esure GROUP

esure Group plc

Annual Report and Accounts

for the year ended 31 December 2021

Company No: 07064312

Driving Value

Contents

Highlights

Financial year 2021 Financial Highlights

Financials reflect the Group's scale and stability

Growth

	2021	2020
In-force Policies (million)	**2.54**	2.45
Turnover (£m)	**908**	936

Quality

	2021	2020
Net loss ratio	**72%**	70%
Unit cost per policy (£)	**92.09**	94.21
Net Promoter Score (Relational NPS)	**31**	

Returns

	2021	2020
Trading profit (£m)	**83.5**	82.6
Profit margin (%)	**15%**	13%
Profit after tax (£m)	**7.7**	29.0
Underlying Return on Tangible Equity (RoTE) (%)	**23%**	24%
Solvency coverage (%)	**188%**	164%

During 2021, the Group has redeveloped its key metrics as part of its Game Changer strategy to ensure that Group's Key Performance Indicators (KPIs) better reflect how the business is managed and the expected impact of the Blueprint transformation programme on our business performance. 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 Glossary of Terms on pages 133 to 140.

At a Glance

UK Personal Lines Insurer

Our scale and experience support our efficient, profitable business model

- Over 20 million annual policies underwritten since 2012
- £908m of Turnover (across underwritten and non-underwritten income streams)
- Disciplined approach to pricing and growth in a competitive market

Operating under two main brands

esure

UK's leading direct insurer providing car, home and travel insurance

Sheilas' Wheels

Focused insurance brand offering car, home and travel insurance

Each providing both Motor and Home Insurance

% of Group policies that are Motor as at 31 December 2021

76%

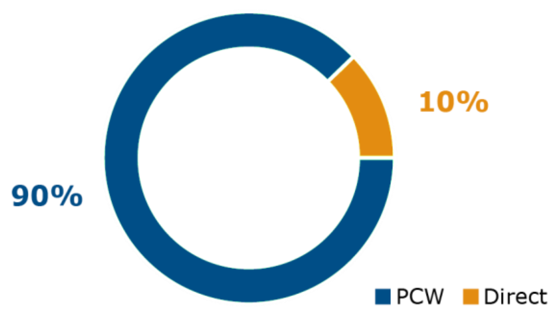
% of Group policies that are Home as at 31 December 2021

24%

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

Growing share of PCW Distribution (market data)

PCWs now account for:

85%

of personal lines Motor sales

65%

of Home sales

Share continues to grow across both lines

Strong Customer Proposition

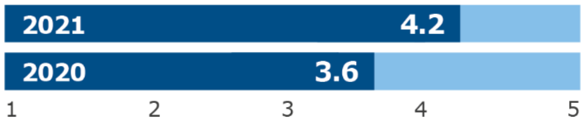
2021 RNPS: 31
2020 RNPS: N/A

Strong customer service track record

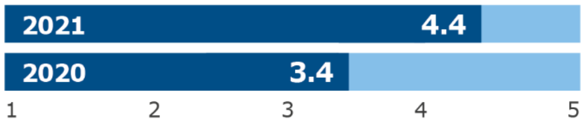
Our home and car cover is rated 5 star by Defaqto

Trustpilot

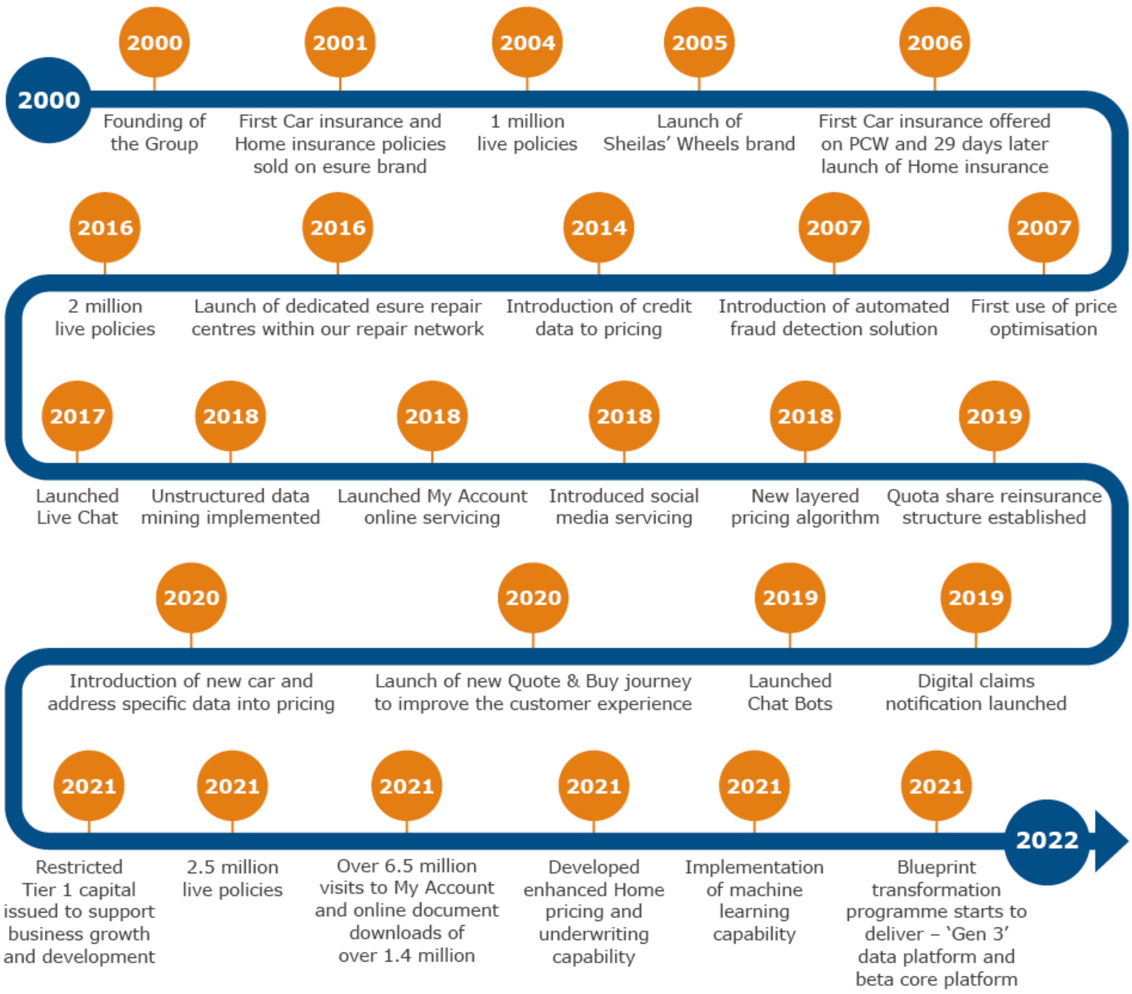
esure



Sheilas' Wheels



esure Journey



Strategic Report

Chief Executive's Review

2021 was a year of solid progress for esure.

The Group continued to grow its Motor and Home customer base conservatively, maintaining underwriting discipline against a backdrop of soft market prices. By the end of the year we made significant progress towards the re-platforming of the business and expect to be launching new digital customer propositions and journeys in 2022. I continue to be very proud of the commitment of our people in going the extra-mile for customers, particularly during the country's extended lock-down. We continued to invest in the business in support of our ambition to become the UK's leading digital insurer.

Business performance

Trading profit was £83.5m (2020: £82.6m), with performance improvements from our Brilliant Basics programme helping to offset a rebound in Motor claims frequencies and a weak market pricing environment. Our Home account performed particularly strongly with continued improvements in pricing sophistication and underwriting capability.

In-force policies surpassed 2.5 million for the first time as more customers chose esure insurance products. This represented an increase of 3.4% on the previous year, achieved in spite of the challenging market rating environment. By the end of the year we had secured top four positions on each of the main Price Comparison Websites.

Our ongoing investments in pricing sophistication and data science have enabled us to grow while balancing the need for pricing discipline. This should place us in good stead once the rating cycle turns. We have introduced a suite of new data sets and towards the end of the year launched Machine Learning Operations ('ML Ops') capability which will enable the development of artificial intelligence ('AI') throughout the Group. Our leadership in Pricing and Underwriting has been recognised externally with both the launch of our Data Science partnership with the Alan Turing Institute to help leverage cutting edge research in the industry and a gold award for underwriting excellence from Insurance DataLab.

The year closed with a Solvency coverage ratio of 188% (2020: 164%), which reflects our financial outturn as well as the Restricted Tier 1 capital raised earlier in the year. This positions the Group well for future investment in our strategy and growth agenda.

Our customer service measures improved year on year. Transactional NPS reached 58, an increase of 4%pts over the last two years.

We've seen continued growth in customers choosing to engage with us digitally, with 42% of our sales and service journeys now occurring online. Customers engaging with us digitally rate us more highly, and the lower cost to serve these channels makes growth in this area a win for both our customers and the Group.

Market dynamics

The current market environment is one of the most complex in many years. The combination of Covid, the Financial Conduct Authority's General Insurance Pricing Practices regulation ('FCA GIPP') and long-term changes in driving behaviour make the insurance market even more dynamic and interesting than normal.

The FCA GIPP remedies are beginning to take effect and we are envisaging a significant impact on distribution dynamics and the rating cycle over the next 12 to 18 months. esure is well-placed to benefit, as customers that have been historically "price walked" in the market are re-activated into the new business market, where we have a particularly strong franchise. This is reinforced by our customer service performance, efficient model, strong trading and data science capability.

There has been a shift in customer driving habits, as hybrid working has reduced commuting. Electric and hybrid vehicles continued to gain share, and now represent 12% of new car sales. We continue to adapt our propositions to reflect the different needs that these trends create.

Insurtech activity in the sector rebounded during the year, increasing the range of future partnership opportunities. Our new platform will facilitate rapid, digital connection with third parties.

Strategy

Our longer-term strategy is called 'Game Changer'. The strategy is supported by two main programmes:

- Blueprint programme: building the pre-eminent pure-play digital insurer in the UK market.
- Brilliant Basics: delivering world class insurance fundamentals across Pricing, Underwriting, Claims and Customer Service.

Our Brilliant Basics programme started in 2019 and has placed the Group in a strong position. Our progress is reflected in claims indemnity performance in the top quartile of the industry. Moreover, we are now positioned among the top insurance partners across the major Price Comparison Websites which is a measure of the strength of our pricing and trading capabilities.

Our Blueprint programme has also made substantial progress over 2021 as we seek to build the most advanced digital platform in the market. We are keenly anticipating its launch in 2022, which will drive esure further to the forefront of digital customer experience, data and innovation.

Highlights in 2021 include the creation of a proprietary, cloud native "Generation 3" data capability and the development of a simple, low-cost architecture that is centred around a new core platform from EIS.

We have also made good progress against our agenda to use our know-how to make the world greener and safer. We have objectives to meet net zero, in line with the government's targets and the Climate Roadmap of the Association of British Insurers' (ABI). We also submitted our inaugural report to ClimateWise[1] outlining how we will mitigate our impact on climate change, including encouraging greater use of recycled non-safety parts for repairs and supporting our branded body shops to carbon neutral status by the end of 2022.

People and culture

The Board was delighted to welcome Elke Reichart as a Non-Executive Director in January 2021. As a former Chief Executive of TUI InfoTech and Chief Digital Officer at TUI Group having held several management positions at Hewlett Packard (HP) including Vice President for Strategy and Planning, leading an international team on the largest

[1] A global network of leading insurance industry organisations committed to responding to the risks and opportunities of climate change.

transformation programme to date at HP, Elke has been a valuable addition to the Board as we continue to deliver against our ambition to become a world class digital insurer.

We strengthened our leadership team with the addition of Andy Burton as Chief Technology Officer. Andy joined the Group in January and brings a wealth of experience in leading large-scale technology-led digital businesses and delivering agile transformation. We also appointed Peter Martin-Simon as Chief Trading Officer. Peter joined the Group in October and has extensive experience in leading consumer businesses in a variety of sectors. Peter takes accountability for Pricing, Underwriting and our data-science capability.

During the year we introduced flexible and hybrid working for our colleagues and redesigned our offices to support this. Our people are central to our success and supporting them through this uncertain period is a key focus. This will be tested in full during 2022 as Covid pandemic restrictions are eased. We have seen a slight reduction in our overall engagement scores for last year largely due to the wider impact of the pandemic beginning to weigh on colleagues.

Equity, Inclusion and Diversity ('I&D') have been a particular focus, with a new strategy based on eight priorities identified by the Board, against which we have made significant progress; read more on pages 32 to 33.

Outlook

I wish to extend my thanks to my esure colleagues. To have delivered such strong performance and progress on our Game Changer strategy against a backdrop of external challenges is testament to their capability and commitment.

2022 looks set to be another year of uncertainty, as the market and rating cycle adjust to the FCA GIPP regulations in, hopefully, a post-pandemic world. However, I believe that esure is positioned well for continued growth. The progress we have made against our strategy is a solid foundation for the next stage in our development.

Our ongoing focus on driving our Blueprint programme should allow esure to better meet customer needs with market-leading digital journeys and unrivalled advantages on cost and analytical insight and help us deliver our purpose to fix insurance for good.

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 behaviour and loyalty and, providing sympathetic 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 2.5 million customer base. We are building on this heritage in two ways:

- through the use of proprietary data combined with scale machine learning capabilities to drive forensic understanding of insurance risk and great value pricing.
- 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 / team / learn approach that drives a culture of innovation.

A Greener and Safer World

We seek to make everyday life greener and safer for everyone by leveraging our expertise and scale.

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 returns. This is underpinned by strong underwriting capability.

Low -Cost Operations

With our cost conscious culture 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.
NPS 58 in 2021

Our Corporate Partners

Cost-effective customer acquisition via access to millions of informed customers.
Top 4 provider for the four main Price Comparison Websites in 2021

Our Colleagues

We are committed to fostering a supportive and inclusive working environment focused on employee wellbeing.
Employee engagement net score 7.1in 2021.
Read more on page 31

Our Investors

We are a growing business and deliver strong returns.
Return on tangible equity (ROTE) in excess of 20%.
Read more on page 22

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 p12.

Strategic Framework

Our purpose

Our purpose is to fix insurance for good and, in doing so, deliver growth, quality and long-term returns. We aspire 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 and to make the world greener and safer.

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.

We are building a technology ecosystem to transform how we engage with our customers and operate our business, underpinned by a flexible and scalable digital platform, proprietary and industry-beating data capabilities.

Focus

Our immediate focus is to provide 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.

Alongside this, we are developing our data science capabilities and use of advanced machine learning across our business, from pricing, claims and reserving to our customer-facing activities.

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

2021 progress

Over the course of 2021, the Group made significant investments to establish the core foundations of our future technology platform. This industry first platform aims to transform our agility and speed of execution and enables the real time streaming of event information to deliver personalised customer journey to drive increased value. In addition, we have continued investment in a cloud-based data platform which will provide industry beating data capabilities.

We have already seen some promising results from our digital and technology initiatives, including steady growth in digital contact throughout 2021, and enhanced rating capability from accessing new machine learning algorithms. Our enterprise-wide machine learning framework has been established and will enable all our data scientists across Sales, Service and Claims to use open-source AI.

We also continued the journey to enhance our digital claims journeys at First Notification of Loss. We are excited to build on these initial successes in 2022 and beyond.

Enhancing Value

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

We seek to treat every customer as an individual. This means we are developing personalised, flexible products at prices that reflect their circumstances at any given time, and rewards customer behaviour and loyalty. Our claims handling is designed to offer empathetic end-to-end claims experience and swift pay-outs.

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 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 entails improving our unit economics from automation of key processes, excellent risk management, and underwriting and fraud control.

2021 progress

In 2021, we made strong progress in enhancing value to customers, including introduction of several new external data sources and increased use of machine learning models in pricing and fraud. This is evidenced by our award-winning customer service and position on Price Comparison Websites. Transactional NPS has increased from 56 to 58 in 2021. Relational NPS was 31 in 2021 and will be used as a measure going forward.

Enhancing customer value increases retention and supported a strong financial performance for the business in 2021 with continued customer growth. The trading profitability of the business was largely reinvested in the Group's Blueprint programme.

Exceptional Culture

esure's unique culture has been the key to our long-lasting success and status as an industry disruptor. We are now evolving our culture in line with our Game Changer strategy. By doing so, we will harness the full potential of our colleagues, data, and technology assets and bolster the role that esure plays in the industry and society more broadly.

Focus

Our culture is underpinned by three main focal areas. The first of these is diverse expertise. This allows us to re-assess standard industry practices afresh and determine which to challenge in our quest to fix insurance for good.

The second area is customer obsession. This ensures that we focus our investment and efforts on the right topics, and tune and iterate our solutions as customer behaviours evolve.

The final area is instilling a modern, collaborative and agile culture. This allows us to derive maximum value from our technology and data platforms, which we can adapt as required.

2021 progress

In 2021, we diversified our expertise by attracting colleagues to the Executive team and beyond with backgrounds in other technology-driven industries. We also signed off an ambitious Inclusion and Diversity agenda to ensure the experiences of our colleagues reflect those of our ever-growing customer base. We have maintained a broad 50/50 gender split across the organisation, and the percentage of female colleagues in our senior team is 32% in 2021. We aim for this to be no less than 33% by 2024 and 50% at all levels in the longer term.

Our customer obsession has also grown immeasurably through 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 established modern, 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 Leadership, Agility, Transformation and Data.

A Greener and Safer world

We are using our know-how to make the world more sustainable and safer. We strive to be responsible and sustainable in all we do and work with our customers and local communities to encourage sustainability.

Focus

We are working to reduce our own carbon footprint and actively supporting the communities in which we operate to make a positive impact.

In parallel, we are breaking new ground with our Greener Parts initiative which supports esure repairers to achieve carbon savings, and the development of a carbon neutral bodyshop network.

We are actively encouraging greener driving, supporting our customers and colleagues in transitioning to electric vehicles.

2021 progress

During 2021, we established our objective to become a net zero organisation. We completed our move to make our offices supplied by renewable electricity. This builds on our progress in the last 18 months to send no waste to landfill and work towards the elimination of the use of all single-use plastics.

Our investment portfolio of publicly-listed assets is now managed under a new sustainable investment policy.

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.

The Group already has over 2.5 million insurance customers 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.

Quality

In addition to maintaining our core insurance disciplines our Blueprint transformation 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 delivers strong profitability (with a Return on tangible equity in 2021 of 23% (2020: 24%). Our disciplined financial and risk management approach and cautious reserving philosophy give the Group its strong balance sheet and positions it well for growth.

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

Measuring Performance

During 2021 the Group has redeveloped its key metrics as part of the Game Changer strategy to ensure that its KPIs, some of which are APMs, better reflect how the business is managed and to ensure they 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 133 to 1409.

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.
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.
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 core Motor and Home insurance customer base and the percentage of cases referred to the Financial Ombudsman 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.
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 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.

