esure GROUP

# Annual Report & Accounts 2024

# Contents

# At a glance

We reinforced our position as a leading digital insurer within the UK market, built on industry leading technology, delivering a better experience for our customers. Since completing migration of our customers on to our new cloud native platform, as part of our multi-year digital transformation journey, we've been unlocking the potential in our new platform to deliver enhanced customer experience and growth.

## Strong, distinct brands

esure

Sheilas' Wheels

First Alternative

## A solid platform for sustainable and profitable growth

**£975m**
Motor Turnover
(2023: £858m[1])

**£136m**
Home Turnover
(2023: £115m[1])

### Our products

**71%**
of Group policies that are Motor
(2023: 73%)

**29%**
of Group policies that are Home
(2023: 27%)

| | |
|---|---|
| Price Comparison Websites | 90% |
| Direct | 10% |

esure distribution split by channel

### Tiered product offering for broader market coverage:

defaqto 2012–2024 EXPERT RATED — Our core 5* defaqto-rated products provide customers with our most comprehensive Home and Motor cover

esure FLEX — Our esure Flex 3* defaqto-rated product provides a more basic level of cover at a typically lower price point

Sheilas' Wheels ESSENTIALS — New Sheilas' Wheels Essentials Home and Motor products launching in 2025

1 The turnover alternative performance measure has been restated for 2023 to bring instalment income onto a written, rather than earned basis, in line with the gross written premium input

# At a glance
continued

## Strong partners

EIS

powered by aws

databricks

## A pivotal year with transformation complete

### Strong growth and financial performance

**£126.8m**
Trading profit
(+£143.5m year on year)

**+60,000**
Increased In-Force Policies by 60,000 (+2.9% year on year), achieving a growth rate of 7.7% in H2

**Record-breaking**
Home new business sales during H2 2024

**Top 3**
Ended 2024 as a Top-3 converting insurer on Price Comparison Websites

### Consistent improvement across customer metrics

**72%**
Digital ease
(% of Customers scoring 4 or 5 out of 5 for ease of using digital journeys at December 2024 versus 52% in December 2023)

**80%**
Of customer contact is self-served via digital channels (December 2024)

**92%**
Right First Time
(% of customers having no need to get back in touch with us within five days of their initial contact with our Operations team, December 2024, versus 87% in December 2023)

**+26pts**
Relationship Net Promoter Score (RNPS, a measure of service satisfaction) rebounded strongly, growing 26pts from April to December

# Financial Year – Key Facts

## Growth

In-force Policies
**2.13m**
2023: 2.07m
Change: +0.06m

Turnover[1,2]
**£1,111m**
2023 (restated): £973m
Change: +£138m

Net Insurance Revenue[1]
**£888.8m**
2023: £752.1m
Change: +£136.7m

## Quality

Net Loss Ratio[1]
**64.5%**
2023: 78.7%
Change: -14.2ppt

Expense Ratio[1,4]
**20.0%**
2023: 23.8%
Change: -3.8ppt

Combined Operating Ratio[1]
**84.5%**
2023: 102.5%
Change: -18.0ppt

## Returns

IFRS Profit After Tax
**£57.7m**
2023: -£60.1m
Change: +£117.8m

Trading Profit[1]
**£126.8m**
2023: -£16.7m
Change: +£143.5m

Profit Margin (%)[1,5]
**13.2%**
2023: -2.1%
Change: +15.3ppt

Solvency Coverage
**172%**
2023: 151%
Change: +21ppt

Return on Tangible Equity (RoTE)[1]
**39.9%**
2023: -10.9%[3]
Change: +50.8ppt

1 Alternative performance measure. The rationale for the use of these metrics can be found in the Glossary of Terms and Measuring Performance on pages 181 to 185.
2 The turnover alternative performance measure has been restated for 2023 to bring instalment income onto a written, rather than earned basis, in line with the gross written premium input.
3 The 2023 comparative for RoTE has been restated following a prior period adjustment to insurance liabilities.
4 Motor and Home only, excludes Central costs.
5 Profit margin no longer includes non-trading investment income, the prior year comparable has therefore been restated where the impact of doing so is minimal

# Strategic Report

# Chair's Statement

**"It has been exciting to see the benefits that are already arising from the new platform."**

Andy Haste
Chair of the Board of Directors

## Business transformation

In 2024, we reinforced our position as a leading digital insurer within the UK market. The investment in our digital transformation over recent years culminated in migrating all our customers and colleagues onto a new technology platform in the first quarter. Following this, our focus has been on utilising the platform's capability to improve the customer experience and return to profitable growth.

