esure Group plc

Annual Report and Accounts

for the year ended 31 December 2022

Company No: 07064312

Contents

Financial Year 2022 - Key Facts

Growth
2022

In-force Policies (million)	Turnover (£m)[1]
2.32m	£836m
(2021: 2.54m)	(2021: £908m)

Quality
2022

Net Loss Ratio[1]	Unit Cost Per Policy (£)[1]
80.4%	£90.58
(2021: 71.8%)	(2021: £93.13)

Net Promoter Score (Relational NPS)	Combined Operating Ratio[1]
31.3	111.9%
(2021: 31)	(2021: 101.1%)

[1] Alternative performance measure (APM) - refer to the Glossary for definition and explanation.

Returns

2022

Trading Profit (£m)[1]

£47.9m

(2021: £84.8m)

Profit Margin (%)[1]

8.9%

(2021: 14.7%)

(Loss)/Profit After Tax (£m)*

£(29.1)m

(2021: £7.7m)

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

13%

(2021: 24%)

Solvency Coverage (%)

149%

(2021: 188%)

[1] Alternative performance measure (APM). The rationale for the use of these metrics, definitions of the Group's KPIs and reconciliations to the related International Financial Reporting Standards (IFRS)* metrics where appropriate, can be found in the Measuring Performance and the Glossary of Terms on pages 125 to 128.

At a Glance

UK Personal Lines Insurer

Our scale and expertise support our ambition to be the leading UK digital insurer

Over 25 million annual policies underwritten since 2012

£836m of turnover

Disciplined approach to pricing and growth in a competitive, challenging market

Operating under two main brands

esure

A UK direct insurer providing car, home and travel insurance

Sheilas' Wheels

Focused insurance brand offering car, home and travel insurance

Strong delivery against Game Changer strategy

Against a backdrop of challenging market conditions, with unsustainably weak pricing alongside high inflation, and claims frequency reverting towards pre-pandemic levels impacting our levels of profitability, we have maintained focus on delivering our Game Changer strategy.

Our core purpose, outlined within our Game Changer strategy, is to fix insurance for good. Our industry has not done a good enough job of looking after the people we are here to protect, and we want to put that right.

In doing so, we will significantly enhance our customers' experience, eradicate historic frustrations and deliver growth, quality and long-term returns. We are working to achieve this by building on our strong insurance heritage with innovation, industry-beating technology, insights, data, and a company-wide focus on meeting the evolving needs and expectations of our customers.

2022 has been a year of good progress on our journey to become the UK's leading digital insurer. The breadth and scale of all we have delivered within our Blueprint programme (the programme of transformation that seeks to build the pre-eminent pure-play digital insurer in the UK market) has put in place the core foundational elements needed to set us up for future success. We have built a new operating platform that will fuel future growth, lower unit cost and significantly enhance customer experience.

We launched our new esure Flex product, supported by intuitive, digital first customer journeys, making it easier for customers to self-serve mid-term adjustments and completely transforming our claims handling experience. Our Flex product has rapidly scaled to over 54,000 policies sold at year end, generating very positive early NPS scores and encouraging signs of enhanced operational efficiency in both customer service and claims.

Our technology platform gives us fantastic ability to integrate with third parties and to rapidly deploy new functionality, so that we can continue to test, learn and further enhance our customer proposition. Similarly, we have integrated our own proprietary machine learning models into the platform, across many areas of our business, delivering more efficient customer service and significant commercial benefit, most notably across Pricing, Claims and Fraud. We will extend the use of that technology across more of our customer base throughout 2023.

Two main brands each providing both Motor and Home Insurance

% of Group policies that are Motor
as at 31 December 2022

74%

% of Group policies that are Home
as at 31 December 2022

26%

Gross Written Premium for
year ended 31 December 2022

£639m

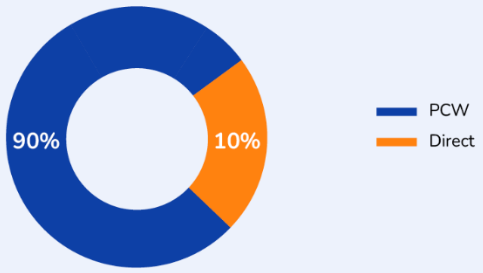
Gross Written Premium for
year ended 31 December 2022

£96m

Specialists in Digital Distribution

Across Price Comparison Websites (PCWs)

esure Distribution split by channel



90% of new business is distributed via the top 4 UK PCWs

PCW share of Distribution (market sales data)
PCWs now account for:

87%

of personal lines Motor sales

69%

of personal lines Home sales

Share of market sales continues to grow across both lines, up c.3% year on year

Strong Customer Proposition

2022 RNPS: 31.3   2021 RNPS: 31

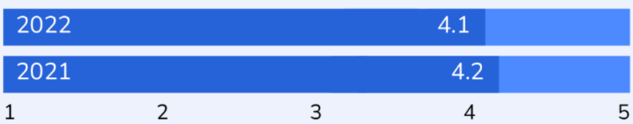
Strong customer service track record
Early life esure Flex NPS for 2022: 52

defaqto EXPERT RATED 2012-2022

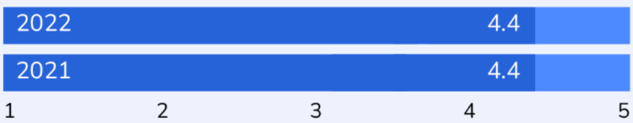
Our core home and car cover is rated 5 star by Defaqto [1]

Trustpilot

esure



Sheilas' Wheels



[1] Our esure Flex product is rated 3 star by Defaqto for customers who do not need 5 star coverage.

2022 Significant strategic progress

2022 has been a year of strong progress in terms of delivering against our transformation ambitions, enhancing customer experience and playing our part to support safer roads and a more sustainable planet.
The transformation progress listed below outlines the customer and commercial benefits our new operating platform is already delivering across our esure Flex customer base. More of our customers will experience these benefits throughout 2023 as work continues to develop the Home product and migrate additional customers on to the new operating platform.

Transformation and enhanced customer experience

New operating platform
Leading technology now enhancing every customer touchpoint

Claims transformation
Created end-to-end experience from notification to appointing repairer

Fraud Award
Insurance Post Fraud Award winners

£2m
Fighting fraud
Machine learning is identifying fraud, saving c.£2m per year

New product launch
Rapidly scaled; strong early NPS; new functionality regularly deployed

Data enrichment
Enhancing products and services utilising c.150 new personalised attributes

Enhanced Customer Experience (CX)
Enhancing customer login success rate for efficient self-service

80%
Claims self-service
80% of claim types can be self-served online on new platform

Omnichannel service
Integrating service channels, improving customer & colleague experience

Driving good

Women in Data
Proudly launched Women in Data partnership

100%
Combatting climate change
100% of branded body shops are carbon neutral

Climate disclosure
130% YoY uplift in our ClimateWise score

Supporting safer roads
Proudly sponsoring Brake's Kids Walk

New website
Featuring dedicated sustainability overview

-50%
Reducing emissions
50% year-on-year reduction in Scope 1&2 emissions

Strategic Report

Chair's Statement

Fixing insurance for good

esure is a business with a bold ambition: to create the UK's leading digital insurer centred on fixing insurance for good.

It has been widely acknowledged that the insurance industry had lost sight of the people that it exists to serve – our customers. That's why in 2020 the esure team embarked on a plan to bring human values back into the fabric of what we do, using a combination of deep expertise from multiple industries, empathetic customer service and cutting-edge technology. Our scale, expertise and entrepreneurial culture make us well placed to lead this evolution, enhancing value for our customers and our business.

2022 has been a challenging year for the industry with significant claims inflation, a weak pricing environment, increased weather related home claims and motor claims reverting towards levels seen pre Covid. This is impacting profitability across the sector and esure has not been immune from that.

During the year we have traded cautiously and adopted a disciplined approach to pricing and capital management, and we will continue to do so.

However, we remain focused on the delivery of our strategic plans and believe that they remain more relevant than ever. We set out to transform esure on the back of an industry-first, flexible and data-driven technology platform. We have made significant investments in the business – and substantial progress on our path towards being an agile 'game changer' that provides products and services that truly meet our customers' needs and expectations. I am grateful for the continued support of our investor, Bain Capital, who shares our excitement about the potential of our strategy to transform esure for the better.

During 2022, we have launched our new technology platform and deployed our new Flex product. The initial data points on operational efficiency and effectiveness – and early customer feedback – have been very positive. We have continued to progress our efforts in pricing, underwriting and established our enterprise data science capability (see case study on page 14)

Culture and the Board

Forming and nurturing the right culture is a crucial part of building any successful business. At esure we've sought to blend deep-rooted insurance expertise with fresh thinking from a diverse range of digitally-advanced, customer-centric sectors, at all levels of the business. This diversity, coupled with our agile and collaborative ways of working, continue to make a positive impact on the productivity and responsiveness of the Company.

We have also continued to strengthen the Board during the year. We were delighted to welcome Elisabeth Ling as an Independent Non-Executive Director in May. Elisabeth has over 20 years' experience across a wide range of businesses – most recently at Elsevier. Her experience in product management, data and developing world-leading digital products have already been of great value.

Looking ahead

Despite macroeconomic pressures, some real progress has been made this year and on behalf of the Board I would like to thank our employees, customers, suppliers, management and partners for their continued support. We head into 2023 ready to showcase more of the work we have been doing behind the scenes which will start to visibly benefit our customers. We are looking ahead with cautious optimism.

Andy Haste
Chair of the Board of Directors

Chief Executive's Review

Challenging market backdrop

2022 has been a challenging year for UK personal lines insurance and esure has not been immune to that. Despite this we have made significant progress on our long term strategic goals.

Elevated claims inflation, unsustainably weak market pricing, increased weather-related claims and volatility resulting from the broader macro environment are just some of the challenges we and the wider industry have had to contend with. Despite this, we remain confident in our ability to deliver against the bold ambition set out within our Game Changer strategy.

We have responded to the current market pressures with a disciplined approach to pricing, with new business rates increasing by 32.8% over the year – significantly ahead of the market. As a result, we have seen a 10.8% decline in In-force Policies in the motor book, although in Home we have seen In-force Policies remain broadly flat. GWP has decreased by 9% to £736m (2022: £808m) reflecting lower volume and continued improvement in the risk profile of our motor book offset by the increase in core rate strength.

Substantial commitment to our multiyear Blueprint programme is ongoing, the cost of which is reflected in our financial performance. Additionally, a weak market environment and strong inflation has placed strain on core profitability.

Our response to these factors has been to trade cautiously, adjusting pricing strategy throughout the year, whilst continuing to prioritise long term strategic investment. We have actively managed balance sheet risk through de-risking the investment portfolio and we remain cautious in our outlook for inflation in 2023.

Significant progress against strategy and business overview

Despite the trading environment, 2022 has been a year of significant progress against our strategy to create the UK's leading digital insurer. We remain absolutely committed to our strategy and are excited by the transformative progress we have made towards our ultimate ambition.

We have launched the esure Flex product on our new technology platform and have quickly seen sales scale as we started to distribute it across all four major PCWs. Early life customer NPS data has been very positive, providing validation that we have built a smart product that meets customers' needs, alongside a simple, intuitive customer experience. Whilst still early, we are encouraged by the tangible improvement to our operational efficiency that is being driven by the new platform.

Our electronic First Notification of Loss (eFNOL) platform is now being used by customers to register claims, with the digital claims journey now fully operational for Flex customers. The claims journey has been further enhanced by the introduction of a new AI model that assesses motor claims through a self-service system, while elsewhere we are using AI to help counter fraud by identifying ghost brokers and fraudulent claims in real time.

Our strategy is clearly outlined and we have a committed Shareholder as well as an experienced Board. Our solvency coverage ended the year within the long-term operating range, and the favourable development of prior year reserves is evidence of our cautious reserving approach. Our technology investment positions us well for the future and I am confident that we are on track to build the pre-eminent pure-play digital insurer in the UK and deliver market-leading unit economics.

The transformational work that we do at esure is heavily reliant on our fantastic people and our ambitious, energetic culture, and I would like to express my sincere thanks to all my colleagues for their continuing contribution.

Inclusion, diversity and customer-centricity are central to our culture and our ambition to fix insurance for good. We continue to work towards our target of 33% female members in our senior team by the end of 2024, alongside our longer-term ambition of achieving a broadly 50/50 male/female split at each level of the business. We have combined the Chief Commercial Officer and Chief Trading Officer roles into a Chief Customer Officer role, ensuring a more customer-led approach, where Pricing and Distribution teams work productively in tandem.

Sustainability

Over the course of this year, we have continued to strive to be a responsible and sustainable business, maintaining a focus on combatting climate change and inspiring adjustments to both colleague and customer choices. With this in mind, we have now agreed, published and activated our climate strategy, centring on driving emissions reductions in line with our decarbonisation targets. I am delighted to note that our Greener Parts initiative to support esure repairers in achieving carbon savings saved c.117 tonnes of CO_2e by using recycled non-safety vehicle parts, while 100% of our branded bodyshop network has now achieved PAS 2060 carbon neutral status. We will continue to focus on new and existing initiatives aimed at combatting climate change and will continue to publish our ClimateWise disclosure annually, outlining all activity, progress and plans in this space.

Outlook

We remain cautious about the outlook for market profitability in 2023 and we will continue to maintain a firm focus on disciplined pricing and active management of our risk exposures. However, we are excited by all that we will deliver within the year ahead. Whilst 2023 will present us with its own set of opportunities and challenges, we are working to embed our new technology and processes company-wide, with their use extending to benefit more of our customers throughout 2023.

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

Enhancing Value

We are focused on delivering better outcomes for customers rewarding their loyalty and providing empathetic end-to-end claims experience all underpinned by high levels of service.

Digital Leadership

We have scale, heritage and expertise providing peace of mind to our 2.3 million customer base. We are building on this heritage in two ways:

- through the use of proprietary data combined with scale machine learning models to enhance capability across our entire business
- by investing in an entire technology ecosystem to create a leading digital insurer.

Exceptional Culture

We have strong insurance DNA throughout the organisation that has been enhanced by colleagues with a proven track record in some of the most technologically advanced industries. Our culture is increasingly centred on a continual test learn/optimise approach that drives a culture of innovation.

A Greener and Safer World

We seek to make everyday life safer and more sustainable for everyone. We are working hard to reduce our impact on the environment, to inspire more sustainable choices by customers and colleagues and to promote awareness of the importance of road safety.

What We Do

Great Value Products

Personalised products that meet customer needs. We will look to develop our new products to serve a broader set of customer needs and fuel our growth.

Excellent Customer Service

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

Effective Claims Management

Deep experience driving cost effective Claims management and delivering for customers when they need us most.

Leading Data Science and Risk Selection

Using extensive data assets and advanced data science, we have a forensic understanding of insurance risk.

Efficient Balance Sheet

Our active risk management combined with our reinsurance relationships allow us to maintain an efficient balance sheet and generate enhanced long-term returns. This is underpinned by strong underwriting capability.

Low-Cost Operations

With our focus on cost efficiency and investment in high levels of automation, we strive to deliver leading unit economics.

How we share value with our stakeholders

Our Customers
We deliver high-quality products and strong customer service, aimed at attracting and retaining customers.

RNPS 31.3 in 2022 (2021: RNPS 31)

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

Top 5 provider for the four main Price Comparison Websites in 2022

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

Employee engagement net score of 7.2 in 2022.
Read more on page 33

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

Read more on page 17

Our Communities
We contribute to the communities around us and strive to make a positive impact through fundraising and volunteering.

Read more on page 34

For further information on how we are driving value, see our strategic update on pages 13 to 16.

Strategic Framework

Our purpose

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

We are working to achieve this by building on our strong insurance heritage with game-changing innovation using industry-beating technology, insights and data, and a radical redesign of how an insurance company works, to meet the evolving needs and expectations of our customers.

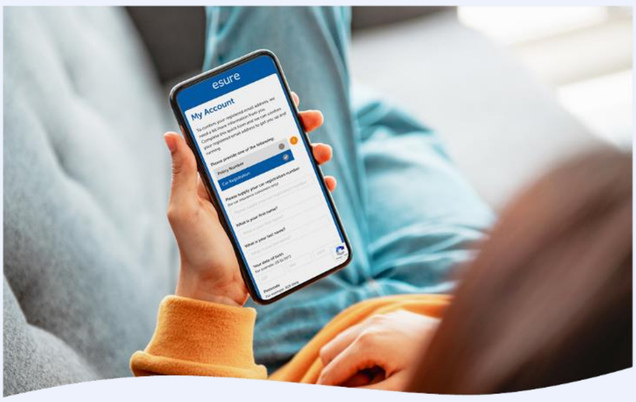
We are also focused on how we can play our part to make the world safer and more sustainable.

Strategic pillars

The four strategic pillars of our Game Changer strategy are Digital Leadership, Enhancing Value, Exceptional Culture and A Greener and Safer world and are described below:

Digital Leadership

We have the scale, heritage and entrepreneurial mindset to create the UK's leading digital insurer. With data at the heart of our strategy, we are able to build a forensic understanding of our customers and the insurance risks that we undertake.



Focus

We always strive to create easier, simpler and more seamless customer journeys. Our ability to integrate with more third parties in the insurance environment and beyond is pivotal to this, as per the Omnichannel customer service case study on page 15.

Alongside this, we are attracting top talent to further develop our data science capabilities. We are currently using a range of advanced machine learning models across our business, from pricing and claims to our customer-facing activities.

These twin focal points support our aim to provide excellent customer service and stable underwriting performance.

2022 progress

We have built a new operating platform, whilst integrating with both third parties and our own proprietary machine learning models (see Machine learning in action case study, on page 14). This platform spans the entire customer lifecycle, lowering unit cost and providing significantly enhanced customer and colleague experience.

We launched our esure Flex product on our new technology platform. The product's rapid growth, alongside very encouraging early life customer NPS data, validates the product's fit with customer needs and expectations, the quality of supporting new, intuitive customer journeys and the enhanced self-service capability we have created.

Informed by insight as to how customers want to interact with us and how we can remove friction from processes, we have transformed the end-to-end claims handling experience as a key part of our ongoing drive to fix insurance for good. See our Transforming Claims case study overleaf for more detail.

Digital Leadership case study:

Transforming Claims

Making a claim is a key moment of truth for our customers. Our ability to support customers professionally, compassionately and efficiently through a time when they need us most has a massive bearing on our ability to grow positive brand perceptions and to retain their custom.

That's why, aligned to our core purpose of fixing insurance for good, we set out to transform our end-to-end Claims experience.

Features of our new Claims experience include:

- Digital First Notification of Loss (eFNOL) with adaptive questions and pre-populated responses, informed by previous interactions with the customer, to minimise customer effort when making a claim
- Connected omnichannel customer service, passing information seamlessly across service channels (including telephone, livechat and chatbot) to enable more efficient claim handling
- Automated ingestion of the claim into our technology platform and auto-assignment to a Claims handler
- Customer led self-serve damage assessment automatically enabling repair or total loss assessment, including automatic valuation and settlement offer to customers suffering total loss
- Customers can select and appoint a repairer themselves, improving speed, giving greater customer control, enabling end-to-end straight-through-processing for simple claims.

Customer feedback to these changes has been very encouraging. We have also seen strong growth in the percentage of Claims initiated digitally and anticipate driving further growth in this metric as we continue to promote the capability amongst our customers.

Machine learning in action

All of our customers interact with machine learning operations (MLOps) in some form. We have a dozen proprietary machine learning models currently in operation across various parts of the business, all built by our in-house data scientists, and we will be rolling out several more throughout 2023.

How we are leveraging machine learning across the business:

MLOps has provided the framework for us to deliver almost any algorithm into production, benefitting our customers and the business. With the majority of the industry using third party paid-for software to do this, we eliminate any constraints in terms of how we solve problems and any dependence on other businesses' product roadmaps to increase sophistication. This means we are applying techniques today that most of our peers cannot.

For both new business and retention pricing, our machine learning models ingest c.150 additional customer attributes and datapoints, beyond those typically considered within our industry, to deliver fairer, more accurate pricing, across our brands. Enhanced accuracy of pricing is driving better outcomes for customers and improved retention, whilst better understanding of risk profiles is enabling us to expand our footprint through increased quotability.

For Claims, machine learning is driving operational efficiency and ensuring the most appropriate levels of customer service. We are using machine learning to triage claims, identifying cases which are likely to be more complex and funnelling through to specialist claim handling experts in order to better support customers and close cases faster.

Machine learning also helps us prevent fraud. Our models identify higher likelihood fraud cases, which are then assessed by specialist fraud teams. The model has proven to be more predictive than traditional processes, delivering significant commercial benefits.

Enhancing Value

Our focus on enhancing value is centred around delivering better outcomes for customers and colleagues, which in turn strengthens our positioning and success as a business.

Customer research and data are the bedrock of esure, informing all we do. We have multi-disciplinary customer squads which, supported by the flexibility of our technology platform, are able to quickly turn insight into action. Our new esure Flex product recognises that every customer has specific individual needs and enables customers to simply tailor their product to better fit their requirements.

Focus

We seek to enhance value in a way that powers sustainable growth. To drive new customer acquisition, we are cautiously expanding our competitive footprint. For existing customers, we are focused on delivering excellent service experience, inspiring loyalty, and increasing engagement over the policy lifecycle.

Efficiency and risk selection are central to our approach to enhancing commercial value and margins. This involves a relentless focus on driving down our unit cost from automation of key processes, close integration with key partners, leveraging machine learning and through excellent risk management, underwriting and fraud control.

2022 progress

2022 saw us continue to make strong progress in enhancing value to customers, as evidenced by our award-winning customer service, our enhanced omnichannel customer service offering (see case study, below) and new esure Flex product launch. Relational NPS was 31.3 in 2022 and will continue to be used as a measure going forward. At this stage our new platform supports over 54,000 customers with our Flex product. By the end of 2023 we expect our new technology extending to benefit more of our customers throughout 2023.