Financial Review

Key Performance Indicators ('KPIs')

Growth

In-force policies (million)

2.54m

2021	2.54m
2020	2.45m

Turnover (£m)

908m

2021	908m
2020	936m

Net revenue (£m)

577.6m

2021	577.6m
2020	645.4m

Retention rate (%)

71%

2021	71%
2020	72%

Quality

Net loss ratio (%)

72%

2021	72%
2020	70%

Unit cost per policy (£)

£92.09

2021	£92.09
2020	£94.21

Employee engagement

7.1

2021	7.1
2020	7.7

Digital contact share (%)

42%

2021	42%
2020	39%

Complaints (% of policies)

1.0%

2021	1.0%
2020	1.0%

Referrals to the Financial Ombudsman (% of policies)

0.03%

2021	0.03%
2020	0.03%

Returns

Trading profit (£m)

83.5m

2021	83.5m
2020	82.6m

Profit margin (%)

15%

2021	15%
2020	13%

Profit after tax (£m)

7.7m

2021	7.7m
2020	29.0m

Underlying RoTE (%)

23%

2021	23%
2020	24%

Solvency coverage (%)

188%

2021	188%
2020	164%

Growth

During 2021 the number of In-force policies increased to 2.54 million (2020: 2.45 million), with growth seen in both the Motor (an increase from 1.87 million to 1.93 million) and Home (an increase from 0.57 million to 0.61 million) books despite a challenging rating environment. This growth is supported by our continued investment in pricing and underwriting capability.

Despite the rise in In-force policies, turnover decreased from £936.2m in 2020 to £907.7m in 2021. This was primarily due to softening market rates as competitors continued to price in the benefit of lower claims frequencies driven by successive lockdowns and anticipated reduced personal injury costs due to whiplash reforms. These factors primarily affected the Motor book with turnover decreasing from £822.1m to £788.9m, whilst the Home book increased turnover from £114.1m to £118.8m, in line with increased customer numbers.

Gross earned premiums were stable at £830.2m (2020: £829.3m).

Net Revenue reduced from £645.4m to £577.6m, primarily as a result of an increased level of quota share, in line with the Group's capital strategy.

Quality

Against a competitive market backdrop, the Group retained a disciplined approach to pricing and underwriting, with a loss ratio of 71.7% in 2021 compared to 70.3% in 2020.

The Board is committed to a prudent approach to setting claims reserves. As a result, the Group holds a reserve margin in excess of the actuarial best estimate and only releases this margin for a given accident year as the data matures and uncertainty reduces. The consequence of this approach is that we expect the reported profit to benefit from prior year reserves being released each year. 2021 financial performance saw an increased level of prior year reserve run off as some of the uncertainty associated with the Covid pandemic eased.

Unit cost fell to £92.09 per policy (2020: £94.21 per policy) demonstrating disciplined cost control and the benefit of operating leverage as the customer base continued to grow.

This was achieved without detriment to customer experience, with customer Transactional NPS increasing to 58 (2020: 56). In 2021, the Group also introduced Relational NPS as a KPI which measured 31 (2020: no comparator). We moved from transactional NPS, which provides feedback on an individual interaction with our customer facing teams, to relational NPS because it provides a broader view of overall customer sentiment towards our brand and their experience. This will be a key indicator of our ability to retain and delight our customers on an ongoing basis.

Returns

Trading profit is the Group's measure of underlying, long term profitability. The Group's reportable segments, Motor and Home together with Central costs, delivered a combined trading profit of £83.5m (2020: £82.6m) with overall profit margin improving to 15% (2020: 13%). In 2021, the Group's combined operating ratio (gross of quota share reinsurance) was 101.2% (2020: 98.8%).

Profit after tax was £7.7m, a reduction from 2020 (£29.0m) as the Group increased investment in its Game Changer strategy. This was also reflected in profit before tax, which fell to £5.2m (2020: £34.2m). Non-Trading items are set out on page 21 and further detail is provided on page 98.

Return on tangible equity was 23.3% (2020: 24.4%).

In addition to the changes the Group has made to redevelop the key metrics used to manage performance for the year ended 31 December 2021, the Group chose to recognise Central costs separately alongside the existing Motor and Home segments. The Central costs incorporate head office and related Group functional costs that were previously allocated to the Motor and Home segments. In reporting Central costs separately, management believe the performance reported for Motor and Home is now more representative of underlying performance. This has led to the restatement of some comparative measures.

	2021	2020 Restated[1]
Motor		
In-force Policies	**1.93m**	1.87m
Trading profit	**£106.9m**	£126.9m
Home		
In-force Policies	**0.61m**	0.57m
Trading profit	**£18.8m**	£0.2m

1 Refer to the Glossary of Terms

Motor

Motor In-force policies grew 3.1% to 1.93 million (2020: 1.87 million) whilst Trading Profit was £106.9m (2020: £126.9m).

Turnover decreased 4% to £789m (2020: £822m) in spite of In-force policy growth due to a softening rate environment and a higher proportion of lower risk drivers underwritten in the year.

A second lockdown at the start of the year resulted in fewer drivers on the road, and therefore fewer claims, but the impact was less pronounced than the prior year. The Net Loss Ratio for the calendar year was 73.6% (2020: 69.9%). Prior year claims reserves developed more favourably in 2021 with strong run off from the 2020 accident year.

	2021	2020 Restated[1]
Reported Net Loss Ratio (%)	**73.6**	69.9
Prior year reserves release (%)	7.2	5.8
Current accident year Net Loss Ratio (%)	**80.8**	75.7

1 Refer to the Glossary of Terms

Motor expenses were stable, benefiting from the reduction in unit cost with the expense ratio slightly raised to 22.2% (2020: 20.5%).

Home

Home continued to develop strongly with In-force policies growing 7.0% to 0.61 million (2020: 0.57 million) and a trading profit of £18.8m (2020: £0.2m)

Turnover grew 4% to £119m (2020: £114m), primarily due to increased volume.

The Net Loss Ratio for the calendar year was 59.0% (2020: 72.6%), including favourable prior year development.

	2021	2020 Restated[1]
Reported Net Loss Ratio (%)	**59.0**	72.6
Prior year reserves release (%)	**12.9**	7.0
Current accident year Net Loss Ratio (%)	**71.9**	79.6

1 Refer to the Glossary of Terms

The Home expense ratio improved to 34.9% (2020: 37.9%), benefitting from the overall unit cost reduction and continued growth.

Central

In 2021, the Group moved to disclosing Central costs separately to allow a more representative view of the underlying profitability for both the Motor and Home segments.

Total Central costs for 2021 were £42.2m (2020: £44.5m) relating primarily to Head Office functions and facilities costs. The decrease in costs were due to a reduction in Head Office costs.

Reconciliation of trading profit to profit before tax

	2021 £m	2020 £m
Trading profit	**83.5**	82.6
Non-Trading costs	**(67.6)**	(38.5)
Finance costs	**(10.7)**	(9.7)
Amortisation of acquired intangible assets	**-**	(0.2)
Profit before tax	**5.2**	34.2

During 2021, the Group incurred £67.6m of Non-Trading costs (2020: £38.5m). This expenditure primarily related to investment in the Group's Blueprint programme. The Blueprint programme started in 2020 and has so far resulted in investment of £79.3m on initiatives including the digital insurance platform, new data science capabilities and systems costs.

Non-trading costs relate to investment in business and technology resource capacity that is focused on material development programmes and is not expected to be a permanent element of the Group's cost base.[2]

The Group incurred £10.7m in finance costs, of which £8.8m (2020: £8.7m) related to the £125.0m 6.75% ten-year Tier 2 Subordinated Notes issued on 19 December 2014 ('the Notes') and £1.9m linked to reinsurance arrangements (2020: £1.0m). The Restricted Tier 1 issuance is accounted for under IFRS as equity, therefore the coupon is recognised on payment through other comprehensive income rather than as a finance cost.

Solvency

The Group's solvency coverage and Eligible Own Funds have increased to 188% and £497.1m at 31 December 2021 (2020: 164% and £383.3m) with the increase largely

[2] Refer to Note 4 for reconciliation

driven by the issuance of the £75m Restricted Tier 1 Notes (see note 24). The Solvency Capital Requirement increased to £264.3m (2020: £233.1m), reflecting the development of the business, including growth.

The Group's capital position is outlined below:

	2021 £m	2020 £m	2019 £m
Own Funds	**497.1**	**383.3**	**360.7**
Tier 1	370.9	266.7	239.6
Tier 2	126.2	116.6	121.1
Solvency Capital Requirement	**264.3**	**233.1**	**242.2**
Coverage Ratio	**188%**	**164%**	**149%**

The Group uses a variety of metrics to monitor its capital position, including Solvency coverage; which is a measure of the Group's own funds against its regulatory required capital, which was 188% as at 31 December 2021 (2020: 164%).

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 did not pay a dividend during 2021 (2020: £5.0m).

Covid pandemic

The Covid pandemic continued to disrupt activity in the UK general insurance market during 2021. Throughout the year the Group closely monitored the on-going impact of the pandemic on key elements of performance, including new business sales, premium rates, customer service, retention and the frequency and severity of claims, together with impacts on our supply chain and the impact on our colleagues. This monitoring, together with the broader economic impact on the Group's balance sheet, has been taken into account in determining the range of financial sensitivities disclosed by the Group.

Outlook

The Group expects market conditions to remain competitive in 2022 with high levels of on-going uncertainty in the insurance market relating to four key areas – the market response to the FCA GIPP regulations, the long-term impact of the Covid pandemic on customer behaviour, the general economic environment including inflation, and the Civil Liabilities Act ('CLA'). Despite this uncertainty, the Group is well-placed to deliver against its long term strategic objectives and is committed to continued investment in its Game Changer strategy for the medium to long-term. This will be the focus of substantial efforts in 2022 across the business.

Risk Management

We have a robust risk management system in place to identify, monitor, manage and accept risks that are within our appetite.

The Board is responsible for prudent oversight of the Group, ensuring that business is conducted in accordance with sound principles and within applicable law and regulation. The Board is responsible for agreeing the strategic risk statements and setting the risk appetite for the business, as well as ensuring that an appropriate framework of identification, measurement, control and acceptance of risks is in place.

The Group's risk management framework and Own Risk & Solvency Assessment ('ORSA') processes are proportionate to the risks that the business faces. The risk strategy, appetite and framework are articulated in a suite of policies covering material risks within the business.

Risk governance

In accordance with recognised good practice, the Group operates a 'three lines of defence' governance framework. Further information on the work of the Risk Committee of the Board can be found in the Governance section pages 62 to 63.

1st Line of defence - Business area

- Owns and manages risk. Primary responsibility for risks that esure accepts in the pursuit of its strategic objectives.
- Embeds the risk framework, risk management practices, processes and controls.

2nd Line of defence – Risk and Compliance function

- Provides oversight and challenge to business areas and management.
- Coordinates risk and compliance activities and reporting, including ensuring an effective risk framework is embedded within the 1st Line of defence.

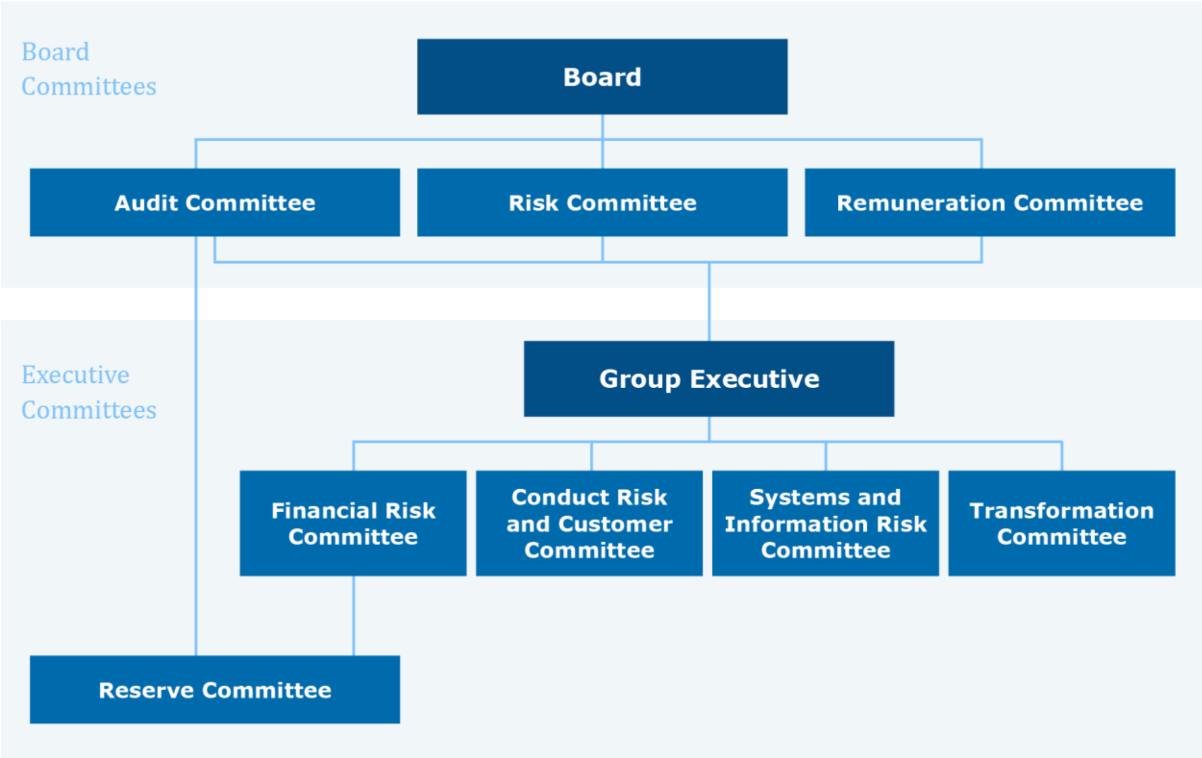
The accountability for the Risk and Compliance function resides with the Chief Risk Officer, a member of the Group Executive Team reporting to the Chief Executive Officer, with independence assured through direct and separate access to the Chair of the Risk Committee

3rd Line of defence – Internal Audit function

- Provides independent and objective assurance on the internal control environment.
- Focuses assurance on the design and operating effectiveness of governance processes, risk management procedures and internal control.

The accountability for the Internal Audit function resides with the Chief Audit Officer (CAO). The independence of the CAO is assured through a direct reporting line into the Chair of the Audit Committee. The CAO is also a member of the Senior Leadership Team with day to day reporting to the Chief Executive Officer.

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



The Own Risk & Solvency Assessment ('ORSA') process

The ORSA policy outlines the Group's approach to the management of risk and solvency. It is supported by a number of processes and procedures. Key elements include:

- Risk Strategy and appetite: defining how the Group considers the risks that it faces in delivering its strategic objectives;
- Capital Management: maintaining a capital structure consistent with the risk profile and the regulatory and market requirements of the business; and
- Risk Management and Internal Control Framework: confirming that the overall risk management and control framework is operating adequately and effectively, allowing the Group to identify, assess, manage, monitor and report on risks across the business.

Strategic Risk statements and Risk appetite

The strategic risk statements inform the way we think about risk within the business and provide the basis for the Group's strategic decision making and business planning.

These are supported by the Group's risk appetite which incorporates 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 statements can be found below.

Strategy, sustainability & change - We identify and articulate a clear sustainable strategy, obtain the necessary investment to deliver that strategy and structure the necessary levels of activity to transform our business ensuring it can deliver our strategic goals and objectives.

Capital & liquidity - We ensure there are appropriate financial resources in place to deliver our corporate objectives and policyholder obligations with consideration of prudential risks with the aim to hold own funds in the range 140% to 160% of regulatory capital requirements to ensure the business remains sustainable in the long-term.

Earnings - We aim to manage financial risks to ensure the Group can continue to trade sustainably without undue concentration and maintain the ability to grow profitably over the medium term.

Conduct & 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, service and claims delivery which we operate within the regulatory guidelines.

Business information - We collect and protect the information we need to effectively run and manage our business, both now and in the future, in a compliant manner. We can effectively access the information required to enable us to make data-led decisions and provide an audit trail and rationale as required by our governing bodies and our regulators.

Business operations - We prevent significant disruption to our service from our business operations and information systems through a proportionate system of control, monitoring and effective incident response.

People - We develop and maintain a culture in which colleagues are suitably skilled and developed, can bring their full selves to work and feel engaged and fairly rewarded. We deliver efficient and effective end-to-end colleague services across the employee lifecycle. We have an efficient operating model that is optimised to deliver our strategic objectives.

Regulation & reputation - We ensure we manage our reputation and our regulatory affairs so that we can maintain a constructive relationship with all our customers, the regulatory authorities and our other stakeholders so we can deliver on our strategic goals and objectives.

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. **Current risk profile** This risk is currently heightened due to the uncertainty from the FCA GIPP, uncertain legal environment (with the Civil Liability Act), ongoing uncertainty from the Covid pandemic, as well as potential inflationary impacts from macro-economic challenges.	• There is reinsurance in place to protect the business from individual large losses, catastrophe events, adverse reserve development and adverse loss ratio movement. • There is regular monitoring of the external environment, to understand and react to the changing market. • The claims management processes ensure that there is strong customer service, management of claims costs and management information to understand claims trends. • There are financial monitoring processes in place to ensure our risks remain within appetite. • There is a cautious approach to Reserving Risk with a risk appetite to 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; geopolitical developments and the potential impact of the Covid pandemic. 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 expose the Group to material currency risk or the risks arising from active trading of derivatives. • The Group policy concerning market risk aligns and ensures compliance with

	Risk	Mitigation
		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 and controlled 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 other assets to settle financial obligations when they fall due. **Current risk profile** These risks tend to be materially driven by other risk types impacting the solvency and liquidity position. However, the PRA are conducting a material review of the Solvency II framework that could impact how the capital requirements are set.	• 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 Group's operating cash flows, stressed for catastrophe scenarios, and liquidity strains. • Regulatory risks that could impact solvency are monitored through our close relationship with the Prudential Regulation Authority ('PRA') and other bodies.
Operational Risk Operational Resilience People Outsourcing and Third-Party Financial Crime and 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** Operational risks are currently heightened due to the Covid pandemic, with the move to a remote working environment. While mitigating actions have been implemented this has impacted our	• The Group has a governance and risk framework in place which provides an effective structure within which operational risks are identified, measured and managed. The framework ensures that there is clear ownership of risks with effective reporting and escalation mechanisms, supporting management oversight and decision-making. • There are specialist teams in the business functions that

	Risk	Mitigation
	people, processes, controls and ways of working.	provide expertise and support, including for 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** This risk is currently heightened due to the Group undergoing a period of significant transformational change.	• This is being managed within a dedicated Transformation Office and running parallel to business as usual. This is supported by internal resources plus implementation partners and consultancies. • Support in establishing a robust change risk framework has been provided by an external change risk consultancy.
Conduct and Regulatory Risk Legal and 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 experience, product design and service delivery. **Current risk profile** The Group is averse to Conduct risks and this is reflected in our Risk Appetite statement and management decision-making. However, this risk is currently heightened due to the recent implementation of the FCA GIPP, supporting our customers through the Covid pandemic, potential regulatory and legal changes including the FCA consumer duty of care, and continuing heightened levels of risk from data privacy regulations.	• The Group's culture ensures the interests of customers and their fair treatment are paramount, together with compliance with the letter and spirit of the law or regulation. • The Group has a strong governance framework and the Conduct Risk and Customer Committee reviews all aspects of customer service. • Board oversight is ensured by upward reporting of the risk profile against the customer and conduct risk appetite statements to the Risk Committee; issues are reported by exception to the Board. • The Group continues to monitor legal and regulatory developments in the UK and Europe, through its 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 principle 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, in particular 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 34 to 36.

