for the Year Ended 31 December 2023

esure Group plc is a public limited company without a premium listing but with listed debt. It is incorporated and domiciled in England and Wales. Its registered office is in England (see Corporate Information) and it is authorised by the Prudential Regulation Authority (PRA) and is regulated by the Financial Conduct Authority (FCA) and the PRA. The Group has no branches outside the United Kingdom. Other information that is relevant to the Directors' Report, and which is incorporated by reference into this Report, can be located as follows:

- Chair's Statement – page 7
- Chief Executive's Review – pages 8 and 9
- Strategic Report – pages 6 to 46
- Risk Management – pages 25 to 32
- Environmental, Social and Governance – pages 36 to 45
- Corporate Governance Statement – pages 52
- Corporate Governance Report – pages 51 to 70

Non-Financial Information Statement

Under sections 414CA and 414CB of the Companies Act 2006, the Company is required to include, in its Strategic Report, a non-financial information statement. The information required by this legislation can be found in the following sections:

- Business Model – page 10
- Key Performance Indicators – pages 17 and 18
- Principal Risks- pages 27 to 29
- Environmental, Social and Governance Matters – pages 36 to 45
- Directors' Report – pages 71 to 76

In addition to the ESG Policy, we have several other related policies in place, including: (i) Financial Crime Policy, (ii) Modern Slavery Policy, (iii) Whistleblowing Policy, (iv) Equity, Inclusion and Diversity (I&D) Policy; (iv) Code of Conduct Policies and our (iv) Outsourcing and Material Third Party Arrangements Policy. Further information on Human Rights and anti-corruption and anti-bribery matters, is provided in the Directors' Report on page 73

Commitment to Section 172(1) Companies Act

Further details of how the Board incorporates the views of key stakeholders in the decisions made for the long-term success of the Company can be found in the Strategic Report on pages 6 to 46.

Strategic Report

The Group is required by the Companies Act 2006 to prepare a Strategic Report that includes a fair review of the Group's business, a balanced and comprehensive analysis of the development and the performance of the Company's business during the year, the position of the Group as at 31 December 2023 and a description of the principal risks and uncertainties faced by the Company in addition to certain non-financial reporting matters. The Group is also required to provide an indication of future developments of the business which can be found in the Strategic Report. The Strategic Report can be found on pages 6 to 46.

Results

The results for the year are shown in the consolidated statement of comprehensive income, which can be found on pages 89 and 90.

Dividends

The Directors do not propose to recommend the payment of a final dividend in respect of the year ending 31 December 2023 (2022: nil).

Post balance sheet events

There were no significant post-balance sheet events requiring an adjustment to the Group financial position since 31 December 2023. Further information is provided in the Financial Review on pages 17 to 24.

Board of Directors

The current Directors who served on the Board, biographical details and any changes to the Board composition during the 2023 financial year and up to the date of this report can be found in the Corporate Governance section on pages 51 to 70. They are incorporated into this Directors' Report by reference.

Appointment, retirement and removal of Directors

The appointment and replacement of Directors is governed by the Company's Articles of Association, as adopted on 20 April 2020 (Articles), and the Companies Act 2006. The Articles may only be amended by a special resolution of the Shareholder. The Board has the power to appoint additional Directors or to fill a casual vacancy amongst the Directors. Any such Director holds office only until the next Annual General Meeting (AGM) and may offer himself or herself for election. The Shareholder may also remove any Director prior to the expiration of his or her office by special resolution and appoint a replacement by ordinary resolution.

Directors' and Officers' insurance and indemnities

The Group maintains Directors' and Officers' liability insurance, which gives appropriate cover should legal action be brought against its Directors. In addition, indemnities are in force under which the Group has agreed to indemnify the Directors against all liabilities and related costs that they may incur in the execution of their duties. This includes Directors of the Group's subsidiary companies. These indemnities do not cover the Directors for fraudulent activities and were in force during the financial year and remain in force for future financial years.

Employees and employee engagement

As at 31 December 2023, the Group employed 1,222 people of which 556 are women (45%) and 666 are men (55%). Our Board of Directors at the end of 2023 was 18% female and 82% male. Our senior leadership team comprises 95 male (69.8%) and 41 female members (30.1%). Further information on our employee engagement can be found in the People area of the ESG section on pages 46 to 50.

Engagement with other stakeholders

Details of how the Directors have had regard to foster the Company's business relationships with our corporate partners, customers and others, and the effect of that regard on principal decisions taken by the Company can be found in the s172 section on pages 46 to 50.

Colleague engagement actions

The Group is committed to creating an inclusive environment in which individual differences and contributions are recognised and valued, and to safeguard a working environment that promotes dignity and respect for all. No form of victimisation, discrimination, bullying or harassment will be tolerated. It seeks to promote equal opportunities for all, through the provision of employment practices and policies that recognise the diversity of employees and ensure that neither current employees nor prospective employees receive less favourable treatment on the basis of their perceived or actual age, disability, race, religion or belief, sex (including gender, marital status, pregnancy or maternity, or gender reassignment or sexual orientation), working hours (part-time, full-time or fixed-term employees) or physical characteristics.

We are committed to becoming a truly diverse and inclusive organisation – in everything we do and for everyone. Further details on our employee engagement can be found in the Equity, Inclusion and Diversity section on page 41.

Colleague policies

The Colleague Policies listed below are reviewed annually by the Board:

- Equity, Inclusion and Diversity Policy (I&D Policy)
- Code of Conduct
- Resourcing Policy

The Code of Conduct guides everyone in how to behave. It is a mandatory policy all colleagues are required to read, understand and acknowledge annually. The Code of Conduct explicitly refers to equality and diversity, and the Resourcing Policy affirms our commitment to equality and diversity throughout the recruitment and selection process and outlines our approach to increasing gender diversity.

The Group is committed to employing people with disabilities or who become disabled during their employment by making reasonable adjustments as appropriate to support the continued employment of employees. The training, career opportunities, development, and promotion of people with disabilities are, as far as possible, identical to those of other employees.

Further information in respect of actions taken with the aim of encouraging employee involvement and achieving employee engagement in the Company has been disclosed in the ESG section on pages 30 to 45.

Human rights

The Group resides and offers its products only within Great Britain. During 2023, the Group was subject to both the European Convention on Human Rights and the UK Human Rights Act 1998. We respect all human rights and enact these particularly in relation to fair treatment, the avoidance of discrimination and privacy for our customers, suppliers and colleagues. The Group aims to ensure that employees comply with all relevant UK legislation and regulations, and this is underpinned by the policies in place and managed by the Human Resources function. The Board annually reviews and approves the Modern Slavery Statement which sets out our efforts and actions to eliminate modern slavery across our supply chain.

Bribery and corruption

The Group maintains high ethical standards in carrying out its business activities. The Group's Code of Conduct and Financial Crime Policy help all employees to understand and meet the high standards of personal and professional integrity required of them. Any activity that might potentially be interpreted as the Group or its employees offering and giving or requesting and accepting a bribe is strictly prohibited.

Political donations

The Group's policy is not to make any donations or contributions to political parties or organisations and no such payments were made during the year.

External auditor

Deloitte LLP were appointed auditor of the Group for the year ended 31 December 2022. Resolutions to re-appoint Deloitte LLP as auditor of the Group and to authorise the Directors to determine its remuneration were proposed and approved at the 2023 Annual General Meeting. The Audit Committee considers that the relationship with the External auditor is working well in the first year of their appointment and remains satisfied with its effectiveness.

There are no contractual obligations restricting the Group's choice of auditor. Further information can be found in the Audit Committee Report on pages 63 to 65.

Their registered office details are:

Deloitte LLP

1 New Street Square

London, EC4A 3HQ

United Kingdom

Disclosure of information to the Group's auditor

Each Director at the date of the approval of this report confirms that:

- So far as he, she or they are aware, there is no relevant audit information of which the Group's auditor is unaware; and
- He, she or they have taken all the steps that he, she or they ought to have taken as a Director to make himself, herself or themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

Internal Audit

The activities and effectiveness of Internal Audit are monitored and reviewed by the Audit Committee. Further information can be found in the Audit Committee Report on page 64.

Going concern

These consolidated Financial Statements have been prepared on a going concern basis. The financial performance and position of the Group, its cash flows and its approach to capital management are set out in the Financial Review and Solvency and Financial Condition Report.

The Group's financial position reflects appropriate reserves, a conservative investment portfolio and capital in excess of the minimum regulatory requirement.

In addition, the Board has reviewed the Group's projections for the 12 months from approval of the financial statements, including regulatory capital surpluses and has considered the potential impacts arising from current economic conditions.

The key uncertainties for 2024 and beyond considered by the Board were the risks resulting from the ongoing impact of inflation; changing consumer behaviour and the consequential impact on claims frequency; the impact of the Civil Liability Act on underwriting performance; and the outlook for market pricing.

Having undertaken this review and considered these uncertainties and risks, the Directors have a reasonable expectation that the Group has adequate resources to continue in operation for at least the next 12 months.

Related party transactions

The following transactions took place with related parties during the year:

- The Group uses a company that is controlled by Bain Capital to provide recruitment, HR, payroll and benefits-related services.

The Group undertakes a quarterly review of related party relationships with Bain Capital. Further details can be found in the Notes to the Accounts (note 19) on page 145

The Group undertakes an annual review of conflicts of interest and any related party transactions of the Board of Directors and Group Executive members. Directors and Group Executive members are required to review and confirm their interests annually. The Board is satisfied that the systems for the reporting of conflicts of interest and related party transactions are operating effectively. Further details on Directors' conflicts of interest can be found on page 74.

Research and development

While the company does not actively undertake pure research and development activities there is ongoing activity to improve the products and services provided to our customers.

Special rights

There are no persons holding securities that carry special rights with regard to the control of the Group.

Risk management and internal control

The Board is ultimately responsible for the effectiveness of the Group's system of risk management and internal control. Financial risk management is discussed in the Risk Management section on pages 25 to 33. The Risk Committee and the Audit Committee, respectively, regularly review the effectiveness of the Group's risk management and internal control systems. During the course of the reviews, the Committee have not identified or been advised of any failings or weaknesses that they have determined to be significant. Further details can be found in the Audit Committee and Risk Committee Reports on pages 63 to 67.

The Audit, Risk and Remuneration Committees endeavour to ensure that the Group has in place appropriate and effective controls, checks, systems and risk management techniques.

Corporate information

Registered office:
The Observatory, Castlefield Road,
Reigate, Surrey RH2 0SG.
Registered No: 07064312
Type of Company: Public company limited by shares.
Place of Registration: England and Wale
Legal entity identifier: LEI 213800KOI3F5LM54PT80
Website: www.esuregroup.com

Tel +44 (0)1737 222 222

This section, together with the reports set out on pages 51 to 76, are approved by order of the Board.

Peter Bole
Chief Financial Officer
29 March 2024

Statement of Directors' Responsibilities

in respect of the Annual Report and the Financial Statements

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 have elected to prepare the Group Financial Statements in accordance with UK-adopted international accounting standards and applicable law and have elected to prepare the parent Company Financial Statements in accordance with UK accounting standards and applicable law, including FRS 101 Reduced Disclosure Framework.

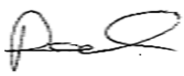
Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of the Group's profit or loss for that period. In preparing each of the Group and Parent Company Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- for the Group Financial Statements, state whether they have been prepared in accordance UK-adopted international accounting standards;
- for the parent Company Financial Statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the parent Company Financial Statements;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations or have no realistic alternative but to do so.

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 are responsible for such internal control as they determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error, and 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 and a Directors' Report 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.



David McMillan
Chief Executive Officer
29 March 2024

Independent Auditor's Report

to the Members of esure Group plc

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of esure Group plc (the 'Parent Company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and Parent Company's affairs as at 31 December 2023 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards;
- 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 income statement;
- the Consolidated statement of comprehensive income;
- the Consolidated statement of financial position;
- the Consolidated statement of changes in equity;
- the Consolidated statement of cash flows;
- the related notes 1 to 26 excluding the capital adequacy disclosures in note 15 (d) calculated in accordance with the Solvency II regime that are marked as unaudited;
- the Parent Company statement of financial position;
- the Parent Company statement of changes in equity;.
- the Parent Company statement of cash flows; and the related notes 1 to 7

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and United Kingdom adopted international accounting standards. 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 entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the group and parent company for the year are disclosed in note9 to the financial statements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the group or company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Reserve valuation – bodily injury excess • Reserve valuation – inflation assumptions • Capitalisation of intangibles • Transition to IFRS 17 *Insurance Contracts* Within this report, key audit matters are identified as follows: Newly identified Similar level of risk
Materiality	The materiality that we used in the current year was £6,720,000 which was determined on the basis 0.8% of Insurance Revenue.
Scoping	Three components were subject to full scope audits, and one component was subject to an audit of specified account balances. These components account for 100% of the Group's net assets, 100% of the Group's Insurance Revenue and 98% of the Group's loss before tax.
Significant changes in our approach	Significant changes in our approach in the current year include: • The key audit matter related to the valuation of intangible assets previously referred to the over capitalising of certain costs relating to the Blueprint spend. We have revised this to focus solely on the risk that expenses related to internally generated intangible assets are inappropriately excluded from the cost of the Blueprint intangible asset; • IFRS 17 became effective on 1 January 2023, thus we have identified the impact of the Group's adoption of IFRS 17 on the restated comparative information presented for the year ended 31 December 2022 as an additional key audit matter, as this is a new and complex accounting standard which has required considerable judgment and interpretation in its implementation; and • Following the adoption of IFRS17, we have determined our materiality on the basis of Insurance Revenue, whereas previously we used Gross Written Premium.

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 company's ability to continue to adopt the going concern basis of accounting included:

- obtaining an understanding of the relevant controls relating to the Directors' going concern assessment process;
- assessing management's projections for the next planning cycle and assessed management's underlying business plans and forecasts to support key forward-looking assumptions;
- evaluating the historical accuracy of forecasts prepared by management; and
- Assessed the appropriateness of management's disclosure.

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 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.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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. Reserve valuation – bodily injury excess

Key audit matter description	The Group's gross insurance contract liabilities total £1.43 billion (2022, as restated: £1.28 billion) and represent the single largest liability on the balance sheet. Valuation of these liabilities requires the selection of methods and assumptions that are subject to high levels of estimation uncertainty. Consequently, small changes in these methods or assumptions can materially impact the valuation of these liabilities. The frequency and severity of large bodily claims have a significant impact on the valuation of the insurance contract liabilities and the setting of these assumptions is driven by a variety of factors. These factors include the completeness and accuracy of source data and the transparency of any changes in the reporting of large bodily claims. There is a significant level of judgement and estimation uncertainty in the valuation of these claims in considering the consistency of actuarial assumptions with emerging data, market factors and the Group's reserving policy, which increases the susceptibility of the balance to material misstatement due to error and fraud. Refer to page 113 (Note 3 Significant Judgements and Estimates) and page 136 (Notes to the consolidated financial statements - note 16).
How the scope of our audit responded to the key audit matter	We have gained an understanding of the end-to-end claims and reserving process and obtained an understanding of relevant controls over data reconciliations, management review meetings, and models and assumption used in setting the reserves. In order to gain assurance over the completeness and accuracy of source data used in the Group's actuarial calculations, we have performed reconciliations on the actuarial data back to the financial ledger. Having done this, we worked with our actuarial specialists to: • Understand the reserving process in relation to large bodily injury claims undertaken by assessing relevant documentation and meeting with the Group's actuarial team; • Challenge the Group's methodology and key assumptions, and the underlying rationale adopted. This included: - Reproducing model outputs using our reserving software; - Comparing the bodily injury frequency assumptions to trends in market data; - Benchmarking of the approach to market peers with respect to treatment of potential future Ogden rate changes; - Testing the consistency of gross and reinsurance assumptions for Periodic Payment Order (PPOs) and large bodily injury lump sum claims; - Comparing esure burning cost and frequency diagnostics to market benchmarks and/or independent reserve review results. - Obtaining the reports from management's external actuary and comparing the output of the external reserving exercise to that of management. We also assessed the objectivity, competence and capability of management's expert. - Assessed the appropriateness of management's disclosures.
Key observations	We have concluded that the assumptions used in the calculation of the large bodily injury claims reserves are reasonable.

5.2. Reserve valuation – inflation assumptions

Key audit matter description	The Group's gross insurance contract liabilities total £1.43 billion (2022, as restated: £1.28 billion) and represent the single largest liability on the balance sheet. Valuation of these liabilities requires the selection of methods and assumptions that are subject to high levels of estimation uncertainty. Consequently, small changes in these methods or assumptions can materially impact the valuation of these liabilities. Given the ongoing uncertainty in the UK's inflation environment, the impact of future inflation assumptions is highly judgemental and has a material impact on the financial statements. Given past trends and the impact of different drivers of future inflation, the approach to consideration of the future inflationary impact is expected to differ by damage, lump sum bodily injury and PPO claim types. Refer to page 113 (Note 3 Significant Judgements and Estimates) and page 136 (Notes to the consolidated financial statements - note 16).
How the scope of our audit responded to the key audit matter	We have gained a detailed understanding over management's process for setting these assumptions and obtained an understanding of the relevant controls surrounding the setting of the inflation assumptions. We have worked with our actuarial specialists to: • Understand management's inflation assumption, by claim type, by assessing relevant documentation, discussions with management, and comparison with market economic data; • Inspect and challenge management's assumption in comparison to output of alternative inflation assumptions, by claim type, requesting additional sensitivity testing from management where needed; • Inspect and challenge management's assumptions by comparison to alternative benchmarks, by claim type, of inflationary impacts captured within case estimates; • Inspect and challenge management on the methodology and rationale for deriving the PPO future inflation rate given reference to current and future expectations of market wage inflation and cost of care inflation; • Benchmark the selected inflation rate against external sources. • Assessed the appropriateness of management's disclosures
Key observations	We have determined that the inflation assumptions used in the calculation of the claims reserve are reasonable.

5.3. Capitalising of intangibles

Key audit matter description	The Group's intangible assets total £14.7 million (2022: £21.9 Million), which primarily consists of internally generated intangible assets. There were additions of £10m during the year (2022: £14.6m) Development of internally generated intangible assets creates an inherent risk around the completeness and valuation of the balance. The judgements made over when not to capitalise an expense are complex, and there is a risk that such expenses are not capitalised. There is also judgement around whether to treat these costs as software as a service arrangements (SAAS), an intangible asset or a software lease. Refer to page 110 (Note 2 Accounting Policies) and page 114 (Notes to the consolidated financials statements – note 3) S

How the scope of our audit responded to the key audit matter	We have gained a detailed understanding of management's process for capitalisation of intangible assets and relevant controls surrounding the process. We have performed the following procedures: • Challenged management on their approach to capitalising development costs associated with new systems, including the nature of the different expenses, the services provided, and the differentiation between research and development • Evaluated the key contracts with third party software providers and suppliers to determine whether these represent software as a service, a leasing arrangement, or an intangible asset that meets the criteria under IAS 38; • Evaluated the expenditures related to the new systems to determine whether these costs meet the capitalisation criteria by: - Gaining an understanding of the employee's role on the transformation programme, including understanding the role description, the area of systems implementation they were working on, and performing enquiry with employees to confirm our understanding of their role; and - Assessed the evidence obtained from our investigations against the requirements under IAS 38 for the recognition of an intangible asset. - For a sample of costs incurred, we assessed whether they were in agreement with the relevant timesheets or invoiced amounts.
Key observations	We have determined that the judgement made around the capitalisation of intangible assets is reasonable.

5.4. Transition to IFRS 17

Key audit matter description	On 1 January 2023, the Group adopted IFRS 17 *Insurance Contracts,* which replaced the existing standard, IFRS 4 *Insurance Contracts*. IFRS 17 introduces pervasive changes to the measurement, presentation and disclosure of insurance contracts and related account balances. The standard is complex and has required significant judgement and interpretation in its application. To meet the requirements of the new standard, the Group has made significant changes to systems, processes and controls. IFRS 17 has been applied fully retrospectively as at 1 January 2022 to each group of insurance contracts. As a result, comparative information has been restated within the financial statements. Refer to note 2 in the financial statements which sets out the qualitative and quantitative IFRS 17 information, including the relevant recognition and measurement requirements of the Standards, and the accounting policies applied on its adoption, and note 3 in the financial statements which sets out any significant audit judgements relevant for IFRS 17.
How the scope of our audit responded to the key audit matter	We performed the following audit procedures for the purposes of understanding and challenging key judgements and assumptions. We have performed the following: • Obtained an understanding of controls governing the restated 2022 comparative financial information and, in particular, those controls over the assumptions and methodologies applied in the new IFRS 17 models in valuing the liability for incurred claims; • Evaluated the appropriateness of key technical accounting decisions, judgments, assumptions and elections made in determining the impacts to assess compliance with the requirements of the standard; • With the involvement of our internal actuarial specialists we performed procedures to assess the Group's implementation of the defined methodology and IFRS 17 calculation models;

	• We evaluated the data and other information required for the IFRS 17 calculations, including the data inputs to the calculation of the fulfilment cashflows and the risk adjustment within the liability for incurred claims; and • We assessed the appropriateness of both the new disclosures required and the specific disclosures related to the transition impact and reconciled the disclosures to underlying accounting records and supporting data.
Key observations	We considered the IFRS 17 accounting policies and methodologies adopted to be reasonable and in compliance with the standard. Based on our procedures, we did not identify any indicators of material misstatement within the IFRS 17 related account balances and disclosures.

6. Our application of materiality

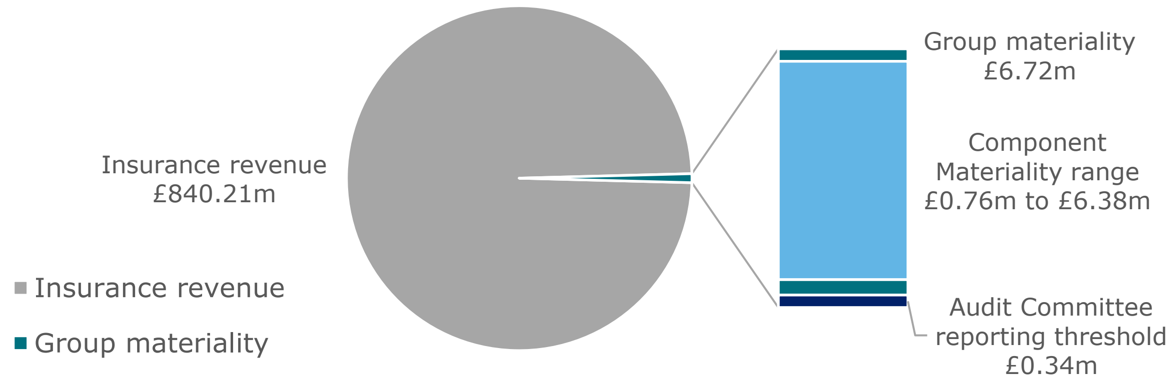
6.1. Materiality

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	£6,720,000 (2022: £5,800,000)	£5,376,000 (2022: £4,900,000)
Basis for determining materiality	Materiality approximates 0.8% of insurance revenue (2022: approximates 0.8% of gross premiums written).	Materiality approximates 2% of shareholders' equity (2022: approximates 2% of shareholders' equity).
Rationale for the benchmark applied	Insurance revenue was chosen as a metric as this is a primary metric under IFRS 17 used by stakeholders when valuing an entity. We have also considered that the direct importance of gross written premium in the financial statements will decrease in relation to the adoption of IFRS 17. The materiality selected is also approximately 0.8% of GWP.	We determined that the critical benchmark for the Parent Company was shareholders' equity. This is because the Parent Company is not a trading entity but rather receives dividend income from its subsidiaries. When determining materiality for the Parent Company, we also considered the appropriateness of this materiality for the consolidation of this set of financial statements to the Group's results.

Group materiality is used for setting audit scope and the assessment of uncorrected misstatements. Materiality is set for each significant component in line with the components proportion of the chosen benchmark. This is capped at the lower of % of Group materiality determined for individual components and the materiality determined for a standalone audit. The main insurance trading entity, esure Insurance Limited, which makes up 100% of Group insurance revenue was audited to a component materiality of £6.38 million. Component materiality for other entities within the scope of our Group audit ranged from £0.76 million to £4.37 million.



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	65% of group materiality (2022: 65% of group materiality)	65% of parent company materiality (2022: 65% of parent company materiality)
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: • the nature, volume and size of misstatements in the previous audit; • quality of the control environment and whether we were able to rely on controls; • identified control deficiencies; and • extent of changes within financial reporting in relation to IFRS 17 adoption.	