Enhancing Value case study:

Omnichannel customer service

Our ambition:

When we created esure Flex, we wanted to create an exceptional digital first customer support model, delivering seamless, connected and delightful experience for our customers. We wanted to create an intuitive, responsive, unbeatable digital platform from which to provide effortless service that eradicates all-too-familiar customer pain points, and just makes things easy, for both customers and our service colleagues.

What we did:

We partnered with Amazon Connect to move the operation to a digital first, omnichannel footing, and to do so at pace. We then implemented a cloud-native technology platform across all channels, covering multiple value streams including service, claims, and sales, transforming the way we connect with our customers.

Our customer support channels have been fully integrated on our online portal, combining chatbot, live chat and voice in one place. The combination of these channels ensures that customers can easily interact with us and access information. Should a customer need to switch channels, e.g. moving from live chat to speaking to a service colleague, all context of the customer's request and history is retained in-journey, removing friction and repetition for the customer whilst better enabling our colleagues to quickly resolve customer requests.

Benefits delivered:

- Enhanced customer service: Unification of previously separate service channels across the enterprise creates a single and connected journey for customers. When a customer moves across contact channels their history and context is retained, reducing the time taken to complete customer interactions, providing more efficient service. Customers are able to get the support they require, in the channel of their choice, without repeating themselves, as they seamlessly pivot from one channel to another.
- Better use of self-service: The new platform gives greater ability for interactions to move to more appropriate, efficient channels e.g. from voice to web, or live chat to chatbots. Customers are getting the help they're looking for, in the most appropriate channel, and we're able to drive down cost.

Exceptional Culture

esure's culture has been the key to our success and our status as an industry disruptor. This will continue to be pivotal as we deliver our Game Changer strategy.

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 innovative insurance products and an outstanding customer experience.

Focus

Attracting diverse talent remains a major focus. At esure, you will find people with deep-rooted insurance knowledge working alongside data scientists and machine learning experts, drafted in from more digitally advanced sectors. Together they adopt an agile sprint approach, launching minimum viable products, testing, learning and improving in a continuous progressive loop, helping us to derive maximum value from our technology and data platforms.

Customer data, testing and insight are fundamental to all we do. Only by obsessing about how to better understand customers' wants, needs, expectations and frustrations, both today and in the future, can we truly fix insurance for good.

2022 progress

We have continued to attract top talent to esure, diversifying our team and growing our capability. We also signed off an ambitious Inclusion and Diversity agenda to ensure the experiences of all our colleagues better reflect those of the customers we serve. We are proud members of Women in Data, using our partnership to share our expertise with Women in Data members and as a means of recruiting top female data talent.

Our customer obsession has been further strengthened by our new customer design and experience capability hub, which now tests new ideas and concepts with customers on a weekly basis, and which will inform the design of our future propositions.

Finally, we have fully embedded agile, digital ways of working, centred on continual experimentation and innovation. We have launched a suite of esure academies to help all of our colleagues adapt to these ways of working, spanning Customer, Leadership, Agile, Transformation and Data.

A Greener and Safer world

We are committed to playing our part in making the world more sustainable and safer. We believe that unmitigated climate change is a key risk for the 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.

Focus

Aligned to our Climate strategy (see ESG section on page 30 for full details), we are focused on reducing our impact on the environment by driving carbon emissions in line with science-based targets aimed at limiting warming to 1.5°C. We are focused on doing so across our own operations, our supply chain and emissions related to our investment portfolio. We also seek to inspire change amongst our colleagues and customers, encouraging and supporting more sustainable choices and behaviour.

Our partnership with Brake, the road safety charity, is a key means of supporting their fantastic work to campaign for safer roads, cleaner traffic and to support families touched by tragedies on our roads.

2022 progress

Within 2022, we have made great strides across multiple initiatives aimed at reducing our impact on the environment.

We have:

- Defined and published our climate strategy
- Disclosed all climate targets, activities, progress and future plans via our new Corporate website
- Ensured 100% of our branded body shops achieved net neutral status as of December 2022
- Offset 100% of our Scope 1 & 2 emissions, whilst we continue to focus on driving true emissions reductions
- Used renewable electricity throughout 2022 (our first full year doing so)
- Published our 2022 ClimateWise disclosure
- Sponsored and promoted Brake's Kids Walk, for the second year running. Over 90,000 primary schoolchildren took part in this year's event, campaigning for safer roads and cleaner traffic.

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 2.3 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 Blueprint programme is building an advanced digital platform. The speed and flexibility of the platform will enable a low cost personalised customer experience that will use advanced data science to optimise customer service, will aid the expansion of propositions offered and the 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
2022

In-force Policies (m)
2.32m
2021: 2.54m

Turnover* (£m)
836m
2021: 908m

Net Revenue* (£m)
536.1m
2021: 577.6m

Retention Rate (%)
71%
2021: 71%

Quality
2022

Net Loss Ratio (%)
80.4%
2021: 71.8%

Unit Cost (£)
£90.58
2021: £93.13

Employee Engagement
7.2
2021: 7.1

Digital Contact Share
53.78%
2021: 42%

Complaints (% of policies)

1.0%

2021: 1.0%

Referrals to the Financial Ombudsman (% of policies)

0.03%

2021: 0.03%

Combined Operating Ratio (%)

111.9%

2021: 101.1%

Returns

2022

Trading Profit (£m)

47.9m

2021: 84.8m

Profit Margin (%)

9%

2021: 15%

(Loss)/Profit After Tax* (£m)

(29.1)m

2021: 7.7m

Underlying RoTE (%)

13%

2021: 24%

Solvency Coverage (%)

149%

2021: 188%

*International Financial Reporting Standard Metric

A year of disciplined trading against a competitive market backdrop, heightened claims inflation and severe weather. The Group prioritised pricing and underwriting discipline and the execution of its Blueprint programme above short term policy growth.

Financial highlights

Against a backdrop of unsustainable market profitability and continued weak market pricing, the Group took a decision at the start of the year to pursue a disciplined rate plan to price for both the return of more normal claims frequency following two years affected by Covid and the heightened levels of inflation impacting UK motor insurance. As a consequence, the Group's total in-force policies decreased 8.7% from 2.54m to 2.32m. The reduction was primarily driven by Motor which decreased 10.9% from 1.93m to 1.72m whilst Home remained broadly stable at 0.61m.

Group Turnover also decreased 7.9% from £908m to £836m due to lower motor volumes, partially offset by higher average premiums and instalment income as a result of price increases.

Group Trading Profit, esure's measure of underlying long term profitability, reduced 44% from £84.8m to £47.9m due primarily to the return of higher claims frequency following Covid, heightened motor claims inflation and the impact from severe weather on the home account.

Group Profit before tax reduced from a profit of £5.2m to a loss of £42.2m, after incurring:

- £61.3m of expenditure related to the Group's Blueprint transformation programme and;
- A further £10.6m of exceptional investment losses resulting from volatility in the investment markets.

Group solvency coverage is within our target operating range at 149% (2021: 188%) with the decrease largely driven by continued investment in the Group's technology platform.

Financial Summary

Year ended 31st December 2022 £m	2022	2021 Restated
In-force policies	2.32	2.54
Turnover	836.0	907.7
GWP	735.7	807.6
NEP	405.1	443.2
Motor	99.4	108.0
Home	-6.5	19.0
Central	-45.0	-42.2
Trading profit	47.9	84.8
Exceptional investment losses	-10.6	-1.3
Non-trading costs	-68.3	-67.6
Finance costs	-11.2	-10.7
Profit before tax	-42.2	5.2
Loss Ratio	80.4%	71.8%
Expense Ratio	31.5%	29.3%
Combined Operating Ratio	111.9%	101.1%
Unit cost	£90.6	£93.1
Profit margin	8.9%	14.7%
Return on tangible equity	13%	24%
Solvency Ratio	149%	188%

Motor Trading

Year ended 31st December 2022	2022	2021 Restated
In-force policies (m)	1.72	1.93
Trading profit (£m)	99.4	108.0
Reported Net Loss Ratio (%)	78.5	73.6
Prior year reserves release (%)	11.2	7.2
Current accident year Net Loss Ratio (%)	89.7	80.8

In 2022 the motor insurance market was characterised by soft pricing particularly in the first half of the year as the market navigated the new FCA pricing regulations that took effect from January 2022. Drivers returned to the roads following two years in which claims frequency was reduced as a result of Covid related restrictions. While heightened claims inflation emerged in the latter part of 2021, it took until the second half of 2022 for many market competitors to reflect this in pricing.

Throughout this period, the Group prioritised both a reduction in the risk profile of business written and underlying pricing adequacy over volume, increasing rates by 21.8% across the year, ahead of the market average. This resulted in in-force policies reducing 10.9% to 1.72m.

While written premiums started to benefit from this pricing activity, the full impact will take time to be reflected in the income statement and, as a result, profitability was held back by the impact of claims inflation incurred during the year. In line with the market, esure experienced most acute levels of inflation across damage loss costs and second-hand car prices. The motor portfolio saw its current accident year Net Loss Ratio increase 8.9pts during the year as a consequence.

The Board continues to adopt a prudent approach to setting claims reserves and, despite the inflationary pressures, this was evident once again in the strength of movement in prior year reserves. 11.2pts of prior year reserve releases benefitted the income statement as uncertainties associated with the Covid pandemic and CLA whiplash reforms eased.

Home Trading

Year ended 31st December 2022	2022	2021 Restated
In-force policies (m)	0.61	0.61
Trading (loss)/profit (£m)	-6.5	19.0
Reported Net Loss Ratio (%)	91.3	59.0
Severe weather above expectation	-14.6	1.0
Prior year reserves release (%)	2.2	12.9
Current accident year attritional Net Loss Ratio (%)	78.9	72.9

The home trading environment was characterised by new entrants to the market deploying pricing levels well below historic norms to build market share. Market pricing, therefore, remained soft throughout the year, albeit claims inflation remained less acute than motor. 2022 did experience severe weather however, particularly in Q1 (storms Dudley, Eunice, Franklin), the dry weather over the summer leading to a surge year for subsidence claims and a severe freeze event in December. The combination of these events resulted in weather related claims exceeding our expectation of long term average which has impacted the loss ratio by 14.6% (2021: benefit of 1.0%).

esure maintained pricing discipline throughout the year balancing margin with scale across the portfolio. In-force policies remained broadly flat whilst trading profit reduced predominantly as a result of severe weather and subsidence claims.

Central

Year ended 31st December 2022	2022	2021 Restated
Central	**-45.0**	-42.2

Total Central costs for 2022 remained stable at -£45.0m (2021: -£42.2m) reflecting primarily Head Office functions and facilities costs.

Profit before tax

	2022 £m	2021 £m
Trading profit	**47.9**	84.8
Exceptional investment performance	**-10.6**	-1.3
Non-Trading costs	**-68.3**	-67.6
Finance costs	**-11.2**	-10.7
(Loss)/profit before tax	**-42.2**	5.2

Investment income & exceptional investment performance

The Group deploys a conservative investment strategy with the primary objectives of capital preservation and maintaining liquidity. Through better alignment of the investment 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.

In the short term, the rising interest rate environment resulted in a degree of volatility for our 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 has been restated to remove these exceptional investment losses. These losses primarily relate to valuation movements arising from the impact of the increase in the interest rate environment on bond portfolios held as fair value through the profit and loss account. The majority of these losses were realised during the year as the Group continued to reduce the level of risk within the investment portfolio. In 2022, exceptional losses reported through the profit and loss were £10.6m (2021: £1.3m). While the rising rate environment resulted in short term volatility, the average yield available on reinvestment on the bond portfolio at the end of the year had increased by c.3.4%pts compared to a year earlier.

Non-trading costs

The Group continues to execute against the Blueprint programme with 2022 being another year of significant progress. A further £61.3m of costs were incurred (2021: £67.6m) with a total level of spend of £142m since the programme started in 2021. The expenditure, which is not expected to be a permanent feature of the Group's cost base, relates to business and technology environment that is focused on delivering operational efficiency and excellent customer experience. The benefit of this is starting to emerge with over 54,000 customers having bought the new esure Flex product that is supported by the new operating platform.

Finance and other costs

The Group incurred £11.2m in finance costs, of which £8.8m (2021: £8.8m) related to the £125.0m 6.75% ten-year Tier 2 Subordinated Notes issued on 19 December 2014 ('the Notes') with the remainder mainly linked to reinsurance arrangements. 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, the Group reduces the impact that an event can have on its capital position and its underwriting results in both Motor and Home. The Group's reinsurance programmes are due for renewal annually on 1st January and 1st 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 2022, the Group also had 40% whole account quota share reinsurance in place with various long standing reinsurance partners (2021: 40%).

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 minimising volatility and the prevailing cost and the availability of reinsurance in the market. Our capital management approach considers the proactive use of reinsurance to protect against downside risks and manage our business effectively.

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 149% with Eligible Own Funds of £389.6m at 31 December 2022 (2021: 188% and £497.1m). The decrease in the year was largely driven by the continued investment in the Blueprint programme. The Solvency Capital Requirement decreased to £260.7m (2021: £264.3m), reflecting the development of the business.

The Group's capital position is outlined below:

	2022 £m	2021 £m
Own Funds	**389.6**	**497.1**
Tier 1	259.2	370.9
Tier 2	130.3	126.2
Solvency Capital Requirement	**260.7**	**264.3**
Coverage Ratio	**149%**	**188%**

Dividend policy

The Board considers issuing dividends to its Shareholder if the Group has excess capital and distributable reserves. The Board considers a number of 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 Company paid a dividend of £2.0m during 2022 (2021: nil).

Outlook

The Group expects market conditions to remain competitive in 2023 with high levels of on-going uncertainty in the insurance market relating to three key themes:

1. Market pricing: in particular, 2023 will be the first renewal cycle for new business written post implementation of the FCA Pricing Practices regulations
2. Claims inflation: Dependent on political and economic backdrop, but likely to remain a significant feature into 2023
3. Civil Liability Act (CLA): Impact on small personal injury claims will become clearer as delays in submission of medical reports for represented claims reduce and costs allowable for secondary injury claims are clarified through the Courts.

Despite this uncertainty, the Group is well-placed to deliver against its long term strategic objectives. The disciplined approach to pricing taken during 2022 is expected to continue in 2023. Furthermore, towards the end of 2023 and into 2024, the Group expects to benefit increasingly from the operational improvements delivered from the Blueprint programme with the new operational platform expected to support the majority of the Group's customer base by the end of 2023. The Group will continue to actively manage its risk profile in order to preserve capital availability for its strategic investment programme.

Risk Management

Our strategy is supported by well-articulated strategic risk objectives which themselves are supported by measurable statements of risk appetite, all of which are owned by the Board. These are used to monitor and control actual and prospective risks and to inform key business decisions.

Our Enterprise Risk Management (ERM) 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 opportunities and 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 forward looking 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 standard formula for regulatory capital setting;
    - Risk Appetite process;
    - Material and emerging risk processes.

Risk governance

We manage risk through the use of the three lines of defence 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 Risk Committee of the Board can be found in the Governance section pages 55 to 56.

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.

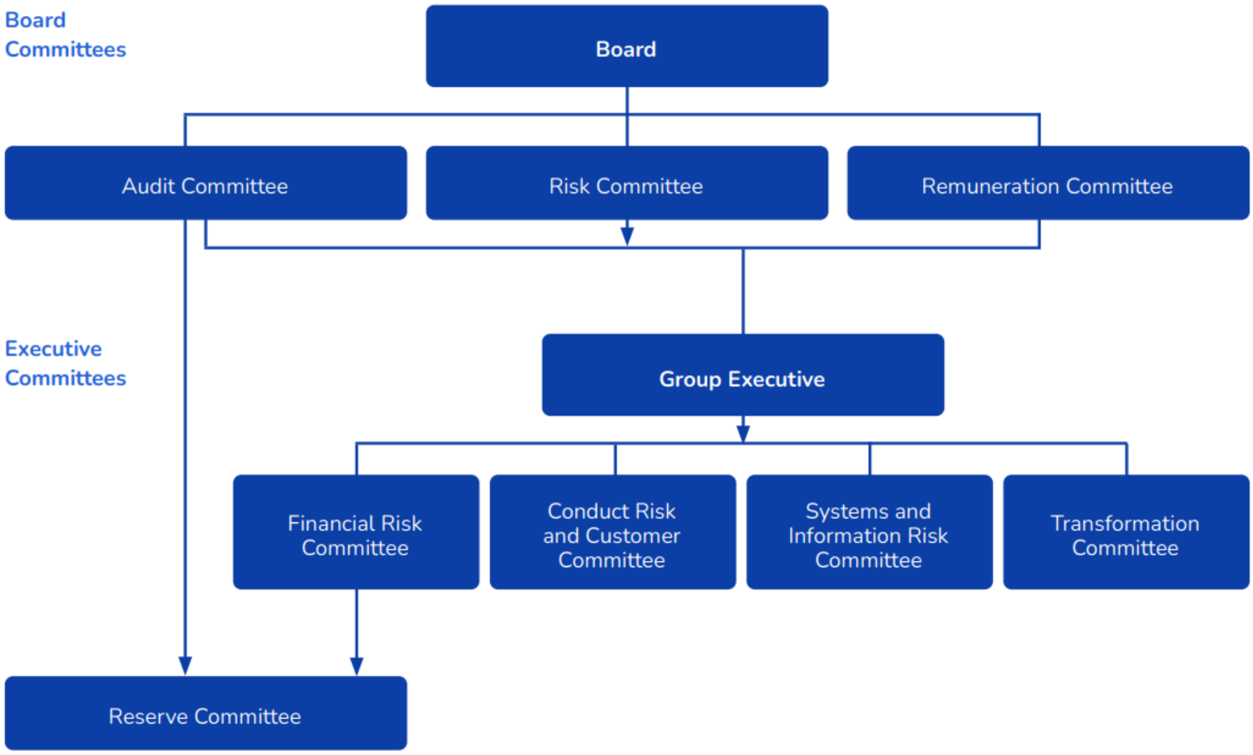
3rd Line – Internal Audit function that provides independent assurance

- 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 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:



Strategic Risk Objectives and Risk Appetite Statements

The strategic risk objectives and risk appetite statements align to the strategy and enterprise risk management framework and inform the way we think about risk within the business. These provide the basis for the Group's strategic decision making and business planning.

They are split into key risk themes with supporting Key Risk Indicators which incorporate a range of quantitative and qualitative measures of risk, against which the actual or planned exposures and uncertainties are monitored. This monitoring is reflected in regular reporting to the Executive Committees, Group Executive Committee, the Risk Committee and the Board.

The strategic risk objectives and strategic risk appetite statements can be found below:

Key risk theme	Risk objective	Link to principal risks
Financial Sustainability	We aim to manage financial risks to ensure the Group can continue to trade sustainably and has the ability to grow profitability over the medium term.	• Underwriting Risk • Market Risk • Credit Risk
Solvency & Liquidity	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.	• Solvency & Liquidity
Customer	We ensure 'fair outcomes' for our customers by having a customer centric strategy and culture with a strong focus on customer centric product design, sales processes, services and claims delivery.	• Conduct Risk
Operational Risk & Reputation	We manage our operational risks to ensure we prevent significant disruption to our services and failure to adhere to regulatory or legal requirements.	• Operational Risk • Change Risk • Conduct & Regulatory

Principal risks

	Risk	Mitigation
Underwriting Risk Pricing Reserving Catastrophe	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 are currently facing into 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) and the Civil Liability Act (2020); and potential shifts in customer behaviour as they adapt to the heightened cost of living.	• Reinsurance protects the business from individual large losses, catastrophe events, adverse reserve development and adverse loss ratio movement. • We operate continuous monitoring of the external environment to understand and react to the changing market dynamics. • Claims management processes are designed to ensure that there is strong customer service, management of claims costs and management information to understand claims trends. • Financial and risk monitoring processes ensure our business profile remains within risk appetite. • A cautious approach to Reserving Risk means we hold a margin above the Actuarial Best Estimate. In addition, independent external actuaries assess the adequacy of the Group's reserves.
Market Risk Interest Rate Equity Spread Concentration	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 rises by central banks; and geopolitical developments such as the Russian invasion of Ukraine. 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	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	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	• 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.

	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.	• 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	**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 the ambitious change programme associated with our Blueprint transformation. Once 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.	• 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	**Definition** Change risk is the loss or adverse impact due to an inability to deliver change effectively, uncertainty in the outcome or impact on current business operations. **Current risk profile** We expect elevated levels of change risk in 2023 arising from the Blueprint programme. As we enter our fourth year of commitment to the programme, we have further embedded risk management.	• A dedicated Transformation Office runs in parallel to business as usual. Our own specialists are supported by external implementation partners and consultancies. • Independent assurance continues to be provided by an external change risk consultancy.
Conduct and Regulatory Risk Legal & Political Compliance Regulatory	**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. The recent implementation of the FCA GIPP has been embedded well within the business and we are well placed to effectively implement the new Consumer Duty regulations by July.	• 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. • 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.

Climate risk

Climate risk includes risks stemming from trends or events caused by climate change. The risk can broadly be categorised into two drivers of risk - Transition risks and Physical risks as described below:

- Transition risks: risks that arise from the transition to a low-carbon and climate resilient economy.
- Physical risks: risks that arise from the physical effects of climate change.

The Group monitors and manages climate risk as a cross-cutting risk considered within the principal risks in the table above and it is integrated into the Risk Management Framework.

The Board considers climate risk can become material in the longer term, due to:

- Underwriting risk: the risk of reinsurance capacity reducing if there are more frequent and more extreme events impacting reinsurers.
- Strategic risk: the transition to a low-carbon economy could reduce demand for motor insurance products and services.

Further details on Climate change can be found in the ESG section on pages 30 to 35.