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're 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. The Blueprint transformation programme behind Game Changer offers clear opportunities for embedding ESG considerations into our business model, decision making, brand and customer propositions.

Governance

The Board oversees the Group's environmental, social and governance ("ESG") activity. The Board approved an ESG Policy in 2020 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 ensure 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.

Our Group Executive team regularly monitors and assesses the current and potential risks and opportunities associated with ESG matters to the business and reports back to the Board at least on a bi-annual basis.

Our customers

Our purpose is to fix insurance for good. Delivering better outcomes for our customers is a key part of that ambition. We want to bring human values back into insurance. We will use industry-beating technology, insights and data, alongside fantastic customer service, to deliver more personalised journeys that meet the evolving needs and expectations of our customers – whoever they are.

<u>Progress during the year</u>

- Growing to 2.54 million In-force policies is testament to our ability to both retain loyal customers and to provide attractive value to new customers
- Top decile conversion performance on Price Comparison Websites is a measure of the fair pricing, quality products and empathetic service we offer to customers
- Rated 'Excellent' on Trustpilot for both our esure and Sheilas' Wheels brands
- Launched enhanced claims journeys to provide customers with a simple, intuitive and empathetic claims experience
- Readiness for compliance with new FCA GIPP regulations
- Sound progress against our Blueprint programme enabling us to better meet customer needs with market-leading digital journeys.

- Won awards for 'Claims Satisfaction' (motor insurance) and for 'Recommendation by Customers' (motor insurance) at the Consumer Intelligence Awards for Sheilas' Wheels.

Future focus
We are designing customer-inspired products and propositions that authentically reflect every customer's needs and reward their behaviour and loyalty.

We are creating world-class, intuitive, transparent and pain-free digital journeys to ensure customers always get a fair deal, supported by empathetic service when it matters most.

We are building flexible, scalable technology to enable us to enhance our customer offering continually and quickly.

Our Colleagues

Our people are our most important asset, supporting us to transform our business strategy to 'fix insurance for good' and deliver for our customers and stakeholders. As of 31 December 2021, the Group employed 1,672 people across three offices in Glasgow, Manchester and Reigate. 52.5% of our colleagues are male, 47.5% female. Within our senior team, 32% are female.

Colleague engagement
Colleague engagement has always been important for us and continues to be a vital part of our overall colleague proposition. The continued presence of the Covid pandemic has meant working remotely for the majority of our people. Our regular monthly engagement surveys have allowed us to maintain our modern 'continual listening' approach, to ensure we capture the views and experiences of our colleagues on a regular basis.

We are really pleased that throughout the year we maintained an aggregated survey response rate of 93%, meaning colleagues are happy to engage and share their feedback. During what we consider to be a continued challenging period for most of us with the pandemic, we have seen our overall engagement scores reduce in the latter half of 2021. This remains an area of focus with a number of Group Executive management actions under way.

To support our transformation programme, we also invested in and improved our suite of communication channels to offer colleagues greater variety and choice in how they engage across the business. This includes fortnightly newsletters on our Game Changer strategy, interactive e-mails where colleagues can provide immediate feedback, monthly CEO blogs/vlogs and a more socially-focused communication tool, Yammer.

In addition to sponsoring numerous events throughout the year, our Colleague Forum, also provides our colleagues with the opportunity to discuss issues, ideas and opinions on workplace matters. It consists of representatives from across the business.

The Group held several colleague events during 2021 to drive engagement, including business-wide fitness challenges, charity fundraisers, online health and wellbeing classes, award nights, quizzes and Christmas events.

Colleague experience

In line with our broader strategic ambitions, we continue to invest in our offices and technology to further enhance the experience of our colleagues.

This year, to support the re-opening of offices and the introduction of hybrid working, we undertook an extensive re-fit across all our offices. This investment vastly improved the office environments by introducing modern collaboration and break out spaces, as well as hot desking.

We also recently launched a digital benefits platform and now offer an extensive range of supplementary benefits for colleagues to choose from, including electric vehicle salary sacrifice, health and wellbeing products, lifestyle products, holiday buy and sell, and charity 'Give as You Earn'.

Equity, Inclusion and Diversity

In line with our strategic ambition of being a leading digital insurer we want to become a truly diverse and inclusive organisation.

We want to create an environment where people from all backgrounds and beliefs feel respected, are treated equally and can thrive.

We aim to ensure all colleagues are given equal opportunity and we also believe the perspectives and experiences of our colleagues should reflect the breadth and diversity of our customers, suppliers, business partners and communities across the UK.

We believe that outstanding customer service comes hand in hand with a positive working culture where varied skills, perspectives and experiences are respected and nurtured. 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:

- ensuring inclusion and diversity are part of everything we do, from how we treat customers to how we work together every day as colleagues;
- working to a reconfirmed 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
- creating an environment that nurtures individual differences and ensuring that the contributions of all colleagues are recognised and valued;

Our Chief Strategy and Transformation Officer is our Inclusion and Diversity Executive Sponsor. In collaboration with the Inclusion and Diversity working group and taking into account the findings of our inclusion and diversity survey, we identified eight priorities for inclusion and diversity across the Group for 2021, to target the three key areas of attraction, retention and growth.

Initiative	Attraction	Retention	Growth
Celebrate and educate around a broad number of cultural events – not just events in the Christian calendar	✓	✓	✓
Review all our existing policies with an I&D lens and propose changes that fit with our I&D ambitions – including the I&D Policy & Board Statement. Other priorities are family focus e.g. maternity/paternity leave, carers and adoption leave	✓	✓	
Review/expand our approach to flexible working – both our approach to job shares, part time etc. and flexibility on where the work gets done	✓	✓	
Inclusive recruitment – from hiring manager and candidate experience – wording of adverts using an application like Textio, recruitment process, interviewers and improving hiring capability amongst hiring managers	✓		✓
Build strong partner relationships to support us and learn from – Women in Data, Women in Tech	✓	✓	✓
Awareness training – I&D is for everyone	✓	✓	✓
Clear and transparent communication plan throughout the year – recognition of I&D efforts/roles model, blogs, interviews for female role models and personal stories		✓	✓
Drive a more inclusive and gender balanced workforce – reviewing team by team	✓		✓

Learning and development

We are dedicated to developing and maximising the potential of our people. We invest in a range of apprenticeship, talent and development programmes for our people, providing opportunities to gain experience and broaden knowledge, skills and behaviours

To support individual and team growth, we continue to make great progress on esure Learning Academies to make capability building widely available to everyone. This year we launched Leadership, Agile, Data and Technology Academies. We have rolled out LinkedIn Learning as part of our Academies and we will use this to deliver a broad range of awareness training across the Company as well as supporting individual development needs.

We are investing in our leadership capability through a series of leadership programmes, one targeted at senior managers (the 'Master Programme') and one for more junior colleagues (the 'Life Leader Programme'). We continue to develop our front-line team leaders, those newly promoted to management and managers new to esure Group through the Management Excellence Programme.

In 2021 esure extended the range of apprenticeship programmes available from core insurance levels 3 and 4 up to and including degree and master's levels.

Supporting our colleagues during the Covid pandemic

Colleague wellbeing throughout the Covid pandemic has been a key area of focus. The pandemic changed the way we all work, communicate and connect with one another. As the pandemic unfolded in the first quarter of 2020, the Group quickly prioritised investment in resources to ensure our colleagues could transition to working from home and adapt to the new ways of working.

We launched a number of initiatives to support colleagues working from home in early 2020 which continued into 2021. These included surveys, an Employee Assistance programme, a business-wide 'No Apologies' campaign for parents balancing working from home with childcare and free online health and wellbeing classes.

To accommodate those unable or struggling to work from home, we continued to undertake independent risk assessments of our offices during 2021 and we set up Covid-secure working spaces to allow them to work from the office safely in line with government guidance. We put in place a stringent set of protocols to protect colleagues returning to our offices and carried out induction sessions setting out the new ways of working in the offices.

Community

We are proud to support charities in the communities in which we operate, alongside charities whose work directly impacts the broader insurance industry.

This year we partnered with Brake, the road safety charity, to sponsor the Brake Kids Walk which saw 50,000 school children take part in organised walks to learn vital road safety skills. Brake was also our chosen charity for this year's corporate sponsored runs. A team of colleagues took part in Run Reigate (where the Group also sponsored a 300 strong race crew of volunteers) and the Great Manchester Run. We were also very proud to sponsor AutoRaise, a charity that helps develop talent and reverse the skills shortage within the vehicle repair industry; Safe Drive Stay Alive, a road safety initiative that aims to empower young drivers to make safe driving choices through a series of theatre productions; and Child Safety Media to support a series of Junior Citizen events that provide safety education in the Reigate and Banstead area.

We are passionate supporters of inclusion and diversity. We were a sponsor of Link Insurance Pride 2021. Through the campaign, we took part in a UK-wide T-shirt design competition to promote Pride and the importance of inclusion with sponsorship money going to support LGBTQ+ charities. We were also proud to be a supporter of Dive In Festival 2021, the annual global event to drive inclusion and diversity in our industry, and we co-sponsored three events at this year's festival.

Environment

Our commitments

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.

Our ESG Commitments include the following environment-related commitments:

- Transitioning our investment portfolio to net zero carbon emissions by 2050
- Targeting all of our branded body shop repair network to be carbon neutral by the end of 2022
- Increasing our use of recycled non-safety vehicle parts to repair our customers' vehicles
- Setting targets to significantly grow our share in the electric vehicle market to help improve roadside air quality and reduce carbon emissions
- Shifting our demand for goods and services that are developed and delivered in a sustainable way and contribute to a low carbon economy.

Progress during the year

Our environmental footprint

During 2021 we have worked with external experts to set science-aligned metrics and targets against our climate-related commitments. We have set a target to achieve net zero across our scope 1, 2 and 3 emissions by 2050. We will invest to offset our 2021 scope 1 and 2 emissions in 2022, to achieve net zero on scope 1 and 2 in advance of the ABI's 2025 Climate Roadmap target. We have set interim decarbonisation targets that align with the ABI's Climate Roadmap, which includes reducing scope 3 emissions (including supply chain emissions) by 50% by 2030.

Our work to establish our full scope 3 carbon footprint and establish net zero targets included:

- Gathering information on the carbon footprint of our motor and home insurance supply chain;
- Gathering information on the carbon footprint of our investment holdings.
- Evaluating changes to our carbon footprint due to the future growth of the business;
- Recommending a net zero target (and interim targets) for the business;
- Identifying priority action areas to drive decarbonisation.

The table below represents the 2021 greenhouse gas (GHG) reporting on esure Group plc's UK operations, alongside 2020 comparative data.

Emissions from:	2021		2020	
Tonnes of carbon dioxide equivalent (tCO_2e)	Scope 1	444	Scope 1	440
	Scope 2	559	Scope 2	858
	Total	**1,003**	**Total**	**1,298**

Company's chosen intensity measurement	tCO_2e/£m Turnover	tCO_2e/£m Turnover
Turnover	£908m	£936m
tCO_2e/£m Turnover	1.11	1.39

Notes on our Scope 1 and 2 emissions:

- **Methodology –** The footprint is calculated in accordance with the GHG Protocol and Carbon Trust guidance on calculating organisational footprints. Activity data has been converted into carbon emissions using published emissions factors. The data used has been provided by the Group;
- **Emissions sources** – The footprint includes the Scope 1 (fossil fuel and refrigerant leakage) and Scope 2 (electricity) emissions associated with the offices from which the Group is based. Switching to 100% renewable electricity has contributed to the year-on-year decline in total emissions although this has also been influenced by the reduced use of office space during the Covid pandemic as colleagues have worked from home, a trend we expect to reverse to some extent.
- **Data quality** – The quality of the data used for the footprint calculations has been rated as 'good', 'average', 'poor' or 'based on benchmarks'. Around 99.8% 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	Total
2021	3,520,538	1,817,994	35,023	**5,373,555**
2020	3,357,090	2,156,113	11,948	**5,525,151**

Supporting the transition to a low-carbon economy

Our business approach focuses on the provision of high-quality products and strong customer service, priced to deliver great value. We recognise that the products we offer in both motor and home insurance can support the transition to a low carbon economy and have expanded our offer to support decarbonisation of both transport and housing. We continue to build our offer in these areas as we anticipate these to be growth opportunities for esure.

Our offer includes:

- **Supporting the transition to electric vehicles** –We have ambitions to grow our share of the electric vehicle market and help the UK to meet its targets to decarbonise transport. Our current approach includes:
    - Coverage for hybrid and electric vehicles by default, including for charging cables while the vehicle is being charged;
    - Optional motor breakdown cover, including coverage for electric vehicles in situations where they have run out of charge; and
    - Optional hire car cover, aiming to provide a similar type and size of car, including hybrid and electric vehicles.

- **Supporting decarbonisation of the UK housing stock and addressing climate risk** - We have been working to improve our offer to help customers to decarbonise their homes and to protect customers against the physical risks of climate change. Our approach includes:
    - Coverage for solar panels, ground and air source heat pumps within our home insurance products;
    - Covering customers for loss of or damage to buildings or contents as a result of storms, flood or lightning; and
    - Enhancing our data to provide more accurate flood risk ratings, enabling us to quote for more customers in affected areas.

Reducing the environmental impact of our business

We use a range of suppliers across our business. Most of our supplier activity relates to support for our delivery of insurance products. These include:

- **Motor** – Our network of body shops and repairers, roadside assistance providers and automotive engineers; and
- **Home** – Our claims handlers, loss adjusters, surveyors and home product suppliers.

We have started work to improve the environmental sustainability of our supply chain. We are taking a phased approach, focusing first on areas of highest environmental impact. This has led us to focus on our automotive supply chain where we have the highest throughput of materials and the most significant supplier carbon emissions.

Case Study

Creating a greener Motor supply chain

What we are doing:

- **Increasing our usage of recycled parts** – The use of recycled car parts helps create a circular economy for vehicle parts in the UK and reduces the carbon footprint of vehicle repairs. We are working with our suppliers to increase the use of recycled car parts for repairs in non-safety-critical applications, including vehicle doors, tailgates, lights, gearboxes, engines 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. Recycled parts now account for 5% of spend with repairers who piloted the initiative. In 2021, we used 2,859 recycled parts which we estimate has resulted in savings of 84,151 kg CO_2e. Our target is to increase the use of recycled parts to 10% of repair spend by 2024.

- **Creating a carbon-neutral repair network** – We are working with our repair network to encourage them to move to carbon-neutral operations. Our major partners have now started to establish their carbon-neutral status, and we are working to provide advice and support to other partners to assist them in their journey to carbon neutrality. Currently, 16% of our bodyshops within our repair network have achieved The British Standards Institution's PAS2060, (the internationally recognised specification for carbon neutrality) and the rest have either started the process or are selecting a partner to help them achieve this standard. Our target is for all branded body shops to have achieved carbon-neutral status by the end of 2022.

Environmental impact of our offices

We own our office in Reigate and lease offices in Manchester and Glasgow with a full repair/insure lease. In 2021, we installed an energy-efficient boiler and upgraded the lifts in our Glasgow office, and replaced uninterruptable power supplies (UPS) in all three buildings for more energy-efficient versions.

Our environmental impact reduction projects include:

- **Office waste** – We sent zero waste to landfill or incineration in 2021. 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 will seek to remove all sources of traditional single-use plastic in our offices, and instead use products made from plant-based materials;
- **Paper use** – We are committed to reducing our use of paper. Recent paper reduction initiatives include:
    - Installing energy-efficient hand dryers in all our offices and reducing all paper towels;
    - Digitalising paper records to reduce the need for printing and moving to centralised printing to discourage unnecessary paper use; and
    - Creating digital customer journeys - we have increased digital documentation and policy fulfilment to 80.2% of total In-force policies as at December 2021, up 3.4% from December 2020. We will continue to drive the digitisation of customer documentation to improve our customer offer, drive efficiency and reduce our environmental footprint.

We have moved all UK operations to 100% **renewable electricity** as of 1 October 2021. We estimate that these activities will save more than 475,000 kWh of electricity per year.

Environmental impact of transport

Our Greener Driving workstream, also part of the Driving Good Working Group, focuses on encouraging fuel-efficient and environmentally friendly driving among customers and colleagues.

We understand the importance of supporting the move towards electric vehicles and launched a salary sacrifice scheme in November 2021 that enables employees to access electric vehicles.

Our benefits platform allows all employees to participate in a cycle to work scheme as part of our focus on supporting colleagues' health and wellbeing.

Responsible investment strategy

Our commitments

In recognition of our responsibility to society and the planet, and in line with the 'Driving Good' pillar of our strategy, 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.

With the key element of our "Driving Good" pillar being improving our carbon footprint, we have defined the following objectives and tolerance levels to focus our attention on reducing the carbon intensity of our investment portfolio.

Our priority objectives are to:

- Make our investment portfolio net carbon neutral by 2050, and achieve a 50% reduction in carbon emission intensities from our portfolios by 2030;

- Create a carbon transition roadmap by which to monitor progress to the net carbon neutral targets by the end of 2022;
- Enhance the consideration of ESG issues in our investment analysis and decision-making processes;
- Retain and expand exposure to companies and other issuers with great carbon emissions' and intensities' 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;
- 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

Although carbon-neutrality is our key focus, we are committed to improving other environmental, social and governance elements. These include ensuring adequate governance is in place for the companies we invest in, for example adequate reporting on ESG matters. Engagement is preferred over exclusion where possible. We note however, that we do not currently hold any direct equity exposure and so exercising voting rights at investment portfolio company meetings is not currently possible for esure. Primary bond issues provide essential short- to medium-term financing to businesses, and bond investors such as us can have a meaningful, active engagement approach with issuers. Where possible, we expect our investment managers to engage with portfolio companies on our behalf.

Progress during the year

Work is continuing to develop a carbon transition roadmap, creating milestones to 2050 and to assessing the achievability of accelerating these timescales. We believe that moving out of high-emitting sectors such as utilities, construction and manufacturing can be carried out relatively easily, but this rebalancing would not have as meaningful an impact on the world as we would like. To that end, we believe it is preferable to evolve into a position where we can invest in or lend directly to companies who are actively investing in or contributing to ESG solutions and/or transitioning to a low-carbon economy.

Alongside the above objectives, we have adopted a responsible investment policy which requires the Group to:

- Ensure all of our investment and fund managers are signed up to the UN Principles for Responsible Investment;
- Exclude securities issued by companies manufacturing controversial weapons (e.g. cluster bombs, firearms, landmines, biological, chemical weapons and depleted uranium weapons);
- Exclude securities issued by companies involved in the mining, extraction, and production of thermal coal;
- Exclude sovereign or supranational debt issued by countries which have an MSCI ESG rating lower than BB;
- Attain an average MSCI ESG rating of A across our corporate bond portfolio
- Ensure at least 90% of our corporate bond exposure is from companies with an MSCI ESG rating; and
- Attain an average MSCI ESG rating of A across our supranational and sovereign debt portfolio.

Our investment portfolio currently has less than 4% of exposure to high carbon emission industries such as Utilities and Energy, including oil, gas and coal.

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 their 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.

Section 172 requires the Directors to have 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

During 2021, the Board continued to consider that key stakeholders who are impacted by its decisions include its

- customers,
- colleagues,
- corporate partners,
- investors,
- regulators; and
- the wider community, including the Group's impact on the environment.