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £340,000 (2022: £290,000), 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.

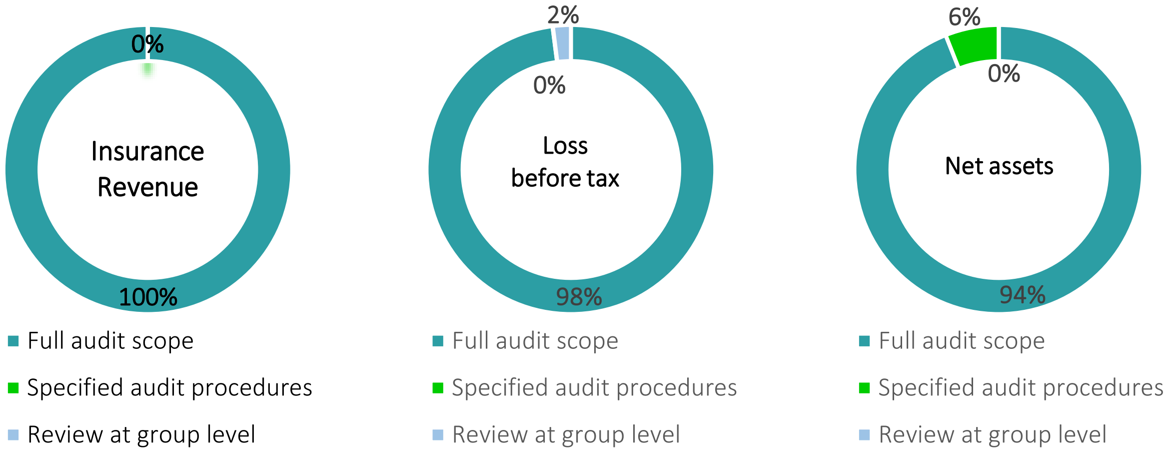
7. An overview of the scope of our audit

7.1. Identification and scoping of components

The scope of our Group audit was determined by obtaining an understanding of the Group and its environment, including group wide controls and assessing the risks of material misstatement at Group level.

This resulted in three entities: esure Group plc; esure Insurance Limited; and esure Services Limited being subject to a full scope audit. One other entity, esure Property Limited, was subject to an audit of specified account balances where the extent of our testing was based on our assessment of the risks of material misstatement and of the materiality of the Group's operations. All entities within scope of the Group audit are based in the UK and are audited by the group team.

These four entities represent the principal trading and service operations of the Group and account for 100% (2022: 100%) of the Group's net assets, 100% of the Group's insurance revenue (2022: 100% of the Group's gross written premiums) and 98% (2022: 97%) of the Group's loss before tax. They were also selected to provide an appropriate basis for undertaking audit work to address the key audit matters identified above.



At the Group level we also tested the consolidation process and carried out analytical procedures to support our conclusion that there were no significant risks of material misstatement in the aggregated financial information of the remaining components not subject to audit or audit of specified account balances. The group audit team directly performed the audit work for all of the entities listed above, including the Parent Company.

7.2. Our consideration of the control environment

We obtained an understanding of relevant controls within the Group, including controls over the following business processes: financial reporting, insurance revenue, insurance service expenses, liability for incurred claims, liability for remaining coverage, cash and investments. We also identified the key IT systems in the Group that were relevant to the audit, and involved our internal IT specialists to gain an understanding of the general IT controls over these systems, including the policy administration systems, general ledger, reserving software, data warehouse, payment gateway and automated reconciliation tools.

7.3. Our consideration of climate-related risks

The Group monitors and manages climate risk as a cross-cutting risk considered within the principal risks and integrated into the Risk Management Framework. Refer to page 30 (Climate section) and pages 36 to 38 of the ESG section of the annual report. We obtained an understanding of management's processes to address climate-related risks, including management's implementation of the Climate strategy. We have assessed whether these initiatives undertaken by management are aligned with the Climate Change Roadmap developed by the Association of British Insurers. We have performed a risk assessment of the financial impact of climate risks on the financial statements and concluded the risks of material misstatement due to climate risk factors are remote. We have considered whether information included in the climate related disclosures in the Annual Report is materially consistent with our understanding of the business and the financial statements.

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.

9. Responsibilities of directors

As explained more fully in the statement of director’s responsibilities, 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 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 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, the directors and the audit committee about their own identification and assessment of the risks of irregularities, including those that are specific to the group's sector;
- 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;
    - 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;
- the matters discussed among the audit engagement team and relevant internal specialists, including, tax, actuarial and IT 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: reserve valuation – large bodily claims and reserve valuation - inflation and real discount rate assumptions, and the migration of historical claims information from one system to another. 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 framework that the company 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 and 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, regulatory solvency requirements such as those under the relevant Solvency II requirements and those required by the PRA, FCA and environmental regulations.

11.2. Audit response to risks identified

As a result of performing the above, we identified reserve valuation – large bodily claims and reserve valuation, inflation 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 the PRA and FCA; 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 remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by 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 its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13. Matters on which we are required to report by exception

13.1. 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.

13.2 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.

We have nothing to report in respect of this matter.

14. 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, ACA
Senior statutory auditor
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
29 March 2024

Financial Statements

Consolidated income statement

	Notes	Year ended 31 Dec 2023 £m	Year ended 31 Dec 2022 Restated £m
Insurance revenue	**16**	870.1	839.7
Insurance service expenses	**16**	(825.1)	(710.2)
Insurance service result before reinsurance contracts held		**45.0**	**129.5**
Net expense from reinsurance contracts held	**16**	**(64.0)**	**(74.4)**
Insurance service result		**(19.0)**	**55.1**
Total investment income	**5**	**32.4**	**9.0**
Insurance finance expenses from insurance contracts issued	**16**	(24.9)	(14.7)
Reinsurance finance income from reinsurance contracts held	**16**	11.9	8.2
Net insurance financial result		**0.4**	**57.6**
Other income	**6**	25.1	28.8
Other operating expenses	**7**	(101.0)	(113.6)
Finance costs	**10**	(13.1)	(9.6)
Loss before tax		**(88.6)**	**(36.8)**
Taxation	**11**	28.5	11.8
Loss for the year attributable to the owners		**(60.1)**	**(25.0)**

The Notes on pages 94 to 151 form part of these Financial Statements.

Consolidated statement of comprehensive income

	Notes	Year ended 31 Dec 2023 £m	Year ended 31 Dec 2022 Restated £m
Loss for the year		**(60.1)**	**(25.0)**
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Revaluation of land and buildings	21	-	(0.3)
		-	**(0.3)**
Items that are or may be reclassified to profit or loss:			
Change in fair value of debt instruments measured at FVOCI	21	**28.3**	(64.3)
Insurance finance (expense)/income from insurance contracts issued	16	**(40.2)**	108.6
Reinsurance finance income/(expense) from insurance contracts issued	16	**27.0**	(82.4)
Tax relating to items that may be reclassified	21	**(3.4)**	9.0
		11.7	**(29.1)**
Total comprehensive loss for the year attributable to the owners		**(48.4)**	**(54.4)**

Consolidated statement of financial position

	Notes	As at 31 Dec 2023 £m	As at 31 Dec 2022 Restated £m	As at 1 Jan 2022 Restated £m
Assets				
Goodwill and intangible assets	**13**	14.7	21.9	28.7
Property, plant and equipment	**14**	23.1	26.1	31.1
Financial investments	**15**	1,186.6	1,112.6	1,214.7
Reinsurance contract assets	**16**	560.1	528.0	600.2
Deferred tax assets	**20**	44.1	18.6	-
Current tax assets		1.7	4.0	1.7
Other debtors	**17**	11.0	26.8	18.9
Prepayments and accrued interest	**17**	14.6	11.9	12.3
Cash and cash equivalents	**18**	71.6	38.4	94.1
Total assets		**1,927.5**	**1,788.3**	**2,001.7**
Equity and liabilities				
Share capital	**21**	0.4	0.4	0.4
Share premium account	**21**	95.6	48.2	48.2
Capital redemption reserve	**21**	44.9	44.9	44.9
Other reserves	**21**	45.6	24.3	72.1
Insurance finance reserve	**21**	7.7	17.5	(2.1)
Retained earnings		107.3	171.9	203.4
Total equity		**301.5**	**307.2**	**366.9**
Liabilities				
Insurance contract liabilities	**16**	1,437.7	1,284.3	1,439.8
Reinsurance contract liabilities	**16**	-	-	2.3
Borrowings	**15**	121.1	124.6	124.3
Other creditors and payables	**19**	65.6	65.5	66.2
Deferred tax	**20**	-	-	0.6
Derivative financial liabilities	**15**	1.6	6.7	1.6
Total liabilities		**1,626.0**	**1,481.1**	**1,634.8**
Total equity and liabilities		**1,927.5**	**1,788.3**	**2,001.7**

The Notes on pages 94 to 151 form part of these Financial Statements.

The Financial Statements were approved by the Board and authorised for issue on 29 March 2024 and signed on its behalf.

Peter Bole
Director

Registered number: 07064312

Consolidated statement of changes in equity

	Notes	Share capital £m	Share premium £m	Capital redemption reserve £m	Restricted Tier 1 notes £m	Insurance / Reinsurance finance reserve £m	Other reserves £m	Retained earnings £m	Total equity £m
As at 31 December 2021 as previously reported	**21**	0.4	48.2	44.9	72.8	-	(1.1)	189.3	354.5
Impact of initial application of IFRS 17	**21**	-	-	-	-	(2.1)	-	14.1	12.0
Impact of initial application of IFRS 9		-	-	-	-	-	0.4	-	0.4
Restated balance as at 1 January 2022	**21**	**0.4**	**48.2**	**44.9**	**72.8**	**(2.1)**	**(0.7)**	**203.4**	**366.9**
Year ended 31 December 2022 (restated)									
At 1 January 2022 (restated)	**21**	0.4	48.2	44.9	72.8	(2.1)	(0.7)	203.4	366.9
Loss for the year (restated)		-	-	-	-	-	-	(25.0)	(25.0)
Other comprehensive loss (restated)		-	-	-	-	19.6	(49.0)	-	(29.4)
Total comprehensive loss (restated)		-	-	-	-	**19.6**	**(49.0)**	**(25.0)**	**(54.4)**
Transactions with owners									
Dividends	**12**	-	-	-	-	-	-	(2.0)	(2.0)
Payment to holders of rT1	**21**	-	-	-	-	-	-	(4.5)	(4.5)
Capital contribution:									
share-based payments	**21**	-	-	-	-	-	1.2	-	1.2
Total transactions with owners		-	-	-	-	-	**1.2**	**(6.5)**	**(5.3)**
At 31 December 2022 (restated)		**0.4**	**48.2**	**44.9**	**72.8**	**17.5**	**(48.5)**	**171.9**	**307.2**
Year ended 31 December 2023									
At 1 January 2023	**21**	**0.4**	**48.2**	**44.9**	**72.8**	**17.5**	**(48.5)**	**171.9**	**307.2**
Loss for the year		**-**	**-**	**-**	**-**	**-**	**-**	**(60.1)**	**(60.1)**
Other comprehensive income		**-**	**-**	**-**	**-**	**(9.8)**	**21.5**	**-**	**11.7**
Total comprehensive loss		**-**	**-**	**-**	**-**	**(9.8)**	**21.5**	**(60.1)**	**(48.4)**
Transactions with owners									
Share issue		**0.0**	**47.4**	**-**	**-**	**-**	**-**	**-**	**47.4**
Payment to holders of rT1	**21**	**-**	**-**	**-**	**-**	**-**	**-**	**(4.5)**	**(4.5)**
Capital contribution:									
share-based payments	**21**	**-**	**-**	**-**	**-**	**-**	**(0.2)**	**-**	**(0.2)**
Total transactions with owners		**0.0**	**47.4**	**-**	**-**	**-**	**(0.2)**	**(4.5)**	**42.7**
At 31 December 2023		**0.4**	**95.6**	**44.9**	**72.8**	**7.7**	**(27.2)**	**107.3**	**301.5**

The Notes on pages 94 to 151 form part of these Financial Statements.

Consolidated statement of cash flows

	Notes	Year ended 31 Dec 2023 £m	Year ended 31 Dec 2022 Restated £m
Cash flows from operating activities			
Loss after tax for the period		**(60.1)**	(25.0)
Adjustments to reconcile profit after tax to net cash flows:			
- Finance costs	**10**	**13.1**	9.6
- Depreciation and revaluation of property, plant and equipment	**14**	**2.8**	2.9
- Amortisation of intangible assets	**13**	**9.7**	14.6
- Share-based payments	**22**	**(0.2)**	1.2
- Taxation credit	**11**	**(28.5)**	(11.8)
- Total investment return	**5**	**(32.4)**	(9.0)
- Loss on the sale and revaluation of property, plant and equipment	**13,14**	**4.8**	4.2
Operating cash flows before movements in working capital, tax and interest paid		**(90.8)**	(13.3)
Sales of financial investments		**565.5**	822.5
Purchase of financial investments		**(612.5)**	(786.5)
Interest, rent and dividends received less investment management expenses on financial investments		**27.4**	15.7
Changes in working capital:			
- Reinsurance assets		**(5.1)**	(12.5)
- Other receivables		**14.7**	(7.4)
- Insurance liabilities		**113.2**	(46.8)
- Other payables		**2.5**	1.7
Taxation recovered/(paid)		**1.9**	(0.8)
Net cash generated/(used) in operating activities		**16.8**	**(27.4)**
Cash flows used in investing activities			
Purchase of property, plant and equipment, and software	**13,14**	**(7.6)**	(10.2)
Net cash used in investing activities		**(7.6)**	(10.2)
Cash flows generated from / (used in) financing activities			
Proceeds from 2023 Notes Issuance		**100.0**	-
Cost of 2023 Notes Issuance		**(4.8)**	-
Repayment of 2012 Notes Issuance		**(100.0)**	-
Interest paid on loans	**15**	**(11.1)**	(8.5)
Repayment of lease liabilities		**(3.1)**	(3.1)
Payment to holders of rT1		**(4.5)**	(4.5)
Dividends paid	**12**	**-**	(2.0)
Share issue	**21**	**47.5**	0.0
Net cash generated from / (used in) financing activities		**24.0**	(18.1)
Net increase in cash and cash equivalents	**18**	**33.2**	(55.7)
Cash and cash equivalents at the beginning of the year	**18**	**38.4**	94.1
Cash and cash equivalents at the end of the year		**71.6**	38.4

The Notes on pages 94 to 151 form part of these Financial Statements.

1 . General information

esure Group plc is a company incorporated in England and Wales. Its registered office is The Observatory, Reigate, Surrey, RH2 0SG. The nature of the Group's operations is the writing of general insurance for private cars and homes. The Company's principle activity is that of a holding company.

All of the Company's subsidiaries are located in the United Kingdom, except for esure S.L.U., which is incorporated in Spain.

2 . Accounting policies

Basis of preparation

These financial statements present the esure Group plc consolidated financial statements for the year ended 31 December 2023, comprising the consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows and related notes, as well as the comparatives.

The consolidated financial statements have been prepared and approved by the Directors in accordance with United Kingdom adopted international accounting standards in conformity with the requirements of the Companies Act 2006. The Company has elected to prepare its Parent Company financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

These consolidated Financial Statements have been prepared on a going concern basis. The financial performance and position of the Group, its cash flows and its approach to capital management are set out in the Financial Review and Solvency and Financial Condition Report.

The Group's financial position reflects appropriate reserves, a conservative investment portfolio and capital in excess of the minimum regulatory requirement. In addition, the Board has reviewed the Group's projections for the next planning cycle, including regulatory capital surpluses and has considered the potential impacts arising from the current economic environment. Further analysis of the wider risks facing the Group can be found in Notes 15 and 16.

The key uncertainties for 2024 and beyond considered by the Board were the risks resulting from the residual activity to be completed as part of the Group's transformation programme, implementation and use of the new technology platform; the impact of inflation on claims and expenses; changing consumer behaviour and the consequential impact on claims frequency; the impact of the Civil Liability Act on underwriting performance; and the outlook for market pricing.

The Board has reviewed the Group's projections for the next 12 months and, based on this work, the Directors have a reasonable expectation that the Company has adequate resources to continue in operation for at least the 12 months from the date of signing these financial statements.

The consolidated Financial Statements have been prepared on the historical cost basis except for insurance and reinsurance contracts measured at their fulfiment values in accordance with IFRS 17 and certain financial assets and land and buildings that are measured at fair value at the reporting date. The principal accounting policies are set out below.

New and amended accounting standards adopted

The Group applied for the first time, certain standards and amendments which are effective for annual periods beginning on or after 1 January 2023 (unless otherwise stated).

IFRS 17 Insurance Contracts

IFRS 17 replaces IFRS 4 Insurance Contracts for annual periods beginning on or after 1 January 2023.

The Group has restated comparative information for 2022 applying the transitional provisions in Appendix C of IFRS 17. The nature of the changes in accounting policies are summarised below.

Changes to classification and measurement

The Group was previously permitted under IFRS 4 to continue accounting using its previous UK GAAP accounting policies. However, IFRS 17 establishes specific principles for the recognition and measurement of insurance contracts issued and reinsurance contracts held by the Group.

The Group applies the simplified approach or the premium allocation approach ('PAA') for recognition and measurement of insurance contracts under IFRS 17 with the exception of the Loss Portfolio Transfer ('LPT') reinsurance contract held, which is measured using the standard's general measurement model ('GMM').

2 . Accounting policies (continued)

The Group can elect to apply PAA if the Group's insurance and reinsurance contracts have a coverage period of less than a year or the measurement of the remaining coverage of these contracts would not differ materially from the general model. As part of this simplified approach, the Group shall:

- On initial recognition, measure the liability for remaining coverage as the amount of premiums received only (no risk-adjusted future cash flows or contractual service margin ('CSM'));
- Choose to recognise an insurance acquisition asset for insurance acquisition cash flows (if these are incurred before the related group of insurance contracts is recognised) or as part of the measurement of the group of related contracts (if the related group of insurance contracts has been recognised);
- Choose to exclude the effects of the time value of money and financial risk to the liability for remaining coverage where it expects the time between providing each part of the services and related premium due date is no more than a year; and
- Choose to include the effects of the time value of money and financial risk to the liability for incurred claims if those cash flows are expected to be paid or received in one year or less from the date the claims are incurred.

Additionally, the measurement principles of the PAA also differ from the 'earned premium approach' used by the Group under IFRS 4 in the following key areas:

- Measurement of the liability for remaining coverage includes an adjustment for the time value of money and the effect of financial risk where the premium due date and the related period of services are more than 12 months apart.
- Measurement of the liability for remaining coverage involves an explicit evaluation of risk adjustment for non-financial risk and the fulfilment cash flows that relate to the remaining coverage of the group when a group of contracts is onerous in order to calculate a loss component (previously these may have formed part of the unexpired risk reserve provision).
- Measurement of the liability for incurred claims (previously claims outstanding and incurred-but-not-reported ('IBNR') claims) is determined on a discounted probability-weighted expected value basis, and includes an explicit risk adjustment for non-financial risk. The liability includes the Group's obligation to pay other incurred insurance expenses.
- Measurement of the asset for remaining coverage (reflecting reinsurance premiums paid for reinsurance held) is adjusted to include a loss-recovery component to reflect the expected recovery of onerous contract losses where such contracts reinsure onerous direct contracts.

- Any assets recognised for insurance acquisition costs where the related insurance contracts have not been recognised is then included in the measurement of the related insurance contract liabilities once these related contracts have been recognised.

The Group has performed the PAA eligibility assessment and has chosen to apply the PAA to all of its insurance contracts issued and all of its reinsurance contracts held where these contracts can be measured by applying the PAA.

<table>
<tr><th>Contract</th><th>Measurement model</th><th>PAA eligibility conclusion</th></tr>
<tr><td>Motor insurance contracts issued</td><td rowspan="6">PAA</td><td rowspan="4">Coverage period is less than one year</td></tr>
<tr><td>Home insurance contracts issued</td></tr>
<tr><td>Annual Quota Share reinsurance contracts held covering motor and home insurance policies ('QS')</td></tr>
<tr><td>Property Catastrophe excess of loss reinsurance contracts held ('Home CAT')</td></tr>
<tr><td>Property risk excess of loss reinsurance contracts held ('Home Xol')</td><td rowspan="2">Measurement of Liability for Remaining Coverage is not materially different to general model measurement</td></tr>
<tr><td>Motor liability excess of loss occuring reinsurance contracts held ('Motor XoL')</td></tr>
<tr><td>Loss Portfolio Transfer reinsurance contract held for motor claims ('Motor LPT')</td><td>General Model</td><td>Not eligible for PAA</td></tr>
</table>

For all reinsurance contracts held by the Group, the specific modifications to the PAA and general model in IFRS 17 for the characteristics of reinsurance contracts are also applied. Details of these specific modifications and accounting policies for the Group's insurance and reinsurance contracts are outlined in the accounting policy notes below.

2 . Accounting policies (continued)

Changes to presentation and disclosure

For presentation in the statement of financial position, the Group aggregates insurance contracts issued and reinsurance contracts held, respectively and presents separately:

- Portfolios of insurance contracts issued that are assets
- Portfolios of insurance contracts issued that are liabilities
- Portfolios of reinsurance contracts held that are assets
- Portfolios of reinsurance contracts held that are liabilities

These portfolios are established at initial recognition in accordance with the IFRS 17 requirements. The Group currently does not issue reinsurance contracts and expects that insurance contracts issued will remain in a liability position and reinsurance contracts currently held will remain in an asset position as shown in the Group's Statement of Financial Position.

Portfolios of insurance contracts issued include any assets for insurance acquisition cash flows.

The line-item descriptions in the statement of profit or loss and other comprehensive income have been changed significantly compared with last year. Previously, the Group reported the following line items:

- Gross written premiums
- Gross earned premiums
- Earned premiums net of reinsurance
- Claims incurred
- Claims incurred net of reinsurance

Instead, IFRS 17 requires separate presentation of:

- Insurance revenue
- Insurance service expenses
- Insurance and reinsurance finance income or expenses
- Income or expenses from reinsurance contracts held

The Group provides disaggregated qualitative and quantitative information about:

- Amounts recognised in its financial statements from insurance contracts
- Significant judgements, and changes in those judgements, when applying the standard

Transition to IFRS 17

On transition date, 1 January 2022, the Group:

- Has identified, recognised and measured each group of insurance contracts using the full retrospective transition approach as outlined in Appendix C of IFRS 17
- Derecognised any existing balances that would not exist had IFRS 17 always applied; and
- Recognised any resulting net difference in equity

The Group has applied the full retrospective approach for all contracts. Therefore, the Group, on transition to IFRS 17, identifies, recognises and measures each group of insurance contracts as if IFRS 17 always applied.

2 . Accounting policies (continued)

IFRS 9 Financial Instruments

IFRS 9 replaced IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018. However, the Group elected, under the amendments to IFRS 4, to apply the temporary exemption from IFRS 9, thereby deferring the initial application date of IFRS 9 to align with the implementation of IFRS 17.

The Group has chosen to restate comparatives for IFRS 9. Therefore, differences arising from the adoption of IFRS 9 were recognised in retained earnings and other comprehensive income as of 1 January 2022. The effects of the transition to IFRS 9 are disclosed in Note 15.

Changes to classification and measurement

To determine their classification and measurement category, IFRS 9 requires all financial assets to be assessed based on a combination of the Group's business model for managing the assets and the instruments' contractual cash flow characteristics.

The IAS 39 measurement categories for financial assets (fair value through profit or loss ('FVTPL'), available for sale ('AFS'), held-to-maturity ('HTM') and loans and receivables ('L&R') at amortised cost), have been replaced by:

- Financial assets at FVTPL, including equity instruments and derivatives
- Debt instruments at fair value through other comprehensive income ('FVOCI'), with gains or losses recycled to profit or loss on derecognition
- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition
- Debt instruments at amortised cost

The Group's classification of its financial assets and the quantitative impact of applying IFRS 9 as at 1 January 2023 are disclosed in Note 15.

Changes to the impairment calculation

The adoption of IFRS 9 has changed the Group's accounting for impairment losses for debt instruments held at FVOCI or amortised cost by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss ('ECL') approach. IFRS 9 requires the Group to record an allowance for ECLs for all debt instruments not held at FVTPL. This change has not had a material impact on the Group.

For debt instruments, the ECL is based on the portion of lifetime ECLs ('LTECL') that would result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination or purchase of the assets, the allowance is based on the full LTECL.