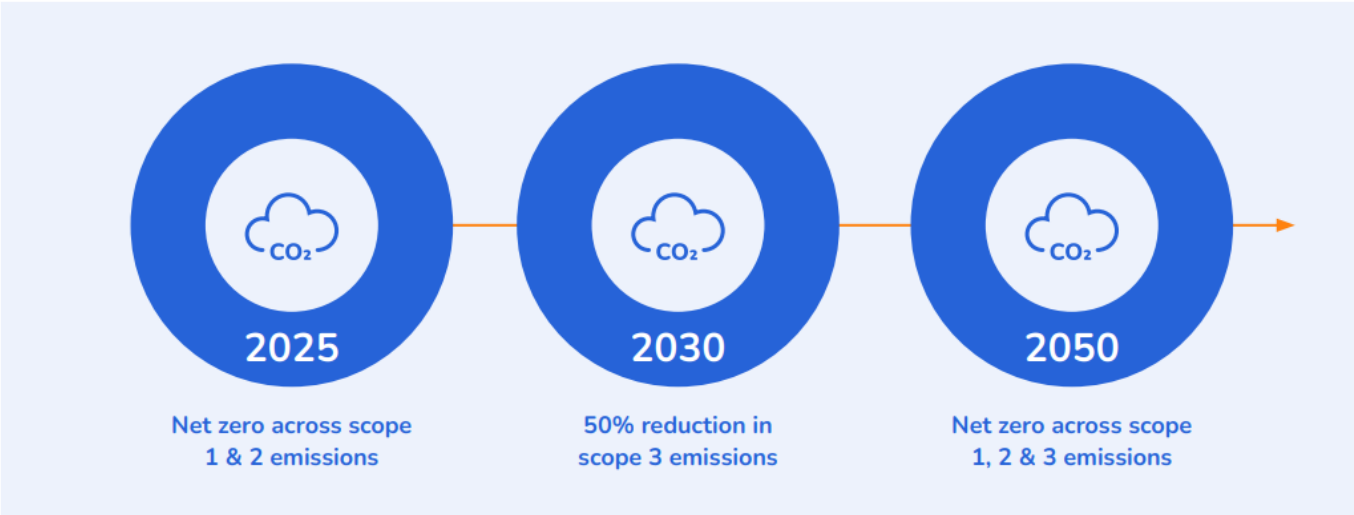
Environmental, Social and Governance (ESG)

esure Group believes the consideration of Environmental, Social & Governance risks and opportunities is important to deliver sustainable, long-term value creation. We want to be a powerful force for good for our customers, colleagues, the communities we are proud to operate in and for the environment more broadly. We are committed to being a socially responsible and sustainable organisation. We have incorporated this ambition into our Game Changer strategy.

Environment

We are committed to playing our part in helping the UK become a sustainable, low-carbon economy as prioritised by the UK government's firm commitment to transition the economy to net zero by 2050. 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 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.



Key progress

In 2022 we have:

- Updated our carbon footprint for the business, including all scope 3 emissions relating to supply chain and our investment portfolio.
- Defined our Climate Strategy, restating our targets aligned to decarbonisation necessary to limit warming to 1.5°C. It has two key priorities:
    - Reducing emissions across all areas of our business
    - Inspiring change amongst our customers and colleagues; encouraging and supporting more sustainable choices that reduce their impact on our climate

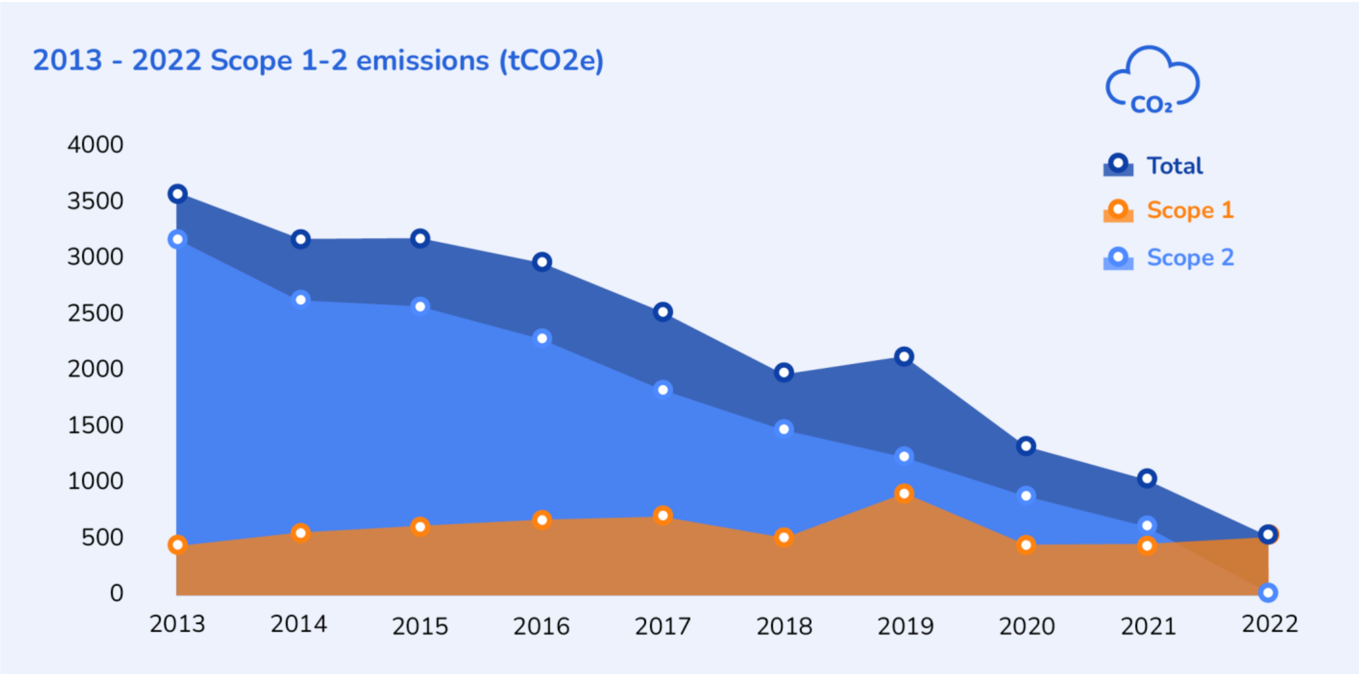
  Our full climate strategy can be found at www.esuregroup.com/sustainability/action-on-climate-change
- Further developed our Responsible Investment Policy to determine a pathway to meet our investment portfolio carbon intensity goals
- Further enhanced our approach to climate risk management, including scenario planning within the ORSA
- Developed an Electric Vehicle (EV) strategy, recognising the importance of helping customers looking to transition to EVs
- Maintained strong focus on more sustainable motor repairs, through use of recycled non-safety parts and worked to ensure 100% of our branded repairer network achieved net neutral status by end of 2022
- Chosen to invest in global initiatives to offset our prior year scope 1 and 2 emissions, whilst continuing to maintain primary focus on driving emissions reductions

- Supported disclosure to inform and drive progress. We recognise collaboration, engagement and disclosure are critically important to driving the collective action needed to combat climate change
- We are active members of the ABI, including the Zero emissions vehicle working group
- We disclose details of our climate-related areas of focus, supporting initiatives and progress to ClimateWise, an independent global network of leading insurance industry organisations, and use ClimateWise's assessment of our efforts to inform future plans to accelerate progress
- Our new corporate website features a dedicated Sustainability section where we set out our sustainability ambition, strategy, targets and all of our initiatives aimed at combatting climate change www.esuregroup.com/sustainability/our-sustainability-ambition.

Reducing our emissions

We have been working to reduce our emissions and have achieved an 85.9% reduction in our Scope 1 and 2 emissions against our 2013 base line.

Our total Scope 1 and 2 GHG emissions, and our emissions intensity, reduced significantly between 2021 and 2022, by 49.7%. This has been driven by our Scope 2 reductions, with 2022 being our first full year of using 100% renewable energy, having switched to renewable energy in October 2021. Our Scope 1 emissions have increased by 13.1%, returning toward, but remaining below, typical pre-pandemic levels.



The table below represents the 2022 greenhouse gas (GHG) reporting on esure Group plc's UK operations, alongside 2021 comparative data

Emissions from:	2022		2021	
Tonnes of carbon dioxide equivalent (tCO_2e)	Scope 1	502	Scope 1	444
	Scope 2	3	Scope 2	559
	Total	505	Total	1,003

Company's chosen intensity measurement	tCO_2e/£m Turnover	tCO_2e/£m Turnover
Turnover	£836m	£908m
tCO_2e/£m Turnover	0.60	1.11

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 emissions 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.
Emissions data quality: The quality of the data used for the emissions footprint calculations has been rated as 'good', 'average', 'poor' or based on benchmarks. Around 99.7% of emissions in the footprint were based on 'good' quality data; this is a weighted percentage according to contribution by the emissions source.

kWh Energy Consumed	Electricity	Natural Gas	Transport and other	Total
2022	3,558,660	1,740,151	107,333	5,406,144
2021	3,520,538	1,817,994	35,023	5,373,555

Operations: Reducing the carbon footprint of our office operations

- We sent zero waste to landfill or incineration in 2022. We recycle as much of our waste as possible and, in the event we cannot, we use our waste to create refuse-derived fuel.
- We continue our work to move to digital systems, reducing our paper demand across our business. 95% of new Motor customers opt for e-fulfilment (digital documentation), as do 89% of new Home customers. Of our total in-force policies, 81% of customers opt for digital documentation over paper.
- Using recycled parts: We continue to work with our suppliers to increase the use of recycled car parts for repairs in non-safety-critical applications, e.g. vehicle doors, tailgates, lights and bumpers. We have established a UK-wide programme by working with suppliers to enhance the availability of parts, building a distribution network and establishing appropriate standards. As of Oct 2022, we fitted 3,918 recycled parts which we estimate has resulted in savings of c.117,000kg CO_2e.

Responsible Investment Strategy

Our commitments

We have committed to investing responsibly and considering the long-term impacts of our investment decisions. This includes committing to integrating ESG factors when evaluating investment risks and opportunities, to support sustainable growth and the transition towards a low-carbon economy.

We have defined the following objectives and tolerance levels to focus our attention on the long-term reduction of the carbon intensity of our investment portfolio:

- Make our investment portfolio net carbon neutral by 2050, and achieve a 50% reduction in the carbon emission intensity of our portfolio by 2030;
- Enhance the consideration of ESG issues in our investment analysis and decision-making processes;
- Retain and expand exposure to companies and other issuers making positive progress with their carbon emissions intensity trajectories and progress on other ESG initiatives;
- Engage in open dialogue with our asset managers about their approaches to responsible investment and ensure they incorporate ESG factors and KPIs into their investment analysis and decision-making processes;
- Encourage our asset managers to seek disclosure on ESG issues by the entities in which we invest, and use it to encourage positive ESG behaviour; and
- Track meaningful metrics and analysis on holdings, including ESG scores, carbon intensities and temperature pathways/trajectories.

Key progress

We have set our milestones and trajectory to deliver against our 2030 and 2050 targets.

We have moved an element of our surplus funds into less carbon-intensive assets as part of our regular review of investment risk vs reward analysis, which has had the effect of reducing the overall carbon emissions from our investment portfolio.

Future plans to deliver our Sustainability Ambition

- We will continue to publish our ClimateWise disclosure and use their assessment to inform our future plans to accelerate progress.

- We continue to focus on reducing the emissions we have control over, and to work closely with our partners where that control is shared. For those emissions we cannot yet remove, we intend to offset 110% of our prior year's Scope 1&2 emissions on an ongoing basis.
- We will set milestone targets for emissions reductions specific to Operations and Supply Chain, alongside those already agreed for Investments, to enhance the rigour within our transition plan.

Social

We aim to be a positive force for good within society both in terms of how we support our people and how we support the communities we proudly serve and operate in.

Our People

As of 31 December 2022, the Group employed 1,538 (2021: 1,672) people across three offices in Glasgow, Manchester, and Reigate.

Engaging our people

Our people are our strength, supporting us to transform our business and fix insurance for good. Strong insurance heritage and expertise are enhanced by a diverse range of colleagues committed to delivering fantastic products, service, and experiences for our customers. Our Transformation team has been hand-picked to provide the skills needed to develop innovative insurance products and an outstanding customer experience. You will find people with deep-rooted insurance knowledge working alongside data scientists and machine learning experts, drafted in from more digitally advanced sectors. We are passionate about developing and maximising the potential of all our colleagues and continue to invest in a range of development programmes.

People engagement has always been important for us and continues to be a vital part of our overall colleague proposition, particularly as hybrid working becomes our norm. Our modern 'continual listening' approach to colleague feedback, supported by our monthly engagement survey allows us to regularly capture the views and experiences of our colleagues, which inform the development of local and company-wide initiatives. We have maintained an aggregated survey response rate of 92% and seen a small improvement on our overall engagement score in December 2022 compared to December 2021.

Equity, Inclusion and Diversity

We want to be a truly inclusive and diverse organisation. We want to create an environment where people from all backgrounds and beliefs feel respected, are treated equally, and can thrive. It is important for us that our colleagues' perspectives and beliefs reflect the breadth and diversity of the customers we serve. A diverse and inclusive workplace is also critical to enable us to attract and retain the best talent, reduce risk, and improve decision making.

Our Board Equity, Inclusion and Diversity Policy (I&D Policy) reinforces our commitment to promote equity, inclusion, diversity, and fairness. It includes commitments to:

- Ensure inclusion and diversity are part of everything we do, from how we treat customers to how we work together every day as colleagues;
- Work to a target of 33% female members in our senior team by the end of 2024 and to achieve our longer-term ambition of having each level in the organisation as broadly 50/50 male/female; and
- Create an environment that nurtures individual differences and ensure that the contributions of all colleagues are recognised and valued.

Key progress in 2022

- We have re-written our job adverts to ensure there is no biased language and we advertise on diverse job boards;
- We have introduced inclusive hiring manager training, a stronger focus on diverse shortlists and new recruitment principles for senior roles, including a panel-based assessment to help protect against bias;
- We sponsored a number of inclusion-based events to demonstrate our commitment to important causes, not only to colleagues but across the insurance sector. We were a sponsor of Link Insurance Pride 2022; 50 over Fifty, an initiative working to make Insurance a more age and gender inclusive industry; and a partner of Women in Data, a movement and a force for change in the realm of data science and analytics; and
- We have produced our first Ethnicity pay gap report.

At 31st December 2022, we had the following diversity split:

55% of our colleagues are male (2021: 52.5%), 45% female (2021:47.5%). Within our senior team, 31% are female (2021: 32%).

Ways of working

The world of work is changing, and we want to lead the way.

We have implemented a hybrid working model for all colleagues that combines remote working with using our offices in a different way. Our offices now provide a technology enabled working environment which can be used for collaboration, training, project work and team building.

We have also signed the ABIs 'Making Flexible Work charter' to increase flexible working and support more women into senior roles.

Recognition and Reward

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

- We are committed to lifting the salaries of our lowest-paid colleagues. We have done this through ensuring the minimum pay ranges are above the national minimum wage and are in line with the Living Wage Foundation's Real Living Wage.
- We have supported colleagues though the recent economic crisis with a package of measures. This included a five-month acceleration of base salary increases for our junior colleagues; a £500 one-off payment to colleagues earning £40,000 and below; and free meals in our offices for all colleagues throughout November, December and January.
- We have enhanced the support we offer colleagues becoming a parent. Our package of support includes the removal of any service eligibility, 26-weeks paid maternity/adoption leave, five-weeks paid paternity leave and two weeks paid time off in the event of miscarriage, pregnancy loss or neo-natal illness.

Community

We always strive to be a powerful force for good by supporting charities in the communities in which we operate, alongside those whose work directly impacts the broader insurance industry. We offer all colleagues two days' paid leave per year for volunteering.

- In partnership with Brake, the road safety charity, we sponsored Brake's Kids Walk for the second year running. The event saw over 90,000 schoolchildren from over 600 schools march for safer and cleaner journeys.
- We sponsor Run Reigate as part of our commitment to the local area in which our headquarters are based. We sponsored the race crew and had a team of colleague participants who ran on behalf of Brake.
- We are gold sponsors of AutoRaise, a charity that helps develop young talent and reverse the skills shortage within the vehicle repair industry. This has enabled us to directly support the growth of critical capabilities for electric vehicle mechanics across the repairer network. In the last quarter of 2022, we gifted some of our apprenticeship levy to individuals working in the industry to fully-fund technical apprenticeships.
- We are proud sponsors of Safe Drive Stay Alive and have supported the campaign since it started back in 2005. This is a road safety initiative that aims to empower young drivers to make safe driving choices through a series of theatre productions.

ESG Governance

The Board oversees the Group's environmental, social and governance (ESG) activity. The CEO has been appointed as the ESG Champion on the Board and the Director responsible for climate change. The Risk Committee has specific responsibility to evaluate potential emerging trends, including ESG trends. Our Group Executive team regularly monitors and assesses the current and potential risks and opportunities associated with ESG matters and progress made against initiatives and reports back to the Board at least on a bi-annual basis. A cross-functional Driving Good working group, reporting into the Group Executive Committee, defines, monitors, and implements the ESG ambitions across the business.

In 2022, the Board approved specific ESG targets related to I&D, achieving net zero across our Scope 1-3 emissions by 2050 (including our investment portfolio), ensuring the Company's branded body shop repair network achieved carbon neutral status by the end of 2022, and approved volunteering days for all colleagues to enable them to serve their communities.

The Board approved an updated ESG Policy in November 2022 and is responsible for ensuring there are effective measures in place to manage ESG matters within the Group. It continues to review the balance between the Group's long-term value creation and its impact in the short term.

Among other things, the policy:

- Ensures ESG factors are considered in all strategic decisions to make sure the sustainability of the Group's business model and aligned with our cultural aspirations;
- Monitors ESG factors in the Group's Risk Appetite Statement to ensure appropriate risk management of ESG factors;
- Promotes clear and transparent ESG reporting;
- Considers and assesses ESG matters that impact customers, colleagues, corporate partners, investors and our wider communities;
- Helps to address climate change by reducing our carbon footprint;
- Supports the integration of ESG factors in the investment of assets under management; and
- Links remuneration to ESG factors to ensure accountability.

Further details can be found in the Corporate Governance Report pages 41 to 59.

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 when performing it's duties under section 172. 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 s172 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 2022 to support those interests. Further details can be found in the Group's Business Model and in the Strategic Report on pages 13 to 16.

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. 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)

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.

How we engage:

Through:

- 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 and Trustpilot surveys

Our Response – decisions and actions taken in 2022

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, including compliance with FCA GIPP

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

Why we engage:

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.

How we engage:

Through:

- 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 Gender and diversity, ethnicity, corporate culture and values updates
- Colleague Representative Forums

Our Response – decisions and actions taken in 2022

The Board spent time on:

- Regular review of colleague engagement surveys, including employee satisfaction scores, and other colleague related MI on diversity, attrition, recruitment and sickness
- Regular consideration of talent, development and succession plans

Investors
S172 sections (a), (e) and (f)

Why we engage:

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:

Through:

- 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 2022

The Board spent time on:

- Trading strategy adopted in light of FCA GIPP and FCA Consumer Duty implementation
- The 2023 Budget Plan and updated Capital Management Plan
- Payment of dividend
- Annual Report and Accounts and Half-Year review

- A review of customer journeys including digital offerings, new product propositions and launch of the new esure Flex Motor product
- Operational performance (Sales & Service, Claims and Complaints) monitoring to ensure full compliance with regulation
- Regular review of Customer RNPS scores
- Approval of FCA Consumer Duty plan and appointment of an Independent Non-Executive Director Consumer Duty champion
- Launch of new customer support hub on commercial websites to respond to the cost of living crisis
- Review and approval of the Code of Business Conduct and Conduct Risk framework

- Considered and approved cost of living measures for colleagues in

Q4 2022

- 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, Health and Safety and enhanced Parental Leave Policies
- 2022 annual bonus plan approved by the Remuneration Committee

- Financial and Operating performance and progress against Blueprint programme delivery
- Investment and Capital returns
- Ad hoc meetings with debt investors
- 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 08 to 40
- ESG section on pages 30 to 35
- Customers on pages 13 to 15

- Colleagues on pages 33 to 34
- ESG section on pages 30 to 35
- Directors' Remuneration Report pages 57 to 59

- Strategic Report pages 08 to 40
- Corporate Governance page 41 to 59

- esure Group plc website www.esuregroup.com

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

Why we engage:

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.

How we engage:

- 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

Our Response – decisions and actions taken in 2022

The Board spent time on:
- Overhaul, 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

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

Why we engage:

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.

How we engage:

- 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

Our Response – decisions and actions taken in 2022

The Board spent time on:
- Responses to FCA, PRA, CMA, ICO, and ABI consultations and other requests
- A review of regulatory, technological and consumer trends
- Periodic summary meeting responses to the PRA
- Climate change metrics in line with PRA requirements

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

Why we engage:

Engaging with our communities is the right thing to do, is an integral part of our culture and helps drive continued 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:

- 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
- A clearly articulated Climate Strategy and commitment to annual ClimateWise reporting

Our Response – decisions and actions taken in 2022

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 contracts • Review and approval of the Supplier Code of Conduct • Approach to environmental sustainability and dialogue with supply chain including carbon footprint, and for motor: recycled parts, carbon-neutral repairer network, and electric vehicle ready network • Appropriate response and support to strategic partner with key resources based in Ukraine • Third party impact on our Operational resilience	• Operational resilience including training • Oversight of the FCA Consumer Duty implementation plan and receipt of associated training • Capital management approach • Review and approval of Conduct Risk Policy by the Risk Committee • Approval of Tax Strategy by the Audit Committee • Membership of industry bodies (ABI) to ensure active engagement in industry-wide discussions.	• Reviewing submission and results of ClimateWise reporting and agreeing ambitions for 2023 • 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 page 08 to 40 • Financial Review page 18 • Corporate Governance page 41	• Strategic Report pages 08 to 40 • Risk management pages 25 to 29 • Corporate Governance page 41	• See ESG section on page 30 and our ClimateWise report – ClimateWise Report 2022

Statement of the Directors in respect of the Strategic Report

The Board reviewed and approved the Strategic Report on pages 08 to 40 on 30 March 2023.

By order of the Board

David McMillan
Chief Executive Officer
30 March 2023

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 for our Shareholder and wider stakeholders. The Board values strong relationships with our workforce.

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 2022 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.