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.

Stakeholder engagement - responding to the Covid pandemic

During 2021, the Board remained committed to doing the right thing during the ongoing Covid pandemic. The impacts of the pandemic on our key stakeholders continues to be monitored and discussed regularly by the Directors.

The table below highlights the interests of our key stakeholders, our engagement methods and examples of the action we have taken during the year to support those interests. Further details can be found in the Strategic Report on pages 8 to 39.

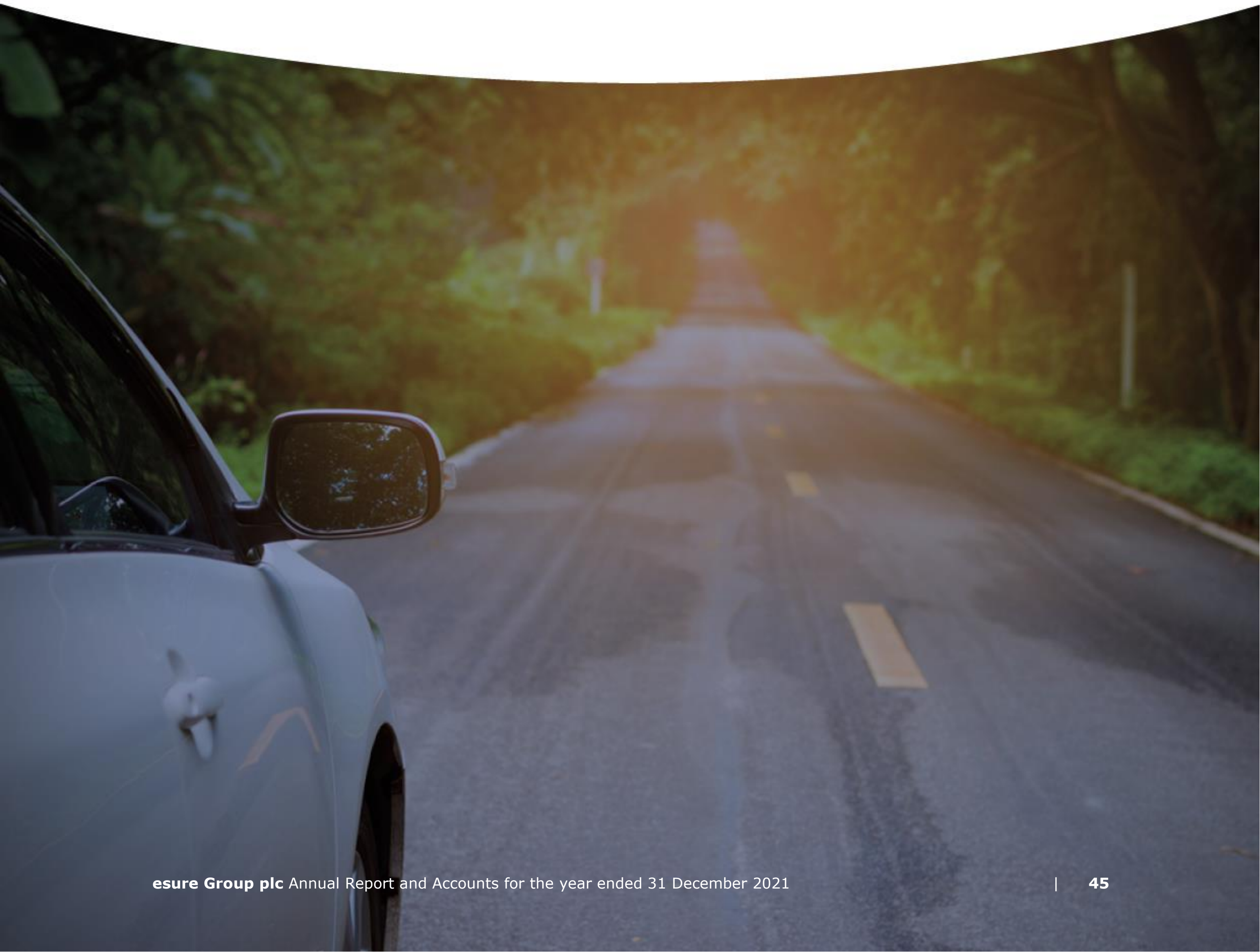
Stakeholders And How we engage	Decisions of the Board in 2021	Considerations of the Board in 2021	Further information
Customers			
S172 sections (a), (c) and (e) We engage with our customers in a variety of ways, through: • Our Customer Service teams • Our Claims teams • Our Complaints teams, including liaison with the Financial Ombudsman Service (FOS) • Customer focus groups • Direct conversations • Social media • Trustpilot customer satisfaction scores	The Board approved the following: • Code of Business Conduct; • Conduct risk framework • Pricing approach and an associated governance and control framework • Ongoing Covid support measures for customers	• Quality and value of products • Fair and reasonable treatment of all customers, including vulnerable customers • Customer journeys including digital offerings and new product proposition design • Customer communications, feedback and complaints monitoring • Operational performance (Customer Service, Claims and Complaints teams) including incident management products and service fully compliant with regulation • Trust Pilot customer satisfaction scores • Customer focus groups, direct conversations and social media	• ESG section on pages 30 to 39 • Customers on pages 4 to 15

Colleagues			
S172 sections (a) (b) and (e) Colleagues are encouraged to engage across multiple channels including: • Teams meetings and face-to-face/hybrid meetings • Colleague events to drive engagement • Fortnightly Game Changer newsletters • Monthly CEO blogs/vlogs in Yammer (an internal social networking tool) • Monthly colleague engagement surveys • An independent whistleblowing helpline • Updates relating to gender and diversity, and corporate culture and values	The Board approved the following: • Covid response to employees; • Modern Slavery Statement; • Code of Business Conduct; • Whistleblowing Policy; • New flexible benefits platform • Gender Pay Gap reporting • Inclusion & Diversity agenda including a response to regulatory consultation • 2021 annual bonus by the Remuneration Committee	• People and talent monthly management information • Results of regular colleague engagement surveys including satisfaction scores (eNPS) • Return to work procedures during the Covid pandemics • Review of new ways of working from office-based to hybrid working including colleague forum views • Employee wellbeing • Human rights • Colleague personal development, learning models and Leadership Academies • Health and safety performance • Independently run whistleblowing line • Investment in offices and technology to enhance user experience	• ESG Section on page 30 to 39 • Colleagues on pages 12 to 14 • Directors' Remuneration Report page 64 to 68
Investors			
S172 sections (a), (e) and (f) • Regular programme of engagement with representatives of the Shareholder including attendance at Board meetings, strategy days and between meetings. • One-to-one Shareholder meetings with the Chairman, Non-Executive	The Board considers the interest of debt investors and its Shareholder. The Board approved the following: • Trading strategy to be adopted in light of FCA GIPP • The 2022 Budget Plan and updated Capital Management Plan • £75m rT1capital approval • Interim dividend	• Financial and Operating performance • Progress against Game Changer Strategic delivery • Capital returns • External factors such as competitor behaviour, evolving economic market conditions, insurance industry performance and incoming regulation • £75m restricted Tier 1(rT1) capital issuance and credit update	• Strategic Report pages 8 to 16 • Corporate Governance Report page 46

Directors CEO, CFO and other members of the Executive Team as required • Ad hoc meetings with debt investors. • Annual and interim reporting	• Annual Report and Accounts and Half-Year review • Credit update	• Regular engagement with representatives of Shareholder both at Board meetings and between meetings. • Ad hoc meetings with debt investors	
Corporate partners			
S172 sections (a), (c), (d) and (e) • Regular dialogue with key reinsurance partners both directly and via our reinsurance broker. • Every supplier has a designated supplier relationship manager to monitor performance and help enhance the relationship. • Due diligence process and regular InfoSec and business continuity dialogue	The Board approved the following: • Renewal and maintenance of Group's reinsurance and Quota Share contracts • Outsourcing Policy • Modern Slavery Statement • Financial Crime Policy • Supplier Code of Conduct • Delivery of our Blueprint transformation programme. • High-value key material supplier contracts	• Strategy and placement of 2021 and 2021 reinsurance programmes. • Approach to environmental sustainability and dialogue with of supply chain (motor) recycled parts, carbon-neutral repairer network, and electric vehicle ready network • Supplier relationship performance and oversight by Supplier Governance Forum	• Strategic Report page 8 to 15 • Financial Review page 17 Corporate Governance Report page 54

Regulators			
S172 sections (a), (b) and (e) • Proactive and collaborative engagement with the PRA, FCA and ICO, and alignment of our approach to meet regulatory requirements • Membership of industry bodies (such as the 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	The Board approved the following: • Responses to FCA, PRA, ICO and ABI consultations and other requests • Periodic summary meeting responses to the PRA • Climate change metrics in line with PRA requirements • Operational resilience • Capital management approach • Conduct risk Policy by the Risk Committee of the Board • Tax Strategy	• Regular and ad hoc meetings attended by members of the Board and Executive team • Updates to PRA on approach to the Blueprint transformation programme and Game Changer strategy • Membership of industry bodies (such as ABI) to ensure active engagement in industry-wide discussions.	• Strategic Report page 8 to 15 • Risk management pages 23 to 29 • Corporate Governance Report page 46 and 54
Community and environment			
S172 sections (a), (d) and (e) • Colleague community committees run by volunteers at each of our office locations supporting fund raising for local charities. • Sponsorship deals • ClimateWise reporting	The Board approved the following: • Code of Business Conduct • Modern Slavery Statement • Board Diversity Statement • Plans to reduce the Group's impact on the environment and manage climate change risks. • Commitment to achieve net zero across scope 1-3 emissions by 2050	• Charity Sponsorships • Colleague community Committees • Each colleague given 2 days per annum to volunteer in local communities • Matching of colleagues' Give as you Earn donations • ClimateWise reporting • ESG factors • Climate change • Environmental targets (in line with the recommendations of the Task Force on Climate-Related Financial Disclosures) (TCFD)	• See ESG section on page 34

Corporate Governance Report



Chairman's introduction

We are 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 key to the implementation of our strategy for our Shareholder and wider stakeholders and 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 2021, and has met the requirements of the regulations that are set out within the Strategic Report and Directors Report.

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 2021

- Transformation programme oversight – keen focus on appropriate risk management, delivery velocity, financial control and effectiveness of relationships with our strategic suppliers and partners.
- Preparations for FCA GIPP – ensuring compliance with rules, as they were finalised during the year, and appropriate response in terms of commercial and trading strategy.
- People – regular review of colleague engagement monitoring and actions taken to address it, including the appropriate flexible staged return to office working in line with government guidelines on Covid, 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 – significantly increased focus on all aspects of our ESG agenda, specifically on the Company's actions and planning on sustainability and Inclusion & Diversity.
- Full Board Effectiveness Review – an external consultancy was appointed and undertook a facilitated review.

Andy Haste

Chairman of the Board of Directors

1 March 2022

Board of Directors

A Audit Committee member | Red Denotes Chair
R Risk Committee member | Blue Denotes invitation to attend
Rem Remuneration Committee member

Andy Haste
Non-Executive Chairman
Appointed: March 2020

Background and experience

Andy is an experienced Director with a wealth of experience in board leadership, executing change, delivering profitable growth and increasing shareholder value.

Andy has over 40 years' experience in financial services. He is a highly regarded director having held several non-executive roles serving as a Chairman, Deputy Chair, Board level Committee Chair and Senior Independent Director at a range of high-profile and regulated organisations.

Prior appointments

Until October 2021, 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 has held previous roles including Chairman of Wonga Group, Senior Independent Director of ITV PLC, Group Chief Executive of RSA Insurance Group PLC, Chief Executive of AXA Sun Life PLC and Executive Director AXA UK PLC. He was also a member of the board of the Association of British Insurers from 2003 to 2011 and a Visiting Fellow at the Oxford University Centre for Corporate Reputation between 2008 and 2019.

Andy became a member of the Risk and Audit Committees on 23 November 2021.

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. David is a non-executive director of Scottish Rugby Union plc.

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 10 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 is accountable for the leadership of the finance function, ensuring the effective delivery of all aspects of financial management of the business. Peter 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

Andrew Birrell
Independent Non-Executive Director
Appointed: December 2019

Background and experience

Andrew is an Executive Director and founder of Universal Partners Limited and an independent non-executive director of Sun Life Financial of Canada (UK), Sanlam Group and Sanlam Life. Andrew has spent most of his career in financial services, including general, life and health insurance, investment management and banking, primarily as CFO of fast growing, entrepreneurial insurance businesses where he has had M&A and Balance Sheet responsibility along with delivering operational and strategic change. He trained as an Actuary and is a Fellow of the Institute and Faculty of Actuaries and a Chartered Enterprise Risk Actuary.

Prior appointments

Previously, Andrew held roles as Chief Financial Officer of the closed fund life assurance consolidation group, Guardian Financial Services Ltd, and prior to that was the Group CRO and Chief Actuary of Old Mutual Plc. He also formerly held the role of Chief Operating Officer and Chief Financial Officer at Investec Securities Ltd, South Africa and Chief Financial Officer of Capital Alliance Holdings, South Africa. Andrew also recently held roles as non-executive director then Chairman of Assupol Holdings and Assupol Life Limited and as a non-executive director of Investec Life.

Committee membership

A R Rem

Alan Rubenstein

Independent Non-Executive Director

Appointed: March 2017; Resigned 31 Dec 2021

Background and experience

Alan has had a long and distinguished career in investment banking and asset management. Alan is the Chair of the National House-Building Council and a non-executive director of British Coal Staff Superannuation Scheme Trustees Ltd and of Pool Reinsurance Company Ltd. He is also Chair of the Pembroke Heritage Fund.

Committee membership until 31 December 2021.

Rem 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 in financial services of over 30 years. Peter is a non-executive director of Willis Limited.

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 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. She was formally CEO at TUI InfoTech and Chief Digital Officer at TUI Group, the world's leading tourism business, and is responsible for Group-wide IT solutions and implementation.

Elke has 30 years' experience in the IT industry and an impressive track record of driving large-scale business transformations on a global scale. She graduated in Roman Languages and Literature, Economics and Applied Information Sciences at the Universities of Gießen and Montpellier, France. Elke is passionate about encouraging more women to forge a career in technology - she was named in the Inspiring Fifty DACH Awards and won CIO of the Year in 2019.

Prior appointments

Previously, Elke held several management positions at Hewlett Packard (HP) and took over as Vice President for Strategy and Planning at HP's head office in Palo Alto in 2012. In 2013, she headed an international team and led 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. In December 2017, Elke was appointed a member of the Supervisory board of Bechtle AG.

Committee membership – Subject to regulatory approval Elke was appointed Chair of the Remuneration Committee with effect from 1 January 2022.

Rem R

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 Consumer, Retail & Dining and Financial & Business Service 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 is a Principal in the Technology, Financial and Business Services Vertical and a member of the European Private Equity team. He has an LLB, First Class Honours and a B. Com in 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 Commercial Officer, Chief Trading 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, LP 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 is an indirect subsidiary of Bain Capital, LP, a global investment firm based in Boston, Massachusetts, USA. It 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
- Bain Capital Fund Europe – V, SCSp and the investment sub-advisor to:
- Bain Capital Fund Europe – IV, LP

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

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.

Risk Committee

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

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

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 ESG 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 independent 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 Statement
- 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 Chairman, Chief Executive Officer, Chief Finance Officer, Chief Risk Officer, Chief Actuary and Company Secretary

Areas of focus in 2021	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 • Input received, and assessed, from independent assurance review
	• Market	• CEO updates 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.
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, updated Supplier Code of Conduct, and enhanced processes to ensure continued compliance.

Areas of focus in 2021	Key matters considered	Outcome
	• Mandatory training • Group policies	• Mandatory training undertaken by Board members, and monitored for all colleagues • Approval of updated Group policies on Code of Conduct, Health and Safety (H&S), Anti-bribery & Corruption, Board Diversity, and Whistleblowing
Risk	• Risk appetite and principal risks • ORSA	• 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 Audit Committee • Reviewed and approved the ORSA in early January 2022.
Operational Performance	• Operations • Claims • Customer experience	• Focused Board session on customer journey strategy and proposition vision • Approved approach to conduct risk focused on eradicating customer pain points • Considered impact on customers from lower service levels and remedial actions to be taken • 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 • An externally facilitated evaluation was conducted for the Board and its Committees to reflect on their own performance and recommend areas for improvement.
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

Areas of focus in 2021	Key matters considered	Outcome
		• Approved initiatives and commitments supporting 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 2021 budget and approved the budget for 2022 • Received regular updates on market environment and proposed trading response • Approved the raising of £75m rT1 capital • Approved proposed 2022 reinsurance programme.

Roles and responsibilities

The Chairman – 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 Chairman 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, Alan Rubenstein[1]

- Bring a very broad level of experience across the financial, commercial, actuarial and technology 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 and appropriate conduct
- Participate in the selection and recruitment of new Directors and succession planning.

1Alan Rubenstein resigned effective 31 December 2021.

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 in February 2021. 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 Chairman subsequently as they arise. It is a Directors' 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 were a key area of focus for the Board during the year. The Board continues to focus on achieving an inclusive, balanced and diverse Board membership to include a mixture of skills, professional and industry backgrounds, geographical experiences and expertise, gender, tenure, ethnicity and diversity of thoughts. This brings a range of views, insights, perspectives and opinions which will improve its decision making and be of benefit to all the Company's stakeholders. The Board continues to focus on promoting diversity across its executive pipeline, senior leadership roles and all its employees.

Board evaluation

The Board completed an internal self-assessment questionnaire-based evaluation in Q4 2020. An external firm was appointed to undertake a facilitated review in 2021 which focused on key governance areas agreed with the Chairman and Company Secretary.

Significant progress was made against the action plan agreed by the Board as a result of the self-assessment evaluation in 2020: increased focus on non-financial matters including customers, ESG and our people; more robust succession planning for Executive Directors and key management positions; and enhancing the skill sets and diversity of the Board.

The Board reviewed and discussed the output from the evaluation conducted by the external consultant. The Board was assessed to be currently operating effectively but has agreed actions in various areas to further improve its effectiveness and efficiency. There will be continued emphasis on the customer voice and needs, increased attention on colleague talent and succession planning, a keener focus on social and environmental topics, and a continued drive for greater diversity of skills and expertise on the Board. Progress against these actions will be reported in the 2022 Annual Report and Accounts.

Website

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

Audit Committee Report

The Audit Committee remained at the heart of the Group's governance process in 2021, working in tandem with the Risk Committee, to ensure that the Group maintains a strong internal control environment.

During the year, the Committee has focused on outstanding claims reserves, financial reporting, the effectiveness of internal controls, the impact of IFRS 17, regulatory reform, and challenged the work of both internal and external audit. In addition, the Committee ran a tender process for a new external auditor.

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 Alan Rubenstein (who stepped down effective 31 December 2021). Andy Haste was appointed as a member on 23 November 2021.

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 Risk 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.