The Group's debt instruments at FVOCI comprise quoted bonds classed as investment grade (AAA-BBB credit quality), using the lower of S&P and Moody's Credit Rating Agency ratings and, therefore, are considered to be low credit risk investments. It is the Group's policy to measure such instruments on a 12-month ECL basis. Where the credit rating of any bond deteriorates, the Group will assess the likelihood of default and may sell the bond and purchase bonds meeting the required investment grade. Should a credit rating downgrade take a bond below investment grade, a lifetime ECL is used.

Additionally, the Group assesses at each reporting date whether there has been a significant increase in credit risk. To assess this, the Group considers the change in risk of a default occurring over the expected life of the instrument. The Group compares the risk of a default occurring on the instrument at the reporting date to the risk of a default occurring at initial recognition. The Group also considers a two-step downgrade in credit rating to signify a significant increase in credit risk. The Group concludes that the instrument has not been subject to a significant increase in credit risk if the instrument is still considered to have low credit risk at the reporting date.

The Group considers an instrument to be in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider an instrument to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full. There were no such instances in 2023 or 2022.

The adoption of the ECL requirements of IFRS 9 has resulted in increases in impairment allowances in respect of the Group's debt instruments. The increase in allowance was adjusted to opening retained earnings in 2022.

The Group has applied IFRS 17 and IFRS 9 at the same time and is therefore permitted to apply the classification overlay for the purpose of presenting comparative information about a financial asset if the comparative information for that asset has not been restated for IFRS 9. The Group has chosen to restate comparatives therefore, the transitional impact has been taken through the opening balance of equity at 1 January 2022.

Details of the Group's impairment method are disclosed below. The quantitative impact of applying IFRS 9 as at 1 January 2023 is disclosed in Note 15. The loss provision recognised is immaterial and therefore the Group considers that disclosing detailed information on the loss provision and its movements will obscure other material information provided in these financial statements.

2 . Accounting policies (continued)

Changes in disclosure
To reflect the differences between IFRS 9 and IAS 39, IFRS 7 Financial Instruments: Disclosures was also amended. The Group applied the amended disclosure requirements of IFRS 7, together with IFRS 9, for the year beginning 1 January 2023. Changes include transition disclosures as shown in Note 15.

Definition of Accounting Estimates – Amendments to IAS 8
The amendments had no impact on the Group's consolidated financial statements.

Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2
The amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 1 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their "significant" accounting policies with a requirement to disclose their "material" accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments have had an impact on the Group's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Group's financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12
The amendments had no impact on the Group's consolidated financial statements.

International Tax Reform – Pillar Two Model Rules – Amendments to IAS 12
Management have reviewed the impact of Pillar Two Model Rules and believe it will be immaterial for the Group given its current UK tax resident status.

New and amended accounting standards issued but not yet adopted.
There are new amendments to accounting standards which are not yet effective. The Group has not early adopted these amendments and they do not have a material impact on the Group.

Basis of consolidation
The Group has a number of subsidiaries which it controls. The Group controls these entities 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. Subsidiary companies are consolidated using the acquisition method.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtained control, and continue to be consolidated until the date when such control ceases.

In preparing these Consolidated Financial Statements, any intra-group balances, unrealised gains and losses or income and expenses arising from intra-group trading are eliminated. Where accounting policies used in Individual Financial Statements of a subsidiary company differ from Group policies, adjustments are made to bring these policies in line with Group policies.

2 . Accounting policies (continued)

Insurance and reinsurance contracts

Classification
The Group issues insurance contracts in the normal course of business, under which it accepts significant insurance risk from its policyholders. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits payable after an insured event with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk. The Group issues non-life insurance to individuals. Non-life insurance products offered are motor and home insurance. These products offer protection of policyholder's assets and indemnification of other parties that have suffered damage as a result of a policyholder's accident.

The Group also purchases reinsurance as a risk transfer mechanism to mitigate risks that are outside the Group's appetite for individual claim or event exposure and to reduce the volatility caused by large individual and accumulation losses.

The Group does not issue any contracts with direct participating features.

Separating components from insurance and reinsurance contracts
The Group assesses its insurance and reinsurance products to determine whether they contain distinct components which must be accounted for under another IFRS instead of under IFRS 17. After separating any distinct components, the Group applies IFRS 17 to all remaining components of the underlying insurance contract. Currently, the Group sells non-underwritten products along with its underwritten products and thus these require to be separated out and measured under IFRS 15 Revenue from contracts with customers.

Some reinsurance contracts contain profit commission arrangements. Under these arrangements, there is a minimum guaranteed amount that the policyholder will always receive – either in the form of profit commission, or as claims (amounts recoverable), or another contractual payment irrespective of the insured event happening. The Group has assessed whether any of its products contain profit commission arrangements which require to be separated from the insurance contract and have concluded that none of its products have distinct investment components.

Level of aggregation

IFRS 17 requires an entity to determine the level of aggregation for applying its requirements. The level of aggregation for the Group is determined firstly by dividing the business written into portfolios. Portfolios comprise groups of contracts with similar risks which are managed together. The Group writes two lines of business, motor and home, and considers that these form two portfolios as each contains similar risks and each is managed as a single portfolio.

Portfolios are further divided based on expected profitability at inception into three categories:
- onerous contracts;
- contracts with no significant risk of becoming onerous; and
- the remainder.

For determining the level of aggregation, the Group identifies a contract as the smallest 'unit', i.e., the lowest common denominator. However, the Group makes an evaluation of whether a series of contracts need to be treated together as one unit based on reasonable and supportable information, or whether a single contract contains components that need to be separated and treated as if they were standalone contracts.

IFRS 17 also requires that no group for level of aggregation purposes may contain contracts issued more than one year apart. The Group writes motor and home business where each contract has a duration of not more than one year.

The Group considers facts and circumstances to identify whether a group of contracts are onerous based on pricing information, results of similar contracts it has recognised and environmental factors, e.g. a change in market experience or regulations.

Based on this information the Group determines that all insurance contracts issued are included with the remaining group of contracts, i.e. they are not onerous at initial recognition but the Group cannot conclude that there is no significant possibility of becoming onerous subsequently.

2 . Accounting policies (continued)

The Group divides portfolios of reinsurance contracts held applying the same principles set out above, except that the references to onerous contracts refer to contracts on which there is a net gain on initial recognition. The Group has determined that groups of reinsurance contracts held will be at the individual contract level. The Group holds a range of reinsurance agreements including:

- Annual Quota Share contracts covering motor and home insurance policies ('QS')
- Property Catastrophe excess of loss occuring contracts ('Home CAT')
- Motor liability excess of loss occuring contracts ('Motor XoL')
- Property risk excess of loss contracts ('Home XoL')
- A Loss Portfolio Transfer contract for motor claims ('Motor LPT')

Due to each contract being managed separately and having differing risks, the Group recognises a separate portfolio and therefore group, for each of these contracts.

Recognition

The Group recognises groups of insurance contracts it issues from the earliest of the following:

- The beginning of the coverage period of the group of contracts
- The date when the first payment from a policyholder in the group is due or when the first payment is received if there is no due date
- For a group of onerous contracts, if facts and circumstances indicate that the group is onerous

The Group recognises a group of reinsurance contracts held from the earlier of the following:

- The beginning of the coverage period of the group of reinsurance contracts held.

And

- The date the Group recognises an onerous group of underlying insurance contracts if the Group has entered into the related reinsurance contract held.

The Group recognises the contract in the reporting period in which that contract meets one of the criteria set out above. The Group delays the recognition of the group of reinsurance contracts held that provide proportionate coverage until the underlying insurance contracts are recognised, if that is later than the coverage period for the reinsurance contracts held.

Contract boundary

The Group includes in the measurement of a group of insurance contracts all the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Group can compel the policyholder to pay the premiums, or in which the Group has a substantive obligation to provide the policyholder with insurance contract services.

A substantive obligation to provide insurance contract services ends when the Group has the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects those risks.

A liability or asset relating to expected premiums or claims outside the boundary of the insurance contract is not recognised.

Measurement – Premium Allocation Approach

The PAA provides entities with a number of accounting policy choices. These are summarised below along with the options taken by the Group.

2 . Accounting policies (continued)

	IFRS 17 Options	*Adopted Aproach by the Group*
Premium Allocation Approach ('PAA') Eligibility	Subject to specified criteria, the PAA can be adopted as a simplified approach to the IFRS 17 general model.	Coverage period for motor and home insurance is one year or less and qualifies automatically for PAA. All reinsurance contracts except the LPT qualify for PAA. All qualify on the basis of the coverage period also being less than one year with the exception of Motor XoL and Home XoL which qualify on the basis of the Liability for Remaining Coverage not being materially different to the measurement under the general model.
Insurance acquisition cash flows for insurance contracts issued	Where the coverage period of all contracts within a group is not longer than one year, insurance acquisition cash flows can either be expensed as incurred, or allocated, using a systematic and rational method, to groups of insurance contracts (including future groups containing insurance contracts that are expected to arise from renewals) and then amortised over the coverage period of the related group.	As all the Group's insurance contracts issued meet PAA eligibility, the Group has chosen to amortise the acquisition costs over the relevant coverage period.
Liability for Remaining Coverage (LFRC), adjusted for financial risk and time value of money	Where there is no significant financing component in relation to the LFRC, or where the time between providing each part of the services and the related premium due date is no more than a year, an entity is not required to make an adjustment for accretion of interest on the LFRC.	The Group has chosen this option for eligible contracts.
Liability for Incurred Claims, ('LFIC') adjusted for time value of money	Where claims are expected to be paid within a year of the date that the claim is incurred, it is not required to adjust these amounts for the time value of money.	The Group has chosen not to apply this option and is consequently adjusting these amounts for the time value of money.
Insurance finance income and expense	There is an option to disaggregate part of the movement in LFIC resulting from changes in discount rates and present this in OCI.	The impact on LFIC of changes in discount rates is captured within OCI, in line with the accounting for assets backing the relevant portfolio of insurance contracts.

2 . Accounting policies (continued)

Insurance contracts – initial measurement

The Group applies the PAA to all the insurance contracts that it issues as the coverage period of each contract in the group is one year or less, including insurance contract services arising from all premiums within the contract boundary (see above).

For a group of contracts that is not onerous at initial recognition, an entity measures the liability for remaining coverage as:

- The premiums, if any, received at initial recognition
- Minus any insurance acquisition cash flows at that date
- Plus or minus any amount arising from the derecognition at that date of the asset recognised for insurance acquisition cash flows and
- Any other asset or liability previously recognised for cash flows related to the group of contracts that the Group pays or receives before the group of insurance contracts is recognised.

For insurance contracts issued there is no allowance for time value of money relating to premiums written as the premiums are received within one year of the coverage period. The liability for remaining coverage also includes insurance premium tax (IPT) and IPT is derecognised from the liability for remaining coverage once settled. IPT is neither recognised as insurance revenue or insurance service expense.

The Group also currently does not have any onerous contracts. However, where facts and circumstances indicate that contracts are onerous at initial recognition, the Group will perform additional analysis to determine if a net outflow is expected from the contract. Such onerous contracts are separately grouped from other contracts and the Group recognises a loss in the income statement for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows. A loss component is established by the Group for the liability for remaining coverage for such onerous group depicting the losses recognised.

Reinsurance contracts held – initial measurement

Premium Allocation Approach (PAA)

The Group measures its reinsurance assets for a group of reinsurance contracts that it holds on the same basis as insurance contracts that it issues with the exception of the Loss Portfolio Transfer (LPT) contract as this is not PAA eligible. For those measured under the PAA, they are adapted to reflect the features of reinsurance contracts held that differ from insurance contracts issued.

General Model

The measurement of the Loss Portfolio Transfer contract is measured following the same principles as those for insurance contracts issued measured under the general model in IFRS 17.

The general model initially measures a group of insurance contracts as the total of the Fulfilment Cash Flows (FCF) representing cash flows that are unbiased and probability-weighted estimates of future cash flows, discounted to present value to reflect the time value of money and financial risks, a risk adjustment for non-financial risk and the effect of any risk of non-performance by the issuer of the reinsurance contract, including the effects of collateral and losses from disputes.

If the net cost of purchasing reinsurance coverage relates to events that occured before the purchase of the group of reinsurance contracts held, the Group recognises the cost immediately in the income statement rather than recognising as a Contractual Service Margin ('CSM').

The Group's objective in estimating future cash flows is to determine the expected value, or the probability-weighted mean, of the full range of possible outcomes, considering all reasonable and supportable information available at the reporting date without undue cost or effort. The Group estimates future cash flows considering a range of scenarios which have commercial substance and give a good representation of possible outcomes. The cash flows from each scenario are probability-weighted and discounted using current assumptions. When estimating future cash flows, the Group includes all cash flows that are within the contract boundary.

The Group incorporates, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows. The Group estimates the probabilities and amounts of future payments under existing contracts based on information obtained.

For the LPT contract, measurement of the cash flows include an allowance on a probability-weighted basis for the effect of any non-performance by the reinsurer, including the effects of collateral and losses from disputes.

2 . Accounting policies (continued)

The Group determines the risk adjustment for non-financial risk so that it represents the amount of risk being transferred to the reinsurer.

The Group recognises both day 1 gains and day 1 losses at initial recognition in the statement of financial position as a CSM and releases this to profit or loss as the reinsurer renders services, except for any portion of a day 1 loss that relates to events before initial recognition.

Insurance contracts – subsequent measurement
The Group measures the carrying amount of the liability for remaining coverage at the end of each reporting period as the liability for remaining coverage at the beginning of the period:

- Plus premiums received in the period
- Minus insurance acquisition cash flows
- Plus any amounts relating to the amortisation of the insurance acquisition cash flows recognised as an expense in the reporting period for the group
- Minus the amount recognised as insurance revenue for the services provided in the period

The Group estimates the liability for incurred claims as the fulfilment cash flows related to incurred claims.

The fulfilment cash flows incorporate, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows, they reflect current estimates from the perspective of the Group, and include an explicit adjustment for non-financial risk (the risk adjustment).

Insurance acquisition cash flows
Insurance acquisition cash flows are deferred and amortised over the coverage period of the related cohort of policies.

Insurance acquisition cash flows arise from the costs of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) that are directly attributable to the portfolio of insurance contracts to whcih the group belongs. The Group uses a systematic and rational method to allocate:
Insurance acquisition cash flows that are directly attributable to a group of insurance contracts:

(i) to that group; and

(ii) to groups that include insurance contracts that are expected to arise from the renewals of the insurance contracts in that group.

2 . Accounting policies (continued)

Insurance contracts – modification and derecognition
The Group derecognises insurance contracts when rights and obligations relating to the contract are extinguished (i.e., discharged, cancelled or expired).

When a modification is not treated as a derecognition, the Group recognises amounts paid or received for the modification with the contract as an adjustment to the relevant liability for remaining coverage.

Presentation
The Group has presented separately, in the statement of financial position, the carrying amount of portfolios of insurance contracts issued that are assets, portfolios of insurance contracts issued that are liabilities, portfolios of reinsurance contracts held that are assets and portfolios of reinsurance contracts held that are liabilities.

The Group disaggregates the total amount recognised in the statement of profit or loss and other comprehensive income into an insurance service result, comprising insurance revenue and insurance service expense, and insurance finance income or expenses.

The Group does not disaggregate the change in risk adjustment for non-financial risk between a financial and non-financial portion and includes the entire change as part of the insurance service result.

The Group separately presents income or expenses from reinsurance contracts held from the expenses or income from insurance contracts issued.

The Group also disaggregates insurance finance income and expense to Other Comprehensive Income for the change in discount rate for fully earned cohorts.

Insurance revenue
The insurance revenue for the period is the amount of expected premium receipts allocated to the period. The Group allocates the expected premium receipts to each period of insurance contract services on the basis of the passage of time. But if the expected pattern of release of risk during the coverage period differs significantly from the passage of time, then the allocation is made on the basis of the expected timing of incurred insurance service expenses.

The Group changes the basis of allocation between the two methods above as necessary, if facts and circumstances change. The change is accounted for prospectively as a change in accounting estimate.

For the periods presented, all revenue has been recognised on the basis of the passage of time.

Insurance and reinsurance finance income and expense
Insurance and reinsurance finance income or expenses comprise the change in the carrying amount of the group of insurance and reinsurance contracts arising from:
- The effect of the time value of money and changes in the time value of money; and
- The effect of financial risk and changes in financial risk.

The Group disaggregates insurance and reinsurance finance income or expenses on insurance contracts issued and reinsurance contracts held between profit or loss and OCI. The impact of changes in market interest rates on the value of the insurance and reinsurance contracts are reflected in OCI in order to minimise accounting mismatches between the accounting for financial assets and insurance contracts. The Group's financial assets backing insurance portfolios are predominantly measured at FVOCI.

Net income or expense from reinsurance contracts held
The Group presents on a net basis, the amounts expected to be recovered from reinsurers, and an allocation of the reinsurance premiums paid, on the face of the income statement and other comprehensive income. The Group treats reinsurance cash flows that are contingent on claims on the underlying contracts as part of the claims that are expected to be reimbursed under the reinsurance contract held.

2 . Accounting policies (continued)

Financial assets

Initial recognition
The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments, as described below.

Financial instruments are initially recognised on the trade date measured at their fair value. Except for financial assets and financial liabilities recorded at fair value through profit or loss ('FVTPL'), transaction costs are added to this amount.

Measurement categories
The Group classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms. The categories include the following:
- Amortised cost
- Fair value through other comprehensive income ('FVOCI'); and
- FVTPL

In order to determine the measurement category for debt instruments, the Group assesses the business model to which the assets belong, and whether the contractual cashflows are solely payments of principal and interest ('SPPI'). These are explained below.

Business model assessment
The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Group holds financial assets to generate returns and provide a capital base to provide for settlement of claims as they arise. The Group considers the timing, amount and volatility of cash flow requirements to support insurance liability portfolios in determining the business model for the assets as well as the potential to maximise return for shareholders and future business development.

The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios that is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group's key management personnel; and
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed

The expected frequency, value and timing of asset sales are also important aspects of the Group's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group's original expectations, the Group does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

2 . Accounting policies (continued)

The Solely Payments of Principal and Interest (SPPI) test
As a second step of its classification process the Group assesses the contractual terms to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of interest within a debt arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

Debt instruments measured at amortised cost
The Group measures debt instruments at amortised cost if both of the following conditions are met:
- The instruments are held within a business model with the objective of holding the instrument to collect the contractual cash flows; and
- The contractual terms of the debt instrument give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Debt instruments measured at fair value through other comprehensive income (FVOCI)
The Group applies the new category under IFRS 9 for debt instruments measured at FVOCI when both of the following conditions are met:
- The instrument is held within a business model, the objective of which is both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset meet the SPPI test.

These instruments largely comprise debt instruments that had previously been classified as available-for-sale under IAS 39. Debt instruments in this category are those that are intended to be held to collect contractual cash flows and which may be sold in response to needs for liquidity or in response to changes in market conditions.

Financial assets measured at fair value through profit or loss
Financial assets in this category are those that are managed in a fair value business model, or that have been designated by management upon initial recognition or are mandatorily required to be measured at fair value under IFRS 9. This category includes debt instruments whose cash flow characteristics fail the SPPI criteria or are not held within a business model whose objective is either to collect contractual cash flows, or both to collect contractual cash flows and sell.

Subsequent measurement

Debt instruments at amortised cost
After initial measurement, debt instruments are measured at amortised cost, using the effective interest rate ('EIR') method, less an allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. ECLs are recognised in the statement of profit or loss when the investments are impaired.

Debt instruments at fair value through other comprehensive income
FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in other comprehensive income ('OCI'). Interest income and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost and disclosed in Note 6. The ECL calculation for debt instruments at FVOCI is immaterial to the Group. Where the Group holds more than one investment in the same security, they are deemed to be disposed of on a first–in first–out basis. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

Financial assets at fair value through profit or loss
Financial assets at FVTPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit or loss. Interest earned on assets mandatorily required to be measured at FVTPL is recorded using contractual interest rate, as disclosed in Note 6. Dividend income from equity instruments measured at FVTPL is recorded in profit or loss as other operating income when the right to the payment has been established.

Reclassification of financial assets and liabilities
The Group does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Group acquires, disposes of, or terminates a business line.

2 . Accounting policies (continued)

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
  - (a) the Group has transferred substantially all the risks and rewards of the asset; or
  - (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The Group considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and can exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Group has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Group's continuing involvement, in which case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Impairment of financial assets

The Group recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the appropriate effective interest rate.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months. For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Group's debt instruments are predominately debt securities and other fixed income securities that are graded BBB and above and, therefore, are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis.

The total loss provision and impairment gains and losses recognised by the Group are immaterial. Therefore, detailed disclosures on impairment of financial assets have not been provided by the Group where it considers this information to obsure other material information disclosed in these Financial Statements. If these amounts become material, the Group will provide these disclosures.

The calculation of ECLs
The Group calculates ECLs by considering expected default rates and loss on default rates on an asset-by-asset basis.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

PD - Probability of Default	an estimate of the likelihood of default over a given time horizon.
EAD - Exposure at Default	an estimate of the exposure should a default occur.
LGD - Loss Given Default	an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Group would expect to receive. It is usually expressed as a percentage of the EAD.

2 . Accounting policies (continued)

The Group allocates its assets subject to ECL calculations to one of these categories, determined as follows:

12mECL - 12 month Expected Credit Losses	The 12mECL category is determined by assets which remain investment grade. The Group calculates the 12mECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to the EAD and multiplied by the expected LGD. This calculation is carried out on an asset-by-asset basis.
LTECL - Lifetime Expected Credit Losses	When an instrument has shown a significant increase in credit risk since origination, ie is no longer considered investment grade or the risk of default at the reporting date has increased significantly since the risk of default at initial recognition, the Group records an allowance for the LTECLs. The mechanics are similar to those explained above, but PDs and LGDs are estimated over the lifetime of the instrument.

Debt instruments measured at fair value through other comprehensive income

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI with a corresponding charge to profit or loss. The accumulated gain recognised in OCI is recycled to the profit or loss upon derecognition of the assets.

Write-offs

Financial assets are written off either partially or in their entirety only when the Group has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense. There were no write-offs over the periods reported in these financial statements.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand and deposits held at call with banks that are held to meet short-term cash commitments rather than for investment or other purposes.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings or payables. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement

All financial liabilities are subsequently measured at amortised cost (excluding derivatives) using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate (EIR) amortisation process.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

Derivatives

Derivatives are measured at fair value both initially and subsequent to initial recognition. All changes in fair value are recognised in the income statement. Derivatives are presented as assets when the fair values are positive and as liabilities when the fair values are negative.

Hedge accounting

The Group does not currently designate any derivatives as hedging instruments.

Offsetting of financial instruments

Financial assets and financial liabilities are offset against each other and the net amount is reported in the consolidated statement of financial position if, and only if, the Group has a currently enforceable legal right to offset the recognised amounts and it intends to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. Income and expenses are not offset in the income statement unless required or permitted by any accounting standard or interpretation.

2 . Accounting policies (continued)

Recognition of investment and interest income

The effective interest rate

Under IFRS 9, interest income is recorded using the EIR method for all financial assets measured at amortised cost. Similar to interest bearing financial assets previously classified as available-for-sale or held to maturity under IAS 39, interest income on interest bearing financial assets measured at FVOCI under IFRS 9 is also recorded using the EIR method. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or, when appropriate, a shorter period, to the gross carrying amount of the financial asset.

The EIR (and therefore, the amortised cost of the financial asset) is calculated by taking into account transaction costs and any discount or premium on acquisition of the financial asset as well as fees and costs that are an integral part of the EIR. The Group recognises interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the debt instrument.

If expectations of a fixed rate financial asset's cash flows are revised for reasons other than credit risk, and the changes to future contractual cash flows are discounted at the original EIR with a consequential adjustment to the carrying amount, the difference to the previous carrying amount is booked as a positive or negative adjustment to the carrying amount of the financial asset in the statement of financial position with a corresponding increase or decrease in interest income.

For floating-rate financial instruments, periodic re-estimation of cash flows to reflect the movements in the market rates of interest also alters the effective interest rate, but when instruments were initially recognised at an amount equal to the principal, re-estimating the future interest payments does not significantly affect the carrying amount of the asset or the liability.

Investment income

Interest income comprises amounts calculated using the effective interest method and other methods. These are disclosed separately in the notes to the financial statements. In its Interest income calculated using the effective interest method the Group only includes interest on financial instruments at amortised cost or FVOCI. The Group calculates interest income on financial assets, other than those considered credit-impaired, by applying the EIR to the gross carrying amount of the financial asset.