Wates Principles

Purpose & Leadership	Please refer to the Strategic report on pages 08 to 40
Board Composition	Please refer to our Board of Directors on pages 43 to 46, and our Governance Framework on pages 48 to 52
Director Responsibilities	Please refer to our Governance Framework on pages 48 to 52
Opportunity & Risk	Please refer to our Risk Management Report on pages 25 to 29
Remuneration	Please refer to our Remuneration Committee Report on pages 57 to 59
Stakeholder Relationships & Engagement	Please refer to our stakeholder section on pages 36 to 40 and our ESG report on pages 30 to 35

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 2022

- Strategy - consideration and revalidation of our key strategic pillars in light of key market and economic developments.
- Business performance and trading oversight – significant focus on performance and trading in an increasingly challenging economic environment; impact of inflation; and the industry's response to the introduction of the FCA's general insurance pricing practices regulation.
- Transformation programme oversight – keen focus on technology, target operating model and people capability and skills build. 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 address it, including the more formal adoption of a hybrid working model, responding to the cost of living crisis, together with resource and succession planning.
- 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 – implementing and tracking agreed actions following the externally facilitated review carried out in 2021.

Andy Haste
Chair of the Board of Directors
30 March 2023

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 20 years' experience and expertise in developing digital products and leading teams in start-ups, scale-ups and global companies. 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 Board of Suse SA and a member of the Supervisory Board of Bechtle AG.

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 Inspiring Fifty 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 Managing Director 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 Managing Director in the Financial Services and Consumer/Retail Verticals and a member of the North American Private Equity team. 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 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, Chief Strategy and Transformation Officer, Chief People Officer, Chief Claims Officer and the General Counsel & Company Secretary.

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

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

Subset of Independent Non-Executive Directors

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

Subset of Independent Non-Executive Directors

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

Subset of Non-Executive Directors

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: 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
- Approving 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
- Approval of significant Group policies
- Appointment and removal of the Chair of the Board, Chief Executive Officer, Chief Financial Officer, Chief Risk Officer, Chief Actuary and Company Secretary

Areas of focus in 2022	Key matters considered	Outcome
Strategy	• Transformation programme	• Updates at each meeting (plus additional meetings) to monitor and challenge progress, velocity, 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 • Approved Consumer Duty plan
Culture	• Colleague engagement	• CEO updates on colleague engagement scores and feedback - appropriate action agreed
	• Whistleblowing line review	• 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 2022
Operational Performance	• Operations	• Focused Board session on customer journey strategy and proposition vision
	• Claims	• Approved approach to conduct risk focused on eradicating customer pain points
	• Customer experience	• Considered impact on customers from lower service levels, remedial actions to be taken and use of third party outsource partners • 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 • Agreement of appropriate targets related to the same • Updated Equity, Inclusion and Diversity Policy and Board Diversity Policy • Published Gender Pay Gap report • 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 2022 budget and approved the budget for 2023 • Received regular updates on market environment and proposed trading response • Reviewed long term capital plans • Approved proposed 2023 reinsurance programme
Trading Oversight	• Elevated Claims inflation • Unsustainable levels of market pricing • Broader macro environment • Market response to introduction of FCA GIPP	• 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's strategy
- Monitor the Group's performance
- Satisfy themselves on the effectiveness of financial controls, risk management, consumer duty 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.

Company Secretary – Kirsty Whitehead

- Acts as Secretary to the Board and its Committees
- Ensures compliance with Board procedures and advises on governance issues
- Ensures good information flow within the Board and between the Non-Executive Directors and senior management

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 2022. 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. We were delighted to welcome Elisabeth Ling to the Board in May 2022, bringing deep data science and digital product management experience. The Board continues to focus on promoting diversity across its executive pipeline, senior leadership roles and all its employees.

Board evaluation

Following a facilitated review in 2021 which focused on key governance areas agreed with the Chair and Company Secretary, the Board agreed an action plan based on development opportunities identified. Significant progress has been made against this plan: increased focus on customer voice and customer needs, on employee talent and succession development, and a greater degree of initiative in discussing social and environmental topics; and achieving a greater balance of diversity in terms of identity, areas of expertise and share of voice.

Progress against these actions were tracked throughout the year and were formally discussed by the Board in November 2022.

Website

The Group's website www.esuregroup.com has been comprehensively updated during 2022, it 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 in 2022, 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 has focused on the appointment of Deloitte LLP and the resignation of KPMG LLP as external auditor, outstanding claims reserves, financial reporting, the effectiveness of internal controls, preparation for the introduction of IFRS 17, 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, Non-Executive Directors and the Company Secretary, 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:

- Making recommendations to the Board on the appointment / removal of the external auditor, their terms of engagement and fees.
- Agreeing the plan of 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 Company'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 the Solvency and Financial Condition Report (SFCR) and the Group Regular Supervisory Report (RSR).
- 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 2022

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.

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.

Outstanding claims reserves

Outstanding claims reserves continue 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, 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 the Covid pandemic, inflation and the Civil Liability Act.

Other matters

The Committee also considered several other matters, including:

- New accounting standards which may impact the Group including IFRS 9 and IFRS 17.
- The Group's Tax Strategy.
- Reviewing the half yearly report in line with the Walker Guidelines for publication.
- Review of the Proposed reforms to Corporate Reporting and Governance regimes under UK Corporate Governance Reform by the Department of Business, Energy and Industrial Strategy (BEIS).
- Solvency II returns to Regulator.
- Valuation of unlisted investment assets.
- The core financial controls framework for the new operating platform.
- Reviewed and approved the Committee's updated 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 incoming 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 non-audit fee policy.
- Reviewed key and emerging risks including the impact of inflation and rising interest rates.
- Reviewed and approved the Internal Audit Charter.
- Reviewed and challenged the effectiveness of the Group's whistleblowing procedures and approved the Group Whistleblowing Policy.
- Considered the Group's approach to the Legacy IT estate as part of the transformation.

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 update

As a result of the mandatory requirement to rotate external audit firms, the Audit Committee undertook an audit tender process which was concluded in December 2021 with Deloitte LLP being selected for appointment for the year ending 31 December 2022. A full assessment of the capability of Deloitte LLP was performed during the tender process and the Audit Committee will continue to review the effectiveness and independence of the external auditor on an annual basis.

The Committee oversaw the Group's relationship with the external auditor, Deloitte LLP, and will conduct an annual, formal review of the relationship, policies and procedures to ensure independence.

The Group's policy on non-audit work is updated annually and was last updated on 16 November 2022. 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 incoming 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 2023.

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 2022 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 2022. As a result of its work during the year, the Committee has concluded that it has acted in accordance with its Terms of Reference.

Andrew Birrell
Chair of the Audit Committee
30 March 2023

Risk Committee Report

The Risk Committee remained central to the Group's governance process in 2022, 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, who was appointed as a member on 30 June 2022.

The Chief Executive Officer, the Chief Financial Officer, the Chief Risk Officer, the Chief Audit Officer, Non-Executive Directors and the Company Secretary, 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 25 to 26.

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 Blueprint 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 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 and Cyber risk.
- 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 2022 and 2023 reinsurance programme for recommendation to the Board.
- Review of the upcoming Consumer Duty regulation and implementation of Board training.

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 29.

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 2022. As a result of its work during the year, the Committee has concluded that it has acted in accordance with its Terms of Reference.

Peter Shaw
Chair of the Risk Committee
30 March 2023

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 member are Andrew Birrell, Peter Shaw and Luca Bassi.

The Chair of the Board, the Chief Executive Officer, the Chief People Officer, Chief Risk Officer, Non-Executive Directors and the Company Secretary, 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, General Counsel, 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 2022 is shown below:

All Directors	Year ended 31 December 2022	Year ended 31 December 2021
Directors' emoluments	**£2,491,681**	£3,281,718
Payments in respect of pension[1]	**£137,500**	£131,585
Total	**£2,629,181**	£3,413,303

[1] Or cash supplement in lieu of pension

Highest Paid Director	Year ended 31 December 2022	Year ended 31 December 2021
Directors' emoluments	**£1,215,616**	£1,871,833
Payments in respect of pension[1]	**£90,000**	£90,000
Total	**£1,305,616**	£1,961,833

[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 2022 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 2022. As a result of its work during the year, the Committee has concluded that it has acted in accordance with its Terms of Reference.

Elke Reichart
Chair of the Remuneration Committee
30 March 2023

Directors' Report

The Directors Present their Report Together with the Audited Accounts for the Year Ended 31 December 2022

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:

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:

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 62 .

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 36 to 40.

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 2022 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 08 to 40.

Results

The results for the year are shown in the consolidated statement of comprehensive income, which can be found on pages 76 to 77.

Dividends

The Directors do not propose to recommend the payment of a final dividend in respect of the year ending 31 December 2022 (2021: nil).

Post balance sheet events

There were no significant post-balance sheet events requiring an adjustment to the Group financial position since 31 December 2022. Further information is provided in the Financial Review on pages 18 to 24.

Board of Directors

The current Directors who served on the Board, biographical details and any changes to the Board composition during the 2022 financial year and up to the date of this report can be found in the Corporate Governance section on pages 42 to 46. 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. These indemnities do not cover the Directors for fraudulent activities.

Employees and employee engagement

As at 31 December 2022, the Group employed 1,538 people of which 697 are women (45%) and 850 are men (55%). Our Board of Directors at the end of 2022 was 18% female and 82% male. Our senior leadership team comprises 52 male (69%) and 23 female members (31%). Further information on our employee engagement can be found in the People area of the ESG section on pages 33 to 34.

Engagement with other stakeholders

Details of how the Director 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 36 to 40.

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 page33.

Through an inclusive recruitment approach in 2022 we have established a more diversely skilled Group Executive team with extensive experience, and improved gender diversity at Board level with a further female Independent Non-Executive Director being appointed to the Board in June 2022.

The Board considered and approved cost of living measures for colleagues in Q4 2022.

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 33 to 34.

Human rights

The Group resides and offers its products only within Great Britain. During 2022, 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

During 2021, the Board undertook a review and tender for the audit services previously provided by KPMG. Deloitte LLP were appointed during the year as auditor of the Group for the year ended 31 December 2022. Resolutions to appoint Deloitte LLP as auditor of the Group and to authorise the Directors to determine its remuneration were proposed and approved at the 2022 Annual General Meeting. The Audit Committee considers that the relationship with the External auditor is working well 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 53 to 54.

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 page54.

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 the current economic downturn.

The key uncertainties for 2023 and beyond considered by the Board were the risks resulting from the Blueprint transformation programme, in particular relating to migration to the new platform; the 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.

The Board has reviewed the Group's projections for the next 12 months from the date of approval of the financial statement, including regulatory capital surpluses and, based on this work, 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.
- Until June 2022, the Group used a company that is controlled by Bain Capital to provide a media monitoring service.

The Group undertakes a quarterly review of related party relationships with Bain Capital. Further details can be found in the Notes to the Accounts on page 117.

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 51.

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 29. 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 53 to 56.

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
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 41 to 65, are approved by order of the Board.

Kirsty Whitehead
Company Secretary
30 March 2023

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
30 March 2023

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 of the Parent Company’s affairs as at 31 December 2022 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 and Parent company statements of financial position;
- the Consolidated and Parent company statements of changes in equity;
- the Consolidated and Parent company statements of cash flows; and
- the related notes 1 to 29 on the Consolidated financial statements and related notes 1 to 8 on the Parent Company financial statements, excluding the capital adequacy disclosures in note 17d calculated in accordance with the Solvency II regime that are marked as unaudited.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and UK 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 note 11 to the Consolidated financial statements.

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 – large bodily claims • Reserve valuation – inflation and discount rate assumptions • Valuation of intangibles
Materiality	The materiality that we used for the group financial statements was £5,800,000 which was determined on the basis of gross written premiums (GWP).

Scoping	Three entities were subject to full scope audits and one entity was subject to an audit of specified account balances. These entities account for 100% of the Group's net assets, 100% of the Group's gross written premium and 97% of the Group's loss before tax.
Significant changes in our approach	We have identified two new key audit matters in the current year, being the impacts of inflation on reserving and the valuation of intangibles assets. Unlike the previous year, we did not consider the Parent Company investment in subsidiaries as a key audit matter.

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the Directors' assessment of the Group's and Parent Company's ability to continue to adopt the going concern basis of accounting included:

- obtaining an understanding of the internal controls relating to Directors' going concern assessment process;
- assessing management's Strategic Plan and assessed management's underlying business plans and forecasts to support key forward-looking assumptions such as the Group's growth rate and discount rate given our understanding of the Group and its industry;
- evaluating the historical accuracy of forecasts prepared by management; and
- evaluating management's reverse stress testing and assessed the likelihood of various scenarios that could adversely impact upon the Group's headroom.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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 – large bodily claims

Key audit matter description	The Group's gross insurance liabilities total £1.68 billion (2021: £1.67 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 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 53 (Audit Committee Report), page 75 (Financial statements), page 86 (Accounting policies), and page 105 (Notes to the consolidated financial statements - note 18).
How the scope of our audit responded to the key audit matter	We have gained a detailed understanding of the end-to-end claims and reserving process and obtained an understanding of relevant key 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 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:
  - Comparing the selected methodology to typical market approaches, the alternatives considered and consistency to other reserving classes;
  - Testing the impact of alternative reasonable assumptions for claim development patterns and Initial Expected Burn Costs;
  - Benchmarking of the approach to market peers with respect to treatment of potential future Ogden rate changes;
  - Testing the consistency of gross and ceded reserves;
  - Reproducing model outputs using our reserving software; and
  - 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.

Key observations	We have concluded that the assumptions used in the calculation of the large bodily claims reserves are reasonable.

5.2 Reserve valuation – inflation and real discount rate assumptions

Key audit matter description	The Group's gross insurance liabilities total £1.68 billion (2021: £1.67 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 insurance reserves. 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 claims and Periodical Payment Order ("PPOs") claim types. The selected inflation will also impact the real discount rate used to measure PPOs. Refer to page 53 (Audit Committee Report), page 75 (Financial statements), page 86 (Accounting policies), and page 105 (Notes to the consolidated financial statements - note 18).
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 and real discount rate. 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 the approach and outputs, and benchmark to market peers, with regard to excess inflation; • Assess the methodology and rationale for deriving the PPO real discount rate, including the future inflation and discount rate assumptions by reference to current and future expectations of market wage inflation, the performance of assets backing the PPO liabilities and market performance of similar assets; and • Benchmark the PPO inflation assumption and real discount rate to market peers.
Key observations	We have determined that the inflation assumptions used in the calculation of all claims reserve and the discount rate assumptions used in the calculation of the PPO claims reserve are reasonable.

5.3 Valuation of intangibles

Key audit matter description	The Group's intangible assets total £21.9 million (2021: £28.7 million) on the balance sheet. Valuation of these assets and any write-off require complex judgements that are subject to high levels of estimation uncertainty. Consequently, changes in the judgements made for capitalisation can materially impact the valuation of these assets. esure is undergoing a systems implementation project (Blueprint programme), which creates an inherent risk around the costs incurred. The judgements made over whether to capitalise the costs are complex, and there is an additional incentive for management to potentially over capitalise costs in order to improve performance. There is also judgement around whether to treat these costs as software as a service arrangements (SAAS), an intangible asset or a software lease. There is a heightened risk that not all costs capitalised on the balance sheet will be fully retained and/or utilised in order for the expected revenue, loss ratio and expense savings benefits to be realised. More specifically, there is an additional risk that the initial benefits outlined in the business case are scaled back in order to facilitate faster system delivery, which could indicate an impairment was required. There is also a risk that items which are not capitalised meet the criteria where capitalisation is required. Refer to page 75 (Financial statements), page 83 and 84 (Accounting policies), and page 96 (Notes to the consolidated financial statements - note 15)
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: • Evaluated contracts with third party software providers to determine whether the recognition of Blueprint programme costs as intangible assets was appropriate; • Assessed the completeness of impairment assessment by evaluating system architecture maps, internal and external reports and meeting minutes and considering whether any additional impairment indicators existed; • Assessed the business case for the intangible asset and evaluated whether there have been any significant changes made to the platform that could compromise the expected benefit; • Tested a sample of additions to the intangibles balance including assessing the business rationale for capitalisation; and • Tested a sample of the expenses which had not been capitalised, and assessed whether their treatment is appropriate and in line with accounting requirements.
Key observations	We have determined that the judgements made around the capitalisation of intangible assets is reasonable.

6. Our application of materiality

6.1 Materiality

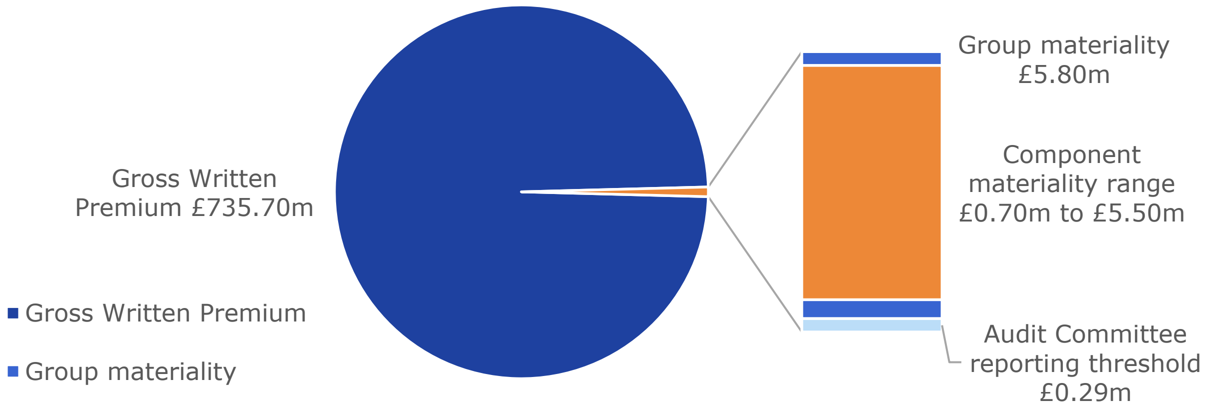
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our 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	£5,800,000 (2021 predecessor auditor: £6,200,000)	£4,900,000 (2021 predecessor auditor: £1,500,000)
Basis for determining materiality	The materiality approximates 0.8% of the gross written premium. In 2021, materiality represents 0.77% of gross written premium as determined by the predecessor auditor.	The materiality approximates 2% of shareholders' equity. In 2021, materiality represents 0.4% of total assets as determined by the predecessor auditor.

Rationale for the benchmark applied	Given that the Group's GWP balance is relatively consistent year on year and that revenue is a good indicator of performance, revenue has been chosen as the primary benchmark. The use of GWP to benchmark materiality is consistent with the industry.	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 gross written premium is scoped to a component materiality of £5.5 million. Component materiality for other entities within the scope of our Group audit ranged from £0.7 million to £4.4 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 (2021: predecessor auditor: 75% of group materiality)	65% of parent component materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: • The entity operates in a stable regulatory environment and stays fairly consistent year on year in terms of its operation • We had limited knowledge of the company's detailed operations, given that this was our first year of audit. • There were low levels of corrected and uncorrected misstatements identified in the previous years.	

6.3 Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £290,000 (2021: £310,000), 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.

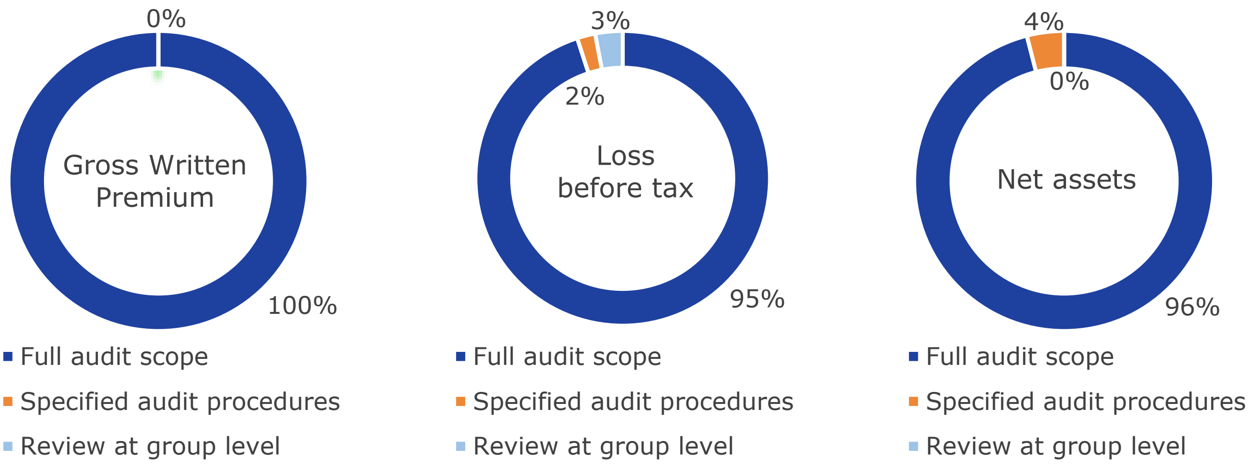
7. An overview of the scope of our audit

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 and one other entity esure Property Limited 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.

These four entities represent the principal trading and service operations of the Group and account for 100% of the Group's net assets (2021: 101% of Group's total assets), 100% (2021: 100%) of the Group's gross written premium and 97% (2021: 97%) of the Group's loss before tax. They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above.



At the Group level we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances. The 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

Our controls reliance strategy reflects the current progress of the investment being taken in the business. Consistent with the approach of the prior year auditor, we did not take a controls reliance approach for the FY22 audit. Our testing focused on new systems introduced as part of the Blueprint programme where it is expected that these new systems will replace old operating systems throughout 2023. This is referred to on page 5 (at a glance section), page 24 (outlook section) and pages 55 to 56 (other matters section of key areas of focus in 2022).

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 29 (Climate section) and pages 30 to 33 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 were 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 directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1 Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit, the directors and the audit committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - 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 real estate, tax, valuations, IT, actuaries and industry specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: reserve valuation – large bodily claims, reserve valuation - inflation and real discount rate assumptions and valuation of intangibles. 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 group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act 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, reserve valuation - inflation and real discount rate assumptions and valuation of intangibles 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 their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13. 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.