Responsibilities

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

- Agreeing the scope of the external audit, receiving and reviewing reports from the Group's external auditor, monitoring its effectiveness and independence, and making recommendations to the Board in respect of the auditor's remuneration, appointment and dismissal.
- Monitoring and reviewing Internal Audit activities.
- Approving the annual Internal Audit plan and updates to that plan.
- Reviewing the Annual Report and Accounts of the Group and any other announcements.
- Reviewing the Solvency and Financial Condition Report and the Group Regular Supervisory Report (RSR).
- Reviewing the effectiveness of the Group's system of internal controls.
- Reviewing the adequacy and effectiveness of the Group's Whistleblowing Policy.

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 Chairman formally reports to the Board on its proceedings after each Committee meeting.

Key areas of focus

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 Chief Risk Officer, Chief Audit Officer and external auditor to satisfy 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.

Other matters

The Committee also considered several other matters, including:

- New accounting standards which may impact the Group in future years including IFRS 9 and IFRS 17.
- The requirement for the Group to publish its 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
- Information underpinning the processes, proposed accounting, tax and own funds treatment in respect of the Rt1 Notes
- Valuation of private assets
- The core financial controls framework for the new operating platform being developed.

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

The Committee oversees the Group's relationship with the external auditor, KPMG LLP, and conducts 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 23 November 2021. 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 reviewed the effectiveness of the external auditor, including consideration of the quality of the external auditor's report to the Committee and the interaction of the audit partner with the Committee and was satisfied with the performance and effectiveness of KPMG. It concluded that KPMG continues to display the necessary attributes of independence and objectivity. As a result of the mandatory requirement to rotate external audit firms, the Audit Committee commenced an audit re-tender process which was concluded in December 2021 with Deloitte LLP being selected for appointment for the year ending 31 December 2022. The Audit Committee will continue to review the effectiveness and independence of the external auditor each year.

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 KPMG.

Details of fees paid to KPMG in 2021 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 2021. 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

1 March 2022

Risk Committee Report

The Committee is comprised of Independent Non-Executive Directors. Peter Shaw is the Chair with the other members being Andrew Birrell and Alan Rubenstein (who stepped down effective 31 December 2021). Andy Haste was appointed as a member on 23 November 2021.

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 23 to 25.

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 Own Risk and Solvency Assessment (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 transformation programme, including assessing the management of change risks and the impact of the transformation on the overall business risk profile, including advising the Board on the current risk exposures, owning the external quality assurance programme, and future transformation risk strategy for the Group.
- Oversight of the ORSA process and reporting including assessment of the overarching risks within the Group.
- Oversight of responses and dialogue with the regulators in relation to pricing practices, reserving and risk exposure management.
- Reporting on and debating material risk areas including Operational Resilience, Pricing, Reserving, Solvency, Conduct and Customer risk, Investment risk and Data and Cyber risk.
- Assessment and debate regarding risk culture within the business.
- Review and approval of policies including Conflicts of interest, Health and Safety, Outsourcing, Financial Crime, 'ESG', Supplier Code of Conduct.
- Review of the 2022 reinsurance programme for recommendation to the Board.

In addition, pages 26 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 23 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 during 2021. 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

1 March 2021

Remuneration Committee Report

This report presents an overview of the remuneration of our Chairman, Executive Directors, Independent Non-Executive Directors 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.

Alan Rubenstein was the Chair until 31 December 2021 with Elke Reichart becoming Chair in January 2022. The other members of the Committee are Andrew Birrell, Peter Shaw and Luca Bassi.

The Chairman, 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 Chairman, 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 which came into force from 1 January 2019.

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.

Chairman and Independent Non-Executive Directors Remuneration Policy

Remuneration for the Chairman 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 Chairman, 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 Chairman, 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 Chairman 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 Chairman 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 Chairman 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 2021 is shown below:

All Directors	Year ended 31 December 2021	Year ended 31 December 2020
Directors emoluments	**£3,114,656**	£3,281,718
Payments in respect of pension	**£137,500**	£131,585
Total	**£3,252,156**	£3,413,303

Highest Paid Director	Year ended 31 December 2021	Year ended 31 December 2020
Directors emoluments	**£1,713,697**	£1,871,833
Payments in respect of pension	**£90,000**	£90,000
Total	**£1,803,697**	£1,961,833

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 key control functions (Risk, Compliance and Internal Audit).

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 2021 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 2021. 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

1 March 2022

Directors' Report

The Directors present their Report together with the audited accounts for the year ended 31 December 2021.

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:

- Chief Executive's Review – pages 8 to 10.
- Strategic Report – pages 7 to 44
- Risk Management – pages 23 to 29.
- Environmental, Social and Governance – pages 30 to 39
- Corporate Governance Statement – pages 46 to 47
- Corporate Governance Report – pages 45 to 68.

Non-Financial Information Statement

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

- Business Model – page 11
- Key Performance Indicators – pages 16 to 18
- Principle Risks- pages 26 to 29
- Environmental, Social and Governance Matters – pages 30 to 39.
- Directors' Report – pages 70 to 74

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 Policy.

Further information on Human Rights and anti-corruption and anti-bribery matters, is provided in the Directors' Report on pages 72 to 73.

Commitment to Section 172(1) Companies Act

Further details of how the Board incorporates the views of key stakeholders in the decisions made for the long-term success of the Company can be found in the Strategic Report on pages 40 to 44.

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 at 31 December 2021 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 7 to 44.

Results

The results for the year are shown in the consolidated statement of comprehensive income, which can be found on page 85.

Dividends

The Directors do not propose to recommend the payment of a final dividend in respect of the year ending 31 December 2021 (2020: nil).

Post balance sheet events

There were no significant post-balance sheet events requiring an adjustment to the Group financial position since 31 December 2021. Further information is provided in the Financial Review on pages 17 to 22.

Board of Directors

The current Directors who served on the Board, biographical details and any changes to the Board composition during the 2021 financial year and up to the date of this report can be found in the Corporate Governance section on pages 47 to 51. 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 (the '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 2021, the Group employed 1,672 people of which 794 are women (47.5%) and 878 are men (52.5%). Our Board of Directors during 2021 was 9% female and 91% male. Our senior leadership team comprises 95 male (67.9%) and 45 female members (32.1%). Further information on our employees can be found in the People area of the ESG section on pages 31 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 40 to 44.

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 Inclusion and Diversity section on pages 32 to 33.

Through an inclusive recruitment approach in 2021 we have established a more diversely skilled Group Executive team with extensive experience and improved gender diversity at Board level with a female Independent Non-Executive Director being appointed to the Board in January 2021.

This approach has also supported the increase of women in our senior leadership group in 2021 from 30% to 32% (2020: 25% to 30%)

Colleague engagement priorities

We have continued to use a tool to benchmark colleague engagement, with monthly surveys sent to all colleagues (including third parties working with us on our Blueprint programme). It is used primarily as a pulse survey, providing managers with regular opportunities to listen to their teams and act on any local issues quickly. The platform is much more interactive than a traditional annual survey, allowing managers to instantly access results and conduct action planning. We know that some of the biggest issues we are trying to improve as a business will take time. Certain priorities have been agreed following colleague feedback

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.

A policy project team reviews employee policies throughout the year, making recommendations to update policies ahead of changes in employment legislation. In 2021 their focus included reviewing employee policies though an Inclusion and Diversity lens.

The Group is committed to employing people with disabilities or who become disabled during their employment by making reasonable adjustments as appropriate to support the continued employment of employees. The training, career opportunities, development, and promotion of people with disabilities are, as far as possible, identical to those of other employees. Further information in respect of actions taken with the aim of encouraging employee involvement and achieving employee engagement in the Company has been disclosed in the ESG section on pages 30 to 39.

Human rights

The Group resides and offers its products only within Great Britain. During 2021, 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 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 within the UK, EU or beyond or otherwise.

External auditor

Resolutions to reappoint KPMG LLP as auditor of the Group and to authorise the Directors to determine its remuneration were proposed at the 2021 Annual General Meeting. The Audit Committee considers that the relationship with the auditor is working well and remains satisfied with its effectiveness. During 2021, the Board undertook a review and retender for the audit services currently provided by KPMG. The intention is that Deloitte LLP will be appointed as auditor of the Group for the year ended 31 December 2022.

There are no contractual obligations restricting the Group's choice of auditor. Further information can be found in the Audit Committee Report on pages 59 to 61.

Their registered office details are:
KPMG LLP – Chartered Accountants and Statutory Auditor,
15 Canada Square,
London, E14 5GL.
Tel: +44(0)20 7311 1000

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 pages 59 to 61.

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. 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 Covid pandemic. The Directors have a reasonable expectation that the Group has adequate resources to continue in operation for at least the next 12 months.

Related party transactions

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

- The Group uses a company that is controlled by Bain Capital to provide recruitment, HR, payroll and benefits-related services.
- The Group uses 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 125.

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 pages 57 to 58.

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

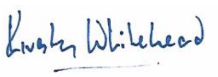
The Board is ultimately responsible for the effectiveness of the Group's system of risk management and internal control. Financial risk management is discussed in the Risk Management section on pages 23 to 29. The Risk Committee and the Audit Committee, respectively, regularly review the effectiveness of the Group's risk management and internal control systems. During the course of the reviews, the Committees 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 59 to 62.

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. 7064312
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 3 to 64, are approved by order of the Board.



Kirsty Whitehead Company Secretary

1 March 2022

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
1 March 2022

Independent Auditor's Report to the Members of esure Group Plc

1 Our opinion is unmodified

We have audited the financial statements of esure Group plc ("the Company") for the year ended 31 December 2021 which comprise the consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows, Parent Company statement of financial position, Parent Company statement of cash flows, Parent Company statement of changes in equity and the related notes, including the accounting policies in note 2.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent Company financial statements have been properly prepared in accordance with UK-adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and as regards the Group financial statements, Article 4 of the IAS Regulation to the extent applicable.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were first appointed as auditor by the shareholders for the financial year ended 31 December 2000. The period of total uninterrupted engagement is for the 22 financial years ended 31 December 2021. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to public interest entities. No non-audit services prohibited by that standard were provided.

2 Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including 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. We summarise below the key audit matters (unchanged from 2020), in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

Valuation of insurance contract liabilities

(Insurance contract liabilities £1,262m; 2020: £1,110.4m)
Refer to page 94 (accounting policy) and page 115 (financial disclosures).

The risk

Valuation of insurance contract liabilities is the area requiring the most significant judgement in the Financial Statements. The Group maintains reserves to cover losses or injuries that have been incurred as at the balance sheet date, whether or not those losses or injuries have been reported to the Group as at the balance sheet date. Estimating the reserves required for claims incurred but not reported ("IBNR") to the Group involves significant judgement and the use of actuarial and statistical projections, as some claims can take some time to emerge or develop.

This judgement is applied to a number of key assumptions, such as the frequency and severity of incurred bodily injury, accidental damage and third party property damage losses and the rate at which losses are expected to develop over time,

Actuarial techniques and judgment are required to forecast the IBNR and best estimate of claims across the portfolio. The losses arising from bodily injury claims present the most significant risk to the portfolio as they can be large in value and difficult to predict. Some of these are expected to settle partly as lump sum amounts and partly as periodic payment orders ("PPOs") i.e. income payable for the lifetime of the injured party. Claims may also be impacted by changes in regulation, such as the Civil Liability Act, the impact of which on the ultimate frequency and severity of claims is uncertain at the balance sheet date. The determination of the valuation of individual large losses can be particularly subjective as it is based on estimated settlement amounts which are inherently uncertain, especially for recently reported claims.

A margin is added to the actuarial best estimate of insurance liabilities to make allowance for specific 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.

The effect of these matters is that, as part of our risk assessment, we determined that the valuation of insurance contract liabilities has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole and possibly many times that amount.

Our response

Our approach predominantly comprised of substantive testing, with significant involvement of our actuarial specialists.

- **Assessed valuer's credentials**: We evaluated the competence, capabilities and objectivity of the Company's internal actuaries based on our knowledge of the actuaries' qualifications and the professional standards that their work is subject to, through discussion with both actuaries, and by analysing the differences in reserving methodology applied, through the procedures below.
- **Alternative projections**: Performed independent re-projections of the Actuarial IBNR (excluding margin) applying our own assumptions, across 96% of the motor and home perils and compared these to management's estimates.
- **Historical comparisons**: We considered the movement in claims ultimates relating to claims incurred in prior years to assess the reasonableness of the Directors' assumptions and methodology. Where we have not performed alternative projections, we performed diagnostics tests on paid and incurred claims by peril as well as considering the reasonableness of prior year changes in ultimate reserves and current year loss ratios in light of experience over the year.
- **Margin evaluation**: We evaluated the appropriateness of the Group's margin held at year end. In order to do this, we assessed the Directors' approach, and supporting analysis for margin to be held, having regard to the allowance for uncertainties inherent in the data and assumptions applied in developing the Actuarial Best Estimate (ABE). We assessed the extent to which the margin between the reserves

booked and the actuarial best estimate was determined consistently with prior periods and in line with the reserving methodology. We assessed the supporting analysis with reference to our own stochastically derived range of reasonable estimates.
- **Test of Detail**: In addition to this, we agreed a number of large loss reserves to underlying documentation to gain assurance that case reserves held are in line with the Company's reserving methodology. We evaluated the competence, capabilities and objectivity of the Company's internal claims handlers responsible for estimating the large loss reserves, through inquiry and obtaining an understanding the judgements made on a number of large loss reserves.
- **Benchmarking**: We evaluated the assumptions, methodologies, and development patterns through assessment of claims development trends and the Group's historical experience. We benchmarked the Group's methodology against market practice.
- **Assessing Transparency**: We have considered the adequacy of the Company's disclosures over the degree of estimation uncertainty and the sensitivity of recognised amounts to changes in assumptions and assessed whether the disclosures comply with relevant accounting standards.

We performed the tests above rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described

Our results

We found the valuation of the insurance contract liabilities to be acceptable (2020: acceptable).

Parent Company investment in subsidiaries
(£309.6m; 2020: £234.6m)
Refer to page 130 (accounting policy) and page 131 (financial disclosures).

The risk

Low risk, high value assets:

The carrying amount of the parent company's investments in subsidiaries represents 99.9% (2020: 99.2%) of the parent company's total assets. While recoverability is not at a high risk of significant misstatement or subject to significant judgement, this is considered to be the area that had the greatest effect on our overall parent company audit due to its materiality in the context of parent company financials.

Our response

Our procedures included:

- Compare the carrying amount of 100% of investments with the relevant subsidiary's financial statements and/or draft balance sheet to identify whether their net assets, being an approximation of their minimum recoverable amount, were in excess of their carrying amount and assessing whether that subsidiary has historically been profit-making.
- Assess the work performed by the subsidiary audit teams on the two most significant underlying subsidiaries and considering the results of that work, on those subsidiaries' profits and net assets.

Our results

We found the Company's assessment of the valuation of the investment in subsidiaries to be acceptable (2020: acceptable).

3 Our application of materiality and an overview of the scope of our audit

Materiality for the group financial statements as a whole was set at £6.2m (2020: £6.4m), determined with reference to a benchmark of total Group revenue of £807.6m (of which it represents 0.77% (2020: 0.75%)). We consider total revenue to be the most appropriate benchmark as it provides a more stable measure year on year than group profit before tax.

Materiality for the parent company financial statements as a whole was set at £1.5m (2020: £2.4m), determined with reference to a benchmark of company total assets, of which it represents 0.4% (2020: 1%).

In line with our audit methodology, our procedures on individual account balances and disclosures were performed to a lower threshold, performance materiality, so as to reduce to an acceptable level the risk that individually immaterial misstatements in individual account balances add up to a material amount across the financial statements as a whole.

Performance materiality for the group and parent company was set at 75% (2020 :75%) of materiality for the financial statements as a whole, which equates to £4.7m (2020: £4.8m) for the group and £1.1m (2020: £1.8m) for the parent.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £310,000 for the Group and £75,000 for the parent company, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the group's seven (2020: seven) reporting components, we subjected three (2020: three) to full scope audits for group purposes and one (2020: one) to specified-risk focused audit procedures (2020: specified risk-focused audit procedures). The latter was not individually financially significant enough to require a full scope audit for group purposes but did present specific individual risks that needed to be addressed.

For the residual three components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The components within the scope of our work accounted for the following percentages of the group’s results:

	Number of components	Group revenue	Group profit before tax	Group total assets
Audit for group reporting purposes	3	99.9	97	99.9
Specified risk-focused audit procedures over investment property	1	-	-	1.7
Total	4	100%	97%	101%
Total (2020)	4	99.9%	99.5%	99.5%

The Group team has also completed the audit of the significant components. The Group team approved the component materiality, which ranged from £1.6m to £6.1m (2020: £1.6m to £6.2m), having regard to the mix of size and risk profile of the Group across the components.

The scope of the audit work performed was predominately substantive as we placed limited reliance upon the Group’s internal control over financial reporting.

4 Going concern

The Directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group's and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group's and Company's available financial resources over this period were:

- adverse insurance reserves development;
- a deterioration in claims experience.

We also considered less predictable but realistic second order impacts that could affect demand in the Group's markets, such as the current economic uncertainty, the failure of counterparties who transact with the group (such as policyholders and reinsurers), the performance of the investment portfolio, credit ratings for key insurance subsidiaries, solvency and capital adequacy.

We considered whether these risks could plausibly affect the solvency, profitability and liquidity in the going concern period by comparing severe, but plausible downside scenarios that could arise from these risks individually and collectively against the level of available financial resources indicated by the Group's financial forecasts.

We considered whether the going concern disclosure in note 2 to the financial statements gives a full and accurate description of the Directors' assessment of going concern, including the identified risks dependencies and related sensitivities. We assessed the completeness of the going concern disclosure.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Company's ability to continue as a going concern for the going concern period; and
- we found the going concern disclosure in note 2 to be acceptable.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

5 Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, the audit committee and internal audit and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and

detect fraud, including the internal audit function, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading board, audit, risk and remuneration committee minutes.
- Considering remuneration incentive schemes and performance targets for management and staff.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that Group and component management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as the valuation of insurance contract liabilities. On this audit we do not believe there is a fraud risk related to revenue recognition because the non-judgmental nature of the valuation and recognition of premiums means there is limited opportunity for management to commit a fraud, and that would lead to a material misstatement.

We also identified fraud risks related to the valuation of insurance contract liabilities and the valuation of unlisted and alternative investments in response to the opportunity for fraudulent financial reporting arising from the subjective nature of these estimates.

We performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. The risk criteria included those posted by an individual who is not from the Finance Department to seldom used accounts, unusual journal entry pairings and journal entries recorded at the end of the period or as post-closing entries that have little or no explanation or description.
- Assessing significant accounting estimates for bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), and from inspection of the Group's regulatory correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Group is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies' legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Group's license to operate. We identified the following areas as those most likely to have such an effect: data privacy, employment law, regulatory capital and liquidity and certain aspects of company legislation recognising the financial and regulated nature of the Group's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

6 We have nothing to report on the strategic report and the directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in those reports;
- in our opinion the information given in the strategic report and the directors' report for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

7 We have nothing to report on the other matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- 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; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

8 Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 75, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; 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; assessing the Group and 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 they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

9 The purpose of our audit work and to whom we owe our responsibilities

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.