Other interest income includes interest on all financial assets measured at FVTPL, using the contractual interest rate.

Investment income comprises interest and dividend income and net gains (both realised and unrealised) on financial assets classified at FVTPL, including derivative financial instruments. Dividends are recognised when the right to receive payment is established. For listed securities, this is the date the security is listed as ex-dividend.

Other income

Other income comprises sales of non-underwritten additional insurance products to Motor and Home insurance customers and fees generated from the appointment of firms used during the claims process and from car hire suppliers.

Revenue earned on the sale of additional services includes insurance broking (introducer fees) where the Group does not have a continuing relationship with the customer.

Revenue relating to insurance broking is brought into the accounts when the policy placement has been completed and confirmed and, as the Group has no contractual obligation to provide future services, the revenue is recognised immediately.

In certain circumstances, where the revenue cannot be reliably measured at the contract or policy inception date, broking fees and commission are recognised on a periodic basis when the consideration becomes due. Rebates of commissions and fees relating to the return of premiums for additional insurance products and services are recognised at the point the return is due.

Referral fees from credit hire are recognised in the period in which the related services are provided.

Finance costs

Finance costs comprises interest paid which is recognised in the income statement as it accrues and is calculated by using the effective interest rate method. Accrued interest is included within the carrying value of the interest-bearing financial liability.

Foreign currency translation

Transactions in foreign currencies are translated to Sterling at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to Sterling at the exchange rate at the reporting date. Foreign currency differences are recognised in profit or loss in the consolidated statement of comprehensive income.

2 . Accounting policies (continued)

Intangible assets

Software

Purchased software is recognised as an intangible asset, with the carrying value being reviewed at every reporting date for evidence of impairment and the value being written down if any impairment exists. If conditions subsequently improve, the previously recognised impairment may be reversed.

Amortisation of software begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. The cost of purchased software is amortised on a straight-line basis over the expected useful life of the intangible asset. This has been set between two and seven years.

Expenditure on research activities is recognised in the income statement as an expense as incurred. Software as a service is recognised in the income satement as an expense as incurred. Costs associated with the development of software for internal use are capitalised only if the software is technically feasible for sale or use on completion and Group has both the intent and sufficient resources to complete the development. Subsequent expenditure is capitalised only if the cost of the asset can be reliably measured, will generate future economic benefits and there is an ability to use or sell the asset.

The cost of internally generated software is amortised over the expected useful life of the intangible asset on a straight-line basis. The expected useful life is between three and five years.

Other intangible assets

Intangible assets acquired are stated at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised over their useful lives. Intangible assets, other than those arising as part of business combinations, are recognised as long as it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group and its cost can be measured reliably. The Group holds no intangible assets with indefinite useful lives.

Impairment testing of intangible assets

The carrying value of intangible assets with finite useful lives is reviewed at every reporting date for evidence of impairment with the value being written down if any impairment exists. If conditions subsequently improve, the previously recognised impairment may be reversed and credited through the income statement. All intangible assets not yet in use within the business are tested annually for impairment.

Property, plant and equipment

Property, plant and equipment comprises land and buildings occupied by the Group and fixtures, fittings and equipment (including computer hardware). Land and buildings are stated at their revalued amount, which is the fair value, less subsequent depreciation for buildings. All other assets are stated at cost less depreciation and accumulated impairment. Replacement or major inspection costs are capitalised when incurred if it is probably that future economic benefits associated with the item will flow to the entity and the costs can be measured reliably.

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation is calculated using the straight-line method to write off the cost less residual values of the assets over their useful lives, with the exception of freehold land which is not depreciated. The useful lives are as follows:

Fixtures, fittings and equipment	Between three and eight years
Freehold buildings	100 years

The assets' residual values, useful lives and method of depreciation are reviewed and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year in which the asset is derecognised.

Impairment and revaluation of property, plant and equipment

Carrying values are reviewed at each reporting 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 recoverable amount 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. Impairment losses may be reversed if conditions subsequently improve and amounts previously recognised through the income statement would then be credited through the income statement.

Revaluations of land and buildings are undertaken annually, with more frequent revaluations occurring where an assessment is made that the carrying amount may differ materially from its fair value. Where a revaluation occurs, any accumulated depreciation at the time of the revaluation is eliminated against the gross carrying amount of the asset.

2 . Accounting policies (continued)

Decreases on the carrying amount arising on the revaluation of Group occupied property are charged to the income statement, unless such decreases offset previous increases of the same asset that have been credited to a revaluation surplus, when they are recorded directly in other comprehensive income as a reduction in the revaluation surplus. Increases in the carrying amount arising on the revaluation of Group occupied property are credited to revaluation reserves in other comprehensive income, unless they offset previous decreases of the same asset that have been charged to the income statement, in which case the increase is also reflected in the income statement.

Taxation

Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those enacted or substantively enacted by the reporting date. Current tax assets and liabilities also include adjustments in respect of tax expected to be payable or recoverable in respect of previous periods.

Current tax relating to items recognised directly in equity or other comprehensive income is recognised in equity or other comprehensive income and not in the income statement.

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. It is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is recovered, using tax rates enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Deferred tax is recognised in profit or loss except for deferred tax relating to items recognised outside the income statement which is recognised outside the income statement, either in other comprehensive income or directly in equity as appropriate.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Share capital

Shares are classified as equity when there is no contractual obligation to transfer cash or other assets to holders of the financial instruments.

Restricted Tier 1 Notes

The Tier 1 notes issued in 2021 are classified as equity as they are perpetual and the Group has full discretion over interest payments, including ability to defer or cancel interest payments indefinitely.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is provable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of the expenditure required to settle a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Employee benefits – pensions

The Group contributes to a defined contribution scheme for its employees. The contributions payable to this scheme are charged to the income statement in the accounting period to which they relate.

Leases

Group as a lessee

As a lessee, the Group leases some property assets. Under IFRS 16, the Group recognises right-of-use assets and lease liabilities for all leases other than very low value leases in line with IFRS 16.

2 . Accounting policies (continued)

Share-based payments
Equity-settled share-based payments to employees are measured at the grant date at the fair value of the equity instruments (excluding the effect of non-market vesting conditions but including the effect of market vesting conditions). Fair value is not subsequently remeasured.

The fair value of equity-settled share-based payments is expensed on a straight line basis over the vesting period, with a corresponding increase in equity, based on the vest estimate of the number of awards which will ultimately vest unconditionally with employees. The estimate of the number of awards expected to vest (excluding the effect of market vesting conditions) and the expected vesting date is revised at each reporting date, with any consequential changes to the charge recognised in the income statement.

Where equity-settled share-based payments are modified, any incremental fair value is expensed on a straight line basis over the revised vesting period.

The cost in the year of share-based payments are credited to reserves.

Non-trading costs
Non-trading costs are those costs which do not relate to the ongoing trading of the business.

3 . Significant judgements and estimates

The preparation of these consolidated financial statements 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 result of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates; however, the consolidated financial statements presented are based on conditions that existed at the balance sheet date.

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 revisions affects both current and future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that 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. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur. The Group disaggregates information to disclose major product lines namely, motor and home insurance. This disaggregation has been determined based on how the Group is managed.

Management considers that their use of estimates, assumptions and judgements in the application of the Group's accounting policies are inter-related and therefore discuss them together below with the major sources of estimation uncertainty and significant judgements separately identified. Sensitivites for the major sources of material uncertainties disclosed below are disclosed in Note 15 and 16.

The Group has assessed whether there are any signfiicant judgements and estimates regarding climate-related matters that would have a material impact on these financial statements. Whilst for the current year the Group has concluded that it does not have any significant judgements or estimates regarding climate-related matters, it will continue to assess the impact of climate-related matters on the financial statements of the Group on an ongoing basis.

Insurance and reinsurance contracts
The Group applies the PAA to simplify the measurement of insurance contracts issued and all reinsurance contracts held except for the LPT contract. When measuring liabilities for remaining coverage, the PAA is broadly similar to the Group’s previous accounting treatment under IFRS 4. However, when measuring liabilities for incurred claims, the Group now discounts cash flows that are expected to occur more than one year after the date on which the claims are incurred and includes an explicit risk adjustment for non-financial risk. The Group has also chosen to discount cashflows where claims are expected to be paid within one year. The judgement around the PAA measurement has been disclosed in the measurement section of the accounting policies and the judgements for discount rates are disclosed below. Sensitivites on estimation uncertainty for insurance and reinsurance contracts are disclosed in Note 16.

3 . Significant Judgements and Estimates (continued)

Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is the compensation that the Group requires for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts. The risk adjustment reduces the risk that future cash flows will exceed the expected value amount. The risk adjustment is based on a value at risk approach, considering reserve risk only. This differs from the Solvency II Risk Margin which is based on a cost of capital approach, considering the future run-off of capital charges including premium and reserve risk, counterparty credit risk and operational risk.

The risk adjustment is calculated separately gross of reinsurance and for each type of reinsurance contract in place. Within these cohorts, the risk adjustment is then allocated between Motor and Home and by underwriting year in proportion to the liability for incurred claims. The reserve risk distribution is based on esure's stochastic capital model, which models variability over the lifetime of the reserves to ultimate settlement. Diversification between lines of business and claims types are captured within the model. The Group may also adjust the risk adjustment for any new or changing emerging risks not fully reflected in the capital model. The risk adjustment for each reinsurance type is calculated by taking the difference between the gross and net positions.

The risk adjustment is a major source of estimation uncertainty and the Group has estimated the risk adjustment to be at a confidence level (probability of sufficiency) of the 90th percentile.

Liability for incurred claims

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder and Bornheutter-Ferguson methods and the measurement of the liability for incurred claims represents a major source of estimation uncertainty.

The initial assumption underlying these techniques is that a Group's past claims development experience can be used to project future claims development and hence ultimate claims costs. These methods extrapolate the development of paid and incurred losses, average costs per claim (including claims handling costs), and claim numbers based on the observed development of earlier years and expected claims frequencies and average claims costs. Historical claims development is mainly analysed by accident periods, as well as by claim types. Large claims are usually separately addressed, either by being reserved at the face value of loss adjuster estimates or separately projected in order to reflect their future development and the frequency and severity of these claims is, due to their nature, with most relating to bodily injury, judgemental. Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (e.g., to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features, delays in settlement and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the probability weighted expected value outcome from the range of possible outcomes.

During 2022 and 2023 the level of claims inflation has been significantly judgemental due to the external economic environment. The sensitivity of the portfolio to a change in inflation assumption is disclosed in Note 16.

Some of the insurance contracts that have been written permit the Group to sell property acquired in settling a claim. The Group also has the right to pursue third parties for payment of some or all costs. Estimates of salvage recoveries and subrogation reimbursements are considered as an allowance in the measurement of ultimate claims costs.

Discount rates

Insurance contract liabilities are calculated by discounting expected future cash flows at a risk-free rate, plus a liquidity premium. Risk-free rates and the illiquidity premium adjustment are provided by a third party. The third party illiquidity premiums are provided by asset type and the Group uses actual asset weightings to arrive at total illiquidity premiums by term. Judgement is applied by the Group to determine the discount rates used. Discount rates applied for discounting of future cash flows are listed below:

%	1 year		3 years		5 years		10 years	
	2023	2022	2023	2022	2023	2022	2023	2022
Motor	4.99	4.91	4.01	4.93	3.64	4.71	3.57	4.28
Home	4.99	4.91	4.01	4.93	3.64	4.71	3.57	4.28

The use of the discount rates above also represents a major source of estimation uncertainty for the Group and have a significant risk of resulting in a material adjustment to the carrying amounts of insurance and reinsurance assets and liabilities within the next financial year.

3 . Significant Judgements and Estimates (continued)

Accounting for intangibles arising from the transformation project - critical judgement

In considering the costs incurred in implementing the Transformation Programme the Company has applied the steps set out in IAS 38 Intangible Assets as the basis of recognising and measuring costs which can be capitalised as intangible assets. The Company has applied judgement to assess the level of research cost incurred, which is expensed in the year within the Transformation Programme. The Company has only capitalised assets where, during the year, there was felt to be sufficient confidence of the probable inflow of future economic benefits and the ability to successfully conclude the Transformation Programme.

4 . Segmental information

The Group makes decisions on customer acquisition and retention based on contribution. In addition to the underwriting contribution from Motor and Home, a diversified suite of additional insurance products and services provide opportunities to deliver enhanced customer contribution.

Operating segments

The Group has two operating segments as described below, and an allocation of costs to Head office functions (Central Costs).

Motor

This segment incorporates the revenues and expenses directly attributable to the Group's Motor insurance underwriting activities inclusive of additional insurance products underwritten by the Group and related non-underwritten additional services. Investment income is allocated to the segment on the basis of premium income.

Home

This segment incorporates the revenues and expenses directly attributable to the Group's Home insurance underwriting activities and related non-underwritten additional services. Investment income is allocated to the segment on the basis of premium income.

Central

Head office and related costs - these costs are not considered to be directly related to either operating segment and are therefore disclosed separately.

4 . Segmental information (continued)

Segmental revenues, expenses and other information

An analysis of the Group's results by reportable segment is shown below:

Reconciliation to adjusted measures

Year ended 31 December 2023

				Trading Profit Reporting		
	Income statement £m	**Reclassifications (i) £m**	**Trading Profit Reporting £m**	**Motor (ii) £m**	**Home (ii) £m**	**Central (iii) £m**
Insurance revenue	870.1	-	870.1	767.5	102.6	-
Insurance service expenses	(825.1)	-	(825.1)	(719.7)	(105.4)	-
Insurance service result before reinsurance contracts held	**45.0**	**-**	**45.0**	**47.8**	**(2.8)**	-
Net expense from reinsurance contracts held	**(64.0)**	-	**(64.0)**	**(56.7)**	**(7.3)**	**-**
Insurance service result	**(19.0)**	-	**(19.0)**	**(8.9)**	**(10.1)**	**-**
Total investment income	32.4	2.2	34.6	30.5	4.1	-
Insurance finance expenses from insurance contracts issued	(24.9)	-	(24.9)	(23.1)	(1.8)	-
Reinsurance finance income from reinsurance contracts held	11.9	-	11.9	11.4	0.5	-
Other income	25.1	-	25.1	15.9	9.2	-
Other operating expenses	(101.0)	56.6	(44.4)	(4.3)	(0.8)	(39.3)
Trading profit	**(75.5)**	**58.8**	**(16.7)**	**21.5**	**1.1**	**(39.3)**
Non-trading costs	-	(57.3)	(57.3)	-	-	(57.3)
Investment income	-	(2.2)	(2.2)	-	-	(2.2)
Finance costs	(13.1)	0.7	(12.4)	-	-	(12.4)
(Loss)/profit before tax	**(88.6)**	**-**	**(88.6)**	**21.5**	**1.1**	**(111.2)**

(i) Reclassifications include £2.2m which is the effect of investment volatility directly resulting from market rate movement in the year and £0.7m of interest expense on IFRS 16 leases, and non-trading costs of £57.3m, comprising £56.2m relating to transformation work, £0.6m relating to the impairment of owned property, £0.3m relating to historical customer redress and £0.2 relating to the refinancing of Tier 2 debt.

(ii) Direct costs are allocated to the relevant segment. Indirect costs which are classified as claims, claims handling, insurance expenses or other operating expenses based on their nature have been apportioned based on related drivers, primarily policy count and departmental head count.

(iii) Central costs incorporate head office and related Group functional costs, for example Finance, Governance and Legal, these have historically been allocated across all functions, including those dealing directly with underwriting and claims and were therefore previously allocated to the Motor and Home segments. Non-trading costs relating to transformation work have been allocated to Central as the relative benefit of these Group-wide changes has not be assessed. The non-trading investments costs have been allocated to Central as they relate to investment management activity that are not attributable to the Motor or Home products. The finance costs allocated to Central relate to interest payable on the Notes, which back the wider business.

The average number of In-force Policies during the year ended 31 December 2023 was 2.23m (2022: 2.44m).

4 . Segmental information (continued)

Segmental revenues, expenses and other information

An analysis of the Group's results by reportable segment is shown below:

Reconciliation to adjusted measures

Year ended 31 December 2022 (Restated)

	Income statement £m	**Reclassifications (i) £m**	**Trading Profit Reporting £m**	**Trading Profit Reporting Motor (ii) £m**	**Home (ii) £m**	**Central (iii) £m**
Insurance revenue	839.7	-	839.7	731.7	108.0	-
Insurance service expense	(710.2)	-	(710.2)	(586.0)	(124.2)	-
Insurance service result before reinsurance contracts held	**129.5**	**-**	**129.5**	**145.7**	**(16.2)**	-
Net expense from reinsurance contracts held	**(74.4)**	-	**(74.4)**	**(74.2)**	**(0.2)**	**-**
Insurance service result	**55.1**	-	**55.1**	**71.5**	**(16.4)**	**-**
Total investment income	9.0	10.6	19.6	16.5	3.1	-
Insurance finance expenses from insurance contracts issued	(14.7)	-	(14.7)	(14.4)	(0.3)	-
Reinsurance finance income from reinsurance contracts held	8.2	-	8.2	8.2	0.0	-
Other income	28.8	-	28.8	18.0	10.8	-
Other operating expenses	(113.6)	66.4	(47.2)	(9.6)	(3.2)	(34.4)
Trading profit	**(27.2)**	**77.0**	**49.8**	**90.2**	**(6.0)**	**(34.4)**
Non-trading costs	-	(67.2)	(67.2)	-	-	(67.2)
Investment income	-	(10.6)	(10.6)	(8.5)	(2.1)	-
Finance costs	(9.6)	0.8	(8.8)	-	-	(8.8)
(Loss)/profit before tax	**(36.8)**	-	**(36.8)**	**81.7**	**(8.1)**	**(110.4)**

(i) Reclassifications include £10.6m which is the effect of investment volatility directly resulting from market rate movement in the year and £0.8m of interest expense on IFRS 16 leases, and non-trading costs of £67.2m, comprising £63.6m relating to transformation work, £1.9m relating to the impairment of owned property and £1.7m relating to historical customer redress.

(ii) Direct costs are allocated to the relevant segment. Indirect costs which are classified as claims, claims handling, insurance expenses or other operating expenses based on their nature have been apportioned based on related drivers, primarily policy count and departmental head count.

(iii) Central costs incorporate head office and related Group functional costs, for example Finance, Governance and Legal, these have historically been allocated across all functions, including those dealing directly with underwriting and claims and were therefore previously allocated to the Motor and Home segments. Non-trading costs relating to transformation work have been allocated to Central as the relative benefit of these Group-wide changes has not be assessed. The non-trading investments costs have been allocated to Central as they relate to investment management activity that are not attributable to the Motor or Home products. The finance costs allocated to Central relate to interest payable on the Notes, which back the wider business.

There are no other material components of income and expense or non-cash items.

4 . Segmental information (continued)

Segmental revenues, expenses and other information

Further analysis of the Group's results by reportable segment is shown below:

Reconciliation to adjusted measures

Year ended 31 December 2023

	Total	Motor	Home	Central
	£m	£m	£m	£m
Gross written premiums	868.8	769.4	99.4	-
Earned premium adjustment, Other UW products	(74.5)	(71.6)	(2.9)	-
Instalment income	57.5	52.0	5.5	-
Admin and cancellation fees	18.3	17.7	0.6	-
Insurance revenue	**870.1**	**767.5**	**102.6**	**-**
Claims incurred	645.8	571.0	74.8	-
Insurance expenses	179.3	148.7	30.6	-
Insurance service expense	**825.1**	**719.7**	**105.4**	**-**

Year ended 31 December 2022

	Total	Motor	Home	Central
	£m	£m	£m	£m
Gross written premiums	735.8	639.4	96.4	-
Earned premium adjustment, Other UW products	32.5	27.1	5.4	-
Instalment income	50.7	45.2	5.5	-
Admin and cancellation fees	20.7	20.0	0.7	-
Insurance revenue	**839.7**	**731.7**	**108.0**	**-**
Claims incurred	531.8	440.2	91.6	-
Insurance expenses	178.4	145.8	32.6	-
Insurance service expense	**710.2**	**586.0**	**124.2**	**-**

5 . Investment income

	Year ended 31 Dec 2023 £m	Year ended 31 Dec 2022 Restated £m
Interest income on financial investments	**21.2**	11.3
Interest income on cash deposits	**1.3**	0.2
Investment expenses	**(4.7)**	(4.8)
Dividend income on financial instruments	**11.1**	9.2
Net fair value gains / (losses) on derivative financial instruments	**10.2**	(11.9)
Net fair value (losses) / gains on financial instruments at FVTPL - mandatory	**(6.3)**	5.2
Net losses on financial instruments reclassified from equity to profit and loss	**(0.4)**	(0.2)
Total investment return and expenses	**32.4**	9.0

Total interest income calculated using the effective interest rate method comprises interest income on cash deposits and debt securities.

6 . Other income

	Year ended 31 Dec 2023 £m	Year ended 31 Dec 2022 Restated £m
Brokerage and commission income	**17.4**	19.3
Claims and related income	**7.7**	9.5
	25.1	28.8

7 . Other operating expenses

	Year ended 31 Dec 2023 £m	Year ended 31 Dec 2022 Restated £m
Other operating expenses	44.4	47.2
Non-trading costs	56.6	66.4
	101.0	113.6

8 . Employee benefit expense

	Year ended 31 Dec 2023 £m	Year ended 31 Dec 2022 £m
Wages and salaries	**74.2**	70.7
Social security costs	**7.8**	7.7
Pension costs (defined contribution schemes)	**4.3**	4.5
Equity settled share-based payment (credit)/expenses (Note 22)	**(0.2)**	1.2
Total employee benefit expense	**86.1**	84.1

The average number of employees, including Directors, during each period was:

Employee expenses are included within insurance service expenses and other operating expenses.

	Year ended 31 Dec 2023	Year ended 31 Dec 2022
Operations	**833**	1,075
Support	**528**	577
Total average number of employees	**1,361**	1,652

Directors' remuneration

	Year ended 31 Dec 2023 £m	Year ended 31 Dec 2022 £m
Emoluments (including cash supplement in lieu of pension)	**3.5**	2.1
IFRS Share based payment (credit)/charge (see Note 22)	**(0.1)**	0.5
Total Directors' remuneration	**3.4**	2.6

	Year ended 31 Dec 2023 £m	Year ended 31 Dec 2022 £m
Remuneration of the highest paid Director		
Emoluments (including cash supplement in lieu of pension)	**1.9**	1.0
IFRS Share based payment (crediti)/charge (see Note 22)	**(0.1)**	0.3
Total remuneration of the highest paid Director	**1.8**	1.3

Retirement benefits were accruing to no Directors (2022: no Directors) in respect of defined contribution pension schemes.

9 . Loss after tax

Loss after tax is stated after charging:

	Year ended 31 Dec 2023 £m	Year ended 31 Dec 2022 £m
Employee benefit expense (Note 8)	86.1	84.1
Depreciation and revaluation of property, plant and equipment (Note 14)	3.3	5.2
Amortisation of intangible assets (Note 13)	9.7	14.6
Operating lease payments	1.0	1.0
Auditor's remuneration:		
Fees for audit services		
Audit of these Financial Statements	**0.1**	0.1
Audit of Financial Statements of subsidiaries of the company	**1.6**	1.2
Total audit fees	**1.7**	1.3
Fees for non-audit services		
Audit-related assurance services	**0.2**	0.1
Other assurance services	**0.1**	-
Total non-audit fees	**0.3**	0.1
Total Group auditor remuneration	**2.0**	1.4

Amortisation arises on capitalised software. Amortisation charged is recorded within insurance expenses and other operating expenses.

Auditor's remuneration includes irrecoverable VAT.

10 . Finance costs

Finance costs in each period represents the total interest expense calculated using the effective interest rate method.

	Year ended 31 Dec 2023 £m	Year ended 31 Dec 2022 Restated £m
Interest expense on ten-year subordinated Notes (see Note 15)	**12.4**	8.8
Interest expense on leasing liabilities	**0.7**	0.8
Total finance costs	**13.1**	9.6

11 . Taxation

	Year ended 31 Dec 2023 £m	Year ended 31 Dec 2022 Restated £m
Current tax credit on income for the reporting period	-	-
Tax adjustment relating to income for prior periods	0.6	(0.7)
Total current tax credit	**0.6**	**(0.7)**
Origination and reversal of temporary differences	(25.6)	(11.2)
Tax adjustment relating to deferred tax for prior periods	(3.5)	0.1
Total deferred tax credit	(29.1)	(11.1)
Taxation credit	(28.5)	(11.8)

The tax rate used for the calculations is the Corporation Tax rate of 23.5% (2022: 19.00%) payable by the corporate entities in the UK on taxable profits under tax law in that jurisdiction.

