



Half-year update 2022

esure[™]
GROUP

Transformation of esure continues at pace

Highlights - as at 30th June 2022

- Significant progress against Blueprint transformation strategy: launch of new industry-first technology platform, supporting the deployment of the esure Flex product and our new digital Claims ecosystem
- Strong pricing discipline in current industry environment
- In-force policies decreased by 3.2% vs. December 2021 to 2.5m
- Balance sheet remains strong, supporting continued investment and providing resilience
- Strengthened Board and Executive team with new appointments
- New Climate Strategy focused on reducing emissions and inspiring change



“The market environment remains complex with high claims inflation and continued unsustainably weak pricing evident in the market. Throughout the first half we have been focused on maintaining our underwriting and pricing discipline.

We have also continued to make excellent progress against our ambition to become the UK’s leading digital insurer. I am delighted that we have been able to launch our first product on our new market-leading digital platform. We are focused on driving esure further to the forefront of digital customer experience, data science and innovation.

esure’s investment in world-class technology and capabilities positions us well for the future. I want to thank the esure team for their tireless commitment to fixing insurance for good.”

- **David McMillan**, Chief Executive Officer



Trading update

The general insurance market has seen significant change in the last six months as insurers have navigated the FCA GIPP pricing regulations. This has coincided with an increase in claims frequency as driving activity returns towards pre Covid levels and high inflation impacts claims costs. At the same time market pricing has remained unsustainably low – as highlighted by recent third-party reports.

Against this backdrop, esure is maintaining a disciplined approach to both underwriting and pricing. Our pricing strategy has seen us increase rate ahead of the market, leading to a 3.2% decrease in in-force policies in H1 to 2.5m.

Customer feedback has remained strong, with our Relationship Net Promoter Score of +31 stable with last year and on track to remain above target for 2022.

Our capital position also remains strong, with a healthy balance sheet, high credit quality and stable reserves. Our reinsurance programme was renewed broadly in line with expiring cover levels. Our balance sheet provides the Group with resilience while enabling us to continue investing in our strategic transformation.

We expect to remain within our target operating range for solvency coverage of 140-160% at the end of the current financial year, despite ongoing investment, challenging market conditions and the short-term impact of higher interest rates on our asset portfolios.

Significant strategic progress

We remain focused on our continued strategic transformation to become the UK's leading digital insurer, through investment in building world-class technology and data capabilities. This will deliver better value for our customers, open up new opportunities for esure to grow and lower our unit cost.

The first half saw us make significant progress against our Blueprint strategy.

Our new core digital platform is now in place and already transforming our agility and technological capabilities. This has supported a number of major milestones during the first half of the year:

- the launch of a new motor insurance product, esure Flex
- esure Flex distribution established on three price comparison websites with the fourth to follow in the coming weeks
- the launch of our new digital Claims ecosystem, enabling digital integration of every part of the Claims journey, delivering a significantly enhanced customer experience
- the roll out of a new customer contact platform providing a single view of the customer across all channels

The customer response to esure Flex has been very encouraging and we expect to continue to build functionality into the product and customer service offering in the second half of the year.

Our developers, with backgrounds in a wide range of industries, have built a proprietary Machine Learning Operations (ML Ops) capability to support the implementation of artificial intelligence throughout the group, and across the customer journey. These are already delivering better pricing outcomes through predictive technology, and we will continue to scale this capability across areas such as Fraud, Claims and Reserving.

The Blueprint transformation programme will continue through H2 2022 as we scale the volume of customers supported by the new platform, continue to develop the customer service functionality, launch Home product capability and ready ourselves for a migration of existing esure customers. We are confident this activity will drive esure further to the forefront of digital customer experience, data science and innovation.

Strengthening our Board and Executive Team

We were delighted to welcome Elisabeth Ling to the esure Board, as an Independent Non-Executive Director, in May. Elisabeth has over 20 years' experience in product management, data science and AI across a wide range of businesses – most recently at Elsevier.



Elisabeth Ling
Non-Executive Director



Helen Cooper
Chief Risk Officer

We have also continued to strengthen our management team. Helen Cooper was appointed Chief Risk Officer, joining us from Hiscox where she was Group Chief Actuary. Helen will be responsible for enterprise risk management and compliance.

Peter Martin-Simon, previously Chief Trading Officer, has taken on the new role of Chief Customer Officer, which combines responsibility for underwriting, pricing, data, marketing and customer design. Bringing together the teams that design, price and market our customer offerings will further increase our focus on putting the customer at the heart of everything we do.

Helping to make the world greener and safer



We continue to focus on our aim of making the world greener and safer, striving to be responsible and sustainable in all that we do.

During H1 we established our Climate Strategy, focusing on reducing emissions in our operations, supply chain and investments, and inspiring change amongst our customers and colleagues. We have set targets for the business to achieve net zero across scope 1 and 2 emissions by 2025, to achieve a 50% reduction in scope 3 emissions by 2030 and reach net zero across scope 1, 2 and 3 emissions by 2050.

We offset our 2021 scope 1 & 2 emissions within Q1 2022, accelerating ahead of our 2025 target. Our ground-breaking Greener Parts initiative continued during H1, with esure using 2,380 recycled motor repair parts, which equates to an approximate saving of 50,000kg CO₂e. We continued to build our carbon neutral bodyshop network, with 76% of our branded bodyshops achieving net neutral status as of June and the expectation that 100% will be by the end of 2022.

We are continuing to work toward our objectives to meet net zero, in line with the government's targets and the Climate Change Roadmap of the Association of British Insurers (ABI), and will accelerate our progress wherever we identify opportunities to do so.