Caroline Gilbertson

Caroline Gilbertson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
1 March 2022

Financial Statements

Consolidated statement of comprehensive income

	Notes	Year ended 31 Dec 2021 £m	Year ended 31 Dec 2020 £m
Gross written premiums	5	**807.6**	841.0
Gross earned premiums	5	**830.2**	829.3
Earned premiums, ceded to reinsurers		**(387.0)**	(306.0)
Earned premiums, net of reinsurance	5	**443.2**	523.3
Investment return and instalment interest	6	**71.7**	70.2
Other income	7	**62.7**	51.9
Total income		**577.6**	645.4
Claims incurred and claims handling expenses	18	**(658.2)**	(644.5)
Claims incurred recoverable from reinsurers	18	**314.0**	234.8
Claims incurred, net of reinsurance		**(344.2)**	(409.7)
Insurance expenses	10	**(133.8)**	(134.7)
Other operating expenses	10	**(81.1)**	(53.3)
Total expenses		**(559.1)**	(597.7)
Finance costs	12	**(13.3)**	(13.5)
Profit before tax		**5.2**	34.2
Taxation credit/(expense)	13	**2.5**	(5.2)
Profit attributable to the owners of the parent		**7.7**	29.0
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Revaluation of land and buildings	24	**(0.3)**	(0.6)
		(0.3)	(0.6)
Items that are or may be reclassified to profit or loss:			
Available-for-sale financial assets - change in fair value	24	**(17.4)**	1.4
Tax relating to items that are reclassified	24	**2.9**	(1.1)
		(14.5)	0.3
Total comprehensive (loss)/income for the period attributable to owners of the parent		**(7.1)**	28.7

The Notes on pages 89 to 126 form part of these Financial Statements.

Consolidated statement of financial position

	Notes	As at 31 Dec 2021 £m	As at 31 Dec 2020 £m
Assets			
Goodwill and intangible assets	15	**28.7**	34.7
Deferred acquisition costs	20	**56.0**	53.1
Property, plant and equipment	16	**31.1**	36.1
Financial investments	17	**1,214.7**	1,135.6
Reinsurance assets	18	**794.8**	736.9
Deferred tax assets	23	**3.6**	-
Insurance and other receivables	19	**320.7**	313.8
Current tax assets		**1.7**	8.9
Cash and cash equivalents	17, 21	**94.1**	45.3
Total assets		**2,545.4**	2,364.4
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	**71.7**	12.7
Retained earnings		**189.3**	181.6
Total equity		**354.5**	287.8
Liabilities			
Insurance contract liabilities	18	**1,666.8**	1,537.8
Borrowings	17	**124.3**	123.9
Insurance and other payables	22	**398.2**	413.4
Deferred tax liability	23	-	1.3
Derivative financial liabilities	17	**1.6**	0.2
Total liabilities		**2,190.9**	2,076.6
Total equity and liabilities		**2,545.4**	2,364.4

The Notes on pages 89 to 126 form part of these Financial Statements.

The Financial Statements were approved by the Board and authorised for issue on 1 March 2022 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 2020								
At 1 January 2020	24	0.4	48.2	44.9	-	12.9	157.6	264.0
Profit for the year		-	-	-	-	-	29.0	29.0
Other comprehensive loss		-	-	-	-	(0.3)	-	(0.3)
Total comprehensive income		-	-	-	-	(0.3)	29.0	28.7
Transactions with owners								
Capital contribution: share-based payments	25	-	-	-	-	0.1	-	0.1
Dividends	14	-	-	-	-	-	(5.0)	(5.0)
Total transactions with owners		-	-	-	-	0.1	(5.0)	(4.9)
At 31 December 2020		0.4	48.2	44.9	-	12.7	181.6	287.8
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**
	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**

The Notes on pages 89 to 126 form part of these Financial Statements.

Consolidated statement of cash flows

Cash flows from operating activities	Notes	Year ended 31 Dec 2021 £m	Year ended 31 Dec 2020 £m
Profit after tax for the period		**7.7**	29.0
Adjustments to reconcile profit after tax to net cash flows:			
- Finance costs	12	**13.3**	13.5
- Depreciation and revaluation of property, plant and equipment	16	**5.0**	7.3
- Amortisation of intangible assets	15	**14.3**	12.6
- Share-based payments	25	**1.0**	0.1
- Taxation (credit)/charge	13	**(2.5)**	5.2
- Total investment return	6	**(17.8)**	(14.6)
- Instalment interest	6	**(53.9)**	(55.6)
- Loss on the sale of property, plant and equipment	15, 16	**0.6**	1.8
Operating cash flows before movements in working capital, tax and interest paid		**(32.3)**	(0.7)
Sales of financial investments		**1,025.0**	838.5
Purchase of financial investments		**(1,116.6)**	(914.3)
Interest, rent and dividends received less investment management expenses on financial investments		**13.8**	15.3
Instalment interest received		**54.8**	57.5
Changes in working capital:			
- Increase in insurance liabilities including reinsurance assets, unearned premium reserves and deferred acquisition costs		**45.7**	46.1
- Decrease / (increase) in insurance and other receivables		**(18.0)**	13.7
- Increase in trade and other payables including insurance payables		**18.9**	6.8
Taxation (paid)/recovered		**7.0**	(8.7)
Net cash (used) / generated in operating activities		**(1.7)**	54.2
Cash flows used in investing activities			
Purchase of property, plant and equipment, and software	15, 16	**(10.8)**	(16.8)
Net cash used in investing activities		**(10.8)**	(16.8)
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	**(8.4)**	(8.4)
Repayment of lease liabilities		**(3.1)**	(3.1)
Dividends paid	14	**-**	(5.0)
Net cash generated from / (used in) financing activities		**61.3**	(16.5)
Net increase in cash and cash equivalents		**48.8**	20.9
Cash and cash equivalents at the beginning of the year	21	**45.3**	24.4
Cash and cash equivalents at the end of the year	21	**94.1**	45.3

The Notes on pages 89 to 126 form part of these Financial Statements.

Notes to the Financial Statements
For the year ended 31 December 2021

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 2021, 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.

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. 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 Covid pandemic. 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 23 onwards.

The key uncertainties for 2022 and beyond considered by the Board were the risks resulting from the Game Changer Strategy, in particular relating to delivery of the new platform; the impact on pricing of the FCA Pricing requirements, the Civil Liabilities Act and inflation; reserve risk uncertainty relating to the Civil Liabilities Act; and the on-going Operational Risks to the business of the Covid pandemic.

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 2021 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*

The new standard is effective for periods beginning on or after 1 January 2023. The standard establishes principles for the recognition, measurement, presentation and disclosure of insurance and reinsurance contracts. The Group currently expects the greatest impact, given the nature of the Group's insurance business, to be the treatment of individual reinsurance contracts and the extent of required disclosures. The Group is currently modelling the effect of the standard on historical data to fully assess the expected impact.

IFRS 9 – *Financial Instruments*

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 will be applying 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 will shortly commence modelling of historical data.

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.

2 . Accounting policies (continued)

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 both brokerage fees and commission, where the Group has a continuing relationship with the customer, and 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. Deferred revenue is credited to the income statement over the period matching the Group's obligations to provide those services. Where 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 may be reversed if conditions subsequently improve and 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.

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. Similarly, decreases that offset previous increases of the same asset that have been credited to a revaluation surplus are recorded directly in other comprehensive income as a reduction in the revaluation surplus; other decreases are 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 in excess of US$ 1,000 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

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 2021 there are two specific sources of additional uncertainty being the on-going impact of the Covid pandemic and the impact of the Civil Liabilities Act, both of which have disrupted trends.

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 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.

A margin 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.

Please refer to Note 18 for additional details.

Valuation of Level 3 Financial Assets

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 on-going impact of Covid on the global economy.

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
During 2021 the Group has redeveloped its key metrics as part of the Game Changer Strategy; as part of this attributable Motor and Home costs were reported each month to the Board excluding central costs to show the underlying profitability of the two lines of business.

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 2021

				Trading Profit Reporting		
	Income statement	**Reclassifications (i)**	**Trading Profit Reporting**	**Motor (ii)**	**Home (ii)**	**Central (iii)**
	£m	**£m**	**£m**	**£m**	**£m**	**£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	-	17.8	15.6	2.2	-
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**	-	577.6	**498.5**	**79.1**	**-**
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**	**65.0**	**83.5**	**106.9**	**18.8**	**(42.2)**
Non-trading costs	-	(65.9)	(65.9)			
Non-trading costs: LPT finance costs	-	(1.7)	(1.7)			
Finance costs	(13.3)	2.6	(10.7)			
Profit before tax	**5.2**	-	**5.2**			

(i) Reclassifications include £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 operatingexpenses 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.

The average number of in-force policies during the year ended 31 December 2021 was 2.50 million (2020: 2.41m).

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 2020

	Income statement	Reclassifications (i)	Trading Profit Reporting	Trading Profit Reporting: Motor (ii)	Trading Profit Reporting: Home (ii)	Trading Profit Reporting: Central (iii)
	£m	£m	£m	£m	£m	£m
Gross written premium	841.0	-	841.0	737.1	103.9	-
Net earned premium	523.3	(1.8)	521.5	457.2	64.3	-
Investment income	14.6	-	14.6	13.0	1.6	-
Instalment interest income	55.6	-	55.6	50.1	5.5	-
Other income	51.9	-	51.9	45.2	6.7	-
Total income	**645.4**	**(1.8)**	643.6	**565.5**	**78.1**	**-**
Net incurred claims	(379.7)	-	(379.7)	(331.2)	(47.4)	(1.1)
Claims handling costs	(30.0)	-	(30.0)	(18.8)	(3.1)	(8.1)
Insurance expenses	(134.7)	-	(134.7)	(73.9)	(26.2)	(34.6)
Other operating expenses	(53.3)	36.7	(16.6)	(14.7)	(1.2)	(0.7)
Total expenses	**(597.7)**	**36.7**	**(561.0)**	**(438.6)**	**(77.9)**	**(44.5)**
Trading profit	**47.7**	**34.9**	**82.6**	**126.9**	**0.2**	**(44.5)**
Amortisation of acquired intangible assets	-	(0.2)	(0.2)			
Non-trading costs	-	(37.5)	(37.5)			
Non-trading costs: LPT finance costs	-	(1.0)	(1.0)			
Finance costs	(13.5)	3.8	(9.7)			
Profit before tax	**34.2**	**-**	**34.2**			

(i) Reclassifications include £2.8m of costs associated with the 2019 LPT reinsurance agreement, £19.2m relating to the Blueprint programme, £16.0m relating to Brilliant Basics, £1.0m of interest expense on IFRS 16 leases and £2.3m of costs relating to the COVID pandemic.

(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 that were previously allocated to the Motor and Home segments.

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

5 . Earned premiums, net of reinsurance

	Year ended 31 Dec 2021 £m	Year ended 31 Dec 2020 £m
Gross written premiums	**807.6**	841.0
Change in unearned premium provision	**22.6**	(11.7)
Gross earned premiums	**830.2**	829.3
Written premiums, ceded to reinsurers other than LPT and QS	**(90.5)**	(91.5)
Written premiums, ceded to reinsurer under LPT and QS	**(295.5)**	(221.7)
Change in unearned premium provision	**(1.0)**	7.2
Earned premiums, ceded to reinsurers	**(387.0)**	(306.0)
Earned premiums, net of reinsurance	**443.2**	523.3

6 . Investment return and instalment interest

	Year ended 31 Dec 2021 £m	Year ended 31 Dec 2020 £m
Interest income on financial investments	**6.9**	6.7
Interest income on cash deposits	**0.0**	0.1
Investment expenses	**(5.1)**	(4.9)
Dividend income on financial instruments	**12.5**	13.2
Net fair value gains on derivative financial instruments	**3.7**	7.5
Net fair value gains/(losses) on financial instruments at FVTPL	**(2.6)**	(11.1)
Net gains on AFS financial instruments reclassified from equity to P&L	**2.3**	2.9
Rental income	**0.1**	0.2
Total investment return	**17.8**	14.6
Instalment interest	**53.9**	55.6
Total investment return and instalment interest	**71.7**	70.2

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 2021 £m	Year ended 31 Dec 2020 £m
Brokerage and commission income	**15.1**	12.0
Claims and related income	**7.8**	6.4
Profit commission from reinsurers	**16.5**	12.3
	39.4	30.7
Policy administration fees and other income	**23.3**	21.2
Total other income	**62.7**	51.9

8 . Employee benefit expense

	Year ended 31 Dec 2021 £m	Year ended 31 Dec 2020 £m
Wages and salaries	**73.1**	69.7
Social security costs	**7.5**	7.4
Pension costs (defined contribution schemes)	**4.2**	3.9
Equity settled share-based payment expenses (Note 25)	**1.0**	0.1
Total employee benefit expense	**85.8**	81.1

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

	Year ended 31 Dec 2021	Year ended 31 Dec 2020
Operations	**1,160**	1,342
Support	**563**	453
Total average number of employees	**1,723**	1,795

9 . Directors' remuneration

	Year ended 31 Dec 2021 £m	Year ended 31 Dec 2020 £m
Emoluments	**3.3**	3.3
Contributions to defined contribution pension scheme	**-**	0.1
Total Directors' remuneration	**3.3**	3.4

	Year ended 31 Dec 2021 £m	Year ended 31 Dec 2020 £m
Remuneration of the highest paid Director		
Emoluments	**1.8**	1.9
Contributions to defined contribution pension scheme	**-**	0.1
Total remuneration of the highest paid Director	**1.8**	2.0

Directors emoluments do not include the value of any share awards granted to Directors. Full disclosure of the awards is provided in Note 25.

Retirement benefits were accruing to no Directors (2020: two Directors) in respect of defined contribution pension schemes.

10 . Insurance and other operating expenses

	Year ended 31 Dec 2021 £m	Year ended 31 Dec 2020 £m
Acquisition of insurance contracts	**111.6**	104.2
Change in deferred acquisition costs	**(2.9)**	(4.2)
Administration	**25.1**	34.7
Insurance expenses	**133.8**	134.7
Other operating expenses	**81.1**	53.3

11 . Profit after tax

Profit after tax is stated after charging/(crediting):

	Year ended 31 Dec 2021 £m	Year ended 31 Dec 2020 £m
Employee benefit expense (Note 8)	**85.8**	81.1
Depreciation and revaluation of property, plant and equipment (Note 16)	**5.3**	7.9
Amortisation of intangible assets (Note 15)	**14.3**	12.4
Operating lease payments	**0.8**	0.7
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	**0.5**	0.5
Total audit fees	**0.6**	0.6
Fees for non-audit services		
Audit-related assurance services	**0.1**	-
Other assurance services	**0.1**	0.1
Total non-audit fees	**0.2**	0.1
Total Group auditor remuneration	**0.8**	0.7

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 2021 £m	Year ended 31 Dec 2020 £m
Interest expense on 10 year subordinated Notes (see Note 17)	**8.8**	8.7
Unwind of discount on long-term reinsurance liabilities	**3.6**	3.8
Interest expense on leasing liabilities	**0.9**	1.0
Total finance costs	**13.3**	13.5

13 . Taxation

	Year ended 31 Dec 2021 £m	Year ended 31 Dec 2020 £m
Current tax (credit)/charge on income for the reporting period	**(0.4)**	5.5
Tax adjustment relating to income for prior periods	**(0.6)**	1.3
Total current tax (credit)/charge	**(1.0)**	6.8
Origination and reversal of temporary differences	**(1.1)**	(1.2)
Tax adjustment relating to deferred tax for prior periods	**(0.4)**	(0.4)
Total deferred tax credit	**(1.5)**	(1.6)
Taxation (credit)/charge	**(2.5)**	5.2

The tax rate used for the calculations is the Corporation Tax rate of 19.00% (2020: 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 2021 £m	Year ended 31 Dec 2020 £m
Profit before taxation	**5.2**	34.2
Taxation charge calculated at 19.00% (2020: 19.00%)	**1.0**	6.5
Effect of expenses that are not deductible	**0.9**	0.1
Adjustments in relation to the current tax of prior years	**(0.6)**	1.3
Adjustments in relation to the deferred tax of prior years	**(0.4)**	(0.4)
Non-taxable income	**(2.8)**	(2.3)
Current tax transferred through equity	**(0.6)**	-
Taxation (credit)/expense	**(2.5)**	5.2

Tax recognised directly in equity

	Year ended 31 Dec 2021 £m	Year ended 31 Dec 2020 £m
Deferred tax credit recognised directly in equity	**2.8**	(1.1)
Total tax recognised directly in equity	**2.8**	(1.1)

The deferred tax recognised directly in equity related to deferred tax arising on share-based payments where the amount of the tax deduction exceeded the amount of the related cumulative remuneration expense recognised.

There is also deferred tax recognised directly in other comprehensive income that relates to AFS investments.

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

No interim dividend was declared during 2021 (2020: 0.012p per share, £5.0m). No final dividend has been declared for 2021 (2020: none).

Notes to the Financial Statements
For the year ended 31 December 2021

15 . Intangible assets

	Software £m
Cost	
As at 1 January 2020	53.4
Additions in the year	16.0
Disposals in the year	(2.5)
As at 31 December 2020	66.9
Additions in the year	8.4
Impairments and disposals in the year	(3.6)
As at 31 December 2021	**71.7**
Accumulated amortisation and impairment	
As at 1 January 2020	20.5
Amortisation for the year	12.4
Disposals in the year	(0.7)
As at 31 December 2020	32.2
Amortisation for the year	14.3
Impairments and disposals in the year	(3.5)
As at 31 December 2021	**43.0**
Net book value	
As at 31 December 2020	34.7
As at 31 December 2021	**28.7**

Included in software as at 31 December 2021 is £5.3m relating to software assets that are not yet available for use in the manner intended by management (31 December 2020: £8.1m). 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 2022, after which the assets are expected to have a useful economic life of two to seven 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 2020, due to regulatory changes, the Group identified intangible assets requiring impairment and recognised a charge of £1.7m. In 2021, the Group has recognised a charge of £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.

Notes to the Financial Statements
For the year ended 31 December 2021

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 2020	22.7	13.6	31.2	67.5
Additions in the year	-	-	0.8	0.8
Revaluation of land and buildings	-	(0.6)	-	(0.6)
As at 31 December 2020	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**
Accumulated depreciation				
As at 1 January 2020	2.1	-	22.2	24.3
Depreciation for the year	2.0	0.1	5.3	7.4
Revaluation of land and buildings	-	(0.1)	-	(0.1)
As at 31 December 2020	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**
Carrying amount				
As at 31 December 2020	18.6	13.0	4.5	36.1
As at 31 December 2021	**15.3**	**12.7**	**3.1**	**31.1**

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 2021 and 31 December 2020. 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 2021 of £11.4m (31 December 2020: £11.5m).

Having reviewed the implementation of IFRS 16 *Leases* the Group has 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 is no impact on the income statement in 2020 or 2021.