The tax credit for the year can be reconciled to the loss before tax per the consolidated statement of comprehensive income as follows:

	Year ended 31 Dec 2023 £m	Year ended 31 Dec 2022 Restated £m
Loss before taxation	(88.6)	(36.8)
Taxation credit calculated at 23.5% (2022: 19.00%)	(20.8)	(7.0)
Effect of expenses that are not deductible	0.7	0.6
Adjustments in relation to the current tax of prior years	0.6	(0.7)
Adjustments in relation to the deferred tax of prior years	(3.5)	0.1
Change in tax rate	(1.5)	(2.6)
Non-taxable income	(4.0)	(2.1)
Current tax transferred through equity	(0.1)	(0.1)
Taxation credit	**(28.5)**	**(11.8)**

Tax recognised directly in equity

	Year ended 31 Dec 2023 £m	Year ended 31 Dec 2022 Restated £m
Deferred tax credit recognised directly in equity	**3.6**	(8.5)
Total tax recognised directly in equity	**3.6**	(8.5)

The deferred tax recognised directly in equity related to unrealised gains and losses on available for sale assets and the impact of the change in future tax rates on deferred tax assets held in relation to the implementation of IFRS 16.

The main UK corporation tax rate was 19% until April 2023, when it was increased to 25%. This results in an effective rate of 23.5% for 2023.

12 . Dividends

No interim dividend was declared during 2023 (2022: £2.0m). No final dividend has been declared for 2023 (2022: none).

13 . Intangible assets

	Software £m
Cost	
As at 1 January 2022	71.7
Additions in the year	10.0
Disposals in the year	(3.5)
As at 31 December 2022	78.2
Additions in the year	7.3
Impairments and disposals in the year	-
As at 31 December 2023	**85.5**
Accumulated amortisation and impairment	
As at 1 January 2022	43.0
Amortisation for the year	14.6
Disposals in the year	(1.3)
As at 31 December 2022	56.3
Amortisation for the year	9.7
Impairments and disposals in the year	4.8
As at 31 December 2023	**70.8**
Net book value	
As at 31 December 2022	21.9
As at 31 December 2023	**14.7**

Included in software as at 31 December 2023 is £1.7m relating to software assets that are not yet available for use in the manner intended by management (31 December 2022: £3.4m). As a result, no amortisation has been charged on these assets during the year. Work on bringing these assets into a condition necessary for their intended use is expected to be completed during 2024, after which the assets are expected to have a useful life of two to four years. See Note 23 for details of commitments at year end.

Impairment testing on intangible assets

The Group tests intangible assets with finite useful lives for impairment where there are indicators that their carrying value may be impaired. In 2023, the Group recognised a charge of £4.5m relating to a reduction in useful life of assets (2022: £2.3m).

IAS 36 *Impairment of Assets* requires that all intangible assets not yet in use are tested for impairment annually. This testing was performed for the assets not yet in use at year end and no impairments were identified.

Research and development expenditure

Of the research costs incurred during the year by the Group, £8.5m (2022: £11.2m) was subject to a claim for the research and development expenditure credit scheme.

14 . Property, plant and equipment

	Right of use assets - leasehold buildings £m	Land and buildings £m	Fixtures, fittings and equipment £m	Total £m
Cost				
As at 1 January 2022	21.1	12.7	27.6	61.4
Additions in the year	-	-	0.2	0.2
Revaluation of land and buildings	-	(2.2)	-	(2.2)
As at 31 December 2022	21.1	10.5	27.8	59.4
Additions in the year	-	-	0.3	0.3
Revaluation of land and buildings	-	(0.6)	-	(0.6)
As at 31 December 2023	**21.1**	**9.9**	**28.1**	**59.1**
Accumulated depreciation				
As at 1 January 2022	5.8	-	24.5	30.3
Depreciation for the year	1.9	0.1	1.1	3.1
Revaluation of land and buildings	-	(0.1)	-	(0.1)
As at 31 December 2022	7.7	-	25.6	33.3
Depreciation for the year	1.9	0.1	0.8	2.8
Revaluation of land and buildings	-	(0.1)	-	(0.1)
As at 31 December 2023	**9.6**	**-**	**26.4**	**36.0**
Carrying amount				
As at 31 December 2022	13.4	10.5	2.2	26.1
As at 31 December 2023	**11.5**	**9.9**	**1.7**	**23.1**

Owner-occupied properties are stated at their revalued amounts, as assessed by qualified external valuers annually, all with recent relevant experience. These values are assessed in accordance with the relevant parts of the current RICS Valuation Standards in the UK ('Red Book'). More frequent reviews are performed by management to assess that the carrying amount does not materially differ from its fair value.

This assessment, on the basis of existing use value and in accordance with UK Valuation Standard 1.3, is the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction, after proper marketing wherein the parties had acted knowledgeably, prudently and without compulsion, assuming that the buyer is granted vacant possession of all parts of the property required by the business and disregarding potential alternative uses and any other characteristics of the property that would cause its market value to differ from that needed to replace the remaining service potential at least cost. The valuation assessment adopts market-based evidence and is in line with guidance from the International Valuation Standards Committee and the requirements of IAS 16 *Property, Plant and Equipment* .

Independent valuations were performed as at 31 December 2023 and 31 December 2022. If land and buildings were not stated at their revalued amounts, and were instead held under the cost model, land and buildings would have a carrying value at 31 December 2023 of £9.9m (31 December 2022: £10.5m).

The Group has tested its right-of-use assets for impairment at 31 December 2023 and at 31 December 2022 and has concluded that there is no indication that the right-of-use assets are impaired.

15 . Financial assets and liabilities

Financial assets	As at 31 Dec 2023	As at 31 Dec 2022 Restated	As at 1 Jan 2022 Restated
Financial investments measured at FVTPL (mandatory):	**£m**	**£m**	**£m**
Equity instruments			
Shares and other variable yield securities and units in unit trusts	**-**	85.8	79.4
Debt instruments			
Debt securities and other fixed income securities	**63.9**	104.4	138.9
Deposits with credit institutions	**58.6**	65.1	296.4
Other financial investments			
Derivative financial instruments	**3.1**	4.2	3.9
Total financial investments measured at FVTPL (mandatory)	**125.6**	259.5	518.6
Financial investments measured at FVOCI			
Debt securities and other fixed income securities	**1,048.5**	798.2	665.5
Shares in unquoted equity investments (designated at FVOCI)	**0.5**	0.7	1.8
Total financial investments measured at FVOCI	**1,049.0**	798.9	667.3
Debt instruments measured at amortised cost			
Debt securities and other fixed income securities	**-**	29.5	-
Deposits with credit institutions	**12.0**	24.7	28.8
Total financial investments	**1,186.6**	1,112.6	1,214.7
Other debtors measured at amortised cost (Note 17)	**11.0**	26.8	18.9
Cash and cash equivalents (Note 18)	**71.6**	38.4	94.1
Total financial assets	**1,269.2**	1,177.8	1,327.7

Financial investments are held to support the Group's insurance activities and may be required to be realised in order to meet the obligations arising out of those activities at any time.

Financial assets measured at Fair value through other comprehensive income

The Group continues to measure some financial assets at fair value through other comprehensive income as part of its asset and liability matching for capital management.

Derivative financial instruments, at fair value through profit or loss

To eliminate as far as possible the effect of exchange rate fluctuations on the value of investments denominated in currencies other than Sterling, the Group has purchased forward currency contracts. The Group also uses government bond futures as a mechanism to adjust investment portfolio duration. The Group's exposure to Currency Risk is set out in Note 15(a).

Financial liabilities	As at 31 Dec 2023	As at 31 Dec 2022 Restated	As at 1 Jan 2022 Restated
	£m	**£m**	**£m**
Financial liabilities measured at FVTPL			
Derivative financial instruments	**1.6**	6.7	1.6
Other financial liabilities:			
Borrowings (see below)	121.1	124.6	124.3
Due to related parties (Note 19)	1.1	0.4	0.5
Total financial liabilities	**123.8**	131.7	126.4
Borrowings			
Ten-year Subordinated Notes (due 2024)	25.0	124.6	124.3
Ten-year Subordinated Notes (due 2033)	96.1	-	-
Total borrowings	**121.1**	124.6	124.3

Derivative financial instruments are due within one year.

15. Financial assets and liabilities (continued)

The movement in Group borrowings in the year is attributable to:	**Year ended 31 Dec 2023 £m**	**Year ended 31 Dec 2022 £m**	**Year ended 31 Dec 2021 £m**
As at 1 January	124.6	124.3	123.9
Cash outflow - interest	(11.1)	(8.5)	(8.4)
Cash outflow - cost of issuing 2023 notes	(4.8)		
Cash outflow - redemption of 2014 issuance	(100.0)	-	-
Cash inflow - issuance of 2023 notes	100.0	-	-
Non-cash movement: interest accrued	12.4	8.8	8.8
As at 31 December	**121.1**	**124.6**	**124.3**

Subordinated Notes - 2014 Issuance
£125m ten-year Subordinated Notes were issued by esure Group plc on 19 December 2014 (2014 Notes) at the rate of 6.75% per annum, with payments made biannually. Directly attributable fees were £2.9m. During 2023 the Group redeemed £100m of the 2014 Notes. The market value of the remaining £25m ten-year 2014 Subordinated Notes at 31 December 2023 was £25.0m.

The nominal £25m ten-year Subordinated Notes have a maturity date of 19 December 2024. The 2014 Notes are direct, unsecured and subordinated obligations of the Group, ranking pari passu and without preference amongst themselves, and will, in the event of the winding-up of the Group or in the event of an administrator of the Group being appointed and giving notice that it intends to declare and distribute a dividend, be subordinated to the claims of all Senior Creditors and policy holders of the Group.

Subordinated Notes - 2023 Issuance
£100m Subordinated Notes were issued by esure Group plc on 16 June 2023 (2023 Notes) at the rate of 12.00% per annum, with payments made biannually. Directly attributable fees were £4.8m. The market value of the £100m 2023 Subordinated Notes at 31 December 2023 was £102.8m

The nominal £100m Subordinated Notes have a maturity date of 20 December 2033. The 2023 Notes are direct, unsecured and subordinated obligations of the Group, ranking pari passu and without preference amongst themselves, and will, in the event of the winding-up of the Group or in the event of an administrator of the Group being appointed and giving notice that it intends to declare and distribute a dividend, be subordinated to the claims of all Senior Creditors and policy holders of the Group.

15. Financial assets and liabilities (continued)

Adoption of IFRS 9

The following pages set out the impact of adopting IFRS 9 on the statement of financial position. A reconciliation between the carrying amounts as at 31 December 2022 under IAS 39 and the balances reported under IFRS 9 as of initial application date 1 January 2023 is as follows:

	As at 31 Dec 22 £m	IFRS 9 Reclassification £m	As at 1 Jan 23 £m
Financial assets			
Cash and balances with banks	38.4	-	38.4
Financial assets at fair value through profit or loss	313.7	(54.2)	259.5
Financial assets at fair value through other comprehensive income	-	798.9	798.9
Available-for-sale financial assets	798.9	(798.9)	-
Financial assets at amortised cost	-	81.0	81.0
Loans and receivables	26.8	(26.8)	-
Total financial assets	**1,177.8**	**0.00**	**1,177.8**
Financial liabilities			
Financial liabilities at fair value through profit or loss	6.7	-	6.7
Financial liabilities at amortised cost	131.7	-	131.7
Total financial liabilities	**138.4**	-	**138.4**

As part of the transition to IFRS 9, £54.2m has been reclassified from financial assets at FVTPL to debt instruments at amortised cost, relating to cash within investment portfolio, and £26.8m has been reclassified from loans and receivables to financial assets at amortised cost which relates to other debtors. Available-for-sale assets under IAS 39 have been directly reclassified as debt instruments at FVOCI under IFRS 9. Financial liabilities at amortised cost includes borrowings of £124.6m and amounts due to related parties of £0.4m.

Financial risk management objectives

The Group is exposed to a range of financial risks through its financial assets, financial liabilities, reinsurance assets and policyholder liabilities. In particular, the key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from insurance policies as they fall due. The most important components of this financial risk are Market Risk (including Interest Rate risk, Equity Risk and Currency Risk), Credit Risk and Liquidity Risk.

The Group policy concerning risk ensures compliance with Solvency II 'Prudent Person Principle' requirements.

(a) Market Risk

Market Risk represents the uncertainty of financial, insurance and reinsurance assets and liabilities due to fluctuations in the level and volatility of market prices of assets and liabilities. The Group policy concerning Market Risk aligns and ensures compliance with Solvency II ‘Prudent Person Principle’ requirements.

Uncertainty in general market conditions is driven by potential interest rate volatility by central banks; and increasing geopolitical tensions and activity.

Climate risks could impact market risk. These arise from the potential impact of the global transition to a lower-carbon economy.

15 . Financial assets and liabilities (continued)

Key elements

- Interest Rate Risk
- Equity Risk
- Spread Risk
- Concentration Risk

Mitigation

- The investment strategy is set with consideration to the overall Market Risk Appetite.
- Market Risk is managed against this appetite through regular monitoring: including the drivers of investment return and value at risk measures, counterparty exposures, asset liability management and interest rate sensitivities of our assets and liabilities.
- The investment strategy does not materially expose the Group to currency risk or the risks arising from active trading of derivatives.

The nature of the Group's exposure to market risk, and its objectives, policies and processes used to manage and measure the risks have not changed from the previous period.

Sensitivities

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument or insurance contract or reinsurance contract will fluctuate because of changes in market interest rates.

The Group is exposed to interest rate risk through its debt instruments held and in respect of liabilities or assets for incurred claims where cash flows are not expected to be settled within a year from when claims are incurred. Interest rate risk is assessed by stressing both the assets and liabilities to determine the expected net impact of a scenario. Futures contracts are in place to hedge non-GBP interest rate exposure. For an increase of 100 basis points in the Bank of England base rate the profit before tax for the period would increase by £1.7m (2022: increase by £2.0m) reflecting the increase in fair value on assets designated as FVTPL, and equity would decrease by £19.9m (2022: decrease by £15.8m) which also reflects the decrease in fair value on assets designated as FVOCI.

This analysis was performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before tax and equity. The correlation of variables will have a significant effect in determining the ultimate impact of interest rate risk, but to demonstrate the impact due to changes in variables, variables have been changed on an individual basis. It should be noted that movements in these variables are non-linear. The method used for deriving sensitivity information and significant variables has not changed from the previous period, however the effect on liabilities is now included.

There is no direct contractual relationship between financial investments and insurance or reinsurance contracts, however the Group manages its net interest rate risk by maintaining an appropriate portfolio of financial investments to support the insurance liabilities.

Equity Risk

The Group's equity risk exposure relates to financial assets and financial liabilities whose values fluctuate as a result of changes in market prices. The Group does not issue any participating contracts. Therefore there is no insurance or reinsurance contracts which are exposed to price risk.

The Group's Market and Liquidity Risk Policy requires it to manage such risks by setting and monitoring objectives and contraints on investments, diversification plans, limits on individual and total equity instruments.

The Group no longer holds equity investments related to infrastructure equity funds. If the relevant valuation inputs had increased/decreased by 10%, the profit/(loss) before tax for the year would be unchanged (2022: £8.6m).

This analysis was performed for reasonably possible movements in the market index with all other variables held constant. The correlation of variables will have a significant effect in determining the ultimate impact of price risk, but to demonstrate the impact due to changes in variables, variables have been changed on an individual basis. It should be noted that movements in these variables are non-linear. The method used for deriving sensitivity information and significant variables has not changed from the previous period.

Currency Risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument, insurance contract assets and/or liabilities will fluctuate because of changes in foreign exchange rates.

The Group's principal transactions are carried out in Pound Sterling and its financial assets are primarily denominated in the same currency as its insurance contract liabilities. However, at the reporting date, the Group has direct exposure to both US Dollars and Euros through bonds issued in those currencies. After foreign exchange hedging, the net exposure is £(0.4)m (2022: £0.0m). There is no material impact from a strengthening/weakening of the Sterling rates with either of these foreign currencies (2022: no material impact on profit before tax of 10% strengthening/weakening).

15 . Financial assets and liabilities (continued)

Financial risk management objectives (continued)

(b) Credit risk

Credit Risk is the loss or adverse change in the Group's financial situation resulting from fluctuations in the credit standing or default of counterparties to which the Group is exposed.

The Group has a low appetite for credit risk. The most material exposures are through its reinsurance counterparties.

Key elements

- Reinsurance Counterparty Risk
- Supplier Debtor Risk

Mitigation

- We evaluate creditworthiness of reinsurers and concentration against our risk appetite metrics. These are monitored prior to finalisation of any reinsurance contract and on an ongoing basis.
- As part of the Group's supplier management process, credit exposures to significant third parties are monitored regularly.

The Group's Market and Liquidity Risk Policy sets out the assessment and determination of what constitutes credit risk for the Group. Compliance with the policy is monitored and exposures and breaches are reported to the Group's Risk Committee. The policy is regularly reviewed due to its importance and for changes in the risk environment.

Credit risk relating to financial instruments is monitored by the Group's investment team. It is their responsibility to review and manage credit risk, including environmental risk for all counterparties. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits. It is the Group's policy to invest in high quality financial instruments with a low risk of default. If there is a significant increase in credit risk, the policy dictates that the instrument should be sold and amounts recovered reinvested in high quality instruments.

Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year by the board of directors and are subject to regular reviews. At each reporting date, management performs an assessment of creditworthiness of reinsurers and may update future reinsurance purchasing strategy as relevant.
The credit risk in respect of customer balances incurred on non–payment of premiums will only persist during the grace period specified in the policy document. Commission paid to intermediaries is netted off against amounts receivable from them to reduce the risk of default.

The Group's investment team uses external rating grades from Moody's and Standard & Poors for financial instruments held.

Investments bearing credit risk, and cash and cash equivalents, are summarised below, together with an analysis by credit rating as at the reporting date:

	As at 31 Dec 2023 £m	As at 31 Dec 2022 £m
Derivative financial instruments	**3.1**	4.2
Debt securities	**1,112.4**	932.3
Deposits with credit institutions	**70.6**	89.7
Cash at bank and in hand	**71.6**	38.4
Total credit risk exposure	**1,257.7**	**1,064.6**
AAA	**185.6**	232.8
AA	**524.3**	324.7
A	**270.7**	195.2
BBB	**210.0**	233.4
Below BBB or not rated	**67.1**	78.5
Total credit risk exposure	**1,257.7**	**1,064.6**

The Group has the following financial assets that meet the solely payment of principal and interest ("SPPI") criteria under IFRS 9:

AAA	**185.6**	232.8
AA	**524.4**	324.7
A	**270.8**	195.2
BBB	**210.0**	200.8
Below BBB or not rated	**0.0**	0.4
Financial assets which would meet SPPI criteria	**1,190.8**	**953.9**

The change in fair value during the period for these financial assets was a gain of £33.8m (2022: loss of £65.5m)

For a widening of 50 basis points in credit spreads across the entire credit quality curve, the profit before tax for the period would decrease by £nil (2022: decrease by £0.7m) reflecting the reduction in fair value on assets designated as FVTPL, and the impact on equity would be a decrease by £6.5m (2022: decrease by £10.1m) which also reflects the movement in fair value on assets designated as FVOCI.

15 . Financial assets and liabilities (continued)

Financial risk management objectives (continued)

Shares and other variable yield securities and units in unit trusts do not bear credit risk. Cash at bank and in hand is "A" rated.

Insurance receivables due from policyholders and other debtors are not subject to credit rating and are not included in the table above. Owing to the high number of individual policyholders through which the Group has minimal individual exposure, the overall risk of default to the Group is considered to be insignificant. The Group regularly reviews the ageing and individual characteristics of the counterparties of insurance receivables and other debtors to manage credit risk and to ensure that impairments are made where necessary. No credit limits were exceeded during the year, and no significant financial assets are past due but not impaired at the reporting date.

(c) Solvency and Liquidity risk

Solvency Risk is the risk that the Group has insufficient capital to meet regulatory requirements. Liquidity Risk is the risk that the Group is unable to realise investments and other assets to settle financial and insurance obligations when they fall due.

These risks tend to be materially driven by other risk types impacting the Solvency and Liquidity position. However, there is a material review of the Solvency II framework by the Prudential Regulation Authority (PRA) that could impact how the capital requirements are set.

Key elements

- Liquidity Risk
- Solvency Risk

Mitigation

- Solvency risk is managed through the Group's own risk and solvency assessment (ORSA) processes which include stress and scenario testing of a range of events and decisions.
- Liquidity risk is assessed by considering the Group's operating cash flows, stressed for catastrophe scenarios, and liquidity strains.
- Regulatory risks that could impact solvency are monitored through our close relationship with the Prudential Regulation Authority (PRA) and other bodies.

The following tables summarise the maturity profile of financial assets of the Group based on remaining undiscounted contractual cash flows, including interest receivable and of insurance contracts issued that are liabilities and portfolios of reinsurance contracts held that are liabilities of the Group based on the estimates of the present value of the future cash flows expected to be paid out in the periods presented. The difference between the Total and Carrying Value represents the difference between the undiscounted and discounted cash flows. All amounts, apart from the liabilities for incurred claims, included in the Less than 1 year column (current) are undiscounted therefore the difference between the Total and Carrying Value represents the remaining discounted cash flows of more than 12 months (non-current).

	Less than 1 year £m	Between 1 and 5 years £m	More than 5 years £m	Total £m	Carrying value £m
Financial assets					
At 31 December 2023					
Derivative financial instruments	**3.1**	**-**	**-**	**3.1**	**3.1**
Debt securities and other fixed income securities	**297.6**	**849.1**	**99.1**	**1,245.8**	**1,112.4**
Deposits with credit institutions	**70.6**	**-**	**-**	**70.6**	**70.6**
Cash at bank and in hand	**71.6**	**-**	**-**	**71.6**	**71.6**
Total	**442.9**	**849.1**	**99.1**	**1,391.1**	**1,257.7**
Financial and insurance liabilities					
At 31 December 2023					
Ten-year Subordinated Notes (due 2024)	**26.7**	**-**	**-**	**26.7**	**25.0**
Ten-year Subordinated Notes (due 2033)	**12.0**	**48.0**	**160.0**	**220.0**	**96.1**
Derivative financial instruments	**1.6**	**-**	**-**	**1.6**	**1.6**
Social security and other taxes	**34.5**	**-**	**-**	**34.5**	**34.5**
Lease liabilities	**3.1**	**12.4**	**3.3**	**18.8**	**16.7**
Financial liabilities	**77.9**	**60.4**	**163.3**	**301.6**	**173.9**
Liability for incurred claims	**433.3**	**612.3**	**251.6**	**1,297.2**	**1,297.2**
Financial and insurance liabilities	**511.2**	**672.7**	**414.9**	**1,598.8**	**1,471.1**

15 . Financial assets and liabilities (continued)

Financial risk management objectives (continued)

(c) Solvency and Liquidity risk (continued)

	Less than 1 year £m	Between 1 and 5 years £m	More than 5 years £m	Total £m	Carrying value £m
Financial assets					
At 31 December 2022					
Derivative financial instruments	4.2	-	-	4.2	4.2
Debt securities and other fixed income securities	145.8	781.8	131.6	1,059.2	932.3
Deposits with credit institutions	89.7	-	-	89.7	89.7
Cash at bank and in hand	38.4	-	-	38.4	38.4
Other debtors	26.8	-	-	26.8	26.8
Total	**304.9**	**781.8**	**131.6**	**1,218.3**	**1,091.4**
Financial and insurance liabilities					
At 31 December 2022					
Borrowings	8.5	129.2	-	137.7	124.6
Derivative financial instruments	6.7	-	-	6.7	6.7
Social security and other taxes	31.7	-	-	31.7	31.7
Lease liabilities	3.1	12.5	6.3	21.9	19.1
Financial liabilities	**50.0**	**141.7**	**6.3**	**198.0**	**182.1**
Liability for incurred claims	441.9	581.4	139.6	1,162.9	1,162.9
Financial and insurance liabilities	**491.9**	**723.1**	**145.9**	**1,360.9**	**1,345.0**

15 . Financial assets and liabilities (continued)

Financial risk management objectives (continued)

(d) Capital management and regulation

The Group maintains a capital structure consistent with the Group's risk profile and the regulatory requirements of its business. The Group's objectives in managing its capital are:

- to match the profile of its assets and liabilities, taking account of the risk inherent in the business;
- to satisfy the requirements of its policyholders and regulators;
- to maintain financial and capital strength to support growth; and
- to retain financial flexibility by maintaining strong liquidity and access to a range of capital markets.