M. McQueen

Mark McQueen, FCA
Senior statutory auditor
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
30 March 2023

Financial Statements

Consolidated income statement

	Notes	Year ended 31 Dec 2022 £m	Year ended 31 Dec 2021 £m
Gross written premiums	5	**735.7**	807.6
Gross earned premiums	5	**768.1**	830.2
Earned premiums, ceded to reinsurers		**(363.0)**	(387.0)
Earned premiums, net of reinsurance	5	**405.1**	443.2
Investment return and instalment interest	6	**59.7**	71.7
Other income	7	**71.3**	62.7
Total income		**536.1**	577.6
Claims incurred and claims handling expenses	18	**(619.9)**	(658.2)
Claims incurred recoverable from reinsurers	18	**264.5**	314.0
Claims incurred, net of reinsurance		**(355.4)**	(344.2)
Insurance expenses	10	**(135.9)**	(133.8)
Other operating expenses	10	**(73.9)**	(81.1)
Total expenses		**(565.2)**	(559.1)
Finance costs	12	**(13.1)**	(13.3)
(Loss)/profit before tax		**(42.2)**	5.2
Taxation credit	13	**13.1**	2.5
(Loss)/profit attributable to the owners of the parent		**(29.1)**	7.7

The Notes on pages 81 to 118 form part of these Financial Statements.

Consolidated statement of comprehensive income

	Notes	Year ended 31 Dec 2022 £m	Year ended 31 Dec 2021 £m
(Loss)/profit attributable to the owners of the parent		**(29.1)**	7.7
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Revaluation of land and buildings	24	**(0.3)**	(0.3)
		(0.3)	(0.3)
Items that are or may be reclassified to profit or loss:			
Available-for-sale financial assets - change in fair value	24	**(64.3)**	(17.4)
Tax relating to items that are reclassified	24	**15.6**	2.9
		(48.7)	(14.5)
Total comprehensive loss for the period attributable to owners of the parent		**(78.1)**	(7.1)

The Notes on pages 81 to 118 form part of these Financial Statements.

Consolidated statement of financial position

	Notes	As at 31 Dec 2022 £m	As at 31 Dec 2021 £m
Assets			
Goodwill and intangible assets	15	**21.9**	28.7
Deferred acquisition costs	20	**50.6**	56.0
Property, plant and equipment	16	**26.1**	31.1
Financial investments	17	**1,112.7**	1,214.7
Reinsurance assets	18	**785.7**	794.8
Deferred tax assets	23	**30.7**	3.6
Insurance and other receivables	19	**357.8**	320.7
Current tax assets		**4.0**	1.7
Cash and cash equivalents	17, 21	**38.4**	94.1
Total assets		**2,427.9**	2,545.4
Equity and liabilities			
Share capital	24	**0.4**	0.4
Share premium account	24	**48.2**	48.2
Capital redemption reserve	24	**44.9**	44.9
Other reserves	24	**23.9**	71.7
Retained earnings		**153.7**	189.3
Total equity		**271.1**	354.5
Liabilities			
Insurance contract liabilities	18	**1,681.8**	1,666.8
Borrowings	17	**124.6**	124.3
Insurance and other payables	22	**343.7**	398.2
Derivative financial liabilities	17	**6.7**	1.6
Total liabilities		**2,156.8**	2,190.9
Total equity and liabilities		**2,427.9**	2,545.4

The Notes on pages 81 to 118 form part of these Financial Statements.

The Financial Statements were approved by the Board and authorised for issue on 30 March 2023 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	Other reserves £m	Retained earnings £m	Total equity £m
Year ended 31 December 2021								
At 1 January 2021	24	0.4	48.2	44.9	-	12.7	181.6	287.8
Profit for the year		-	-	-	-	-	7.7	7.7
Other comprehensive loss		-	-	-	-	(14.8)	-	(14.8)
Total comprehensive charge		-	-	-	-	(14.8)	7.7	(7.1)
Transactions with owners								
Capital contribution:								
share-based payments	25	-	-	-	-	1.0	-	1.0
Issuance of rT1	24	-	-	-	72.8	-	-	72.8
Total transactions with owners		-	-	-	72.8	1.0	-	73.8
At 31 December 2021		0.4	48.2	44.9	72.8	(1.1)	189.3	354.5
Year ended 31 December 2022								
At 1 January 2022	24	**0.4**	**48.2**	**44.9**	**72.8**	**(1.1)**	**189.3**	**354.5**
Loss for the year		**-**	**-**	**-**	**-**	**-**	**(29.1)**	**(29.1)**
Other comprehensive loss		**-**	**-**	**-**	**-**	**(49.0)**	**-**	**(49.0)**
Total comprehensive charge		**-**	**-**	**-**	**-**	**(49.0)**	**(29.1)**	**(78.1)**
Transactions with owners								
Dividends	14	**-**	**-**	**-**		**-**	**(2.0)**	**(2.0)**
Payment to holders of rT1	25	**-**	**-**	**-**		**-**	**(4.5)**	**(4.5)**
Capital contribution:								
share-based payments	25	**-**	**-**	**-**	**-**	**1.2**	**-**	**1.2**
Total transactions with owners		**-**	**-**	**-**	**-**	**1.2**	**(6.5)**	**(5.3)**
At 31 December 2022		**0.4**	**48.2**	**44.9**	**72.8**	**(48.9)**	**153.7**	**271.1**

The Notes on pages 81 to 118 form part of these Financial Statements.

Consolidated statement of cash flows

Cash flows from operating activities	Notes	Year ended 31 Dec 2022 £m	Year ended 31 Dec 2021 £m
Profit after tax for the period		**(29.1)**	7.7
Adjustments to reconcile profit after tax to net cash flows:			
- Finance costs	12	**13.1**	13.3
- Depreciation and revaluation of property, plant and equipment	16	**3.0**	5.0
- Amortisation of intangible assets	15	**14.6**	14.3
- Share-based payments	25	**1.2**	1.0
- Taxation (credit)/charge	13	**(13.1)**	(2.5)
- Total investment return	6	**(9.0)**	(17.8)
- Instalment interest	6	**(50.7)**	(53.9)
- Loss on the sale and revaluation of property, plant and equipment	15, 16	**4.2**	0.6
Operating cash flows before movements in working capital, tax and interest paid		**(65.8)**	(32.3)
Sales of financial investments		**822.5**	1,025.0
Purchase of financial investments		**(786.5)**	(1,116.6)
Interest, rent and dividends received less investment management expenses on financial investments		**15.7**	13.8
Instalment interest received		**47.9**	54.8
Changes in working capital:			
- Decrease / (increase) in insurance liabilities including reinsurance assets, unearned premium reserves and deferred acquisition costs		**(3.7)**	45.7
- Increase in insurance and other receivables		**(36.2)**	(18.0)
- Increase/(decrease) in trade and other payables including insurance payables		**(20.5)**	18.9
Taxation (paid)/recovered		**(0.8)**	7.0
Net cash used in operating activities		**(27.4)**	(1.7)
Cash flows used in investing activities			
Purchase of property, plant and equipment, and software	15, 16	**(10.2)**	(10.8)
Net cash used in investing activities		**(10.2)**	(10.8)
Cash flows generated from / (used in) financing activities			
Proceeds from rT1 Issuance		**-**	75.0
Cost of rT1 Issuance		**-**	(2.2)
Interest paid on loans	17	**(8.5)**	(8.4)
Repayment of lease liabilities		**(3.1)**	(3.1)
Payment to holders of rT1		**(4.5)**	-
Dividends paid	14	**(2.0)**	-
Net cash generated from / (used in) financing activities		**(18.1)**	61.3
Net increase in cash and cash equivalents		**(55.7)**	48.8
Cash and cash equivalents at the beginning of the year	21	**94.1**	45.3
Cash and cash equivalents at the end of the year	21	**38.4**	94.1

The Notes on pages 81 to 118 form part of these Financial Statements.

Notes to the Financial Statements
For the year ended 31 December 2022

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 principal 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 group Financial Statements for the year ended 31 December 2022, 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.

These consolidated Financial Statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

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 the current economic downturn. The Directors have a reasonable expectation that the Group has adequate resources to continue in operation for at least the next 12 months. Further analysis of the wider risks facing the Group can be found on page 25 onwards.

The key uncertainties for 2023 and beyond considered by the Board were the risks resulting from the Blueprint transformation programme, in particular relating to migration to the new platform; the 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.

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

The consolidated Financial Statements have been prepared on the historical cost basis except for certain financial assets and land and buildings that are measured at fair value at the reporting date. The principal accounting policies adopted are set out below.

New and amended accounting standards adopted

There were no new accounting standards adopted in 2022 that affected the Group's accounts.

New and amended accounting standards that have been issued but are not yet effective

The following standards have been issued, are not yet effective and are expected to have an impact on the Group Financial Statements.

IFRS 17 – *Insurance Contracts* and IFRS 9 - *Financial Instruments*

The Group will apply IFRS17 and IFRS9 for the first time on 1st January 2023. These standards will bring significant changes to the accounting for insurance and reinsurance contracts, and financial instruments. They are expected to have an impact on the presentation of the Group's consolidated financial statements.

IFRS17 establishes principles for the recognition, measurement, presentation and disclosure of insurance and reinsurance contracts. The Group has undertaken significant work in relation to the implementation of IFRS17 with the majority of key judgements and the quantification of those judgements finalised.

Given the relative simplicity of the Group's business model, the majority of the Group's insurance arrangements will be accounted for under the Premium Allocation Approach. The GMM will be used for more complex reinsurance arrangements albeit this is limited to the LPT/ADC contract that the Group implemented in 2019.

While the standard is not expected to have any material impact on solvency, the Group's strategy or cash generation, the final quantification of the impact of the standard on the Group's financial statements remains outstanding pending finalisation of remaining accounting judgements and the consequential impact on modelling of results. The impact on reported profitability is expected to be limited albeit the standard is expected to give rise to some timing differences on the recognition of profitability which will also impact the net asset value on adoption. The key elements of the standard expected to impact the Group's net assets on adoption are the:

- Treatment of acquisition costs;
- Introduction of discounting of gross and net actuarial best estimates;
- Introduction of a risk adjustment to be added to best estimate claims liabilities.

The Group has not previously applied any version of IFRS 9 *Financial Instruments* and its predominant activity is issuing contracts within the scope of IFRS 4. It therefore remains eligible to and has applied the temporary exemption from applying IFRS 9. The Group currently expects the impact of IFRS 9 to be limited with the greatest area of judgement expected to be the treatment of the Level 3 assets held as part of the Group's investment portfolio. The Group has modelled the impact of applying IFRS 9 and expects implementation to reduce net equity by £0.4m primarily due to the implementation of expected credit loss provisions on bonds held in the investment portfolio.

2 . Accounting policies (continued)

Basis of consolidation

Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. 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.

Revenue

Gross written premiums

Gross written premiums, being the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period, excluding taxes or duties based on premiums, are recognised on the date which the policy commences. Gross written premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior accounting periods.

Unearned premiums

The proportion of gross written premiums that are to be earned in the accounting period after the balance sheet date are deferred as a provision for unearned premiums. Premiums earned are computed separately for each insurance contract and are recognised as revenue using the daily pro rata method, which is consistent with the incidence of risk assumed over the coverage period of the related policy.

Reinsurance premiums ceded

Reinsurance premiums are recognised and measured in a manner consistent with the related insured contracts issued by the Group and the specific terms of each reinsurance contract. Reinsurance premiums are expensed over the period that the reinsurance cover is provided based on the expected pattern of the reinsured risks. The unexpired portion of ceded reinsurance premiums is included in reinsurance assets.

Unearned reinsurance premiums ceded

Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts and over the term of the reinsurance contract for losses-occurring contracts.

Other income

Other income comprises sales of non-underwritten additional insurance products to Motor and Home insurance customers; policy administration fees; 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, 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.

Administration fees and referral fees from credit hire are recognised in the period in which the related services are provided.

Investment income and instalment interest

Investment income comprises interest and dividend income and net gains (both realised and unrealised) on financial assets classified at fair value through profit or loss, 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.

Interest income (including interest received from policyholders who pay by instalment) on assets classified as loans and receivables or as available for sale is recognised in the income statement as it accrues and is calculated using the effective interest rate method.

The effective interest rate method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or interest expense over the expected life of the asset or liability. The effective interest rate is the rate that exactly discounts estimated future cash flows to the instrument's initial carrying amount. Calculation of the effective interest rate takes into account fees payable or receivable that are an integral part of the instrument's yield, premiums or discounts on acquisition or issue, early redemption fees and transaction costs. All contractual terms of a financial instrument are considered when estimating future cash flows.

Investment income also includes rental income. Rental income represents income arising from operating leases and is recognised on a straight-line basis over the lease term.

2 . Accounting policies (continued)

Claims and expenses recognition

Gross claims incurred and claims handling expenses

Gross claims include all claims incurred during the year, whether reported or not, less recoveries, together with related internal and external handling costs that are directly related to the processing and settlement of claims, and any adjustment to claims outstanding from previous years.

Reinsurance claims

Reinsurance claims are recognised and measured in a manner consistent with the related insurance contracts issued by the Group and the specific terms of the reinsurance contract.

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.

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.

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.

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. 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 the 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.

2 . Accounting policies (continued)

Intangible assets (continued)

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 probable 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 economic lives, with the exception of freehold land which is not depreciated. The economic 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.

Decreases in 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 charged to the income statement.

2 . Accounting policies (continued)

Financial assets

Classification

Financial assets falling within the scope of IAS 39 - *Financial Instruments: Recognition and Measurement* are designated/classified as 'at fair value through profit or loss' ('FVTPL'), 'loans and receivables', 'available-for-sale' ('AFS') or 'held for trading'. The Group determines the classification of its financial assets at initial recognition. The Group does not classify any financial assets as held to maturity financial assets.

The Group's financial assets include cash and cash equivalents, other debtors and quoted and unquoted financial investments including derivatives. Insurance receivables are also presented as financial assets.

Initial recognition of financial assets

The Group designates on initial recognition its financial assets held for investment purposes at FVTPL or AFS with the exception of derivatives, which are classified as held for trading. All other financial assets are classified as loans and receivables. For those financial investments designated at FVTPL or AFS, this is in accordance with the Group's documented investment strategy. Information relating to these investments is provided internally to the Group's Directors and key managers on a fair value basis.

The Group's financial assets are initially recognised at fair value, plus any directly attributable transaction costs, with the exception of financial assets at FVTPL for which directly attributable transaction costs are expensed as incurred. If the Group determines that the fair value of a financial asset on initial recognition differs from its transaction price, but the fair value measurement is not evidenced by a valuation technique that uses only data from observable markets, then this difference is deferred and is subsequently recognised as investment income only to the extent that there is a change in factor (including time) that would result in a market participant taking the data into account when setting a price for the financial asset.

Purchases and sales of financial assets are accounted for at the trade date.

Subsequent measurement

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised through profit or loss in the statement of comprehensive income. AFS financial assets are stated at fair value, with any resultant gain or loss (other than impairments and foreign currency movements) recognised through other comprehensive income and accumulated in other reserves. Interest income is recognised as investment income through the statement of comprehensive income and is calculated based on amortised cost using the effective interest rate method. When AFS financial assets are derecognised, the gain or loss accumulated in other reserves is reclassified to profit or loss in the statement of comprehensive income.

Loans and receivables are measured at amortised cost less accumulated impairment losses using the effective interest rate method.

Financial assets

Impairment of financial assets

Objective evidence of impairment may include default on cash flows from the asset and reporting financial difficulty of the issuer or counterparty.

Financial assets measured at amortised cost

The Group assesses at each reporting date whether any financial assets held at amortised cost are impaired. Financial assets are impaired where there is evidence that one or more events occurring after the initial recognition of the asset may lead to a reduction in the estimated future cash flows arising from the asset. Impairment losses on financial assets classified as loans and receivables are calculated as the difference between the carrying value and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses and any reversals of impairments are recognised through the income statement.

Available-for-sale financial assets

Impairment losses on AFS financial assets are recognised by reclassifying the losses accumulated in the AFS reserve to the income statement. The amount reclassified is the difference between the value on initial recognition and the current fair value, less any impairment loss previously recognised in the income statement. If the fair value of an impaired AFS financial asset subsequently increases, then the impairment loss is reversed through the income statement to the extent that it offsets impairment losses previously recognised; otherwise, it is recognised in the AFS reserve.

Derecognition of financial assets

A financial asset is derecognised when the rights to receive cash flows from that asset have expired or when the Group transfers substantially all the risks and rewards of ownership of the financial asset.

Offsetting of financial instruments

Financial assets and financial liabilities are offset 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)

Reinsurance

The Group cedes insurance risk in the normal course of business for the purpose of limiting its potential losses from accepting insurance risk. Reinsurance assets represent amounts expected to be recovered from reinsurers in respect of claims incurred under the related insurance contracts and are estimated in a manner consistent with the outstanding claims provision or settled claims under the related insurance contracts.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting period. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer. Any impairment loss is recorded in the income statement.

When a reinsurance contract is commuted the reinsurer is discharged from all obligations relating to that contract. Reinsurance assets and liabilities relating to the commuted contracts are settled in the period in which the commutation agreement is signed.

Insurance receivables

Insurance receivables are recognised when contracts are entered into and are measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost less accumulated impairment losses, using the effective interest rate method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the income statement.

Deferred acquisition costs ('DAC')

Acquisition costs comprise all commission and other direct and indirect acquisition costs arising from the conclusion of insurance contracts. DAC represent the proportion of acquisition costs incurred that corresponds to the unearned premiums provision at the reporting date, and are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognised as an expense when incurred.

Subsequent to initial recognition, DAC assets are amortised over the period in which the related revenues are earned.

DAC assets are derecognised when the obligations under the related insurance contracts are either transferred or settled.

Cash and cash equivalents

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

Insurance contract liabilities

Provision for unearned premiums

The provision for unearned premiums represents the portion of premiums received or receivable that relates to risks that have not yet expired at the reporting date. The provision is recognised when the contracts are entered into and premiums are charged, and is released as earned premium in the income statement over the term of the contract in accordance with the pattern of insurance service provided under the contract.

Liability adequacy test

At each reporting date the Group reviews its unexpired risk and performs a liability adequacy test to determine whether the estimated cost of future claims and deferred acquisition costs exceeds the provision for unearned premiums. This calculation uses current estimates of future contractual cash flows after taking account of the investment return expected to arise on assets relating to the relevant technical provision. If these estimates show that the carrying amount of the unearned premium is inadequate, the deficiency is recognised in the income statement and a corresponding provision for unexpired risk is recognised in the consolidated statement of financial position.

Outstanding claims provision

The provision for claims outstanding comprises provisions for the estimated cost of settling all claims incurred but not settled at the balance sheet date including related claims handling expenses, whether reported or not. Anticipated reinsurance recoveries and salvage and subrogation recoveries are disclosed separately as assets.

Insurance payables

Insurance payables are recognised when due and measured initially at the fair value of the consideration received. Subsequent to initial recognition, they are measured at amortised cost using the effective interest rate method.

2 . Accounting policies (continued)

Financial liabilities

Financial liabilities falling within the scope of IAS 39 are classified as 'derivatives held for trading', or 'other financial liabilities'. The Group determines the classification of its financial liabilities at initial recognition.

The Group's 'other financial liabilities' include other payables and borrowings. Insurance payables are also presented as other financial liabilities.

Initial recognition

All financial liabilities are measured initially at fair value less, in the case of other financial liabilities, directly attributable transaction costs.

Subsequent measurement

After initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised.

Amortised cost is calculated by taking into account any fees or costs that are an integral part of effective interest rate, transaction costs and all other premiums and discounts. The amortisation is included in finance costs in the income statement.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, 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, this is treated as a derecognition of the original liability and the recognition of a new liability, and 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.

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 probable 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.

2 . Accounting policies (continued)

Leases

Group as a lessor

The Group leases out own property. The Group has classified these leases as operating leases.

Group as a lessee - operating leases

As a lessee, the Group leases some property assets and low value IT 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.

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 best 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.

Non-trading costs

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

3 . Critical accounting 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 results 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 revision affects both current and future periods.

Key sources of estimation uncertainty and critical judgements in applying the Group's accounting policies

Insurance contract liabilities

<u>*Accounting Judgement*</u>

The liability for insurance claims is based on a best estimate. This includes a margin, which is maintained in addition to the actuarial best estimate of insurance liabilities to allow for risks and uncertainties that are not specifically allowed for in establishing the actuarial best estimate. The appropriate margin to recognise is a subjective judgment and estimate taken by the directors, based on the perceived uncertainty and potential for volatility in the underlying claims.

Similar judgements, estimates and assumptions are employed in the assessment of adequacy of provisions for unearned premium and hence whether there is a requirement for an unexpired risk provision.

<u>*Source of estimate uncertainty*</u>

Estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not reported ('IBNR') at the reporting date. It can take a significant period of time before ultimate claims cost can be established with certainty for some types of claims.

In 2022 there was heightened uncertainty due to the inflationary impacts from the wider economy; the uncertainty on longer term impacts from the FCA General Insurance Pricing Practices ('GIPP') (2021) and the Civil Liability Act (2020); and potential shifts in customer behaviour as they adapt to the heightened cost of living.

The ultimate cost of outstanding claims is estimated by carrying out standard actuarial projections in line with the Institute and Faculty of Actuaries Technical Actuarial Standards. These techniques use past claims information and development patterns of these claims to project the expected future claims cost both for notified and non-notified claims.

Similar estimates and assumptions are employed in the assessment of adequacy of provisions for unearned premium and hence whether there is a requirement for an unexpired risk provision.

Please refer to Note 18 for additional details.

3 . Critical accounting judgements and estimates (continued)

Valuation of Level 3 Financial Assets

Accounting Judgement

The valuation of Level 3 assets involves the use of inputs that are necessarily judgemental and the reasonable range of these estimates remains wider in the current year than has been seen historically, due to the uncertainty in general market conditions driven by potential interest rate rises by central banks; and geopolitical developments such as the Russian invasion of Ukraine.