The Group has tested its right-of-use assets for impairment at 31 December 2021 and at 31 December 2020 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 2021	As at 31 Dec 2020
Financial investments designated at FVTPL:	**£m**	**£m**
Shares and other variable yield securities and units in unit trusts	**79.6**	74.3
Debt securities and other fixed income securities	**169.7**	132.7
Deposits with credit institutions	**294.2**	261.2
Financial investments held for trading:		
Derivative financial instruments	**3.9**	4.5
Financial investments at FVTPL	**547.4**	472.7
AFS financial assets:		
Debt securities and other fixed income securities	**665.5**	658.5
Shares in unquoted equity investments	**1.8**	4.4
Total financial investments	**1,214.7**	1,135.6
Loans and receivables:		
Insurance and other receivables (Note 19)	**257.0**	258.7
Cash and cash equivalents (Note 21)	**94.1**	45.3
Total financial assets	**1,565.8**	1,439.6

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 2021	As at 31 Dec 2020
Financial liabilities held for trading:	**£m**	**£m**
Derivative financial instruments	**1.6**	0.2
Other financial liabilities:		
Borrowings (see below)	**124.3**	123.9
Insurance and reinsurance payables (Note 22)	**276.0**	292.6
Total financial liabilities	**401.9**	416.7

	As at 31 Dec 2021	As at 31 Dec 2020
Borrowings	**£m**	**£m**
10-year Subordinated Notes	**124.3**	123.9
Total borrowings	**124.3**	123.9

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 2021 £m	Year ended 31 Dec 2020 £m
As at 1 January	**123.9**	123.6
Cash outflow	**(8.4)**	(8.4)
Non-cash movement: interest accrued	**8.8**	8.7
As at 31 December	**124.3**	123.9

Subordinated Notes

£125m 10-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 carrying amount of the 10-year Subordinated Notes at 31 December 2021 was £141.4m.

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.

The current risk profile continues to be heightened due to uncertainty after the Brexit transition period and in general market conditions due to the Covid pandemic, public sector borrowing and the low interest rate environment.

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

<u>*Interest Rate Risk*</u>

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 100 basis points in the Bank of England base rate the profit before tax for the period would decrease by £3.3m (2020: £0.2m), reflecting the reduction in fair value on assets designated as FVTPL and equity would decrease by £21.5m (2020: £17.7m). For a decrease of 50 basis points in the Bank of England base rate the profit before tax for the period would increase by £1.6m (2020: £0.1m), reflecting the increase in fair value on assets designated as FVTPL and equity would increase by £10.8m (2020: £8.9m).

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 £8.0m (2020: £7.4m).

<u>*Currency Risk*</u>

At the reporting date, the Group has direct exposure to both US Dollars and Euros with a value of £1.2m (2020: £0.3m). If the Sterling rates with either of these foreign currencies had strengthened/weakened by 10%, the profit before tax for the year would decrease/increase by £0.1m (2020: £0.0m).

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 2021 £m	As at 31 Dec 2020 £m
Derivative financial instruments	**3.9**	4.5
Debt securities	**835.2**	791.2
Deposits with credit institutions	**294.2**	261.2
Cash at bank and in hand	**94.1**	45.3
Investments bearing credit risk and cash and cash equivalents	**1,227.4**	1,102.2
AAA	**243.4**	488.2
AA	**369.8**	299.7
A	**287.2**	144.1
BBB	**190.8**	91.7
Below BBB or not rated	**136.2**	78.5
Investments bearing credit risk and cash and cash equivalents	**1,227.4**	1,102.2

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

AAA	**243.4**	488.2
AA	**358.6**	299.7
A	**246.0**	144.1
BBB	**176.9**	57.9
Below BBB or not rated	**1.5**	-
Financial assets which would meet SPPI criteria	**1,026.4**	989.9

The change in the fair value during the period for these financial assets was a loss of £10.5m (2020: gain of £9.7m).

For a widening of 100 basis points in credit spreads across the entire credit quality curve the profit before tax for the period would decrease by £3.8m (2020: £0.2m), reflecting the reduction in fair value on assets designated as FVTPL and the impact on equity would be a decrease by £23.0m (2020: £12.3m).

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 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**	**835.2**
Deposits with credit institutions	**294.2**	**-**	**-**	**294.2**	**294.2**
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	**855.1**	**557.1**	**188.3**	**1,600.5**	**1,535.9**
Reinsurers' share of outstanding claims	**197.2**	**398.5**	**158.5**	**754.2**	**754.2**
Total	**1,052.3**	**955.6**	**346.8**	**2,354.7**	**2,290.1**
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	**44.9**	**-**	**-**	**44.9**	**44.9**
Lease liabilities	**3.1**	**12.5**	**10.7**	**26.3**	**21.4**
Financial and tax liabilities	**58.1**	**150.2**	**10.7**	**219.0**	**192.2**
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	**864.4**	**775.7**	**205.1**	**1,845.2**	**1,818.4**

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 2020					
Derivative financial instruments	4.5	-	-	4.5	4.5
Debt securities and other fixed income securities	203.7	508.2	121.2	833.1	791.2
Deposits with credit institutions	261.2	-	-	261.2	261.2
Cash at bank and in hand	45.3	-	-	45.3	45.3
Loans and receivables including salvage and subrogation assets	293.4	7.4	-	300.8	300.8
Total excluding reinsurers' share of outstanding claims	808.1	515.6	121.2	1,444.9	1,403.0
Reinsurers' share of outstanding claims	181.8	367.4	146.1	695.3	695.3
Total	989.9	883.0	267.3	2,140.2	2,098.3
Financial and insurance liabilities					
At 31 December 2020					
Borrowings	8.4	146.1	-	154.5	123.9
Derivative financial instruments	0.2	-	-	0.2	0.2
Insurance and other payables and social security and other taxes	39.7	-	-	39.7	39.7
Lease liabilities	3.1	12.5	12.5	28.1	23.7
Financial and tax liabilities	51.4	158.6	12.5	222.5	187.5
Claims outstanding	389.0	550.3	171.1	1,110.4	1,110.4
Unearned premium reserve	274.4	97.2	14.2	385.8	385.8
Financial and insurance liabilities	714.8	806.1	197.8	1,718.7	1,683.7

(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	0%
Interest rates +50 bps	-1%
Credit spreads of corporate bonds -50bps	3%
Credit spreads of corporate bonds +50bps	-3%
Real estate values - 25%	-3%
Real estate values + 25%	3%
Motor loss ratio 5ppts worse	-12%
1987 Hurricane	-8%
Ogden discount rate of -1%	0%

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 Government backed securities which are classified as Level 1 unless they are illiquid.

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 £1.8m as at 31 December 2021 (2020: £4.4m)

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 £12.7m (2020: £13.0m) 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.

Notes to the Financial Statements
For the year ended 31 December 2021

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 2021	**Level 1**	**Level 2**	**Level 3**	**Total fair value**
	£m	**£m**	**£m**	**£m**
Financial assets				
Derivative financial instruments	**-**	**3.9**	**-**	**3.9**
Equity securities	**-**	**-**	**79.6**	**79.6**
Debt securities	**-**	**65.9**	**103.8**	**169.7**
Deposits with credit institutions	**294.2**	**-**	**-**	**294.2**
Total financial assets at fair value through profit or loss	**294.2**	**69.8**	**183.4**	**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**

At 31 December 2020	**Level 1**	**Level 2**	**Level 3**	**Total fair value**
	£m	**£m**	**£m**	**£m**
Financial assets				
Derivative financial instruments	-	4.5	-	4.5
Equity securities	-	-	74.3	74.3
Debt securities	-	25.1	107.6	132.7
Deposits with credit institutions	261.2	-	-	261.2
Total financial assets at fair value through profit or loss	261.2	29.6	181.9	472.7
Debt securities	186.9	471.6	-	658.5
Unquoted equity securities	-	-	4.4	4.4
Total AFS financial assets	186.9	471.6	4.4	662.9
Land and buildings	-	-	13.0	13.0
Financial liabilities				
Derivative financial instruments	-	0.2	-	0.2
Total financial liabilities reported at fair value	-	0.2	-	0.2

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

	Available for Sale investments (including land and buildings)	**Fair Value through Profit and Loss investments**
	£m	**£m**
Balance at 1 January 2020	21.8	180.5
Purchases	-	3.9
Sales	-	(3.4)
Total net gains recognised in the income statement	-	0.9
Total net losses recognised in the statement of comprehensive income	(4.4)	-
Balance at 1 January 2021	**17.4**	**181.9**
Purchases	-	**3.9**
Sales	-	**(11.7)**
Total net gains recognised in the income statement	-	**9.3**
Total net losses recognised in the statement of comprehensive income	**(2.9)**	-
Balance at 31 December 2021	**14.5**	**183.4**

No transfers were made in the period between Level 2 and Level 3.

17 . Financial assets and liabilities (continued)

17.3. Financial risk management objectives (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 2021 in respect of Level 3 assets measured at fair value was £0.9m (31 December 2020: £2.6m). In addition, there were £0.6m of foreign exchange related losses in respect of Level 3 assets measured at fair value during the period (31 December 2020: £1.7m) these losses saw a corresponding offsetting movement within the Group's foreign exchange forward positions. Please refer to Note 2 for further details on the Group's approach to the accounting for financial assets.

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 2021	9.2	(9.2)
At 31 December 2020	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.

During 2020 and 2021 the Group entered into quota share agreements, ceding 30% in 2020 and 40% in 2021. In 2021 the 2020 quota share arrangement was commuted with no impact on the income statement.

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 risk is currently heightened due to the uncertainty from the FCA General Insurance Pricing Practices review, uncertain legal environment (with the Civil Liability Act), ongoing uncertainty from the Covid pandemic, as well as potential claims supply chain impact from macro-economic challenges.
Mitigation

- There is reinsurance in place to protect the business from individual large losses, catastrophe events, adverse reserve development and adverse loss ratio movement.
- There is regular monitoring of the external environment, to understand and react to the changing market.
- The claims management processes ensure that there is strong customer service, management of claims costs and management information to understand claims trends.
- There is financial monitoring process in place to ensure our risks remain within appetite.
- There is a cautious approach to Reserving Risk with a risk appetite to 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

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 2021. 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 2021. 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.

During 2019, the Group put in place adverse development cover, which 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 Covid in 2020 and 2021 is unprecedented and there has therefore inevitably been an increase in the level of uncertainty around the reserves held for those accident years. In addition, the impact of the Civil Liabilities Act on claims continues to develop and has led to further uncertainty in the 2021 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.

18 . Reinsurance assets and insurance contract liabilities (continued)

18.2. Analysis of recognised amounts

	As at 31 Dec 2021 £m	As at 31 Dec 2020 £m
Gross		
Claims outstanding (before deduction of salvage and subrogation recoveries) and Claims handling expenses	1,262.0	1,110.4
Unearned premiums	404.8	427.4
Total insurance liabilities, gross	1,666.8	1,537.8
Recoverable from reinsurers		
Claims outstanding (before deduction of salvage and subrogation recoveries)	754.2	695.3
Unearned premiums	40.6	41.6
Total reinsurers' share of insurance liabilities	794.8	736.9
Net		
Claims outstanding (before deduction of salvage and subrogation recoveries) and Claims handling expenses	507.8	415.1
Unearned premiums	364.2	385.8
Total insurance liabilities, net	872.0	800.9
Due within one year (gross)	725.9	673.3
Due in more than one year (gross)	940.9	864.5
Reinsurers' share of insurance liabilities	794.8	736.9
Total assets arising from reinsurance contracts	794.8	736.9
Expected to be recovered within one year	223.7	250.5
Expected to be recovered in more than one year	571.1	486.4

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 2021 £m	As at 31 Dec 2020 £m
Net claims outstanding (before deduction of salvage and subrogation recoveries) and claims handling	507.8	415.1
Salvage and subrogation recoveries	(50.4)	(37.4)
Net claims outstanding and claims handling expenses	457.4	377.7

18.3. Sensitivity of recognised amounts to changes in assumptions

The following table shows the impact of a 1% or a 5% variation in outstanding claims balance on profit or loss and shareholders' equity after tax as at 31 December 2021:

	Accident year									
	2012	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**
Oustanding claims balance	0.1	0.3	0.7	1.5	3.1	6.0	15.5	59.6	157.7	215.1
Impact of 1% variation (£m)	0.0	0.0	0.0	0.0	0.0	0.1	0.2	0.6	1.6	2.2
Impact of 5% variation (£m)	0.0	0.0	0.0	0.1	0.2	0.3	0.8	3.0	7.9	10.8

The impact is stated net of reinsurance 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	2012 £m	2013 £m	2014 £m	2015 £m	2016 £m	2017 £m	2018 £m	2019 £m	2020 £m	2021 £m	Total £m
Ultimate gross earned premium	511.7	526.1	528.7	532.4	598.0	734.0	856.8	839.8	829.3	830.2	6,787.0
Estimate of ultimate gross claims costs:											
- At end of reporting year	442.0	439.5	456.1	457.2	534.6	640.4	764.5	735.4	619.7	696.0	
- One year later	399.8	386.9	442.4	446.1	481.5	600.9	703.5	672.2	576.1		
- Two years later	369.2	374.6	440.2	425.4	489.9	566.8	726.6	667.3			
- Three years later	355.8	368.9	439.4	434.0	485.2	573.9	723.9				
- Four years later	347.6	363.0	440.9	417.6	506.5	573.7					
- Five years later	354.1	358.5	440.5	421.1	503.2						
- Six years later	350.3	356.1	433.6	418.9							
- Seven years later	350.0	357.0	434.4								
- Eight years later	351.8	356.2									
- Nine years later	352.1										
Current estimate of cumulative claims	352.1	356.2	434.4	418.9	503.2	573.7	723.9	667.3	576.1	696.0	5,301.8
Cumulative payments to date	(339.9)	(346.3)	(417.6)	(404.6)	(445.5)	(501.8)	(569.5)	(499.0)	(340.2)	(274.3)	(4,138.7)
Liability recognised in the consolidated statement of financial position											1,163.1
Reserve in respect of prior periods											36.6
Provision for claims handling costs											11.9
Salvage and subrogation											50.4
Total reserve included in the consolidated statement of financial position											1,262.0

18 . Reinsurance assets and insurance contract liabilities (continued)

18.4. Claims development tables (continued)

(b) Insurance claims - net ultimate claims

Accident year	2012 £m	2013 £m	2014 £m	2015 £m	2016 £m	2017 £m	2018 £m	2019 £m	2020 £m	2021 £m	Total £m
Ultimate net earned premium	480.2	489.2	490.8	495.6	554.9	677.8	777.1	197.7	523.3	443.2	5,129.8
Estimate of ultimate net claims costs:											
- At end of reporting year	401.0	404.7	423.8	423.1	450.8	516.8	655.0	438.6	412.0	361.1	
- One year later	356.7	357.9	394.8	396.3	435.2	519.7	488.7	406.4	394.5		
- Two years later	331.9	345.9	391.4	389.8	444.6	442.4	483.7	397.4			
- Three years later	326.3	340.4	390.0	401.4	400.0	440.9	483.8				
- Four years later	325.6	339.8	395.2	373.0	399.6	440.1					
- Five years later	324.8	340.5	382.3	372.8	399.2						
- Six years later	323.3	337.2	382.1	372.4							
- Seven years later	322.2	337.2	382.1								
- Eight years later	322.2	337.2									
- Nine years later	322.1										
Current estimate of cumulative claims	322.1	337.2	382.1	372.4	399.2	440.1	483.8	397.4	394.5	361.1	3,889.9
Cumulative payments to date	(322.0)	(336.9)	(381.4)	(370.9)	(396.1)	(434.1)	(468.3)	(337.8)	(236.8)	(146.0)	(3,430.3)
Liability recognised in the consolidated statement of financial position											459.6
Reserve in respect of prior periods											0.7
Provision for claims handling costs											11.9
Salvage and subrogation											31.8
Recoverables due to reinsurer											3.8
Total net reserve included in the consolidated statement of financial position											507.8

18 . Reinsurance assets and insurance contract liabilities (continued)

18.4. Claims development tables (continued)

(c) Insurance claims - net loss ratio development

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Estimate of ultimate loss ratio:										
- At end of reporting year	84%	83%	86%	85%	81%	76%	84%	222%	79%	81%
- One year later	74%	73%	80%	80%	78%	77%	63%	206%	75%	
- Two years later	69%	71%	80%	79%	80%	65%	62%	201%		
- Three years later	68%	70%	79%	81%	72%	65%	62%			
- Four years later	68%	69%	81%	75%	72%	65%				
- Five years later	68%	70%	78%	75%	72%					
- Six years later	67%	69%	78%	75%						
- Seven years later	67%	69%	78%							
- Eight years later	67%	69%								
- Nine years later	67%									

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:

	2021				2020			
	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	**1,061.4**	**(269.1)**	**(416.0)**	**376.3**	934.8	(336.2)	(356.3)	242.3
Cash paid for claims settled in year	**(500.9)**	**359.5**	**26.8**	**(114.6)**	(482.7)	200.4	19.7	(262.6)
Change arising from:								
Current year claims	**696.0**	**(244.4)**	**(84.8)**	**366.8**	619.7	(123.1)	(84.6)	412.0
Prior year claims	**(56.8)**	**(141.5)**	**(17.0)**	**(215.3)**	(10.4)	(34.2)	5.2	(39.4)
Commutation	**-**	**47.1**	**-**	**47.1**	-	24.0	-	24.0
Total at 31 December	**1,199.7**	**(248.4)**	**(491.0)**	**460.3**	1,061.4	(269.1)	(416.0)	376.3
Accrued amounts	**-**	**3.8**	**-**	**3.8**	-	1.7	-	1.7
Provision for claims handling costs	**11.9**	**-**	**-**	**11.9**	11.6	-	-	11.6
Salvage and subrogation	**50.4**	**(18.6)**	**-**	**31.8**	37.4	(11.9)	-	25.5
Total reserve at 31 December	**1,262.0**	**(263.2)**	**(491.0)**	**507.8**	1,110.4	(279.3)	(416.0)	415.1

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

	Year ended 31 Dec 2021				Year ended 31 Dec 2020			
	Gross	Reinsurers' share		Net	Gross	Reinsurers' share		Net
		LPT & QS	Other			LPT & QS	Other	
	£m	£m	£m	£m	£m	£m	£m	£m
Claims incurred	**629.2**	**(212.2)**	**(101.8)**	**315.2**	614.5	(155.5)	(79.3)	379.7
Claims handling expenses	**29.0**	**-**	**-**	**29.0**	30.0	-	-	30.0
Claims incurred and claims handling expenses	**658.2**	**(212.2)**	**(101.8)**	**344.2**	644.5	(155.5)	(79.3)	409.7

(b) Provisions for unearned premiums

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

	2021				2020			
	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	**427.4**	**-**	**(41.6)**	**385.8**	415.7	-	(34.4)	381.3
Premiums written in the year	**807.6**	**(295.5)**	**(90.5)**	**421.6**	841.0	(221.7)	(91.5)	527.8
Premiums earned in the year	**(830.2)**	**295.5**	**91.5**	**(443.2)**	(829.3)	221.7	84.3	(523.3)
At end of year	**404.8**	**-**	**(40.6)**	**364.2**	427.4	-	(41.6)	385.8

19 . Insurance and other receivables

	As at 31 Dec 2021 £m	As at 31 Dec 2020 £m
Insurance receivables	**236.9**	249.7
Prepayments and accrued income	**12.2**	12.9
Other debtors	**20.1**	9.0
Salvage and subrogation assets	**50.4**	37.4
Profit commission receivable	**1.1**	4.8
Total insurance and other receivables	**320.7**	313.8

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 £8.3m of salvage and subrogation assets which are expected to be recovered in more than one year (2020: £8.0m) and £1.1m of profit commisison receivable which is expected to be recovered in more than one year (2020: £4.8m).