The Board has considered the Risk Appetite of the Group as part of the ORSA process under SII and aims to maintain solvency coverage within a normal operating range of 140-160%.

The esure Board has considered the risk appetite of the Group as part of the Own Risk and Solvency Assessment process under Solvency II. The capital surplus above the Solvency Capital Requirements (SCR) provides sufficient headroom to absorb adverse capital events and should enable the Group to continue to meet its regulatory capital requirements.

The Board will consider dividends to its shareholder if the Group has excess capital and distributable reserves. The Board will consider a number of factors when determining the level of dividend, which includes but is not limited to the level of available distributable reserves; opportunities for growth; potential strategic opportunities; and the outlook for solvency capital, including capital generation and headroom required to absorb adverse capital events.

esure Group plc, the Parent Company of the Group, is a non-trading holding company that derives its profits from dividends paid by its subsidiary companies. The Board reviews the level of distributable reserves and aims to maintain distributable reserves that provide sufficient cover for dividends.

The below analysis shows the Group’s sensitivity to certain events. Were these events to occur, the Group has sufficient contingent management actions to maintain solvency in line with regulatory requirements.

Description	Unaudited impact on solvency coverage
Interest rates -50 bps	1%
Interest rates +50 bps	-1%
Credit spreads of corporate bonds -50bps	3%
Credit spreads of corporate bonds +50bps	-3%
Real estate values - 25%	-4%
Real estate values + 25%	4%
Motor loss ratio 5ppts worse	-12%
1987 Hurricane	-8%
Ogden discount rate of -1%	-1%

The Group has made no significant changes from previous years to its policies and processes for its capital management.

15 . Financial assets and liabilities (continued)

Financial risk management objectives (continued)

(e) Fair value estimation

In accordance with IFRS 13 *Fair Value Measurement* financial instruments reported at fair value and revalued properties have been categorised into a fair value measurement hierarchy as follows:

Quoted prices (unadjusted) in active markets for identical assets or liabilities - (Level 1)

Inputs to Level 1 fair values are quoted prices (unadjusted) in active markets for identical assets. An active market is a market in which transactions for the asset occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) - (Level 2).

Fair value measurements that are derived from inputs other than quoted prices included in Level 1, if all significant inputs required to fair value an instrument are observable, would result in the instrument being included in Level 2. The majority of assets classified as Level 2 are over-the-counter corporate bonds and sovreign or supranational debt, where trades are less frequent owing to the nature of the assets. Inputs used in pricing the Group's Level 2 assets include:

- quoted prices for similar (i.e. not identical) assets in active markets;
- quoted prices for identical or similar assets in markets that are not active, the prices are not current, or price quotations vary among market makers, or in which little information is released publicly;
- inputs that are derived principally from, or corroborated by, observable market data by correlation; and
- for forward exchange contracts, the use of observable forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.

The Group's policy, should there be a change to the valuation techniques or level of activity in the market in which that asset is traded, is to transfer the asset between levels effective from the beginning of the reporting period. The Group classifies all debt securities as Level 2 assets with the exception of those which are Level 3 assets as defined below.

Inputs for the asset or liability that are not based on observable market data (unobservable inputs) - (Level 3)

Unobservable inputs have been used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset at the measurement date (or market information for the inputs to any valuation models). As such, unobservable inputs reflect assumptions about the inputs that market participants would use in pricing the asset.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. The Group held Level 3 financial assets measured at fair value through other comprehensive income of £0.5m as at 31 December 2023 (2022: £0.7m).

An investment in an unquoted equity investment has been valued using a discounted cash flow valuation model.

Private fund investments, consisting of Direct Lending, are valued based on valuation reports received from fund managers which are adjusted for liquidity and internal views of fair value where considered appropriate. These funds have been classified as Level 3 because these valuation reports are deemed to be based on unobservable inputs.

Valuation policies and procedures are approved by the Financial Risk Committee and the Finance Committee, both chaired by the Chief Financial Officer.

The Group monitors movements in fair value and this analysis is regularly reviewed by the Financial Risk Committee.

Under IFRS 13, land and buildings with a carrying value of £9.9m are classified as Level 3 assets. Owner-occupied properties are stated at their revalued amounts, as assessed by qualified external valuers annually, all with recent relevant experience. These values are assessed in accordance with the relevant parts of the current RICS Valuation Standards in the UK ('Red Book'). The valuer's opinion of fair value was primarily derived using comparable recent market transactions on arm's length terms. No sensitivity analysis has been performed due to the nature of the valuation.

There were no transfers between Levels in 2023 (2022: transfer between Level 3 and Level 2).

15 . Financial assets and liabilities (continued)

Financial risk management objectives (continued)

The following table presents the Group's assets and liabilities measured at fair value:

At 31 December 2023	Level 1	Level 2	Level 3	Total fair value
	£m	£m	£m	£m
Financial assets				
Derivative financial instruments	-	3.1	-	3.1
Equity securities	-	-	-	-
Debt securities	-	-	63.9	63.9
Deposits with credit institutions	70.6	-	-	70.6
Total financial assets at fair value through profit or loss	**70.6**	**3.1**	**63.9**	**137.6**
Debt securities	-	1,048.5	-	1,048.5
Unquoted equity securities	-	-	0.5	0.5
Total financial assets at fair value through OCI	**-**	**1,048.5**	**0.5**	**1,049.0**
Land and buildings	-	-	**9.9**	**9.9**
Financial liabilities				
Derivative financial instruments	-	1.6	-	1.6
Total financial liabilities reported at fair value	-	**1.6**	-	**1.6**

At 31 December 2022	Level 1	Level 2	Level 3	Total fair value
	£m	£m	£m	£m
Financial assets				
Derivative financial instruments	-	4.2	-	4.2
Equity securities	-	85.8	-	85.8
Debt securities	-	62.3	71.7	134.0
Deposits with credit institutions	89.7	-	-	89.7
Total financial assets at fair value through profit or loss	**89.7**	**152.3**	**71.7**	**313.7**
Debt securities	-	798.2	-	798.2
Unquoted equity securities	-	-	0.7	0.7
Total financial assets at fair value through OCI	-	**798.2**	**0.7**	**798.9**
Land and buildings	-	-	**10.5**	**10.5**
Financial liabilities				
Derivative financial instruments	-	6.7	-	6.7
Total financial liabilities reported at fair value	-	**6.7**	-	**6.7**

15 . Financial assets and liabilities (continued)

(f) Level 3 assets

The following table represents the movements in those assets classified as Level 3:

	Fair Value through OCI (including land and buildings)	Fair Value through Profit and Loss investments
	£m	**£m**
Balance at 1 January 2021	14.5	181.2
Purchases	-	0.5
Sales	-	(4.3)
Total net gains recognised in the income statement	(1.9)	12.7
Total net losses recognised in the statement of comprehensive income	(1.4)	-
Reclassification to Level 2	-	(118.4)
Balance at 1 January 2022	**11.2**	**71.7**
Purchases	**-**	**0.5**
Sales	**-**	**(5.8)**
Total net (losses)/gains recognised in the income statement	**(0.6)**	**(2.4)**
Total net losses recognised in the statement of comprehensive income	**(0.2)**	**-**
Balance at 31 December 2023	**10.4**	**64.0**

Following a review of the nature of the Level 3 assets, two open-ended funds were reclassified from Level 3 to Level 2 at the end of 2022. In 2023, no transfers were made in the period between Level 2 and Level 3.

Total net gains attributable to the change in unrealised gains and losses on Level 3 assets recognised in the income statement in the period ended 31 December 2023 in respect of Level 3 assets measured at fair value was £1.1m (31 December 2022: gain of £6.0m). In addition, there were £3.3m of foreign exchange related losses in respect of Level 3 assets measured at fair value during the period (31 December 2022: gain of £6.7m). These losses saw a corresponding offsetting movement within the Group's foreign exchange forward positions. Please refer to Note 2 for further details on the Group's approach to the accounting for financial assets.

16 . Insurance liabilities and reinsurance assets

Insurance risk
Insurance risk arises from the inherent uncertainties as to the occurrence, amount and timing of insured events. The Group issues motor and home insurance contracts and these would include exposure to significant weather related events and personal injury claims. The Board is responsible for setting the overall underwriting strategy and defining the Risk Appetite, with Underwriting Risk a standing agenda item for the Risk Committee. The Group uses excess of loss reinsurance contracts to mitigate insurance risk, essentially by reducing exposure to large individual claims or aggregated losses from single events.

Since 2019 the Group has entered into quota share agreements, ceding 40% in each of 2023 and 2022. In 2022, the 2019 and part of the 2021 quota share arrangements were commuted with no impact on the income statement (2021: 2020 arrangement, part of the 2019 arrangement, no impact).

Underwriting and Pricing Risk
Underwriting Risk represents the uncertainty in the profitability of the business written due to variability in premium rates as well as the value and timing of claims − this can impact historic (reserve risk) as well as future exposures (pricing and catastrophe). We operate in a highly competitive pricing environment and continue to face into heightened underwriting risks due to the inflationary impacts from the wider economy, the uncertainty on longer term impacts from the Civil Liability Act, and changes to tariff and Judicial College Guideline awards for bodily injury.

Mitigation
- Our reinsurance programme protects the business from individual large losses, catastrophe events, adverse reserve development and adverse loss ratio movement.
- Claims management processes are designed to contain claims leakage and there is strong feedback from claims managers into pricing and reserving functions.
- A risk adjustment is held above the Actuarial Best Estimate under IFRS17.

Claims Management Risk
The Group employs a variety of strategies to ensure that claims are paid in a timely manner. Reserve provisions are made on a case by case basis for reported claims to ensure they reflect the Group's future liabilities.
Mitigation
- The Group has claims centres with over 700 specialists; our expertly trained staff benefit from modern technology to enhance efficiency and effectiveness;
- The Group has its own network of motor repairers, these dedicated teams offering an extensive range of services directly to 'not at fault' third parties to efficiently control credit hire cost and legal fees.
- Comprehensive anti-fraud strategies are in place to check both fraudulent claims and new business applications.

16 . Insurance liabilities and reinsurance assets (continued)

Insurance risk (continued)

Reinsurance

The Group purchases reinsurance as a risk transfer mechanism to mitigate risks that are outside the Group's appetite for individual claim or event exposure and to reduce the volatility caused by large individual and accumulation losses. By doing so the Group protects its capital and the underwriting result of each line of business.

Currently the Group has in place non-proportional excess of loss reinsurance programmes for its motor and home underwriting activities. The purpose of these programmes is to provide cover for both individual large losses, for Motor and Home, and accumulation losses arising from natural and other catastrophe events for Home. Reinsurance treaties are in place covering all years in which the Group has underwritten policies.

During 2019 the Company entered into a loss portfolio transfer contract, protecting the Group from prior period deterioration on the covered claims. Since 2019 the Group has also entered into quota share agreements.

The Group's reinsurance programmes are reviewed on an annual basis and capital modelling is used to identify the most appropriate structure and risk retention profile, taking into account the Group's business objective of managing volatility and the prevailing cost and availability of reinsurance in the market.

Amounts recoverable from reinsurers are estimated in a manner consistent with the underlying insurance contract liabilities and in accordance with the reinsurance contracts. Although the Group has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance held, to the extent that any reinsurer is unable to meet its obligations.

Reserving Risk

Reserving Risk is defined as the uncertainty regarding either the current level of reserves or the payment timing over their lifetime. The Group analyses and projects historical claims development data and uses a number of actuarial techniques to both estimate and forecast claims provisions. In addition, the Group also provides data to external actuaries who independently assess the adequacy of the Group's claims provisions.

Apart from historical analyses, the Group also takes into account changes in risk profile and underwriting policy conditions, changes in legislation or regulation and changes in other external factors.

The ultimate costs and expenses of the claims for which these reserves are held are subject to a number of material uncertainties. As time passes between the reporting of a claim and the final settlement of the claim, circumstances can change that may require established reserves to be adjusted either upwards or downwards. Factors such as changes in the legal environment, results of litigation, frequency and severity of personal injury claims, changes in medical and care costs, and costs of vehicle and home repairs can all substantially impact overall costs and expenses of claims, and cause a material divergence from the bases and assumptions on which the reserves were calculated.

Claims subject to periodic payment orders ('PPO's) are an area of uncertainty relating to the claims provision. For known PPOs and claims which have been identified as potential PPO awards, cash flow projections are carried out in order to estimate an ultimate cost on a gross and net of reinsurance basis. The cash flow projections are discounted to a present value. The total net claims provision recognised for PPOs and potential PPOs in the consolidated statement of financial position represents less than 5% of the value of net claims outstanding. In the context of the Group's approach to the mitigation and management of underwriting risk, its reinsurance programme (including its approach to mitigating counterparty credit risk) and the Group's cautious approach to reserving for potential PPOs, the risk of an adverse development of the Group's net reserves for PPO claims is not considered to be significant.

The loss portfolio transfer contract put in place by the Group in 2019 has reduced the reserving risk for claims incurred prior to 1 July 2019.

Actuarial methods are inherently judgemental and use historical experience to develop an expectation. The impact of inflation in 2022 and 2023 and the migration of policies and claims onto the Group's new platform has led to an increase in the level of uncertainty around the reserves held at 31 December 2023. In addition, the impact of the Civil Liability Act on claims continues to develop and has led to further uncertainty in reserving.

The following table shows the concentration of net insurance contract liabilities by type of contract:

	2023			2022		
	Insurance £m	Reinsurance held £m	Net £m	Insurance £m	Reinsurance held £m	Net £m
Total insurance contracts	1,437.7	560.1	877.6	1,284.3	528.0	756.3

16 . Insurance liabilities and reinsurance assets (continued)

Insurance risk (continued)

Sensitivity of recognised amounts to changes in assumptions

The table below provides a sensitivity analysis of the potential net impact of a change in a single factor (interest rates, credit spreads, claims inflation or the risk adjustment percentile) with all other assumptions left unchanged.

	2023 £m			
	Impact on profit before tax gross of reinsurance	**Impact on profit before tax net of reinsurance**	**Impact on equity gross of reinsurance**	**Impact on equity net of reinsurance**
Interest rate +1%	1.9	1.9	12.8	(7.1)
Interest rate -1%	(1.9)	(1.9)	(18.7)	6.3
Credit spreads +1%	(0.1)	(0.1)	2.7	(6.2)
Credit spreads -1%	0.1	0.1	(5.3)	5.9
Risk adjustment percentile -5%	29.9	10.9	22.4	8.2
Claims inflation +1%	(12.9)	(5.6)	(9.7)	(4.2)

16 . Insurance liabilities and reinsurance assets (continued)

Insurance risk (continued)

Claims development

The development of insurance liabilities provides a measure of the Group's ability to estimate the ultimate value of claims.

Tables (a) and (b) illustrate how the Group's estimate of total claims incurred for each accident year has developed over the past ten years, including a reconciliation to the liability for incurred claims reported in below.

(a) insurance claims - gross ultimate claims

Accident year	2014 £m	2015 £m	2016 £m	2017 £m	2018 £m	2019 £m	2020 £m	2021 £m	2022 £m	2023 £m	Total £m
Estimate of ultimate gross claims costs:											
- At end of reporting year	481.6	459.4	528.6	592.4	758.1	693.2	610.3	719.9	750.8	790.9	
- One year later	467.1	448.2	525.7	603.0	753.7	683.2	606.8	659.1	747.7		
- Two years later	464.8	438.2	513.7	596.8	762.2	680.4	593.4	621.1			
- Three years later	460.0	444.3	510.5	581.9	758.2	654.0	566.9				
- Four years later	465.4	421.8	535.7	581.5	740.4	641.8					
- Five years later	462.8	421.2	528.1	557.7	736.2						
- Six years later	446.9	418.9	508.9	561.6							
- Seven years later	447.3	423.6	505.3								
- Eight years later	446.4	421.0									
- Nine years later	448.5										
Current estimate of cumulative claims	448.5	421.0	505.3	561.6	736.2	641.8	566.9	621.1	747.7	790.9	6,041.0
Cumulative payments to date	(418.9)	(413.1)	(464.6)	(530.2)	(640.7)	(571.5)	(408.1)	(422.4)	(453.6)	(322.0)	(4,645.1)
Gross undiscounted liabilities for incurred claims											1,395.9
Reserve in respect of prior periods											102.2
Effect of discounting											(228.7)
Claims handling expense reserve											10.7
Related expense accruals											17.1
Total gross liabilities for incurred claims											**1,297.2**

16 . Insurance liabilities and reinsurance assets (continued)

Insurance risk (continued)

Claims development

The development of insurance liabilities provides a measure of the Group's ability to estimate the ultimate value of claims.

Tables (a) and (b) illustrate how the Group's estimate of total claims incurred for each accident year has developed over the past ten years, including a reconciliation to the liability for incurred claims reported in below.

(b) insurance claims - net ultimate claims

Accident year	2014 £m	2015 £m	2016 £m	2017 £m	2018 £m	2019 £m	2020 £m	2021 £m	2022 £m	2023 £m	Total £m
Estimate of ultimate gross claims costs:											
- At end of reporting year	422.2	421.2	451.1	501.8	656.1	626.8	528.3	598.7	616.0	651.8	
- One year later	393.3	394.5	439.9	515.3	642.8	625.1	494.2	555.7	615.8		
- Two years later	389.9	390.8	446.6	515.6	647.2	617.1	481.0	547.2			
- Three years later	390.9	403.4	445.9	516.9	641.8	614.3	474.1				
- Four years later	395.8	403.1	446.7	513.8	638.8	611.3					
- Five years later	395.1	402.7	444.8	512.9	637.6						
- Six years later	394.9	402.0	444.5	512.8							
- Seven years later	394.8	402.3	444.6								
- Eight years later	394.7	402.3									
- Nine years later	394.7										
Current estimate of cumulative claims	394.7	402.3	444.6	512.8	637.6	611.3	474.1	547.2	615.8	651.8	5,292.2
Cumulative payments to date	(391.3)	(397.3)	(440.0)	(513.3)	(617.8)	(560.5)	(398.9)	(421.3)	(450.2)	(322.1)	(4,512.7)
Gross undiscounted liabilities for incurred claims											779.5
Reserve in respect of prior periods											6.2
Effect of discounting											(53.0)
Claims handling expense reserve											10.7
Related expense accruals											17.1
Reinsurance bad debt provision											2.4
Total gross liabilities for incurred claims											**762.9**

16 . Insurance liabilities and reinsurance assets (continued)

	2023			2022		
	Assets £m	Liabilities £m	Net £m	Assets £m	Liabilities £m	Net £m
Insurance contracts issued	**-**	**1,437.7**	**1,437.7**	**-**	**1,284.3**	**1,284.3**
Reinsurance contracts held	**560.1**	**-**	**560.1**	**528.0**	**-**	**528.0**

The roll-forward of the net asset or liability for insurance contracts issued and reinsurance contracts held, showing the liability for remaining coverage and the liability for incurred claims are disclosed in the tables below.

One reconciliation for insurance contracts issued and one reconcilation for reinsurance contracts held has been prepared. Management believes that this provides users of the accounts with the most useful balance of information.

Included within the reconciliations of the liability for remaining coverage and the liability for incurred claims for insurance contracts issued are the assets for insurance acquisition cash flows. The following table shows the reconciliation from opening to closing balance of the assets for insurance acquisition cash flows for motor and home insurance contracts.

	31 Dec 23 £m	31 Dec 22 £m
Balance as at 1 January	45.1	54.3
Amounts incurred during the year	55.0	63.1
Amounts derecognised and included in measurement of insurance contracts	(55.2)	(72.3)
Balance as at 31 December	44.9	45.1

The following table sets out when the Group expects to derecognise assets for insurance acquisition cash flows after the reporting date.

	31 Dec 23 £m	31 Dec 22 £m
Less than one year	34.7	35.9
More than one year	10.2	9.2
	44.9	45.1

16 . Insurance liabilities and reinsurance assets (continued)

Reconciliation of the liability for remaining coverage and the liability for incurred claims

(a) Insurance contracts issued

	2023				
	Liabilities for remaining coverage		Liabilities for incurred claims		Total
£m	**Excluding loss component**	**Loss component**	**Estimates of the present value of future cash flows**	**Risk adjustment**	
Insurance contract liabilities as at 01/01	121.4	-	1,040.4	122.5	1,284.3
Insurance contract assets at 01/01	-	-	-	-	-
Net insurance contract liabilities as at 01/01	**121.4**	**-**	**1,040.4**	**122.5**	**1,284.3**
Insurance revenue	(870.1)	-	-	-	(870.1)
Insurance services expenses					
Incurred claims and other expenses	*18.0*	-	*753.3*	*47.6*	*818.9*
Amortisation of insurance acquisition expenses	*55.2*	-	-	-	*55.2*
Losses on onerous contracts	-	-	-	-	-
Changes to liability for incurred claims	-	-	*(7.1)*	*(41.9)*	*(49.0)*
Total insurance service expenses	73.2	-	746.2	5.7	825.1
Investment components	-	-	-	-	-
Insurance service result	(796.9)	-	746.2	5.7	(45.0)
Insurance finance expenses	-	-	64.9	0.2	65.1
Total changes in the statement of comprehensive income	**(796.9)**	**-**	**811.1**	**5.9**	**20.1**
Cash flows					
Premiums received	*866.4*	-	-	-	*866.4*
Claims and other expenses paid	*4.6*	-	*(682.7)*	-	*(678.1)*
Insurance acquisition cash flows	*(55.0)*	-	-	-	*(55.0)*
Total cash flows	**816.0**	**-**	**(682.7)**	**-**	**133.3**
Net insurance contract liabilities as at 31/12	**140.5**	**-**	**1,168.8**	**128.4**	**1,437.7**
Insurance contract liabilities as at 31/12	140.5	-	1,168.8	128.4	1,437.7
Insurance contract assets as at 31/12	-	-	-	-	-
Net insurance contract liabilities as at 31/12	**140.5**	**-**	**1,168.8**	**128.4**	**1,437.7**

The table above includes results for Motor and Home. The liability for remaining coverage is £107.8m for Motor and £32.7m for Home. The liability for incurred claims is £1,204.8m for Motor and £69.6m for Home.

The table above shows the total insurance finance expense for the Group with £24.9m charged to the income statement and £40.2m charged to other comprehensive income. This represents the unwinding of the discounting of insurance contract liabilities, with a disaggregation between the income statement and other comprehensive income due to the Group recognising related fair value movements on the underlying financial assets backing these insurance liabilities in other comprehensive income.

16 . Insurance liabilities and reinsurance assets (continued)

Reconciliation of the liability for remaining coverage and the liability for incurred claims

(a) Insurance contracts issued

	2022				
	Liabilities for remaining coverage		Liabilities for incurred claims		Total
£m	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment	
Insurance contract liabilities as at 01/01	134.4	-	1,179.6	125.8	1,439.8
Insurance contract assets at 01/01	-	-	-	-	-
Net insurance contract liabilities as at 01/01	**134.4**	**-**	**1,179.6**	**125.8**	**1,439.8**
Insurance revenue	(839.7)	-	-	-	(839.7)
Insurance service expenses					
Incurred claims and other expenses	*20.5*	-	*699.6*	*35.4*	*755.5*
Amortisation of insurance acquisition expenses	*72.3*	-	-	-	*72.3*
Losses on onerous contracts	-	-	-	-	-
Changes to liability for incurred claims	-	-	*(78.9)*	*(38.7)*	*(117.6)*
Total insurance service expenses	92.8	-	620.7	(3.3)	710.2
Investment components	-	-	-	-	-
Insurance service result	(746.9)	-	620.7	(3.3)	(129.5)
Insurance finance expenses	-	-	(93.9)	0.0	(93.9)
Total changes in the statement of comprehensive income	**(746.9)**	**-**	**526.8**	**(3.3)**	**(223.4)**
Cash flows					
Premiums received	*797.0*	-	-	-	*797.0*
Claims and other expenses paid	-	-	*(666.0)*	-	*(666.0)*
Insurance acquisition cash flows	*(63.1)*	-	-	-	*(63.1)*
Total cash flows	**733.9**	**-**	**(666.0)**	**-**	**67.9**
Net insurance contract (assets)/liabilities as at 31/12	**121.4**	**-**	**1,040.4**	**122.5**	**1,284.3**
Insurance contract liabilities as at 31/12	121.4	-	1,040.4	122.5	1,284.3
Insurance contract assets as at 31/12	-	-	-	-	-
Net insurance contract (assets)/liabilities as at 31/12	**121.4**	**-**	**1,040.4**	**122.5**	**1,284.3**

The table above includes results for Motor and Home. The liability for remaining coverage is £92.3m for Motor and £30.7m for Home. The liability for incurred claims is £1,073.6m for Motor and £72.8m for Home.