Factors that have been considered in making these judgements have included the nature of fund holding the assets, the basis of the calculation of the fund value by the fund manager, and the nature and individual circumstances surrounding the underlying investments within the fund.

Please refer to Note 17 for additional details.

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 have historically been allocated across all functions, including those functions that directly assess and handle claims - costs are therefore seen within net incurred claims and claims handling costs that are attributed to the central segment.

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

	Income statement £m	Reclassifications (i) £m	Trading Profit Reporting £m	Trading Profit Reporting: Motor (ii) £m	Home (ii) £m	Central (iii) £m
Gross written premium	735.7	-	735.7	639.3	96.4	-
Net earned premium	405.1	-	405.1	349.7	55.4	-
Investment income	9.0	10.6	19.6	17.2	2.4	-
Instalment interest income	50.7	-	50.7	45.2	5.5	-
Other income	71.3	-	71.3	59.9	11.4	-
Total income	**536.1**	**10.6**	**546.7**	**472.0**	**74.7**	**-**
Net incurred claims	(322.3)	-	(322.3)	(270.5)	(50.8)	(1.0)
Claims handling costs	(33.1)	-	(33.1)	(21.6)	(2.8)	(8.7)
Insurance expenses	(135.9)	-	(135.9)	(75.1)	(26.1)	(34.7)
Other operating expenses	(73.9)	66.4	(7.5)	(5.4)	(1.5)	(0.6)
Total expenses	**(565.2)**	**66.4**	(498.8)	**(372.6)**	**(81.2)**	**(45.0)**
Trading profit	**(29.1)**	**77.0**	**47.9**	**99.4**	**(6.5)**	**(45.0)**
Non-trading costs	-	(67.2)	(67.2)	-	-	(67.2)
Non-trading costs: investments	-	(10.6)	(10.6)	-	-	(10.6)
Non-trading costs: LPT finance costs	-	(1.1)	(1.1)	-	-	(1.1)
Finance costs	(13.1)	1.9	(11.2)	(2.1)	(0.3)	(8.8)
(Loss)/profit before tax	**(42.2)**	**-**	**(42.2)**	**97.3**	**(6.8)**	**(132.7)**

(i) Reclassifications include £10.6m which is the effect of investment volatility directly resulting from market rate movement in the year, £1.1m of finance costs associated with the 2019 LPT reinsurance agreement, £0.8m of interest expense on IFRS 16 leases, and non-trading costs of £67.2m, comprising £63.6m relating to transformation work, of which the majority related to the Blueprint transformation Programme, £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 is not directly 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 2022, was 2.44 million (2021: 2.50m).

Notes to the Financial Statements
For the year ended 31 December 2022

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 2021

				Trading Profit Reporting		
	Income statement £m	**Reclassifications (i) £m**	**Trading Profit Reporting £m**	**Motor (ii) £m**	**Home (ii) £m**	**Central (iii) £m**
Gross written premium	807.6	-	807.6	701.5	106.1	-
Net earned premium	443.2	-	443.2	385.1	58.1	-
Investment income	17.8	1.3	19.1	16.7	2.4	-
Instalment interest income	53.9	-	53.9	48.2	5.7	-
Other income	62.7	-	62.7	49.6	13.1	-
Total income	**577.6**	**1.3**	**578.9**	**499.6**	**79.3**	**-**
Net incurred claims	(315.2)	-	(315.2)	(281.7)	(32.5)	(1.0)
Claims handling costs	(29.0)	-	(29.0)	(18.9)	(2.6)	(7.5)
Insurance expenses	(133.8)	-	(133.8)	(76.6)	(24.1)	(33.1)
Other operating expenses	(81.1)	65.0	(16.1)	(14.4)	(1.1)	(0.6)
Total expenses	**(559.1)**	**65.0**	**(494.1)**	**(391.6)**	**(60.3)**	**(42.2)**
Trading profit	**18.5**	**66.3**	**84.8**	**108.0**	**19.0**	**(42.2)**
Non-trading costs	-	(65.9)	(65.9)	-	-	(65.9)
Non-trading costs: investments	-	(1.3)	(1.3)	-	-	(1.3)
Non-trading costs: LPT finance costs	-	(1.7)	(1.7)	-	-	(1.7)
Finance costs	(13.3)	2.6	(10.7)	(1.7)	(0.2)	(8.8)
Profit before tax	**5.2**	**-**	**5.2**	**106.3**	**18.8**	**(119.9)**

(i) Reclassifications include £1.3m of which is the effect of investment volatility directly resulting from market rate movement in the year, £1.7m of finance costs associated with the 2019 LPT reinsurance agreement, £0.9m of interest expense on IFRS 16 leases, and non-trading costs of £65.9m, comprising £61.4m relating to the Blueprint transformation Programme, £1.4m relating to Brilliant Basics and £3.1m 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 is not directly 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.

Notes to the Financial Statements
For the year ended 31 December 2022

5 . Earned premiums, net of reinsurance

	Year ended 31 Dec 2022 £m	Year ended 31 Dec 2021 £m
Gross written premiums	**735.7**	807.6
Change in unearned premium provision	**32.4**	22.6
Gross earned premiums	**768.1**	830.2
Written premiums, ceded to reinsurers other than QS	**(94.6)**	(90.5)
Written premiums, ceded to reinsurer under QS	**(270.6)**	(295.5)
Change in unearned premium provision	**2.2**	(1.0)
Earned premiums, ceded to reinsurers	**(363.0)**	(387.0)
Earned premiums, net of reinsurance	**405.1**	443.2

6 . Investment return and instalment interest

	Year ended 31 Dec 2022 £m	Year ended 31 Dec 2021 £m
Interest income on financial investments	**11.3**	6.9
Interest income on cash deposits	**0.2**	0.0
Investment expenses	**(4.8)**	(5.1)
Dividend income on financial instruments	**9.2**	12.5
Net fair value (losses)/gains on derivative financial instruments	**(11.9)**	3.7
Net fair value gains/(losses) on financial instruments at FVTPL	**5.2**	(2.6)
Net (losses)/gains on AFS financial instruments reclassified from equity to P&L	**(0.2)**	2.3
Rental income	**-**	0.1
Total investment return	**9.0**	17.8
Instalment interest	**50.7**	53.9
Total investment return and instalment interest	**59.7**	71.7

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

7 . Other income

	Year ended 31 Dec 2022 £m	Year ended 31 Dec 2021 £m
Brokerage and commission income	**19.3**	15.1
Claims and related income	**9.5**	7.8
Profit commission from reinsurers	**21.7**	16.5
	50.5	39.4
Policy administration fees and other income	**20.8**	23.3
Total other income	**71.3**	62.7

8 . Employee benefit expense

	Year ended 31 Dec 2022 £m	Year ended 31 Dec 2021 £m
Wages and salaries	**70.7**	73.1
Social security costs	**7.7**	7.5
Pension costs (defined contribution schemes)	**4.5**	4.2
Equity settled share-based payment expenses (Note 25)	**1.2**	1.0
Total employee benefit expense	**84.1**	85.8

The average number of employees, including Directors, during each period was:

	Year ended 31 Dec 2022	Year ended 31 Dec 2021
Operations	**1,075**	1,160
Support	**577**	563
Total average number of employees	**1,652**	1,723

9 . Directors' remuneration

	Year ended 31 Dec 2022 £m	Year ended 31 Dec 2021 £m
Emoluments	**2.1**	3.3
IFRS share based payment charge (see Note 25)	**0.5**	0.5
Total Directors' remuneration	**2.6**	3.8

	Year ended 31 Dec 2022 £m	Year ended 31 Dec 2021 £m
Remuneration of the highest paid Director		
Emoluments	**1.0**	1.8
IFRS share based payment charge (see Note 25)	**0.3**	0.3
Total remuneration of the highest paid Director	**1.3**	2.1

Retirement benefits were accruing to no Directors (2021: no Directors) in respect of defined contribution pension schemes.

10 . Insurance and other operating expenses

	Year ended 31 Dec 2022 £m	Year ended 31 Dec 2021 £m
Acquisition of insurance contracts	**100.0**	111.6
Change in deferred acquisition costs	**5.4**	(2.9)
Administration	**30.5**	25.1
Insurance expenses	**135.9**	133.8
Other operating expenses	**73.9**	81.1

11 . (Loss)/profit after tax

(Loss)/profit after tax is stated after charging/(crediting):

	Year ended 31 Dec 2022 £m	Year ended 31 Dec 2021 £m
Employee benefit expense (Note 8)	**84.1**	85.8
Depreciation and revaluation of property, plant and equipment (Note 16)	**5.2**	5.3
Amortisation of intangible assets (Note 15)	**14.6**	14.3
Operating lease payments	**1.0**	0.8
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	**1.2**	0.5
Total audit fees	**1.3**	0.6
Fees for non-audit services		
Audit-related assurance services	**0.1**	0.1
Other assurance services	**-**	0.1
Total non-audit fees	**0.1**	0.2
Total Group auditor remuneration	**1.4**	0.8

Amortisation arises on capitalised software. Amortisation charged is recorded within insurance expenses and other operating expenses.

12 . Finance costs

Finance costs in each period represents the total interest expense calculated using the effective interest rate method.

	Year ended 31 Dec 2022 £m	Year ended 31 Dec 2021 £m
Interest expense on ten-year subordinated Notes (see Note 17)	**8.8**	8.8
Unwind of discount on long-term reinsurance liabilities	**3.5**	3.6
Interest expense on leasing liabilities	**0.8**	0.9
Total finance costs	**13.1**	13.3

13 . Taxation

	Year ended 31 Dec 2022 £m	Year ended 31 Dec 2021 £m
Current tax credit on income for the reporting period	**(9.0)**	(0.4)
Tax adjustment relating to income for prior periods	**(0.7)**	(0.6)
Total current tax credit	**(9.7)**	(1.0)
Origination and reversal of temporary differences	**(3.5)**	(1.1)
Tax adjustment relating to deferred tax for prior periods	**0.1**	(0.4)
Total deferred tax credit	**(3.4)**	(1.5)
Taxation credit	**(13.1)**	(2.5)

The tax rate used for the calculations is the Corporation Tax rate of 19.00% (2021: 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 profit before tax per the consolidated statement of comprehensive income as follows:

	Year ended 31 Dec 2022 £m	Year ended 31 Dec 2021 £m
(Loss)/Profit before taxation	**(42.2)**	5.2
Taxation (credit)/charge calculated at 19.00% (2021: 19.00%)	**(8.0)**	1.0
Effect of expenses that are not deductible	**0.6**	0.9
Adjustments in relation to the current tax of prior years	**(0.7)**	(0.6)
Adjustments in relation to the deferred tax of prior years	**0.1**	(0.4)
Change in tax rate	**(3.0)**	-
Non-taxable income	**(2.0)**	(2.8)
Current tax transferred through equity	**(0.1)**	(0.6)
Taxation credit	**(13.1)**	(2.5)

Tax recognised directly in equity

	Year ended 31 Dec 2022 £m	Year ended 31 Dec 2021 £m
Deferred tax credit recognised directly in equity	**(15.1)**	(2.8)
Total tax recognised directly in equity	**(15.1)**	(2.8)

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.

Factors affecting the tax charge for future periods
An increase in the UK Corporation Tax rate to 25% will be effective from 1 April 2023, this change has substantively enacted and has therefore been included in the Group's calculation of deferred tax.

14 . Dividends

An interim dividend of 0.47p per share, £2.0m was declared during 2022 (2021: none). No final dividend has been declared for 2022 (2021: none).

15 . Intangible assets

	Software £m
Cost	
As at 1 January 2021	66.9
Additions in the year	8.4
Disposals in the year	(3.6)
As at 31 December 2021	71.7
Additions in the year	10.0
Impairments and disposals in the year	(3.5)
As at 31 December 2022	**78.2**
Accumulated amortisation and impairment	
As at 1 January 2021	32.2
Amortisation for the year	14.3
Disposals in the year	(3.5)
As at 31 December 2021	43.0
Amortisation for the year	14.6
Impairments and disposals in the year	(1.3)
As at 31 December 2022	**56.3**
Net book value	
As at 31 December 2021	28.7
As at 31 December 2022	**21.9**

Included in software as at 31 December 2022 is £3.4m relating to software assets that are not yet available for use in the manner intended by management (31 December 2021: £5.3m). 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 2023, after which the assets are expected to have a useful economic life of two to four years. See Note 26 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 2022, the Group recognised a charge of £2.3m (2021: £0.1m).

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.

16 . 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 2021	22.7	13.0	32.0	67.7
Reclassification	(1.6)	-	-	(1.6)
Additions in the year	-	-	2.4	2.4
Disposals in the year	-	-	(6.8)	(6.8)
Revaluation of land and buildings	-	(0.3)	-	(0.3)
As at 31 December 2021	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**
Accumulated depreciation				
As at 1 January 2021	4.1	-	27.5	31.6
Depreciation for the year	1.7	0.1	3.3	5.1
Disposals in the year	-	-	(6.3)	(6.3)
Revaluation of land and buildings	-	(0.1)	-	(0.1)
As at 31 December 2021	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**
Carrying amount				
As at 31 December 2021	15.3	12.7	3.1	31.1
As at 31 December 2022	**13.4**	**10.5**	**2.2**	**26.1**

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 2022 and 31 December 2021. 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 2022 of £10.5m (31 December 2021: £11.4m).

In 2021, having reviewed the implementation of IFRS 16 *Leases* the Group reclassified a liability of £1.6m, that was previously held distinct on the balance sheet, as part of the leasing right of use assets. There was no impact on the income statement in 2021.

The Group has tested its right-of-use assets for impairment at 31 December 2022 and at 31 December 2021 and has concluded that there is no indication that the right-of-use assets are impaired.

17 . Financial assets and liabilities

17.1. Financial assets

	As at 31 Dec 2022	As at 31 Dec 2021
Financial investments designated at FVTPL:	**£m**	**£m**
Shares and other variable yield securities and units in unit trusts	**85.8**	79.4
Debt securities and other fixed income securities	**134.0**	167.7
Deposits with credit institutions	**89.7**	296.4
Financial investments held for trading:		
Derivative financial instruments	**4.2**	3.9
Financial investments at FVTPL	**313.7**	547.4
AFS financial assets:		
Debt securities and other fixed income securities	**798.3**	665.5
Shares in unquoted equity investments	**0.7**	1.8
Total financial investments	**1,112.7**	1,214.7
Loans and receivables:		
Insurance and other receivables (Note 19)	**258.8**	257.0
Cash and cash equivalents (Note 21)	**38.4**	94.1
Total financial assets	**1,409.9**	1,565.9

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.

Available for sale financial assets

The Group continues to designate some financial assets acquired during the year as available for sale 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 17.3(a).

17.2. Financial liabilities

	As at 31 Dec 2022	As at 31 Dec 2021
Financial liabilities held for trading:	**£m**	**£m**
Derivative financial instruments	**6.7**	1.6
Other financial liabilities:		
Borrowings (see below)	**124.6**	124.3
Insurance and reinsurance payables (Note 22)	**248.1**	276.0
Due to related parties (Note 22)	**0.4**	0.5
Total financial liabilities	**379.8**	402.4

	As at 31 Dec 2022	As at 31 Dec 2021
Borrowings	**£m**	**£m**
Ten-year Subordinated Notes	**124.6**	124.3
Total borrowings	**124.6**	124.3

Derivative financial instruments are due within one year.

17 . Financial assets and liabilities (continued)

17.2. Financial liabilities (continued)

The movement in Group borrowings in the year is attributable to:	Year ended 31 Dec 2022 £m	Year ended 31 Dec 2021 £m
As at 1 January	**124.3**	123.9
Cash outflow	**(8.5)**	(8.4)
Non-cash movement: interest accrued	**8.8**	8.8
As at 31 December	**124.6**	124.3

Subordinated Notes

£125m ten-year Subordinated Notes were issued by esure Group plc on 19 December 2014 at the rate of 6.75% per annum, with payments made biannually. Directly attributable fees were £2.9m. The market value of the ten-year Subordinated Notes at 31 December 2022 was £115.6m.

The nominal £125m Subordinated Notes have a maturity date of 19 December 2024. The 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.

17.3. 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 assets and liabilities due to volatility within the financial markets. 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 rises by central banks; and geopolitical developments such as the Russian invasion of Ukraine.

Risks from climate change could impact Market Risk. These arise from the potential impact of the global transition to a lower carbon economy.

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 expose the Group to material currency risk or the risks arising from active trading of derivatives.

Sensitivities

Interest Rate Risk

The sensitivity analysis for Interest Rate Risk illustrates how changes in the fair value or future cash flows of the financial investments bearing interest rate risk will fluctuate because of changes in market interest rates at the reporting date. For an increase of 50 basis points in the Bank of England base rate the profit before tax for the period would increase by £1.0m (2021: decrease by £1.6m), reflecting the increase in fair value on assets designated as FVTPL and equity would decrease by £7.9m (2021: £10.8m).

17 . Financial assets and liabilities (continued)

17.3. Financial risk management objectives (continued)

Sensitivities (continued)

<u>Equity Risk</u>

The Group's equity investments relate to infrastructure equity funds. If the relevant valuation inputs had increased/decreased by 10%, the profit/(loss) before tax for the year would decrease/increase by £8.6m (2021: £8.0m).

<u>Currency Risk</u>

At the reporting date, the Group has direct exposure to both US Dollars and Euros, however, after foreign exchange hedging, the net exposure is £0.0m (2021: £1.2m). There is no material impact from a strengthening/weakening of the Sterling rates with either of these foreign currencies (2021: impact on profit before tax of 10% strengthening/weakening £0.1m).

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 (note that investment counterparties are included within Market Risk).

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 our supplier management process credit exposures to third parties are monitored and controlled regularly.

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 2022 £m	As at 31 Dec 2021 £m
Derivative financial instruments	**4.2**	3.9
Debt securities	**932.3**	833.2
Deposits with credit institutions	**89.7**	296.4
Cash at bank and in hand	**38.4**	94.1
Investments bearing credit risk and cash and cash equivalents	**1,064.6**	1,227.6
AAA	**232.8**	243.5
AA	**324.7**	369.8
A	**195.2**	287.3
BBB	**233.4**	190.8
Below BBB or not rated	**78.5**	136.2
Investments bearing credit risk and cash and cash equivalents	**1,064.6**	1,227.6

The Group has the following financial assets that would meet the solely payment of principal and interest ("SPPI") criteria under IFRS 9:

AAA	**232.8**	243.5
AA	**324.7**	358.6
A	**195.2**	246.0
BBB	**200.8**	176.9
Below BBB or not rated	**0.4**	1.5
Financial assets which would meet SPPI criteria	**953.9**	1,026.4

The change in the fair value during the period for these financial assets was a loss of £65.5m (2021: loss of £10.5m).

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 £0.7m (2021: £1.9m), reflecting the reduction in fair value on assets designated as FVTPL and the impact on equity would be a decrease by £10.1m (2021: £11.5m).

17 . Financial assets and liabilities (continued)

17.3. Financial risk management objectives (continued)

b) Credit Risk (continued)

Shares and other variable yield securities and units in unit trusts do not bear credit risk. Cash and cash equivalents are "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 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 that could impact how the capital requirements are set.

Key elements

- Liquidity Risk
- Solvency Risk

Mitigation

- The Group monitors its Solvency Risk through the ORSA processes including assessing the impact on Solvency through stress and scenario testing of a range of events and decisions.
- The Group oversees Liquidity Risk by considering the Company'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 table presents the remaining contractual or, for reinsurers' share of outstanding claims, expected maturities of the Group's financial assets and liabilities, including contractual interest payments:

	Less than 1 year £m	Between 1 and 5 years £m	More than 5 years £m	Total £m	Carrying value £m
Financial assets and salvage and subrogation 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**
Loans and receivables including salvage and subrogation assets	**332.4**	**13.6**	**-**	**346.0**	**346.0**
Total excluding reinsurers' share of outstanding claims	**610.5**	**795.4**	**131.6**	**1,537.5**	**1,410.6**
Reinsurers' share of outstanding claims	**222.0**	**382.2**	**138.6**	**742.8**	**742.8**
Total	**832.5**	**1,177.6**	**270.2**	**2,280.3**	**2,153.4**
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**
Insurance and other payables and social security and other taxes	**43.4**	**-**	**-**	**43.4**	**43.4**
Lease liabilities	**3.1**	**12.5**	**6.3**	**21.9**	**19.1**
Financial and tax liabilities	**61.7**	**141.7**	**6.3**	**209.7**	**193.8**
Claims outstanding	**502.6**	**648.2**	**158.6**	**1,309.4**	**1,309.4**
Unearned premium reserve	**329.6**	**-**	**-**	**329.6**	**329.6**
Financial and insurance liabilities	**893.9**	**789.9**	**164.9**	**1,848.7**	**1,832.8**

17 . Financial assets and liabilities (continued)

17.3. Financial risk management objectives (continued)

	Less than 1 year £m	Between 1 and 5 years £m	More than 5 years £m	Total £m	Carrying value £m
Financial assets and salvage and subrogation assets					
At 31 December 2021					
Derivative financial instruments	3.9	-	-	3.9	3.9
Debt securities and other fixed income securities	162.7	548.8	188.3	899.8	833.2
Deposits with credit institutions	296.4	-	-	296.4	296.4
Cash at bank and in hand	94.1	-	-	94.1	94.1
Loans and receivables including salvage and subrogation assets	300.2	8.3	-	308.5	308.5
Total excluding reinsurers' share of outstanding claims	857.3	557.1	188.3	1,602.7	1,536.1
Reinsurers' share of outstanding claims	197.2	398.5	158.5	754.2	754.2
Total	1,054.5	955.6	346.8	2,356.9	2,290.3
Financial and insurance liabilities					
At 31 December 2021					
Borrowings	8.5	137.7	-	146.2	124.3
Derivative financial instruments	1.6	-	-	1.6	1.6
Insurance and other payables and social security and other taxes	44.8	-	-	44.8	44.8
Lease liabilities	3.1	12.5	10.7	26.3	21.4
Financial and tax liabilities	58.0	150.2	10.7	218.9	192.1
Claims outstanding	442.1	625.5	194.4	1,262.0	1,262.0
Unearned premium reserve	364.2	-	-	364.2	364.2
Financial and insurance liabilities	864.3	775.7	205.1	1,845.1	1,818.3

(d) Capital management and regulation

The Group maintains a capital structure consistent with the Group's risk profile and the regulatory market 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 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 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 coverage
Interest rates -50 bps	<1%
Interest rates +50 bps	<-1%
Credit spreads of corporate bonds -50bps	5%
Credit spreads of corporate bonds +50bps	-5%
Real estate values - 25%	-4%
Real estate values + 25%	4%
Motor loss ratio 5ppts worse	-14%
1987 Hurricane	-7%
Ogden discount rate of -1%	-1%

17 . Financial assets and liabilities (continued)

17.3. 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, 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 AFS financial assets of £0.7m as at 31 December 2022 (2021: £1.8m).