20 . Deferred acquisition costs

Movement in the deferred acquisition costs asset are as follows:

Deferred Acquisition Costs	As at 31 Dec 2021 £m	As at 31 Dec 2020 £m
At 1 January	**53.1**	48.9
Movement during the period	**2.9**	4.2
At 31 December	**56.0**	53.1

21 . Cash and cash equivalents

	As at 31 Dec 2021 £m	As at 31 Dec 2020 £m
Cash at bank and in hand	**94.1**	45.3
Total	**94.1**	45.3

22 . Insurance and other payables

	As at 31 Dec 2021 £m	As at 31 Dec 2020 £m
Insurance payables	**5.8**	3.6
Reinsurance payable	**270.2**	289.0
Accrued expenses	**44.3**	40.7
Social security and other taxes	**39.0**	36.1
Due to related parties	**0.5**	0.6
Deferred income	**17.0**	19.7
Lease liabilities	**21.4**	23.7
Total insurance and other payables	**398.2**	413.4

Insurance payables and accrued expenses principally comprise amounts outstanding for suppliers and ongoing costs. The average credit period taken for invoiced trade purchases is 1.2 days (2020: 1.6 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, £19.1m is expected to be settled in more than one year (2020: £21.4m).

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 2021 £m	As at 31 Dec 2020 £m
Deferred tax assets	**3.9**	1.4
Deferred tax liabilities	**0.3**	(2.7)
Net deferred tax assets/(liabilities)	**3.6**	(1.3)

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

	As at 31 Dec 2021 £m	As at 31 Dec 2020 £m
At 1 January	**(1.3)**	0.6
Income statement credit (Note 13)	**1.7**	(1.2)
Tax adjustment relating to deferred tax for prior periods	**0.4**	0.4
Deferred tax recognised directly in equity	**2.8**	(1.1)
At 31 December	**3.6**	(1.3)

The deferred tax rate used is 21.50% (2020: 19.00%).

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 2020	(0.3)	(0.7)	(1.2)	0.4	2.3	0.1	0.6
(Charged) / credited to the income statement	(0.0)	0.6	-	(0.1)	(2.3)	1.0	(0.8)
Deferred tax recognised directly in equity	-	-	(1.1)	-	-	-	(1.1)
At 31 December 2020	(0.3)	(0.1)	(2.3)	0.3	-	1.1	(1.3)
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**

There is an unrecognised deferred tax asset on land and buildings of £3.6m at 31 December 2021 (2020: £2.9m) 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	Restricted Tier 1 notes	Other reserves	Total
	£m	£m	£m	£m	£m	£m
At 1 January 2020	0.4	48.2	44.9	-	12.9	106.4
Fair value movements on AFS assets	-	-	-	-	1.4	1.4
Tax relating to fair value movements on AFS assets	-	-	-	-	(1.1)	(1.1)
Fair value movements on land and buildings	-	-	-	-	(0.6)	(0.6)
Capital contribution: share-based payment	-	-	-	-	0.1	0.1
At 31 December 2020	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**

The authorised, allotted, called up and fully paid share capital of esure Group plc as at 31 December 2021 was 426,301,337 Ordinary Shares of 1/12 pence each (31 December 2020: 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 2021, £17.4m was charged to other comprehensive income in respect of fair value movements on AFS financial assets (31 December 2020: £1.4m credit).

During the year ended 31 December 2021, £0.3m was charged to other comprehensive income in respect of fair value movements on land and buildings (31 December 2020: £0.6m).

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 relate 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 2022 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 2020 and 2021 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 2021**	**Year ended 31 Dec 2020**
Awarded to Directors	-	380
Awarded to Senior Management	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 2020	-
Granted in the year	510
Number outstanding at 1 January 2021	**510**
Granted in the year	**305**
Lapsed in the year	**(7)**
Number outstanding at 31 December 2021	**808**
Exercise price per share	£5,500

<u>Valuation of awards</u>

As the shares have a variable participation in proceeds on exit, the fair value of the awards was estimated using a Stochastic (Monte-Carlo) model.

The inputs into the model were:

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.

<u>Financial effect of share-based payments made</u>

The total expense recognised for the year arising from the share-based payments above was £1.0m (2020: £0.1m). All share-based payment transactions were accounted for as equity-settled.

Notes to the Financial Statements
For the year ended 31 December 2021

26 . Commitments

(a) Pension commitments
The Group contributes to a Group Personal Pension defined contribution scheme available to all staff of which 1,690 employees participated in the scheme at 31 December 2021 (2020: 1,661).

The pension cost charge for the period represents contributions payable by the Group to the scheme and amounted to £4.2m (2020: £3.9m). 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 2021 £m	**As at 31 Dec 2020 £m**
Fixed asset acquisitions contracted for but not provided in these consolidated Financial Statements	**0.1**	0.1
Investment Commitments	**25.5**	16.6

(c) Operating lease commitments - where the Group is a lessor
The future aggregate minimum lease payments receivable under non-cancellable operating leases are as follows:

	As at 31 Dec 2021 £m	**As at 31 Dec 2020 £m**
Not later than one year	-	0.1
Total minimum lease payments receivable	-	0.1

27 . Group subsidiary companies

esure Group plc has the following subsidiaries as at 31 December 2021:

	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	Insurance intermediary	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 used a Company which was controlled by Bain Capital for part of 2020 to provide business continuity services.
- The Group uses a Company which is controlled by Bain Capital to provide HR-related services.
- The Group uses a Company which is controlled by Bain Capital to provide external communication services.

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 2021 £m	Year ended 31 Dec 2020 £m
Value of expense for the year/period:		
Net fees charged by Gocompare Ltd	**N/a**	(2.1)
Business continuity services	**N/a**	(0.1)
External communication services	**0.0**	-
HR-related services	**(0.3)**	(0.4)
Total expense for the year	**(0.3)**	(2.6)
Amount payable at the year end:		
External communication services	**-**	-
HR-related services	**(0.0)**	(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. Blue (BC) Topco Limited is an intermediate holding company and the largest and smallest group into which these accounts are consolidated.

Parent Company statement of financial position

	Notes	As at 31 Dec 2021 £m	As at 31 Dec 2020 £m
Fixed assets			
Investments	4	**309.6**	234.6
Current assets			
Investments: call deposits		**0.0**	0.0
Debtors	5	**1.9**	1.1
Cash at bank		**44.4**	0.6
		46.3	1.7
Creditors: amounts falling due within one year	6	**(0.3)**	(0.5)
Net current assets		**46.0**	1.2
Total assets less current liabilities		**355.6**	235.8
Creditors: amounts falling due after more than one year	6	**(124.0)**	(123.6)
Net assets		**231.6**	112.2
Capital and reserves			
Share capital	7	**0.4**	0.4
Share premium account	7	**48.2**	48.2
Other reserves	7	**117.7**	44.9
Profit and loss account		**65.3**	18.7
Shareholders' funds - all equity		**231.6**	112.2

The Notes on pages 130 to 132 form part of these Financial Statements.

These Financial Statements were approved by the Board on 1 March 2022 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 2020						
At 1 January 2020	0.4	48.2	44.9	-	8.0	101.5
Profit for the year	-	-	-	-	15.7	15.7
Total comprehensive income	-	-	-	-	15.7	15.7
Transactions with owners:						
Dividends	-	-	-	-	(5.0)	(5.0)
Total transactions with owners	-	-	-	-	(5.0)	(5.0)
At 31 December 2020	0.4	48.2	44.9	-	18.7	112.2
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**	**44.9**	**72.8**	**65.3**	**231.6**

The Notes on pages 130 to 132 form part of these Financial Statements.

Parent Company statement of cash flows

Cash flows from operating activities	Notes	Year ended 31 Dec 2021 £m	Year ended 31 Dec 2020 £m
Profit/(loss) after tax for the year		**46.6**	15.7
Adjustments to reconcile profit after tax to net cash flows:			
- Finance costs		**8.8**	8.7
- Taxation credit	3	**(1.7)**	(1.6)
- Dividends received from subsidiary undertakings		**(53.8)**	(22.8)
- Total investment return		**0.0**	0.0
Operating cash flows before movements in working capital, tax and interest paid		**(0.1)**	0.0
Interest received on financial investments		**-**	0.0
Changes in working capital:			
- Increase in debtors		**(0.8)**	(1.1)
- Decrease in payables		**(0.2)**	(11.3)
Taxation received		**1.7**	3.3
Net cash generated/(used) in operating activities		**0.6**	(9.1)
Cash flows from investing activities			
Sale of financial investments (investments: call deposits)		**0.0**	0.0
rT1 purchase		**(75.0)**	-
Dividends received from subsidiary undertakings		**53.8**	22.8
Net cash generated in investing activities		**(21.2)**	22.8
Cash flows generated from / (used in) financing activities			
Proceeds from rT1 Issuance		**75.0**	-
Cost of rT1 Issuance		**(2.2)**	-
Interest paid on loans		**(8.4)**	(8.4)
Dividends paid		**-**	(5.0)
Net cash generated from / (used in) financing activities		**64.4**	(13.4)
Net increase in cash and cash equivalents		**43.8**	0.3
Cash and cash equivalents at the beginning of the year		**0.6**	0.3
Cash and cash equivalents at the end of the year		**44.4**	0.6

The Notes on pages 130 to 132 form part of these Financial Statements.

Notes to the Financial Statements
For the year ended 31 December 2021

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 2022 and beyond considered by the Board were the risks resulting from the impact on pricing the FCA Pricing requirements, the Civil Liabilities Act and inflation; reserve risk uncertainty relating to the Civil Liabilities Act; the on-going Operational Risks to the business of the Covid pandemic; and the risk resulting from the Game Changer programme, in particular relating to delivery of the new platform.

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 89.

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. No deferred tax arose in the year ended 31 December 2021 or the year ended 31 December 2020.

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.

Financial assets
The Company's financial assets as at 31 December 2021 and 31 December 2020 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.

2 . Parent Company accounting policies (continued)

Financial liabilities

The Company's financial liabilities as at 31 December 2021 and 31 December 2020 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% (2020: 19.00%) payable by the corporate entities in the UK on taxable profits under tax law in that jurisdiction.

	Year ended 31 Dec 2021 £m	**Year ended 31 Dec 2020 £m**
Profit before taxation	**44.9**	14.1
Taxation calculated at 19.00% (2020: 19.00%)	**8.5**	2.7
Effects of:		
Non taxable Income	**(10.2)**	(4.3)
Taxation credit	**(1.7)**	(1.6)

4 . Investments

	Year ended 31 Dec 2021 £m	**Year ended 31 Dec 2020 £m**
As at 1 January	234.6	234.6
rT1 purchase	75.0	-
As at 31 December	**309.6**	234.6

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 2021	**As at 31 Dec 2020**
Due within one year	**£m**	**£m**
Due from related parties	**1.9**	1.1
Total debtors due within one year	**1.9**	1.1

Notes to the Financial Statements
For the year ended 31 December 2021

6 . Creditors and other payables

Amounts falling due within one year

	As at 31 Dec 2021 £m	As at 31 Dec 2020 £m
Amounts owed to Group undertakings	**0.0**	0.2
Accrued interest on 10 year Subordinated Notes	**0.3**	0.3
Total creditors due within one year	**0.3**	0.5

Amounts falling due after more than one year

	As at 31 Dec 2021 £m	As at 31 Dec 2020 £m
Borrowings: 10 year Subordinated Notes	**124.0**	123.6
Total creditors due after more than one year	**124.0**	123.6

Full details of the Company's 10 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.

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.

During 2021 the Group has redeveloped its key metrics as part of the Game Changer Strategy to ensure that its KPIs, some of which are APMs, better reflect 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
	Unit Cost	Measure of operating efficiency improvements	Yes
	Net Promotor Score	Measure of customer advocacy	No
	Complaints	Measure of customer satisfaction	No
	Referrals to the Financial Ombudsman	Measure of customer service excellence	No
	Digital contact share	Measure of use of digital channels by customers	No
	Employee engagement	Measure of employee satisfaction	No
Returns	Trading Profit	Measure of underlying, long term profitability	Yes
	Profit Margin	Measure of profitability	Yes
	Underlying Return on Tangible Equity	Profitability measure	Yes
	Profit after tax	IFRS Measure, profit after tax	No
	Solvency coverage	Measure of balance sheet strength	No

Turnover

Turnover includes gross written premiums, income from instalments, and other income net of the reinsurance profit share. This measure is used by management to show the underwriting scale of the Group .

This new measure has been developed as part of the Game Changer Strategy as explained above.

	Motor £m	Home £m	Year ended 31 Dec 2021 Total £m	Motor £m	Home £m	Year ended 31 Dec 2020 Total £m
Gross written premiums (note 5)	**701.5**	**106.1**	**807.6**	737.1	103.9	841.0
Instalment income (note 6)	**48.2**	**5.7**	**53.9**	50.1	5.5	55.6
Other income (note 7)	**49.6**	**13.1**	**62.7**	45.2	6.7	51.9
Less: reinsurance profit share (note 7)	**(10.4)**	**(6.1)**	**(16.5)**	(10.3)	(2.0)	(12.3)
Turnover	**788.9**	**118.8**	**907.7**	822.1	114.1	936.2

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.

This new measure has been developed as part of the Game Changer Strategy as explained above.

	Year ended 31 Dec 2021 £m	Year ended 31 Dec 2020 £m
Net earned premiums (note 5)	**443.2**	523.3
Instalment income (note 6)	**53.9**	55.6
Other income (note 7)	**62.7**	51.9
Total investment return (note 6)	**17.8**	14.6
Net revenue	**577.6**	645.4

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. A reconciliation is provided in Note 4.

Glossary of Terms - Alternative Performance Measures (continued)

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.

This new measure has been developed as part of the Game Changer Strategy as explained above.

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 18)	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%

Year ended 31 Dec 2020	Motor	Home	Total excluding central costs	Central costs	Total
	£m	£m	£m	£m	£m
Claims incurred, net of reinsurance (note 4)	331.2	47.4	378.6	1.1	379.7
Add back: quota share recovery	126.8	19.3	146.1	-	146.1
Adjusted claims incurred	458.0	66.7	524.7	1.1	525.8
Net earned premiums (note 5)	459.0	64.3	523.3	-	523.3
Add back: quota share premium	195.9	27.6	223.5	-	223.5
Adjusted earned premium	654.9	91.9	746.8	-	746.8
Net loss ratio = adjusted claims incurred / adjusted earned premium	69.9%	72.6%	70.3%		70.4%

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.

This new measure has been developed as part of the Game Changer Strategy as explained above.

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%

Glossary of Terms - Alternative Performance Measures (continued)

Expense ratio (continued)
Year ended 31 Dec 2020

	Motor	Home	Total excluding central costs	Central costs	Total
	£m	£m	£m	£m	£m
Claims handling costs (note 4)	18.8	3.1	21.9	8.1	30.0
Insurance expenses (note 4)	73.9	26.2	100.1	34.6	134.7
Add back: quota share contribution	41.6	5.5	47.1	-	47.1
Adjusted insurance expenses	134.3	34.8	169.1	42.7	211.8
Net earned premiums (note 5)	459.0	64.3	523.3	-	523.3
Add back: quota share premium	195.9	27.6	223.5	-	223.5
Adjusted earned premium	654.9	91.9	746.8	-	746.8
Net expense ratio = adjusted insurance expenses / adjusted earned premium	20.5%	37.9%	22.6%		28.4%

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

	Year ended 31 Dec 2021	Year ended 31 Dec 2020
Loss ratio	**71.8%**	70.4%
Expense ratio	**29.3%**	28.4%
Combined operating ratio	**101.1%**	98.8%

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 2021	Year ended 31 Dec 2020
	£m	£m
Trading profit (note 4)	**83.5**	82.6
Net Revenue (see above)	**577.6**	645.4
Profit margin = trading profit / net revenue	**14.5%**	12.8%

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.

This new measure has been developed as part of the Game Changer Strategy as explained above.

	Year ended 31 Dec 2021	Year ended 31 Dec 2020
	£m	£m
Insurance expenses (note 10)	**133.8**	134.7
Claims handling costs (note 18)	**29.0**	30.0
Other operating expenses (note 10)	**81.1**	53.3
Less: non-trading other operating expenses (note 4)	**(67.6)**	(38.5)
Add back: quota share contribution	**53.9**	47.1
Total cost, gross of quota share	**230.2**	226.6
Average In force policies (m)	**2.500**	2.405
Unit cost = total cost, gross of quota share / in force policies	**£92.09**	£94.21

Glossary of Terms - Alternative Performance Measures (continued)

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 to exclude rT1 capital with the related coupon treated as a financing cost.

	Year ended 31 Dec 2021 £m	**Year ended 31 Dec 2020 £m**
Trading profit (note 4)	**83.5**	82.6
Less: Unwind of discount on long-term reinsurance liabilities (note 12)	**(3.6)**	(3.8)
Less: Interest expense on 10 year subordinate Notes (note 12)	**(8.8)**	(8.7)
Less: notional expense for rT1 capital (see below)	**(1.9)**	-
Pre-tax return	**69.2**	70.1
Effective tax (calculated as the pre-tax return multiplied by the effective rate)	**(13.1)**	(13.3)
Less: tax effect dividend income (note 13)	**2.8**	2.3
Adjusted return	**58.9**	59.1

	2021 average £m	**2020 average £m**
Total equity (see calculation below)	**321.2**	275.9
Less: rT1 capital (see calculation below)	**(36.4)**	-
Less: intangible assets (see calculation below)	**(31.7)**	(33.8)
Tangible equity	**253.1**	242.1
Return on tangible equity = adjusted return / tangible equity	**23.3%**	24.4%

The notional expense for rT1 capital has been calculated as the interest that would have been accrued in 2021 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 2021 £m	**Year ended 31 Dec 2020 £m**	**Year ended 31 Dec 2019 £m**	**2021 average £m**	**2020 average £m**
Total equity (see consolidated statement of financial position)	354.5	287.8	264.0	321.2	275.9
rT1 capital (note 24)	72.8	-	-	36.4	-
Intangible assets (note 15)	28.7	34.7	32.9	31.7	33.8

Glossary of Terms

The definitions set out below apply throughout this document, unless the context requires otherwise.

'Acquisition'	relates to the acquisition of esure Group plc by Blue ('BC') Bidco Limited, a wholly-owned subsidiary of funds advised by Bain Capital Private Equity, LP and its affiliates.
'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.
'Business'	means the business of the Group.
'Blueprint'	is the programme of transformation that seeks to build the pre-eminent pure-play digital insurer in the UK market.
'Brilliant Basics'	is a short-term initiative that is focused on best practice improvement and driving efficiencies across the business.
'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 claims 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 the Group's core Motor and Home insurance customer base.
'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.
'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.

'Group' or 'esure Group'	means the Company and its subsidiaries.
'Group Executive ('GE')'	comprises the Chief Executive Officer, Chief Financial Offer, Chief Risk Officer, Chief Technology Officer, Chief Commercial Officer, Chief Underwriting Officer (Interim), Chief Trading Officer, Chief Strategy and Transformation Officer, Chief People Officer, Chief Claims Officer, and the General Counsel and Company Secretary.
'Gross earned premium'	is the total premium 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'	are part of the Group's claims reserves, set aside to cover claims from
'IBNR'	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.
'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 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 to Relational NPS took place for 2021. There is therefore no comparator for 2020.
'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'	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.
'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.