The table above shows the total insurance finance income for the Group of £14.7m charged to the income statement as an expense and £108.6m recognised in other comprehensive income as income. This represents the unwinding of the discounting of insurance contract liabilities, with a disaggregation between the income statement and other comprehensive income due to the Group recognising related fair value movements on the underlying financial assets backing these insurance liabilities in other comprehensive income.

16 . Insurance liabilities and reinsurance assets (continued)

Reconciliation of the liability for remaining coverage and the liability for incurred claims

(b) Reinsurance contracts held

	2023				
	Liabilities for remaining coverage		Liabilities for incurred claims		Total
£m	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment	
Reinsurance contract assets as at 01/01	38.3	-	415.3	74.4	528.0
Reinsurance contract liabilities at 01/01	-	-	-	-	-
Net reinsurance contract assets as at 01/01	**38.3**	**-**	**415.3**	**74.4**	**528.0**
Allocation of reinsurance premiums paid	(118.0)	-	-	-	(118.0)
Amounts recovered from reinsurance					
Amounts recoverable for incurred claims and other expenses	-	-	*69.2*	*16.8*	*86.0*
Loss-recovery on onerous underlying contracts and adjustments	-	-	-	-	-
Changes to amounts recoverable for incurred claims	-	-	*(11.4)*	*(20.6)*	*(32.0)*
Total amounts recovered from reinsurance	-	-	57.8	(3.8)	54.0
Investment components	-	-	-	-	-
Net expense from reinsurance contracts held	(118.0)	-	57.8	(3.8)	(64.0)
Reinsurance finance expenses	-	-	33.3	5.6	38.9
Total changes in the statement of comprehensive income	**(118.0)**	**-**	**91.1**	**1.8**	**(25.1)**
Cash flows					
Premiums paid	*105.5*	-	-	-	*105.5*
Amounts received	-	-	*(48.3)*	-	*(48.3)*
Total cash flows	**105.5**	**-**	**(48.3)**	**-**	**57.2**
Net reinsurance contract assets as at 31/12	**25.8**	**-**	**458.1**	**76.2**	**560.1**
Reinsurance contract assets as at 31/12	25.8	-	458.1	76.2	560.1
Reinsurance contract liabilities as at 31/12	-	-	-	-	-
Net reinsurance contract assets as at 31/12	**25.8**	**-**	**458.1**	**76.2**	**560.1**

The table above shows the total reinsurance finance income for the Group with £11.9m recognised in the income statement and £27.0m recognised in other comprehensive income. This represents the unwinding of the discounting of reinsurance contract assets, with a disaggregation between the income statement and other comprehensive income due to the Group recognising related fair value movements on related financial assets backing its insurance liabilities in other comprehensive income.

16 . Insurance liabilities and reinsurance assets (continued)

Reconciliation of the liability for remaining coverage and the liability for incurred claims

(b) Reinsurance contracts held

	2022				
	Liabilities for remaining coverage		Liabilities for incurred claims		Total
£m	Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment	
Reinsurance contract assets as at 01/01	42.0	-	485.8	72.4	600.2
Reinsurance contract liabilities at 01/01	(2.3)	-	-	-	(2.3)
Net reinsurance contract assets as at 01/01	**39.7**	**-**	**485.8**	**72.4**	**597.9**
Allocation of reinsurance premiums paid	(101.1)	-	-	-	(101.1)
Amounts recovered from reinsurance					
Amounts recoverable for incurred claims and other expenses	-	-	*53.8*	*13.5*	*67.3*
Loss-recovery on onerous underlying contracts and adjustments	-	-	-	-	-
Changes to amounts recoverable for incurred claims	-	-	*(32.6)*	*(8.0)*	*(40.6)*
Total amounts recovered from reinsurance	-	-	21.2	5.5	26.7
Investment components	-	-	-	-	-
Net expense from reinsurance contracts held	(101.1)	-	21.2	5.5	(74.4)
Reinsurance finance expenses	-	-	(70.7)	(3.5)	(74.2)
Total changes in the statement of comprehensive income	**(101.1)**	**-**	**(49.5)**	**2.0**	**(148.6)**
Cash flows					
Premiums paid	*99.7*	-	-	-	*99.7*
Amounts received	-	-	*(21.0)*	-	*(21.0)*
Total cash flows	**99.7**	**-**	**(21.0)**	**-**	**78.7**
Net reinsurance contract assets as at 31/12	**38.3**	**-**	**415.3**	**74.4**	**528.0**
Reinsurance contract assets as at 31/12	38.3	-	415.3	74.4	528.0
Reinsurance contract liabilities as at 31/12	-	-	-	-	-
Net reinsurance contract assets as at 31/12	**38.3**	**-**	**415.3**	**74.4**	**528.0**

The table above shows the total reinsurance finance income for the Group with £8.2m recognised in the income statement and £82.4m charged as an expense in other comprehensive income. This represents the unwinding of the discounting of reinsurance contract assets, with a disaggregation between the income statement and other comprehensive income due to the Group recognising related fair value movements on related financial assets backing its insurance liabilities in other comprehensive income.

17 . Other receivables

	As at 31 Dec 2023	As at 31 Dec 2022 Restated
	£m	£m
Prepayments and accrued income	**14.6**	11.9
Other debtors	**11.0**	26.8
Total other receivables	**25.6**	38.7

Other debtors are financial assets classified as amortised cost. For more details see Note 15, which includes the ageing of these balances.

The Directors believe the carrying value of these financial assets approximates their fair value.

18 . Cash and cash equivalents

	As at 31 Dec 2023	As at 31 Dec 2022
	£m	£m
Cash at bank and in hand	**71.6**	38.4
Total	**71.6**	38.4

19 . Other payables

	As at 31 Dec 2023	As at 31 Dec 2022 Restated
	£m	£m
Accrued expenses	**8.7**	7.9
Social security and other taxes	**34.5**	31.7
Due to related parties	**1.1**	0.4
Other creditors	**4.6**	6.4
Lease liabilities	**16.7**	19.1
Total	**65.6**	65.5

Accrued expenses principally comprise amounts outstanding for suppliers and ongoing costs. The average credit period taken for invoiced trade purchases is 4.4 days (2022: 3.3 days). The Directors consider that the carrying amount other payables approximates their fair value. All other payables are expected to be settled within one year aside from lease liabilities.

Of the lease liabilities, £13.5m is expected to be settled in more than one year (2022: £16.0m). The property leases are subject to periodic rental reviews where the rent charged may be brought in line with open market values.

20 . Deferred tax assets and liabilities

The following are the deferred tax assets and liabilities recognised by the Group and movements thereon during the current and prior periods.

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	As at 31 Dec 2023 £m	As at 31 Dec 2022 Restated £m
Deferred tax assets	46.7	32.7
Deferred tax liabilities	(2.6)	(14.1)
	44.1	**18.6**

The net movement on the deferred tax account is as follows:

	As at 31 Dec 2023 £m	As at 31 Dec 2022 Restated £m
At 1 January	**18.6**	(0.6)
Income statement credit	**24.1**	7.9
Effect of change in tax rate	**1.5**	2.7
Tax adjustment relating to deferred tax for prior periods	**3.5**	0.1
Deferred tax recognised directly in equity	**(3.6)**	8.5
At 31 December	**44.1**	**18.6**

The deferred tax rate used is 25% (2022: 24.72%).

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Deferred Tax Asset as at 1 January 2022 £m	Credited to the income statement £m	Impact of change in tax rate £m	Tax adjustment relating to deferred tax for prior periods £m	Deferred tax recognised directly in equity £m	Deferred Tax Asset as at 31 December 2022 £m
Deferred tax assets/(liabilities)						
Deferred acquisition costs	(0.3)	0.3	-	-	-	-
AFS reserve	0.5	-	-	-	15.5	16.0
Losses carried forward	-	8.7	2.7	-	-	11.4
Capital allowances	2.6	-	0.3	0.1	-	3.0
Discounting through OCI	0.7	-	-	-	(6.5)	(5.8)
IFRS17 Day 1 Provision	(6.8)	(1.2)	(0.3)	-	-	(8.3)
Liability for Incurred Claims	1.8	0.1	-	-	-	1.9
Other	0.9	-	-	-	(0.5)	0.4
Total	**(0.6)**	**7.9**	**2.7**	**0.1**	**8.5**	**18.6**

Deferred tax assets/(liabilities)	Deferred Tax Asset as at 1 January 2023 £m	Credited to the income statement £m	Impact of change in tax rate £m	Tax adjustment relating to deferred tax for prior periods £m	Deferred tax recognised directly in equity £m	Deferred Tax Asset as at 31 December 2023 £m
AFS reserve	16.0	-	-	-	(6.8)	9.2
Losses carried forward	11.4	13.6	0.8	0.2	-	26.0
Capital allowances	3.0	2.5	0.2	3.3	-	9.0
Discounting through OCI	(5.8)	-	-	-	3.2	(2.6)
IFRS17 Day 1 Provision	(8.3)	7.8	0.5	-	-	-
Liability for Incurred Claims	1.9	-	-	-	-	1.9
Other	0.4	0.2	-	-	-	0.6
Total	**18.6**	**24.1**	**1.5**	**3.5**	**(3.6)**	**44.1**

There is an unrecognised deferred tax asset on land and buildings of £1.5m at 31 December 2023 (2022: £1.2m) for which there is insufficient likelihood that future taxable gains will be available against which the asset can be utilised.

21 . Share capital and other reserves

	Ordinary shares	Share premium	Capital redemption reserve	Other Reserves: Restricted Tier 1 notes	Other Reserves: Fair value / share-based payments	Insurance / Reinsurance finance reserve	Total
	£m	£m	£m	£m	£m	£m	£m
At 1 January 2022 as previously reported	0.4	48.2	44.9	72.8	(1.1)	-	165.2
Initial impact of IFRS 17 application	-	-	-	-	-	(2.1)	(2.1)
Initial impact of IFRS 9 application	-	-	-	-	0.4	-	0.4
At 1 January 2022 (Restated)	**0.4**	**48.2**	**44.9**	**72.8**	**(0.7)**	**(2.1)**	**163.5**
Fair value movements on OCI assets	-	-	-	-	(64.3)	-	(64.3)
Tax relating to fair value movements on OCI assets (restated)	-	-	-	-	15.6	-	15.6
Fair value movements on land and buildings	-	-	-	-	(0.3)	-	(0.3)
Movement on insurance finance reserve	-	-	-	-	-	26.2	26.2
Tax relating to movement on insurance and reinsurance finance reserve	-	-	-	-	-	(6.6)	(6.6)
Capital contribution: share-based payment	-	-	-	-	1.2	-	1.2
At 31 December 2022 (Restated)	**0.4**	**48.2**	**44.9**	**72.8**	**(48.5)**	**17.5**	**135.3**
Fair value movements on OCI assets	-	-	-	-	28.3	-	28.3
Tax relating to fair value movements on OCI assets	-	-	-	-	(6.8)	-	(6.8)
Movement on insurance finance reserve	-	-	-	-	-	(13.2)	(13.2)
Tax relating to movement on insurance and reinsurance finance reserve	-	-	-	-	-	3.4	3.4
Share issue	0.0	47.4	-	-	-	-	47.4
Capital contribution: share-based payment	-	-	-	-	(0.2)	-	(0.2)
At 31 December 2023	**0.4**	**95.6**	**44.9**	**72.8**	**(27.2)**	**7.7**	**194.2**

The authorised, allotted, called up and fully paid share capital of esure Group plc as at 31 December 2023 was 443,801,337 Ordinary Shares of 1/12 pence each (31 December 2022: 426,301,337 Ordinary Shares of 1/12 pence each). The shares have full voting and dividend rights.

During the year ended 31 December 2023 the Group issued 47,500,000 Ordinary Shares of 1/12 pence each for £47.5m (2022: no shares for £nil).

No shares are held in Treasury.

During the year ended 31 December 2023 £13.2m (2022: £26.2m) was charged to other comprehensive income in repect of the Group's disaggregation of insurance finance income and expenses between profit and loss and other comprehensive income.

During the year ended 31 December 2023 £28.3m was credited (2022: £64.3m was charged) to other comprehensive income in respect of fair value movements on financial assets classified and measured at Fair Value through Other Comprehensive Income (OCI).

During the year ended 31 December 2023 the charge in other comprehensive income in respect of fair value movements on land and buildings was £nil (2022: £0.3m).

The capital redemption reserve was created during the year ended 31 December 2013 for a £44.9m share repurchase.

22 . Share-based payments

During 2023 and 2022 certain employees were eligible to purchase shares in the Group's ultimate parent company, Blue (BC) Topco Limited. Two schemes are in place - Management Incentive Plans 1 and 2. Due to the restrictive conditions in place over the options these shares qualify as a share-based payment scheme under IFRS 2 share-based Payments. The Group receives the employees' services but the scheme will be settled by Blue (BC) Topco Limited and is therefore classified as equity settled in these accounts.

Awards have been made in the scheme as follows:

	Year ended 31 Dec 2023	Year ended 31 Dec 2022	Year ended 31 Dec 2021	Year ended 31 Dec 2020
Management Incentive Plan 1 ("MIP 1")				
Awarded to Directors	-	-	-	380
Awarded to Senior Management	-	71	305	130
Management Incentive Plan 2 ("MIP 2")				
Awarded to Directors	430	-	-	-
Awarded to Senior Management	445	-	-	-

Under the scheme the restrictions on the shares are lifted on the event of Blue (BC) Topco exiting its investment in the Group.

	MIP 1	MIP 2
Number of shares initially granted	510	875
Number outstanding at 1 January 2022	808	-
Granted in the year	71	-
Lapsed in the year	(46)	-
Number outstanding at 1 January 2023	**833**	**-**
Granted in the year	**-**	875
Lapsed in the year	**(55)**	-
Number outstanding at 31 December 2023	**778**	**875**
Exercise price per share	£5,500	£1,850

<u>Valuation of awards</u>

As the shares have a variable participation in proceeds on exit, the fair value of the awards was estimated using a Stochastic (Monte-Carlo) model.

The inputs into the model were:

	MIP 1	MIP 2
Valuation date	16 October 2020	18 December 2023
Volatility (modelled using historical share price volatility of quoted comparator companies)	25.0%	25.0%
Expected term	3.2 years	2 years
Risk free rate	-0.09%	4.07%
Expected transaction cost (% of enterprise value)	3.0%	N/a
Discount for post vesting restrictions	10.0%	20.0%

Valuation Methodology

IFRS 2 does not provide direct guidance as to the methodology for determining the share price at the valuation date. As Blue (BC) Topco Limited was not listed at the date of grant an approach using a multiple of net asset value at the date of grant has been applied.

<u>Financial effect of share-based payments made</u>

The total credit recognised for the year arising from the share-based payments above was £0.2m (2022: expense of £1.2m). All share-based payment transactions were accounted for as equity-settled.

23 . Commitments

(a) Pension commitments
The Group contributes to a Group Personal Pension defined contribution scheme available to all staff of which 1,562 employees participated in the scheme at 31 December 2023 (2022: 1,517).

The pension cost charge for the period represents contributions payable by the Group to the scheme and amounted to £4.3m (2022: £4.5m). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

(b) Capital commitments
The Group has entered into the following contracts for assets which have not been provided for at the balance sheet date:

	As at 31 Dec 2023 £m	**As at 31 Dec 2022 £m**
Investment Commitments	**22.7**	32.2

24 . Group subsidiary companies

esure Group plc has the following subsidiaries as at 31 December 2023

	Country of incorporation	Class of shares held	Principal activity	Held directly or indirectly	Percentage held
esure Insurance Limited	England and Wales	Ordinary	General insurance	Indirect	100%
esure Services Limited	England and Wales	Ordinary	Administration and management	Indirect	100%
esure Holdings Limited	England and Wales	Ordinary	Holding company	Indirect	100%
esure Property Limited	England and Wales	Ordinary	Property investment	Indirect	100%
esure Finance Limited	England and Wales	Ordinary	Holding company	Direct	100%
esure S.L.U.	Spain	Ordinary	Non-trading	Indirect	100%
esure broker limited	England and Wales	Ordinary	Non-trading	Indirect	100%

The registered office of all of the subsidiaries above, apart from esure S.L.U., is The Observatory, Reigate, Surrey, RH2 0SG. The registered office of esure S.L.U. is Ronda Sant Pere 17, 2ª plant, Barcelona, Spain.

All of the subsidiaries above are included in the consolidation of esure Group plc.

esure S.L.U. is dormant and exempt from the requirements of the Companies Act 2006 to prepare annual Financial Statements.

25 . Related party transactions

The following transactions took place with related parties during the year:

a) Transactions with shareholders

The following transactions took place with shareholders and related entities:

- The Group uses a company that is controlled by Bain Capital to provide recruitment, HR, payroll and benefits-related services.
- Until June 2022, the Group used a company that is controlled by Bain Capital to provide a media monitoring service.

	Year ended 31 Dec 2023 £m	Year ended 31 Dec 2022 £m
Value of expense for the year/period:		
Media monitoring services	-	(0.0)
HR-related services	(0.2)	(0.1)
Total expense for the year	**(0.2)**	**(0.1)**
Amount payable at the year end:		
HR-related services	-	-
Total amount payable at the year end	**-**	**-**

b) Compensation of key management personnel

The key management personnel are considered to be the Directors. Please refer to Note 8 for more details.

26 . Parent company

Blue (BC) Bidco Limited is the immediate parent of esure Group plc. Blue (BC) Bidco Limited is a company registered in Jersey and its ultimate parent is Blue (BC) Holdings LP, a limited partnership registered in Jersey. esure Group plc is the largest and smallest group into which these accounts are consolidated.

Parent Company statement of financial position

	Notes	As at 31 Dec 2023 £m	As at 31 Dec 2022 £m
Fixed assets			
Investments	4	**370.9**	309.6
Current assets			
Investments: call deposits		**-**	29.7
Deferred tax asset		**0.6**	1.1
Debtors	5	**9.4**	6.6
Cash at bank		**1.2**	0.6
		11.2	38.0
Creditors: amounts falling due within one year	6	**(25.4)**	(0.3)
Net current (liabilities)/assets		**(14.2)**	37.7
Total assets less current liabilities		**356.7**	347.3
Creditors: amounts falling due after more than one year	6	**(95.7)**	(124.3)
Net assets		**261.0**	223.0
Capital and reserves			
Share capital	7	**0.4**	0.4
Share premium account	7	**95.6**	48.2
Other reserves	7	**117.6**	117.6
Profit and loss account		**47.4**	56.8
Shareholders' funds - all equity		**261.0**	223.0

The Financial Statements were approved by the Board and authorised for issue on 29 March 2024 and signed on its behalf.

Peter Bole
Director

Registration Number: 07064312

The Notes on pages 155 to 157 form part of these Financial Statements.

Parent Company statement of changes in equity

	Share capital £m	Share premium £m	Capital redemption £m	Restricted Tier 1 notes £m	Profit and loss account £m	Total equity £m
Year ended 31 December 2022						
At 1 January 2022	0.4	48.2	44.8	72.8	65.4	231.6
Profit for the year	-	-	-	-	(2.1)	(2.1)
Total comprehensive income	-	-	-	-	(2.1)	(2.1)
Transactions with owners:						
Dividends	-	-	-	-	(2.0)	(2.0)
Payment to holders of rT1	-	-	-	-	(4.5)	(4.5)
Total transactions with owners	-	-	-	-	(6.5)	(6.5)
At 31 December 2022	0.4	48.2	44.8	72.8	56.8	223.0
Year ended 31 December 2023						
At 1 January 2023	**0.4**	**48.2**	**44.8**	**72.8**	**56.8**	**223.0**
Profit for the year	**-**	**-**	**-**	**-**	**(4.9)**	**(4.9)**
Total comprehensive income	**-**	**-**	**-**	**-**	**(4.9)**	**(4.9)**
Transactions with owners:						
Issue of share capital	**0.0**	**47.4**	**-**	**-**	**-**	**47.4**
Payment to holders of rT1	**-**	**-**	**-**	**-**	**(4.5)**	**(4.5)**
Total transactions with owners	**0.0**	**47.4**	**-**	**-**	**(4.5)**	**42.9**
At 31 December 2023	**0.4**	**95.6**	**44.8**	**72.8**	**47.4**	**261.0**

The Notes on pages 155 to 157 form part of these Financial Statements.

Parent Company statement of cash flows

Cash flows from operating activities	Notes	Year ended 31 Dec 2023 £m	Year ended 31 Dec 2022 £m
Loss after tax for the year		**(4.9)**	(2.1)
Adjustments to reconcile profit after tax to net cash flows:			
- Finance costs		**12.4**	8.8
- Taxation credit	3	**(2.8)**	(1.9)
- Total investment return		**(0.2)**	(0.4)
Operating cash flows before movements in working capital, tax and interest paid		**4.5**	4.4
Interest received on financial investments		**0.2**	0.4
Changes in working capital:			
- Increase in debtors		**(2.8)**	(4.7)
- Decrease in payables		**0.0**	0.0
Taxation received		**3.3**	0.7
Net cash generated in operating activities		**5.2**	0.8
Cash flows from investing activities			
Sale/(purchase) of financial investments (investments: call deposits)		**29.7**	(29.7)
Capital contribution to subsidiary		**(61.3)**	-
Net cash used in investing activities		**(31.6)**	(29.7)
Cash flows generated from / (used in) financing activities			
Proceeds from 2023 Notes Issuance		**100.0**	-
Cost of 2023 Notes Issuance		**(4.8)**	-
Repayment of 2012 Notes Issuance		**(100.0)**	-
Interest paid on loans		**(11.1)**	(8.4)
Payment to holders of rT1		**(4.5)**	(4.5)
Issue of share capital		**47.4**	-
Dividends paid		**-**	(2.0)
Net cash generate/(used in) from financing activities		**27.0**	(14.9)
Net increase/(decrease) in cash and cash equivalents		**0.6**	(43.8)
Cash and cash equivalents at the beginning of the year		**0.6**	44.4
Cash and cash equivalents at the end of the year		**1.2**	0.6

The Notes on pages 155 to 157 form part of these Financial Statements.

Notes to the Parent Company Financial Statements
For the year ended 31 December 2023

1 . Basis of preparation of Financial Statements

esure Group plc (the 'Company' or the 'Parent Company') is a company incorporated and domiciled in the UK.

These Financial Statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101').

In preparing these Financial Statements, the Company applies the recognition, measurement and disclosure requirements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

These Financial Statements have been prepared on a going concern basis. The Board has reviewed the Company's projections for the next planning cycle and has considered the possible impact of a range of scenarios and related contingent management actions.

The key uncertainties for 2024 and beyond considered by the Board were the risks resulting from the residual activity to be completed as part of the Group's transformation programme, implementation and use of the new technology platform; the impact of inflation on claims and expenses; changing consumer behaviour and the consequential impact on claims frequency; the impact of the Civil Liability Act on underwriting performance; and the outlook for market pricing.

The Board has reviewed the Company's projections for the next 12 months and, based on this work, the Directors have a reasonable expectation that the Company has adequate resources to continue in operation for at least the 12 months from the date of signing these financial statements.

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the Parent Company is not presented.

The Parent Company audit fee is not disclosed in these Financial Statements as it is disclosed in the consolidated Financial Statements of esure Group plc (Note 9).

2 . Parent Company accounting policies

In these Financial Statements, the Company has not provided the following disclosures and will continue to take the exemptions available under FRS 101 in future years subject to no objection being raised by a shareholder:

- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- The disclosures required by IFRS 7 and IFRS13 regarding financial instruments; and
- Disclosures in respect of key management personnel required by IAS 24.

As the consolidated Financial Statements of esure Group plc include the equivalent disclosures, the Company has not provided the following disclosures and will continue to take the exemptions available under FRS 101 in future years subject to no objection being raised by a shareholder:

- The disclosures required by IAS 1 regarding movements in share capital;
- IFRS 2 share-based Payments in respect of Group settled share-based payments (see Note 22 of the consolidated Financial Statements); and
- The disclosures required by IFRS 7 and IFRS 13 regarding financial instrument disclosures.