An investment in an unquoted equity investment has been valued using a discounted cash flow valuation model.

Private fund investments, consisting of Direct Lending and Infrastructure Equity, 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 Finance 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 £10.5m (2021: £12.7m) 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.

17 . Financial assets and liabilities (continued)

17.3. Financial risk management objectives (continued)

The following table presents the Group's assets and liabilities measured at fair value:

At 31 December 2022	Level 1 £m	Level 2 £m	Level 3 £m	Total fair value £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	**-**	**798.3**	**-**	**798.3**
Unquoted equity securities	**-**	**-**	**0.7**	**0.7**
Total AFS financial assets	**-**	**798.3**	**0.7**	**799.0**
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**

At 31 December 2021	Level 1 £m	Level 2 £m	Level 3 £m	Total fair value £m
Financial assets				
Derivative financial instruments	-	3.9	-	3.9
Equity securities	-	-	79.4	79.4
Debt securities	-	65.9	101.8	167.7
Deposits with credit institutions	296.4	-	-	296.4
Total financial assets at fair value through profit or loss	296.4	69.8	181.2	547.4
Debt securities	-	665.5	-	665.5
Unquoted equity securities	-	-	1.8	1.8
Total AFS financial assets	-	665.5	1.8	667.3
Land and buildings	-	-	12.7	12.7
Financial liabilities				
Derivative financial instruments	-	1.6	-	1.6
Total financial liabilities reported at fair value	-	1.6	-	1.6

17.4. Level 3 Assets

The following table represents the movements in those assets classified as Level 3:

	Available for Sale investments (including land and buildings) £m	Fair Value through Profit and Loss investments £m
Balance at 1 January 2021	17.4	180.4
Purchases	-	3.9
Sales	-	(11.7)
Total net gains recognised in the income statement	-	8.6
Total net losses recognised in the statement of comprehensive income	(2.9)	-
Balance at 1 January 2022	**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 31 December 2022	**11.2**	**71.7**

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 2021, no transfers were made in the period between Level 2 and Level 3.

17 . Financial assets and liabilities (continued)

17.4. Level 3 Assets (continued)

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 2022 in respect of Level 3 assets measured at fair value was £6.0m (31 December 2021: £0.9m). In addition, there were £6.7m of foreign exchange related gains in respect of Level 3 assets measured at fair value during the period (31 December 2021: losses of £0.6m) these gains 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.

Sensitivities relating to fair values

For the fair values of debt securities and equity securities, reasonably possible changes at the reporting date to one of the significant unobservable inputs, holding other inputs constant, would have the following effects:

Underlying net asset value of funds moves by 5%

	Profit for the year	
	Increase	**Decrease**
	£m	**£m**
At 31 December 2022	3.6	(3.6)
At 31 December 2021	9.1	(9.1)

18 . Reinsurance assets and insurance contract liabilities

18.1. Insurance Risk

Insurance risk arises from the inherent uncertainties as to the occurrence, amount and timing of insured events. These would include significant weather related events and personal injury claims. The Board is responsible for setting the overall underwriting strategy and defining the Risk Appetite, with pricing 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 2022 and 2021. In 2022, the 2019 and part of the 2021 quota share arrangements were commuted with no impact on the income statment (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 are currently facing into 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 regulations and the Civil Liability Act (2020); and potential shifts in customer behaviour as they adapt to the heightened cost of living.

Mitigation

- Reinsurance protects the business from individual large losses, catastrophe events, adverse reserve development and adverse loss ratio movement.
- We operate continuous monitoring of the external environment to understand and react to the changing market dynamics.
- Claims management processes are designed to ensure that there is strong customer service, management of claims costs and management information to understand claims trends.
- Financial and risk monitoring processes ensure our business profile remains within risk appetite.
- A cautious approach to Reserving Risk means we hold a margin above the actuarial best estimate. In addition, independent external actuaries assess the adequacy of the Group’s reserves.

Claims Management Risk

The Group employs a variety of strategies to ensure the correct 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

- UK-based claims centres, with over 700 specialists; well-resourced and expertly trained staff benefit from image and workflow technology to control paper flow and procedures to enhance efficiency and effectiveness;
- Its own network of motor repairers and 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.

18 . Reinsurance assets and insurance contract liabilities (continued)

18.1. 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. Home and Motor reinsurance treaties are in place covering all years in which the Group has underwritten policies.

During 2019 the Company entered into an adverse development contract, protecting the Company from prior period deterioration on the covered claims. Since 2019 the Company 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.

Counterparty Credit Risk is a key consideration when the Group enters into reinsurance treaties.

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 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, propensity 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 at 31 December 2022. 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 at 31 December 2022. 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 adverse development cover 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 has led to an increase in the level of uncertainty around the reserves held at 31 December 2022. In addition, the impact of the Civil Liability Act on claims continues to develop and has led to further uncertainty in reserving.

The Group's policy is to hold sufficient provisions, including those to cover claims which have been incurred but not reported ('IBNR') to meet all liabilities and to pay these as they fall due. Apart from that part of the provisions relating to PPOs, claims provisions are not discounted. The Directors remain satisfied that the outstanding claims reserves included in these Financial Statements provide an appropriate margin over projected ultimate claims costs.

Notes to the Financial Statements
For the year ended 31 December 2022

18 . Reinsurance assets and insurance contract liabilities (continued)

18.2. Analysis of recognised amounts

	As at 31 Dec 2022 £m	As at 31 Dec 2021 £m
Gross		
Claims outstanding (before deduction of salvage and subrogation recoveries) and Claims handling expenses	**1,309.4**	1,262.0
Unearned premiums	**372.4**	404.8
Total insurance liabilities, gross	**1,681.8**	1,666.8
Recoverable from reinsurers		
Claims outstanding (before deduction of salvage and subrogation recoveries)	**742.9**	754.2
Unearned premiums	**42.8**	40.6
Total reinsurers' share of insurance liabilities	**785.7**	794.8
Net		
Claims outstanding (before deduction of salvage and subrogation recoveries) and Claims handling expenses	**566.5**	507.8
Unearned premiums	**329.6**	364.2
Total insurance liabilities, net	**896.1**	872.0
Due within one year (gross)	**806.8**	725.9
Due in more than one year (gross)	**875.0**	940.9
Total insurance liabilities (gross)	**1,681.8**	1,666.8
Expected to be recovered from reinsurers within one year	**520.8**	223.7
Expected to be recovered from reinsurers in more than one year	**264.9**	571.1
Total reinsurers' share of insurance liabilities	**785.7**	794.8

Amounts due from reinsurers in respect of claims already paid by the Group on the contracts that are reinsured are included in insurance and other receivables (Note 19). No reinsurance assets have been impaired.

Claims outstanding and claims handling expenses are shown before deducting amounts in respect of salvage and subrogation.

	As at 31 Dec 2022 £m	As at 31 Dec 2021 £m
Net claims outstanding (before deduction of salvage and subrogation recoveries) and claims handling	**566.6**	507.8
Salvage and subrogation recoveries	**(72.9)**	(50.4)
Net claims outstanding and claims handling expenses	**493.7**	457.4

18.3. Sensitivity of recognised amounts to changes in assumptions

The following table shows the impact of a 1%, 3% or 5% variation in the booked loss ratios for the most recent, and therefore least certain, accident years on profit or loss and shareholders' equity after tax as at 31 December 2022:

	Accident year		
	2020	**2021**	**2022**
Current booked loss ratio	71%	75%	91%
Impact of 1% variation - adverse (£m)	(4.2)	(6.0)	(3.3)
Impact of 3% variation - adverse (£m)	(12.7)	(18.0)	(9.8)
Impact of 5% variation - adverse (£m)	(21.2)	(29.5)	(16.4)
Impact of 1% variation - favourable (£m)	4.2	6.0	3.3
Impact of 3% variation - favourable (£m)	12.7	18.0	9.8
Impact of 5% variation - favourable (£m)	21.2	29.9	17.7

The impact is stated net of reinsurance profit commision and tax at the current rate.

18 . Reinsurance assets and insurance contract liabilities (continued)

18.4. Claims development tables

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 claims liability reported in the consolidated balance sheet. esure Group plc acquired esure Holdings Limited on 11 February 2010. The estimated claims disclosed in the tables prior to the date of acquisition are those of esure Holdings Limited.

Table (c) expresses the development of net incurred claims by reference to the loss ratio for each accident year over the past ten years.

(a) Insurance claims - gross ultimate claims

Accident year	2013 £m	2014 £m	2015 £m	2016 £m	2017 £m	2018 £m	2019 £m	2020 £m	2021 £m	2022 £m	Total £m
Ultimate gross earned premium	526.1	528.7	532.4	598.0	734.0	856.8	839.8	829.3	830.2	768.1	7,043.4
Estimate of ultimate gross claims costs:											
- At end of reporting year	439.5	456.1	457.2	534.6	640.4	764.5	735.4	619.7	696.0	709.9	
- One year later	386.9	442.4	446.1	481.5	600.9	703.5	672.2	576.5	637.9		
- Two years later	374.6	440.2	425.4	489.9	566.8	726.6	667.3	558.8			
- Three years later	368.9	439.4	434.0	485.2	573.9	723.9	648.1				
- Four years later	363.0	440.9	417.6	506.5	573.7	713.6					
- Five years later	358.5	440.5	421.1	503.2	553.8						
- Six years later	356.1	433.6	418.9	497.6							
- Seven years later	357.0	434.4	423.1								
- Eight years later	356.2	433.5									
- Nine years later	356.2										
Current estimate of cumulative claims	356.2	433.5	423.1	497.6	553.8	713.6	648.1	558.8	637.9	709.9	5,532.5
Cumulative payments to date	(346.7)	(419.0)	(407.2)	(460.4)	(522.9)	(601.7)	(535.6)	(368.0)	(387.4)	(309.6)	(4,358.5)
Liability recognised in the consolidated statement of financial position											1,174.0
Reserve in respect of prior periods											50.7
Provision for claims handling costs											11.8
Salvage and subrogation											72.9
Total reserve included in the consolidated statement of financial position											**1,309.4**

18 . Reinsurance assets and insurance contract liabilities (continued)

18.4. Claims development tables (continued)

(b) Insurance claims - net ultimate claims

Accident year	2013 £m	2014 £m	2015 £m	2016 £m	2017 £m	2018 £m	2019 £m	2020 £m	2021 £m	2022 £m	Total £m
Ultimate net earned premium	489.2	490.8	495.6	554.9	677.8	777.1	197.7	523.3	443.2	405.1	5,054.7
Estimate of ultimate net claims costs:											
- At end of reporting year	404.7	423.8	423.1	450.8	516.8	655.0	438.6	412.0	361.1	368.9	
- One year later	357.9	394.8	396.3	435.2	519.7	488.7	406.4	394.5	333.4		
- Two years later	345.9	391.4	389.8	444.6	442.4	483.7	397.4	374.1			
- Three years later	340.4	390.0	401.4	400.0	440.9	483.8	403.9				
- Four years later	339.8	395.2	373.0	399.6	440.1	481.8					
- Five years later	340.5	382.3	372.8	399.2	440.0						
- Six years later	337.2	382.1	372.4	399.5							
- Seven years later	337.2	382.1	372.9								
- Eight years later	337.2	382.1									
- Nine years later	337.1										
Current estimate of cumulative claims	337.1	382.1	372.9	399.5	440.0	481.8	403.9	374.1	333.4	368.9	3,893.7
Cumulative payments to date	(337.0)	(381.4)	(371.4)	(397.4)	(436.8)	(472.7)	(353.7)	(264.6)	(213.8)	(163.2)	(3,392.0)
Liability recognised in the consolidated statement of financial position											501.7
Reserve in respect of prior periods											0.6
Provision for claims handling costs											11.8
Salvage and subrogation											46.1
Recoverables due to reinsurer											6.3
Total net reserve included in the consolidated statement of financial position											**566.5**

This development triangle shows the estimate of ultimate claims net of all reinsurance including both LPT and QS. Commutation of reinsurance contracts where there is a residual balance will affect the estimate of ultimate net claims shown. In 2022 the Group commuted the 2019 QS contract which lead to an increase in liabilities by £7.8m (gross of recoverables and salvage and subrogation due to the insurer) and also commuted the 2021 QS contract which increased liabilities by £16.6m. (2021: liabilities increased by £27.9m (gross of recoverables and salvage and subrogation due to the insurer) relating to the 2020 QS contract.)

18 . Reinsurance assets and insurance contract liabilities (continued)

18.4. Claims development tables (continued)

(c) Insurance claims - net loss ratio development

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Estimate of ultimate loss ratio:										
- At end of reporting year	83%	86%	85%	81%	76%	84%	222%	79%	81%	91%
- One year later	73%	80%	80%	78%	77%	63%	206%	75%	75%	
- Two years later	71%	80%	79%	80%	65%	62%	201%	71%		
- Three years later	70%	79%	81%	72%	65%	62%	204%			
- Four years later	69%	81%	75%	72%	65%	62%				
- Five years later	70%	78%	75%	72%	65%					
- Six years later	69%	78%	75%	72%						
- Seven years later	69%	78%	75%							
- Eight years later	69%	78%								
- Nine years later	69%									

The claims development tables reflect the statutory statement of comprehensive income. In 2019 the Group entered into the LPT. The LPT relates to a number of accident years, and the IFRS accounting treatment materially reduces net earned premiums in 2019, whereas net incurred claims are reduced across the accident years covered by the contract.

18 . Reinsurance assets and insurance contract liabilities (continued)

18.5. Movements in insurance liabilities and reinsurance assets

(a) Claims recognised in the Financial Statements and claims handling expenses

The movements in claims recognised, including claims handling expenses, both gross and net of reinsurance, are shown below:

	2022				2021			
	Gross	Reinsurers' share		Net	Gross	Reinsurers' share		Net
		LPT & QS	Other			LPT & QS	Other	
	£m	£m	£m	£m	£m	£m	£m	£m
At 1 January	**1,199.7**	**(263.0)**	**(476.4)**	**460.3**	1,061.4	(269.1)	(416.0)	376.3
Cash paid for claims settled in year	**(560.1)**	**249.0**	**28.9**	**(282.2)**	(500.9)	224.6	26.8	(249.5)
Change arising from:								
Current year claims	**709.9**	**(244.4)**	**(96.6)**	**368.9**	696.0	(104.8)	(84.6)	506.6
Prior year claims	**(124.8)**	**3.9**	**51.8**	**(69.1)**	(56.8)	(141.5)	(2.6)	(201.0)
Commutation	**-**	**24.4**	**-**	**24.4**	-	28.0	-	28.0
Total at 31 December	**1,224.7**	**(230.1)**	**(492.3)**	**502.3**	1,199.7	(263.0)	(476.4)	460.3
Accrued amounts	**-**	**6.3**	**-**	**6.3**	-	3.8	-	3.8
Provision for claims handling costs	**11.8**	**-**	**-**	**11.8**	11.9	-	-	11.9
Salvage and subrogation	**72.9**	**(26.8)**	**-**	**46.1**	50.4	(18.6)	-	31.8
Total reserve at 31 December	**1,309.4**	**(250.6)**	**(492.3)**	**566.5**	1,262.0	(277.8)	(476.4)	507.8

Claims incurred and claims handling expenses as disclosed in the consolidated statement of comprehensive income comprise:

	Year ended 31 Dec 2022				Year ended 31 Dec 2021			
	Gross	Reinsurers' share		Net	Gross	Reinsurers' share		Net
		LPT & QS	Other			LPT & QS	Other	
	£m	£m	£m	£m	£m	£m	£m	£m
Claims incurred	**586.8**	**(219.8)**	**(44.7)**	**322.3**	629.2	(212.2)	(101.8)	315.2
Claims handling expenses	**33.1**	**-**	**-**	**33.1**	29.0	-	-	29.0
Claims incurred and claims handling expenses	**619.9**	**(219.8)**	**(44.7)**	**355.4**	658.2	(212.2)	(101.8)	344.2

(b) Provisions for unearned premiums

The movements for the year, both gross and net of reinsurance, are summarised below:

	2022				2021			
	Gross	Reinsurers' share		Net	Gross	Reinsurers' share		Net
		LPT & QS	Other			LPT & QS	Other	
	£m	£m	£m	£m	£m	£m	£m	£m
Unearned premium provision								
At beginning of the year	**404.8**	**-**	**(40.6)**	**364.2**	427.4	-	(41.6)	385.8
Premiums written in the year	**735.7**	**(270.6)**	**(94.6)**	**370.5**	807.6	(295.5)	(90.5)	421.6
Premiums earned in the year	**(768.1)**	**270.6**	**92.4**	**(405.1)**	(830.2)	295.5	91.5	(443.2)
At end of year	**372.4**	**-**	**(42.8)**	**329.6**	404.8	-	(40.6)	364.2

19 . Insurance and other receivables

	As at 31 Dec 2022 £m	As at 31 Dec 2021 £m
Insurance receivables	**239.9**	236.9
Prepayments and accrued income	**11.9**	12.2
Other debtors	**18.9**	20.1
Salvage and subrogation assets	**72.9**	50.4
Profit commission receivable	**14.2**	1.1
Total insurance and other receivables	**357.8**	320.7

Insurance receivables, other debtors and profit commission receivable are financial assets classified as loans and receivables. For more details see Note 17, which includes the ageing of these loans and receivables.

The Directors believe the carrying value of these financial assets approximates their fair value.

All insurance receivables and other receivables are expected to be recovered within one year, aside from £13.6m of salvage and subrogation assets which are expected to be recovered in more than one year (2021: £8.3m) and £14.2m of profit commisison receivable which is expected to be recovered in more than one year (2021: £1.1m).

20 . Deferred acquisition costs

Movement in the deferred acquisition costs asset are as follows:

Deferred Acquisition Costs	As at 31 Dec 2022 £m	As at 31 Dec 2021 £m
At 1 January	**56.0**	53.1
Movement during the period	**(5.4)**	2.9
At 31 December	**50.6**	56.0

21 . Cash and cash equivalents

	As at 31 Dec 2022 £m	As at 31 Dec 2021 £m
Cash at bank and in hand	**38.4**	94.1
Total	**38.4**	94.1

22 . Insurance and other payables

	As at 31 Dec 2022 £m	As at 31 Dec 2021 £m
Insurance payables	**7.6**	5.8
Reinsurance payable	**240.5**	270.2
Accrued expenses	**22.8**	44.3
Social security and other taxes	**35.8**	39.0
Due to related parties	**0.4**	0.5
Deferred income	**17.5**	17.0
Lease liabilities	**19.1**	21.4
Total insurance and other payables	**343.7**	398.2

Insurance payables and accrued expenses principally comprise amounts outstanding for suppliers and ongoing costs. The average credit period taken for invoiced trade purchases is 3.3 days (2021: 1.2 days). The Directors consider that the carrying amount of insurance and other payables approximates their fair value. All insurance and other payables are expected to be settled within one year aside from lease liabilities.

Of the lease liabilities, £16.0m is expected to be settled in more than one year (2021: £19.1m).

23 . 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 2022 £m	As at 31 Dec 2021 £m
Deferred tax assets	**30.7**	3.9
Deferred tax liabilities	**(0.0)**	(0.3)
Net deferred tax liabilities	**30.7**	3.6

The net movement on the deferred tax account is as follows:

	As at 31 Dec 2022 £m	As at 31 Dec 2021 £m
At 1 January	**3.6**	(1.3)
Income statement credit (Note 13)	**8.9**	1.4
Effect of change in tax rate	**3.0**	0.3
Tax adjustment relating to deferred tax for prior periods	**0.1**	0.4
Deferred tax recognised directly in equity	**15.1**	2.8
At 31 December	**30.7**	3.6

The deferred tax rate used is 24.70% (2021: 21.50%).

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 assets/(liabilities)	Deferred acquisition costs £m	Claims equalisation reserve £m	AFS reserve £m	Leases £m	Losses carried forward £m	Accelerated capital allowances £m	Total £m
Brought forward as at 1 January 2021	(0.3)	(0.1)	(2.3)	0.3	-	1.1	(1.3)
Tax adjustment relating to deferred tax for prior periods	-	-	-	0.4	-	-	0.4
Impact of change in tax rate	-	-	-	0.0	-	0.3	0.3
(Charged) / credited to the income statement	(0.0)	0.1	-	0.1	-	1.2	1.4
Deferred tax recognised directly in equity	-	-	2.8	-	-	-	2.8
At 31 December 2021	(0.3)	-	0.5	0.8	-	2.6	3.6
Brought forward as at 1 January 2022	**(0.3)**	**-**	**0.5**	**0.8**	**-**	**2.6**	**3.6**
Tax adjustment relating to deferred tax for prior periods	-	-	-	-	-	**0.1**	**0.1**
Impact of change in tax rate	-	-	-	-	**2.7**	**0.3**	**3.0**
Credited to the income statement	**0.3**	-	-	-	**8.6**	-	**8.9**
Deferred tax recognised directly in equity	-	-	**15.5**	**(0.4)**	-	-	**15.1**
At 31 December 2022	**(0.0)**	**-**	**16.0**	**0.4**	**11.3**	**3.0**	**30.7**

There is an unrecognised deferred tax asset on land and buildings of £1.2m at 31 December 2022 (2021: £3.6m) for which there is insufficient likelihood that future taxable gains will be available against which the asset can be utilised.