The disclosures are available on written request to the esure Group plc address provided in Note 1 of the consolidated Financial Statements.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Financial Statements:

Income from investments in Group undertakings

Income from investments in Group undertakings comprises dividend income. Dividends are recognised when the right to receive payment is established.

Taxation

The accounting policies applied to current and deferred tax are consistent with those disclosed in Note 2 of the consolidated Financial Statements. Deferred tax arose in the year ended 31 December 2023 and 2022 relating to carried forward losses.

Investments in Group undertakings

Investments in Group undertakings are stated in the statement of financial position at cost less provision for impairment. The cost of investments in Group undertakings includes the cost of granting equity instruments to the employees of subsidiaries, in line with the requirements of IFRS 2 Share-based Payments.

2 . Parent Company accounting policies (continued)

Financial assets
The Company's financial assets as at 31 December 2023 and 31 December 2022 include amounts owed by group undertakings and cash at bank which are classified as 'loans and receivables'. The accounting policies applied to these financial assets are consistent with those disclosed in Note 2 of the consolidated Financial Statements.

Financial liabilities
The Company's financial liabilities as at 31 December 2023 and 31 December 2022 include borrowings which are all classified as 'other financial liabilities'. The accounting policies applied to these financial liabilities are consistent with those disclosed in Note 2 of the consolidated Financial Statements.

3 . Taxation

The tax rate used for the calculations is the Corporation Tax rate of 23.50% (2022: 19.00%) payable by the corporate entities in the UK on taxable profits under tax law in that jurisdiction.

	Year ended 31 Dec 2023 £m	**Year ended 31 Dec 2022 £m**
Profit before taxation	**(7.7)**	(3.9)
Taxation calculated at 23.50% (2022: 19.00%)	**(1.8)**	(0.7)
Effects of:		
Adjustments in relation to prior year deferred tax	**0.1**	-
Change in tax rate	**-**	(0.3)
Non taxable Income	**(1.1)**	(0.9)
Taxation credit	**(2.8)**	(1.9)

4 . Investments

	Year ended 31 Dec 2023 £m	**Year ended 31 Dec 2022 £m**
As at 1 January	**309.6**	309.6
Capital contributions	**61.3**	-
As at 31 December	**370.9**	309.6

There are no provisions for impairment.

During 2023 the Company made capital contributions of £61.3m to esure Insurance Limited.

Investments in Group undertakings, which are wholly directly owned are as follows:

	Country of incorporation	**Class of shares held**	**Registered office address**
esure Finance Limited	England and Wales	Ordinary	The Observatory, Reigate, Surrey, RH2 0SG
esure Insurance Limited	England and Wales	rT1	The Observatory, Reigate, Surrey, RH2 0SG

5 . Debtors

	As at 31 Dec 2023	**As at 31 Dec 2022**
Due within one year	**£m**	**£m**
Due from related parties	**9.4**	6.6
Total debtors due within one year	**9.4**	6.6

Notes to the Parent Company Financial Statements
For the year ended 31 December 2023

6 . Creditors and other payables

Amounts falling due within one year

	As at 31 Dec 2023 £m	As at 31 Dec 2022 £m
Borrowings: ten-year Subordinated Notes	**25.0**	0.0
Accrued interest on ten-year Subordinated Notes	**0.4**	0.3
Total creditors due within one year	**25.4**	0.3

Amounts falling due after more than one year

	As at 31 Dec 2023 £m	As at 31 Dec 2022 £m
Borrowings: ten-year Subordinated Notes	**95.7**	124.3
Total creditors due after more than one year	**95.7**	124.3

Full details of the Company's Subordinated Notes are included in the consolidated Financial Statements of esure Group plc above at Note 15.

7 . Share capital and other reserves

Full details of the Company's share capital and reserves are included in the consolidated Financial Statements of esure Group plc above at Note 21.
Full details of dividends declared during the year are included in the consolidated Financial Statements of esure Group plc above at Note 12.

Glossary of Terms - Alternative Performance Measures

Alternative Performance Measures (APMs) are measures that are not defined by International Financial Reporting Standards. They may be commonly used insurance metrics or other measures that the Group uses, both for internal performance analysis and also to help users of the Annual Report and Accounts to better understand the Group's performance and position in the period in comparison to previous periods and the Group's competitors. The tables below define, explain and reconcile the APMs used in this report.

In 2023 the Group redeveloped its key metrics as part of the application of IFRS 17 and IFRS 9. Users of the accounts should note that whilst these measure are useful for a better understanding of the business they do not give a complete picture of the financial result for the year and should be used in conjunction with the full IFRS metrics.

KPI Category	KPI	Rationale	APM?
Growth	In Force Policies	Measure of scale and growth	No
	Turnover	Financial measure of underwriting scale, unimpacted by reinsurance or quota share	Yes
	Retention Rate	Measure of customer satisfaction and a key component of growth	No
Quality	Net Loss Ratio	Measure of core underwriting performance	Yes
	Combined operating ratio	Measure of profitability	Yes
	Unit Cost	Measure of operating efficiency improvements	Yes
	Net Promoter Score	Measure of customer advocacy	No
	Complaints	Measure of customer satisfaction	No
	Referrals to the Financial Ombudsman	Measure of customer service excellence	No
	Digital contact share	Measure of use of digital channels by customers	No
	Employee engagement	Measure of employee satisfaction	No
Returns	Trading Profit	Measure of underlying, long term profitability	Yes
	Profit Margin	Measure of profitability	Yes
	Underlying Return on Tangible Equity	Profitability measure	Yes
	Profit after tax	IFRS Measure, profit after tax	No
	Solvency coverage	Measure of balance sheet strength	No

Turnover

Turnover includes gross written premiums, income from instalments, admin and cancellation fees and other income. This measure is used by management to show the underwriting scale of the Group. Details can be found in Note 4. The comparatives in this note have been restated due to the change in APMs on application of IFRS 17. In the prior year the reinsurance profit share was disclosed.

			Year ended 31 Dec 2023			Year ended 31 Dec 2022
	Motor £m	Home £m	Total £m	Motor £m Restated	Home £m Restated	Total £m Restated
Gross written premiums	769.4	99.4	868.8	639.4	96.4	735.8
Instalment income	52.0	5.5	57.5	45.2	5.5	50.7
Admin and cancellation fees	17.7	0.6	18.3	20.0	0.7	20.7
Other ASR income	15.9	9.2	25.1	18.0	10.8	28.8
Turnover	**855.0**	**114.7**	**969.7**	722.6	113.4	836.0

Glossary of Terms - Alternative Performance Measures (continued)

Trading profit

Trading profit is the Group's measure of underlying, long term profitability. It excludes the impact of costs relating to one-off activity, the categories of which are reviewed by the Audit Committee and approved by the Board, and excludes the effect of investment volatility directly resulting from market rate movement in the year. A reconciliation is provided in Note 4.

Net loss ratio

Net loss ratio is defined as net incurred claims (being insurance service expense less insurance expenses less amounts recoverable from reinsurers) as a percentage of net insurance revenue. This is a key measure of the underwriting performance of the Group. This APM has been redefined in 2023 to allow for the implementation of IFRS 17. Insurance expenses are administration expenses, claims expenses and acquisition costs.

Year ended 31 Dec 2023

	Motor	Home	Total excluding central costs	Central costs	Total
	£m	£m	£m	£m	£m
Insurance service revenue	**767.5**	**102.6**	**870.1**	**-**	**870.1**
Less allocation of reinsurance premiums	**(107.5)**	**(10.5)**	**(118.0)**	**-**	**(118.0)**
Net Insurance Revenue	**660.0**	**92.1**	**752.1**	**-**	**752.1**
Insurance service expense	**719.7**	**105.4**	**825.1**	**-**	**825.1**
Less insurance expenses	**(148.7)**	**(30.6)**	**(179.3)**	**-**	**(179.3)**
Incurred claims	**571.0**	**74.8**	**645.8**	**-**	**645.8**
Less amounts recoverable from reinsurers	**(50.8)**	**(3.2)**	**(54.0)**	**-**	**(54.0)**
Net incurred claims	**520.2**	**71.6**	**591.8**	**-**	**591.8**
Net loss ratio = net incurred claims / net insurance revenue	**78.8%**	**77.7%**	**78.7%**		**78.7%**

Year ended 31 Dec 2022 (restated)

	Motor	Home	Total excluding central costs	Central costs	Total
	£m	£m	£m	£m	£m
Insurance service revenue	731.7	108.0	839.7	-	839.7
Less allocation of reinsurance premiums	(90.8)	(10.3)	(101.1)	-	(101.1)
Net Insurance Revenue	640.9	97.7	738.6	-	738.6
Insurance service expense	586.0	124.2	710.2	-	710.2
Less insurance expenses	(145.8)	(32.6)	(178.4)	-	(178.4)
Incurred claims	440.2	91.6	531.8	-	531.8
Less amounts recoverable from reinsurers	(16.6)	(10.1)	(26.7)	-	(26.7)
Net incurred claims	423.6	81.5	505.1	-	505.1
Net loss ratio = net incurred claims / net insurance revenue	**66.1%**	**83.4%**	**68.4%**		**68.4%**

Glossary of Terms - Alternative Performance Measures (continued)

Expense ratio
Expense ratio is defined as insurance expenses as a percentage of net insurance revenue, both metrics are detailed above and in Note 4. This APM has been restated for 2022 following the implementation of IFRS 17.

Year ended 31 Dec 2023

	Motor £m	Home £m	Total excluding central costs £m	Central costs £m	Total £m
Net insurance Revenue	660.0	92.1	752.1	-	752.1
Insurance expenses	148.7	30.6	179.3	-	179.3
Expense ratio	**22.5%**	**33.3%**	**23.8%**		**23.8%**

Year ended 31 Dec 2022 (restated)

	Motor £m	Home £m	Total excluding central costs £m	Central costs £m	Total £m
Net insurance Revenue	640.9	97.7	738.6	-	738.6
Insurance expenses	145.8	32.6	178.4	-	178.4
Expense ratio	**22.7%**	**33.4%**	**24.1%**		**24.1%**

Combined operating ratio
The combined operating ratio is a traditional general insurance measure of the profitability of an insurance business. Although the definition of this APM has not changed under IFRS 17, the definition of the net loss ratio and expense ratio have changed per above and thus there has been a restatement for 2022.

	Year ended 31 Dec 2023	Year ended 31 Dec 2022 Restated
Loss ratio	**78.7%**	68.4%
Expense ratio	**23.8%**	24.1%
Combined operating ratio	**102.5%**	**92.5%**

Profit margin
Profit margin is the Group's trading profit as a percentage of Net Revenue. This ratio gives a measure of the underlying profitability of the Group. Given the Group’s multiple income streams, this is deemed to be a more relevant measure of trading performance than traditional underwriting metrics such as combined ratio. This APM has been restated for 2022 due to the application of IFRS 17 affecting both the measurement of insurance service revenue and the trading profit per Note 4.

	31 Dec 2023 £m	31 Dec 2022 Restated £m
Net insurance revenue	752.1	738.6
Other ASR income	25.1	28.8
Investment income	32.4	9.0
Net total revenue	**809.6**	776.4
Trading profit	**(16.7)**	49.8
Profit margin	**(2.1)%**	**6.4%**

Glossary of Terms - Alternative Performance Measures (continued)

Unit cost

Unit cost is used to monitor the efficiency of the Group's operations. The APM has been restated for 2022 due to the application of IFRS 17 and the reclassification of expenses.

	Year ended 31 Dec 2023	Year ended 31 Dec 2022 Restated
	£m	£m
Insurance expenses (above)	**179.3**	178.4
Other operating expenses (Note 4)	**44.4**	47.2
Trading expenses	**223.7**	225.6
Average In-force Policies (m)	2.234	2.490
Unit cost = total cost, gross of quota share / In-force Policies	£100.14	£90.60

Return on tangible equity

Return on tangible equity is a measure of the Group's return on shareholder investment. Return on equity is a widely understood market measure of capital efficiency, and returns to shareholders, and has been adjusted for non-trading items and to exclude rT1 capital from equity and include the related coupon as a financing cost. The APM for 2022 has been restated due to the application of IFRS 17 and no longer includes the financing cost seen previously for quota share and liability portfolio transfer reinsurance.

	Year ended 31 Dec 2023	Year ended 31 Dec 2022 Restated
	£m	£m
Trading profit (Note 4)	**(16.7)**	49.8
Less: Interest expense on 10 year subordinate Notes	**(12.4)**	(8.8)
Less: notional expense for rT1 capital (see below)	**(4.5)**	(4.5)
Pre-tax return	**(33.6)**	36.5
Effective tax (calculated as the pre-tax return multiplied by the effective rate)	**10.8**	(11.7)
Less: tax effect dividend income	**1.3**	2.0
Adjusted return	**(21.5)**	26.8

	2023 average	2022 average Restated
		£m
Total equity (see calculation below)	**304.4**	337.1
Less: rT1 capital (see calculation below)	**(72.8)**	(72.8)
Less: intangible assets (see calculation below)	**(18.3)**	(25.3)
Tangible equity	**213.3**	239.0
Return on tangible equity = adjusted return / tangible equity	**(10.1)%**	11.2%

The notional expense for rT1 capital for has been calculated as the coupon payable in the year (see note 24).

The tangible equity values above are the average for each year, calculated as follows:

	Year ended 31 Dec 2023	Year ended 31 Dec 2022 Restated	Year ended 31 Dec 2021 Restated	2023 average	2022 average Restated
	£m	£m	£m	£m	£m
Total equity (see consolidated statement of financial position)	301.5	307.2	366.9	304.4	337.1
rT1 capital	72.8	72.8	72.8	72.8	72.8
Intangible assets	14.7	21.9	28.7	18.3	25.3

Measuring Performance

The Group uses a number of KPIs, some of which are Alternative Performance Measures (APMs), to assess business performance. These reflect how the business is managed and align with our strategic priorities. Further information on the definition of these metrics and the reconciliation to IFRS (where appropriate) is provided in the Glossary of Terms on page 125 to 128.

KPI Metric	Definition
Growth:	
In-force Policies	The number of live insurance policies at any point in time is a key measure of the scale of the Group's engagement with customers.
Turnover	Turnover includes insurance revenue, excluding the movement in unearned premium, and other income. This measure is used by management to show the underwriting scale of the Group.
Net Revenue	Net Revenue includes net insurance revenue, net investment return and other income. This measure shows the total income retained by the Group having ceded premium to reinsurance partners.
Retention Rate	The percentage of customers who choose to renew their policy with the Group and is a key measure of customer loyalty and underpins customer growth.
Quality:	
Net Loss Ratio	Net loss ratio is defined as net incurred claims (being insurance service expense less insurance expenses less amounts recoverable from reinsurers) as a percentage of net insurance revenue. This is a key measure of the underwriting performance of the Group.
Expense Ratio	Expense ratio is defined as insurance expenses as a percentage of net insurance revenue.
Combined Operating Ratio	The combined operating ratio is defined as the net loss ratio plus the expense ratio and is a traditional general insurance measure of the profitability of an insurance business.
Unit Cost	Unit cost is used to monitor the efficiency of the Group's operations. The measure takes insurance expenses, plus other trading operating costs and divides this cost by the average number of In-force Policies in the year.
Net Promoter Score	Measure of overall customer sentiment and engagement with the Group. It is calculated by asking a random, representative sample of our customers how likely they are to recommend the Group to others on a scale of 0-10.
Complaints and Financial Ombudsman referrals	The number of complaints as a percentage of the Group's In-force Policies and the number complaints referred to the Financial Ombudsman as a percentage of the Group's In-force policies are both used to monitor the quality of customer service.
Digital Contact share	The number of digital contacts for sales and service enquiries divided by the total number of inbound contacts. Digital includes LiveChat, ChatBot, FAQs, emails, transacting in the online Portal and social media. Digital contact is a key measure of progress in serving customers in a seamless automated way.
Employee engagement	Employee Engagement is a measure of how committed and enthusiastic our colleagues are about their work and the organisation. The overall employee engagement score is measured through the use of monthly colleague surveys.
Returns:	
Trading Profit	Trading profit is the Group's measure of underlying, long term profitability. It excludes the impact of costs relating to one-off activity, the categories of which are reviewed by the Audit Committee and approved by the Board. The Group holds a significant investment portfolio over the medium to long term and therefore the movements seen in a very volatile investment market do not reflect this underlying performance - the Group has therefore disclosed the trading profit before the effect of investment volatility directly resulting from market rate movement in the year.
Profit Margin	Profit margin is the Group's trading profit as a percentage of Net Revenue. This ratio gives a measure of the underlying profitability of the Group. Given the Group's multiple income streams, this is deemed to be a more relevant measure of trading performance than traditional underwriting metrics such as combined ratio.

Underlying return on tangible equity	Return on tangible equity is a measure of the Group's return on shareholder investment. Return on equity is a widely understood market measure of capital efficiency, and returns to shareholders, and has been adjusted for non-trading items and to exclude rT1 capital from equity with related coupon treated as a financing cost.
Profit after tax	IFRS measure of profit available for holders of the Groups equity after all costs and taxes, including the cost of investment in new capability.
Solvency coverage	The measure of available qualifying regulatory capital as a percentage of the capital the Group is required to hold under Solvency II regulations. This is a key measure of balance sheet strength.

Glossary of Terms

The definitions set out below apply throughout this document, unless the context requires otherwise.

'Actuarial Best Estimate'	is the probability-weighted average of all future claims and cost scenarios, which is calculated using historical data, actuarial methods and judgements.
'Average written premium'	is the gross written premium divided by the year end in force policies.
'Board'	means the Board of Directors of the Company from time to time.
'Claims incurred, net of reinsurance'	is the insurance service expense in the period, less insurance expenses, less any recoveries from reinsurers. It includes claims payments and movements in claims reserves.
'Claims reserves'	are the Group's estimate of the final cost of claims and related expenses, less claims paid to date, which the Group will need to pay for, relating to earned business.
'Commutation'	is an agreement between the Group and a reinsurer that provides for the valuation and complete discharge of all obligations between the parties under a particular reinsurance contract.
'Company'	means esure Group plc, a company incorporated in England and Wales with registered number 07064312 whose registered office is The Observatory, Castlefield Road, Reigate, Surrey RH2 0SG.
'Complaints'	means the number of complaints as a percentage of In-force Policies.
'ClimateWise'	is part of the University of Cambridge Centre for Sustainable Finance, a global network of leading insurance industry and related organisations committed to responding to the risks and opportunities of climate change.
'Employee engagement'	is a measure of how committed and enthusiastic our colleagues are about their work and the organisation. The overall employee engagement score is measured through the use of monthly colleague surveys.
'FCA GIPP'	In 2021, The Financial Conduct Authority (FCA) published rules to improve the way the insurance market functions in relation to Motor and Home Insurance which came in to force on 1 January 2022, called the General Insurance Pricing Practices (GIPP). The new rules mean that insurers must offer the same price to both new and existing customers. Insurers can no longer charge existing customers more at renewal compared to new customers, previously known as the 'loyalty penalty' and rights to cancel auto-renewal were made more accessible.
'Game Changer'	means the Group's long-term business strategy. It guides our activities by keeping all colleagues focused on why our business exists, what we need to deliver to successfully transform and grow our business, and how we do it.
'Finance Costs'	consist of coupon payments due on the Notes and interest chargeable under accounting standards on balances which have been discounted to allow for the timing of payments due.
'Group' or 'esure Group'	means the Company and its subsidiaries.
'Group Executive ('GE')'	comprises the Chief Executive Officer, Chief Financial Officer, Chief Risk Officer, Chief Technology Officer, Chief Customer Officer, Chief Strategy and Transformation Officer, Chief People Officer, Chief Claims Officer.
'Gross written premiums'	are the total premiums relating to policies that began during the period.

'IFRS'	means International Financial Reporting Standards.
'Incurred but not reported' ('IBNR')	are part of the Group's claims reserves, set aside to cover claims from accidents that have occurred but not been reported to the Group or that have been reported but where the ultimate cost of settling those claims is still uncertain. IBNR is an actuarial estimate.
'In-force Policies ('IFPs')'	means the number of live insurance policies at any point of time.
'Loss portfolio transfer combined with adverse development cover ('LPT')'	is a reinsurance contract or agreement in which an insurer cedes policies to a reinsurer and includes reinsurance should any deterioration be seen in the amounts ceded. In an LPT, a reinsurer assumes and accepts an insurer's existing open and future claim liabilities.
'Net insurance revenue'	is a measure of insurance revenue after allowing for the cost of reinsurance premiums. It is defined as insurance service revenue less the allocation of reinsurance premiums.
'Net total revenue'	includes the net insurance revenue plus other additional services income plus investment income. This measure shows the total income retained by the Group having ceded premium to reinsurance partners.
'Ogden rate'	is the discount rate set by the Lord Chancellor and used by UK courts to calculate lump sum settlements.
'Ordinary shares'	means the ordinary shares with a nominal value of 1/12 pence each in the capital of the Company.
'ORSA'	refers to the Own Risk and Solvency Assessment that aims to assess the overall solvency needs of an insurance company.
'Periodic Payment Orders ('PPOs')'	are claims payments used to settle large personal injury claims. In addition to providing a lump sum, PPOs provide regular, index-linked payments for some or all of the future financial loss suffered.
'Profit margin'	is the Group's trading profit as a percentage of net total revenue. This ratio gives a measure of the underlying profitability of the Group. Given the Group's multiple income streams, this is deemed to be a more relevant measure of trading performance than traditional underwriting metrics such as combined operating ratio.
'Prudent Person Principle'	is a Solvency II rule requiring insurers to only make investments that a 'prudent person' would make. It does not require that those charged with governance should always makes correct decisions but requires them to make decisions that would be generally accepted as sound by an average person and such decisions should be made as if they were managing their own affairs.
'Quota share ('QS')'	is a pro-rata reinsurance contract in which the insurer and reinsurer share premiums and losses according to a fixed percentage.
'Referrals to the Financial\` Ombudsman (% of policies)'	is the number of complaints referred to the Financial Ombudsman divided by In-force Policies.
'Reinsurance'	is an arrangement whereby the Group transfers part of the accepted insurance risk to a panel of insurers. This allows the Group to mitigate its risk of losses from claims.
'Relational Net Promoter Score'	is a measure of overall customer sentiment and engagement with the Group. It is calculated by asking a random, representative sample of our customers how likely they are to recommend the Group to others on a scale of 0-10. A decision to move from Transactional NPS to Relational NPS took place for 2021.
'Restricted Tier 1' ('rT1')	means the £75m, 6.0% Fixed Rate Reset Perpetual Restricted Tier 1 Contingent Convertible Notes issued on 22 July 2021.
'Retention rate'	is the percentage of customers who choose to renew their policy with the Group and is a key measure of customer loyalty and underpins customer growth.
'Return on tangible equity'	is a measure of the Group's return on shareholder investment. Return on equity is a widely understood market measure of returns to shareholders and has been adjusted to exclude rT1 capital from equity with the related coupon treated as a financing cost.

'Senior Leadership Team ('SLT')'	comprises the team of esure colleagues responsible for the day-to-day management of the Group.
'Solvency II'	is an EU legislative programme implemented in all 28 member states on 1 January 2016. Primarily, it concerns the amount of capital that insurance companies must hold to reduce the risk of insolvency.
'Solvency coverage'	the measure of available qualifying regulatory capital as a percentage of the capital the Group is required to hold under Solvency II regulations. This is a key measure of balance sheet strength.
'Transactional Net Promoter Score'	is a measure of customer sentiment soon after they have interacted with the Group (either via telephony or a Live Chat). It is calculated by asking customers how likely they are to recommend the Group to others on a scale of 0-10.
'Turnover'	includes insurance revenue, excluding the movement in unearned premium, and other income. This measure is used by management to show the scale of the Group.
'The 2014 Notes'	means the £125m, 6.75% 10-year Tier 2 Subordinated Notes issued on 19 December 2014.
'The 2023 Notes'	means the £100m, 12.00% 10-year Tier 2 Subordinated Notes issued on 16 June 2023.
'Trading profit'	is the Group's measure of underlying, long term profitability. It excludes the impact of costs relating to one-off activity, the categories of which are reviewed by the Audit Committee and approved by the Board. The Group holds a significant investment portfolio over the medium to long term and therefore the movements seen in a very volatile investment market do not reflect this underlying performance - the Group has therefore disclosed the trading profit before the effect of investment volatility directly resulting from market rate movement in the year.
'Underwriting'	is the receipt of premium in return for the provision of insurance to a policyholder. The underwriting year refers to the financial year in which the policy begins.
'Unit cost'	is used to monitor the efficiency of the Group's operations.