24 . Share capital and other reserves

	Ordinary Shares	Share Premium	Capital Redemption Reserve	Other Reserves		Total
				Restricted Tier 1 notes	AFS and share based payments	
	£m	£m	£m	£m	£m	£m
At 1 January 2021	0.4	48.2	44.9	-	12.7	106.2
Fair value movements on AFS assets	-	-	-	-	(17.4)	(17.4)
Tax relating to fair value movements on AFS assets	-	-	-	-	2.9	2.9
Fair value movements on land and buildings	-	-	-	-	(0.3)	(0.3)
rT1 issuance	-	-	-	72.8	-	72.8
Capital contribution: share-based payment	-	-	-	-	1.0	1.0
At 31 December 2021	0.4	48.2	44.9	72.8	(1.1)	165.2
Fair value movements on AFS assets	**-**	**-**	**-**	**-**	**(64.3)**	**(64.3)**
Tax relating to fair value movements on AFS assets	**-**	**-**	**-**	**-**	**15.6**	**15.6**
Fair value movements on land and buildings	-	-	-	-	**(0.3)**	**(0.3)**
Capital contribution: share-based payment	-	-	-	-	**1.2**	**1.2**
At 31 December 2022	**0.4**	**48.2**	**44.9**	**72.8**	**(48.9)**	**117.4**

The authorised, allotted, called up and fully paid share capital of esure Group plc as at 31 December 2022 was 426,301,337 Ordinary Shares of 1/12 pence each (31 December 2021: 426,301,337 Ordinary Shares of 1/12 pence each). The shares have full voting and dividend rights.

No shares are held in Treasury.

During the year ended 31 December 2022, £64.3m was charged to other comprehensive income in respect of fair value movements on AFS financial assets (31 December 2021: £17.4m).

During the year ended 31 December 2022, £0.3m was charged to other comprehensive income in respect of fair value movements on land and buildings (31 December 2021: £0.3m).

The capital redemption reserve was created during the year ended 31 December 2013 for a £44.9m share repurchase.

On 22 July 2021 the Group announced the pricing of £75.0m of Fixed Rate Reset Perpetual Restricted Tier 1 Contingent Convertible Notes at a coupon of 6.000%. The notes are direct, unsecured and subordinated obligations of the Group and rank pari passu and without any preference among themselves. The Tier 1 notes are treated as a separate category within equity and the coupon payments are recognised outside of the profit after tax result and directly in shareholders' equity. The Group has the option to cancel the coupon payment. Cancellation becomes mandatory if:

- solvency cannot be maintained; or
- there is non-compliance with the SCR or the MCR; or
- there are insufficient distributable reserves in esure Group plc; or
- the Group is in an insolvent winding-up; or
- it is required by the PRA.

In the event of a trigger event, which relates to the solvency coverage of the Group, then the Notes will automatically convert into ordinary shares of esure Group plc.

Directly attributable costs of £2.2m were incurred in issuing the rT1 Notes.

In January 2023 a payment of £2.25m was made for the coupon payment on the rT1 Notes - as these are treated as equity this amount is considered to be a non-adjusting post balance sheet event.

25 . Share-based payments

During 2021 and 2022 the Group certain employees were eligible to purchase shares in the Group's ultimate parent company, Blue (BC) Topco Limited. 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	**Year ended 31 Dec 2022**	**Year ended 31 Dec 2021**	**Year ended 31 Dec 2020**
Awarded to Directors	-	-	380
Awarded to Senior Management	71	305	130

Under the scheme the restrictions on the shares are lifted on the event of Blue (BC) Topco exiting its investment in the Group.

Number of shares initially granted	510
Number outstanding at 1 January 2021	510
Granted in the year	305
Lapsed in the year	(7)
Number outstanding at 1 January 2022	**808**
Granted in the year	**71**
Lapsed in the year	**(46)**
Number outstanding at 31 December 2022	**833**
Exercise price per share	£5,500

Valuation of awards

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:

Valuation date	16 October 2020
Volatility (modelled using historical share price volatility of quoted comparator companies)	25.0%
Expected term	3.2 years
Risk free rate	-0.09%
Expected transaction cost (% of enterprise value)	3.0%
Discount for post vesting restrictions	10.0%

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.

Financial effect of share-based payments made

The total expense recognised for the year arising from the share-based payments above was £1.2m (2021: £1.0m). All share-based payment transactions were accounted for as equity-settled.

Notes to the Financial Statements
For the year ended 31 December 2022

26 . Commitments

(a) Pension commitments
The Group contributes to a Group Personal Pension defined contribution scheme available to all staff of which 1,517 employees participated in the scheme at 31 December 2022 (2021: 1,690).

The pension cost charge for the period represents contributions payable by the Group to the scheme and amounted to £4.5m (2021: £4.2m). 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 2022 £m	**As at 31 Dec 2021 £m**
Fixed asset acquisitions contracted for but not provided in these consolidated Financial Statements	**-**	0.1
Investment Commitments	**32.2**	25.5

27 . Group subsidiary companies

esure Group plc has the following subsidiaries as at 31 December 2022:

	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.

28 . 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.

As a result of changes in the composition of the Board during the prior year, Gocompare.com, which was previously considered to be a related party, ceased to be a related party during the prior year.

	Year ended 31 Dec 2022 £m	Year ended 31 Dec 2021 £m
Value of expense for the year/period:		
External communication services	**(0.0)**	-
HR-related services	**(0.1)**	(0.3)
Total expense for the year	**(0.1)**	(0.3)
Amount payable at the year end:		
HR-related services	-	(0.0)
Total amount payable at the year end	**0.0**	(0.0)

b) Compensation of key management personnel

The key management personnel are considered to be the Directors. Please refer to Note 9 for more details.

29 . 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 2022 £m	As at 31 Dec 2021 £m
Fixed assets			
Investments	4	**309.6**	309.6
Current assets			
Investments: call deposits		**29.7**	0.0
Deferred tax asset		**1.1**	-
Debtors	5	**6.6**	1.9
Cash at bank		**0.6**	44.4
		38.0	46.3
Creditors: amounts falling due within one year	6	**(0.3)**	(0.3)
Net current assets		**37.7**	46.0
Total assets less current liabilities		**347.3**	355.6
Creditors: amounts falling due after more than one year	6	**(124.3)**	(124.0)
Net assets		**223.0**	231.6
Capital and reserves			
Share capital	7	**0.4**	0.4
Share premium account	7	**48.2**	48.2
Other reserves	7	**117.6**	117.6
Profit and loss account		**56.8**	65.4
Shareholders' funds - all equity		**223.0**	231.6

The Notes on pages 122 to 124 form part of these Financial Statements.

These Financial Statements were approved by the Board on 30 March 2023 and signed on its behalf.

Peter Bole
Director

Registration Number: 07064312

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 2021						
At 1 January 2021	0.4	48.2	44.9	-	18.7	112.2
Profit for the year	-	-	-	-	46.6	46.6
Total comprehensive income	-	-	-	-	46.6	46.6
Transactions with owners:						
Restricted Tier 1 Issuance	-	-	-	72.8	-	72.8
Total transactions with owners	-	-	-	72.8	-	72.8
At 31 December 2021	0.4	48.2	44.8	72.8	65.4	231.6
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**

The Notes on pages 122 to 124 form part of these Financial Statements.

Parent Company statement of cash flows

Cash flows from operating activities	Notes	Year ended 31 Dec 2022 £m	Year ended 31 Dec 2021 £m
Profit/(loss) after tax for the year		**(2.1)**	46.6
Adjustments to reconcile profit after tax to net cash flows:			
- Finance costs		**8.8**	8.8
- Taxation credit	3	**(1.9)**	(1.7)
- Dividends received from subsidiary undertakings		**-**	(53.8)
- Total investment return		**(0.4)**	0.0
Operating cash flows before movements in working capital, tax and interest paid		**4.4**	(0.1)
Interest received on financial investments		**0.4**	-
Changes in working capital:			
- Increase in debtors		**(4.7)**	(0.8)
- Decrease in payables		**0.0**	(0.2)
Taxation received		**0.7**	1.7
Net cash generated in operating activities		**0.8**	0.6
Cash flows from investing activities			
(Purchase)/sale of financial investments (investments: call deposits)		**(29.7)**	0.0
rT1 purchase		**-**	(75.0)
Dividends received from subsidiary undertakings		**-**	53.8
Net cash used in investing activities		**(29.7)**	(21.2)
Cash flows generated from / (used in) financing activities			
Proceeds from rT1 Issuance		**-**	75.0
Cost of rT1 Issuance		**-**	(2.2)
Interest paid on loans		**(8.4)**	(8.4)
Payment to holders of rT1		**(4.5)**	-
Dividends paid		**(2.0)**	-
Net cash (used in)/generated from financing activities		**(14.9)**	64.4
Net (decrease)/increase in cash and cash equivalents		**(43.8)**	43.8
Cash and cash equivalents at the beginning of the year		**44.4**	0.6
Cash and cash equivalents at the end of the year		**0.6**	44.4

The Notes on pages 122 to 124 form part of these Financial Statements.

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 2023 and beyond considered by the Board were the risks resulting from the Blueprint transformation programme, in particular relating to migration to the new platform; the 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.

The Board has reviewed the Company's projections for the next 12 months, including cash flow forecasts 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 11).

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 25 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 on page 81.

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 2022 relating to carried forward losses (year ended 31 December 2021: no deferred tax).

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.

Notes to the Financial Statements
For the year ended 31 December 2022

2 . Parent Company accounting policies (continued)

Financial assets

The Company's financial assets as at 31 December 2022 and 31 December 2021 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 2022 and 31 December 2021 include amounts owed to group undertakings and 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 19.00% (2021: 19.00%) payable by the corporate entities in the UK on taxable profits under tax law in that jurisdiction.

	Year ended 31 Dec 2022 £m	**Year ended 31 Dec 2021 £m**
Profit before taxation	**(3.9)**	44.9
Taxation calculated at 19.00% (2021: 19.00%)	**(0.7)**	8.5
Effects of:		
Change in tax rate	**(0.3)**	-
Non taxable Income	**(0.9)**	(10.2)
Taxation credit	**(1.9)**	(1.7)

4 . Investments

	Year ended 31 Dec 2022 £m	**Year ended 31 Dec 2021 £m**
As at 1 January	309.6	234.6
rT1 purchase	-	75.0
As at 31 December	**309.6**	309.6

There are no provisions for impairment.

On 22 July 2021 the Company purchased a £75.0m of Fixed Rate Reset Perpetual Restricted Tier 1 Contingent Convertible Notes at a coupon of 6.000% from esure Insurance Limited. The notes have identical terms to those issued by the Group (see note 24) and are treated as equity in the issuing company.

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 2022 £m	**As at 31 Dec 2021 £m**
Due within one year		
Due from related parties	**6.6**	1.9
Total debtors due within one year	**6.6**	1.9

6 . Creditors and other payables

Amounts falling due within one year

	As at 31 Dec 2022 £m	As at 31 Dec 2021 £m
Accrued interest on ten-year Subordinated Notes	**0.3**	0.3
Total creditors due within one year	**0.3**	0.3

Amounts falling due after more than one year

	As at 31 Dec 2022 £m	As at 31 Dec 2021 £m
Borrowings: ten-year Subordinated Notes	**124.3**	124.0
Total creditors due after more than one year	**124.3**	124.0

Full details of the Company's ten-year Subordinated Notes are included in the consolidated Financial Statements of esure Group plc above at Note 17.2.

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 24. Full details of dividends declared during the year are included in the consolidated Financial Statements of esure Group plc above at Note 14.

8 . Post balance sheet event

In March 2023 the Company made a capital contribution to its indirect subsidiary, esure Insurance Limited, of £14.8m.

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 2021 the Group redeveloped its key metrics as part of the Game Changer Strategy to ensure that its KPIs, some of which are APMs, better reflected how the business is managed and the impact of the programme. 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
	Net Revenue	Financial measure of 'retained' revenues	Yes
	Retention Rate	Measure of customer satisfaction and a key component of growth	No
Quality	Net Loss Ratio	Measure of core underwriting competency	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 (excluding investment volatility from market rate movement)	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, and other income net of the reinsurance profit share. This measure is used by management to show the underwriting scale of the Group .

	Motor	**Home**	**Year ended 31 Dec 2022 Total**	**Motor**	**Home**	**Year ended 31 Dec 2021 Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Gross written premiums (note 5)	**639.3**	**96.4**	**735.7**	701.5	106.1	807.6
Instalment income (note 6)	**45.2**	**5.5**	**50.7**	48.2	5.7	53.9
Other income (note 7)	**59.9**	**11.4**	**71.3**	49.6	13.1	62.7
Less: reinsurance profit share (note 7)	**(21.7)**	**-**	**(21.7)**	(10.4)	(6.1)	(16.5)
Turnover	**722.7**	**113.3**	**836.0**	788.9	118.8	907.7

Net Revenue

Net Revenue includes net earned premiums, income from instalments, net investment return and other income. This measure shows the total income retained by the Group having ceded premium to reinsurance partners.

	Year ended 31 Dec 2022	**Year ended 31 Dec 2021**
	£m	**£m**
Net earned premiums (note 5)	**405.1**	443.2
Instalment income (note 6)	**50.7**	53.9
Other income (note 7)	**71.3**	62.7
Total investment return (note 6)	**9.0**	17.8
Net revenue	**536.1**	577.6

Glossary of Terms - Alternative Performance Measures (continued)

Trading profit
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 the Group's underlying performance - the Group has therefore disclosed the trading profit before the effect of investment volatility directly resulting from market rate movements in the year that would otherwise be reported through the income statement. A reconciliation is provided in Note 4.

Net loss ratio
Net loss ratio is defined as total losses as a percentage of net earned premium. The loss ratio gross of quota share is used to give a better year-on-year comparison of underlying underwriting performance as the size of these quota share programme has changed materially over the last four years. This is a key measure of the underwriting performance of the Group.

Year ended 31 Dec 2022

	Motor	Home	Total excluding central costs	Central costs	Total
	£m	£m	£m	£m	£m
Claims incurred, net of reinsurance (note 18)	**270.5**	**50.8**	**321.3**	**1.0**	**322.3**
Add back: quota share recovery	**187.2**	**33.6**	**220.8**	**-**	**220.8**
Adjusted claims incurred	**457.7**	**84.4**	**542.1**	**1.0**	**543.1**
Net earned premiums (note 5)	**349.7**	**55.4**	**405.1**	**-**	**405.1**
Add back: quota share premium	**233.6**	**37.0**	**270.6**	**-**	**270.6**
Adjusted earned premium	**583.3**	**92.4**	**675.7**	**-**	**675.7**
Net loss ratio = adjusted claims incurred / adjusted earned premium	**78.5%**	**91.3%**	**80.2%**		**80.4%**

Year ended 31 Dec 2021

	Motor	Home	Total excluding central costs	Central costs	Total
	£m	£m	£m	£m	£m
Claims incurred, net of reinsurance (note 4)	281.7	32.5	314.2	1.0	315.2
Add back: quota share recovery	190.6	24.6	215.2	-	215.2
Adjusted claims incurred	472.3	57.1	529.4	1.0	530.4
Net earned premiums (note 5)	385.1	58.1	443.2	-	443.2
Add back: quota share premium	256.8	38.7	295.5	-	295.5
Adjusted earned premium	641.9	96.8	738.7	-	738.7
Net loss ratio = adjusted claims incurred / adjusted earned premium	73.6%	59.0%	71.7%		71.8%

Expense ratio
Expense ratio is defined as insurance expenses as a percentage of net earned premium. The expense ratio gross of quota share contribution is used to give a better year-on-year comparison of underlying underwriting performance as the size of these quota share programme has changed materially over the last four years.

Glossary of Terms - Alternative Performance Measures (continued)

Expense ratio (continued)

Year ended 31 Dec 2022

	Motor	Home	Total excluding central costs	Central costs	Total
	£m	£m	£m	£m	£m
Claims handling costs (note 4)	**21.6**	**2.8**	**24.4**	**8.7**	**33.1**
Insurance expenses (note 4)	**75.1**	**26.1**	**101.2**	**34.7**	**135.9**
Add back: quota share contribution	**38.1**	**6.0**	**44.1**	**-**	**44.1**
Adjusted insurance expenses	**134.8**	**34.9**	**169.7**	**43.4**	**213.1**
Net earned premiums (note 5)	**349.7**	**55.4**	**405.1**	**-**	**405.1**
Add back: quota share premium	**233.6**	**37.0**	**270.6**	**-**	**270.6**
Adjusted earned premium	**583.3**	**92.4**	**675.7**	**-**	**675.7**
Net expense ratio = adjusted insurance expenses / adjusted earned premium	**23.1%**	**37.8%**	**25.1%**		**31.5%**

Year ended 31 Dec 2021

	Motor	Home	Total excluding central costs	Central costs	Total
	£m	£m	£m	£m	£m
Claims handling costs (note 4)	18.9	2.6	21.5	7.5	29.0
Insurance expenses (note 4)	76.6	24.1	100.7	33.1	133.8
Add back: quota share contribution	46.9	7.1	54.0	-	54.0
Adjusted insurance expenses	142.4	33.8	176.2	40.6	216.8
Net earned premiums (note 5)	385.1	58.1	443.2	-	443.2
Add back: quota share premium	256.8	38.7	295.5	-	295.5
Adjusted earned premium	641.9	96.8	738.7	-	738.7
Net expense ratio = adjusted insurance expenses / adjusted earned premium	22.2%	34.9%	23.9%		29.3%

Combined operating ratio
The combined operating ratio is a traditional general insurance measure of the profitability of an insurance business.

	Year ended 31 Dec 2022	Year ended 31 Dec 2021
Loss ratio	**80.4%**	71.8%
Expense ratio	**31.5%**	29.3%
Combined operating ratio	**111.9%**	101.1%

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.

	Year ended 31 Dec 2022	Year ended 31 Dec 2021
	£m	£m
Trading profit (note 4)	**47.9**	84.8
Net Revenue (see above)	**536.1**	577.6
Profit margin = trading profit / net revenue	**8.9%**	14.7%

Glossary of Terms - Alternative Performance Measures (continued)

Unit cost, gross of quota share

Unit cost is used to monitor the efficiency of the Group's operations. The impact of quota share is removed to better assess underlying performance.

	Year ended 31 Dec 2022 £m	Year ended 31 Dec 2021 £m
Insurance expenses (note 10)	**135.9**	133.8
Claims handling costs (note 18)	**33.1**	29.0
Other operating expenses (note 10)	**73.9**	81.1
Less: non-trading other operating expenses (note 4)	**(66.4)**	(65.0)
Add back: quota share contribution	**44.2**	53.9
Total cost, gross of quota share	**220.7**	232.8
Average In-force Policies (m)	**2.436**	2.500
Unit cost = total cost, gross of quota share / In-force Policies	**£90.58**	£93.13

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.

	Year ended 31 Dec 2022 £m	Year ended 31 Dec 2021 £m
Trading profit (note 4)	**47.9**	84.8
Less: Unwind of discount on long-term reinsurance liabilities (note 12)	**(3.5)**	(3.6)
Less: Interest expense on 10 year subordinate Notes (note 12)	**(8.8)**	(8.8)
Less: notional expense for rT1 capital (see below)	**(4.5)**	(1.9)
Pre-tax return	**31.1**	70.5
Effective tax (calculated as the pre-tax return multiplied by the effective rate)	**(5.9)**	(13.4)
Less: tax effect dividend income (note 13)	**2.0**	2.8
Adjusted return	**27.2**	59.9

	2022 average £m	2021 average £m
Total equity (see calculation below)	**312.8**	321.2
Less: rT1 capital (see calculation below)	**(72.8)**	(36.4)
Less: intangible assets (see calculation below)	**(25.3)**	(31.7)
Tangible equity	**214.7**	253.1
Return on tangible equity = adjusted return / tangible equity	**12.7%**	23.7%

The notional expense for rT1 capital for has been calculated as the interest that would have been accrued in the year had it not been classified as equity under IFRS (see note 24).

The tangible equity values above are the average for each year, calculated as follows:

	Year ended 31 Dec 2022 £m	Year ended 31 Dec 2021 £m	Year ended 31 Dec 2020 £m	2022 average £m	2021 average £m
Total equity (see consolidated statement of financial position)	271.1	354.5	287.8	312.8	321.2
rT1 capital (note 24)	72.8	72.8	-	72.8	36.4
Intangible assets (note 15)	21.9	28.7	34.7	25.3	31.7

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 gross written premiums, income from instalments, and other income net of the reinsurance profit share. This measure is used by management to show the underwriting scale of the Group.
Net Revenue	Net Revenue includes net earned premiums, income from instalments, 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 total losses as a percentage of net earned premium. The loss ratio gross of quota share is used to give a better year-on-year comparison of underlying underwriting performance as the size of the quota share programme has changed materially over the last four years. 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 earned premium. The expense ratio gross of quota share contribution is used to give a better year-on-year comparison of underlying underwriting performance as the size of these quota share programme has changed materially over the last four years.
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 impact of quota share is removed to better assess underlying performance. The measure takes insurance expenses, claims handling costs, other trading operating costs less the quota share contribution 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.
'Board'	means the Board of Directors of the Company from time to time.
'Blueprint'	is the programme of transformation that seeks to build the pre-eminent pure-play digital insurer in the UK market.
'Claims incurred, net of reinsurance'	is the cost of claims incurred in the period, 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.
'Digital contact share'	is 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'	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, and the General Counsel & Company Secretary.
'Gross earned premiums'	are the total premiums earned during the period on premiums underwritten in the current and previous underwriting years.
'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 revenue'	includes net earned premiums, income from instalments, net investment return and other income. This measure shows the total income retained by the Group having ceded premium to reinsurance partners.
'Net earned premiums'	The element of premium, less reinsurance premium, earned in the period.
'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 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 gross written premiums, income from instalments, and other income net of the reinsurance profit share. This measure is used by management to show the scale of the Group.
'The Notes'	means the £125m, 6.75% 10-year Tier 2 Subordinated Notes issued on 19 December 2014.
'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.
'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. The impact of quota share is removed to better assess underlying performance.

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