It has been exciting to see the benefits that are already arising from the new platform. With a powerful data asset at its core, we have significantly improved our digital-first journeys in response to customer needs and have expanded our product offerings to grow the business.

## Our customers

We have made good progress on delivering for our customers. Our overall service position and complaints volumes weren't where we wanted them to be at the start of 2024, but we finished the year in a strong position. Through the concerted efforts of our teams, customer experience metrics consistently improved during the second half of the year and we are set up to drive further improvements throughout 2025.

While we have seen inflation easing, we are mindful that cost-of-living pressures remain for our customers. I welcome the focus of the government and the regulator to review the various factors that influence the cost of insurance. This can only deliver positive outcomes for customers and closely aligns with our own core purpose of fixing insurance for good. Ensuring our products and services provide real value is paramount to delivering fair customer outcomes and continues to be a top priority for us.

# Chair's Statement
continued

## Our people

The market-leading platform we have built combines great technology with exceptional talent across the business. We have consciously built a team with a blend of deep-rooted insurance expertise and strong digital capability to fuel customer-inspired innovation.

The pace of change over recent years is hugely exciting, and has only been achieved because of the skill, resilience and dedication of our colleagues. I am very grateful for the important role all our people have played in transforming our business, delivering for our customers, and returning us to profitable growth. I would particularly like to recognise colleagues within customer-facing roles, who worked relentlessly to return service levels to the high standards our customers should expect from us.

## Board and governance

The Board recognises that strong corporate governance is a key factor in delivering sustainable business performance and creating value for our stakeholders. Our Game Changer strategy continues to serve us well, and the Board is using the exceptional breadth of customer data available via the new technology platform to prioritise and assess progress.

I am delighted to have welcomed Annette Andrews to the Board as an Independent Non-Executive Director in May. Annette has an exceptional reputation for driving people-centred change from her people leadership roles within the financial services sector and brings a wealth of People and Customer experience to the Board.

## Outlook

Over recent years, we have been focused on building a strong foundation from which we can flourish, and we were able to capitalise on the opportunities this investment has created in 2024. Thanks to our clear ambition, commitment to a bold transformation programme, and brilliant execution, we have enjoyed a strong year and established ourselves as a leading digital insurer. I look forward to a successful and exciting future, as we continue to build on this year's achievements and deliver even more sustainable value for our customers and business.

**Andy Haste**
Chair of the Board of Directors

# Chief Executive's Review

2024 was a landmark year on our journey to build the UK's pre-eminent digital insurer. We successfully completed our multi-year transformation, migrating all customer policies, claims and 1.6 billion data points onto our cloud-native platform, and fully decommissioned our legacy technology just three months later. This has unlocked huge potential for us.

By optimising customer experience on the new platform, expanding our product offering, and maintaining a disciplined approach to trading, we have also delivered record financial performance. I'm immensely proud of what we've achieved and excited about the opportunities ahead, as we continue to leverage our market-leading digital platform.

**"We made excellent progress to deliver our strategy and built strong foundations to achieve our long-term growth plans."**

**David McMillan**
Chief Executive Officer

# Chief Executive's Review

## Financial overview

The investment in our digital transformation and disciplined trading strategy over recent years have resulted in strong profitability and a return to growth in the number of customers we serve.

Sophisticated pricing capability has improved our competitiveness in the market, with new propositions further expanding our footprint and boosting customer retention. We increased in-force policies to 2.13 million in 2024, improved our loss ratio by 14%, and saw a 4% reduction to our expense ratio through operating efficiencies on the new platform. I'm particularly pleased with the stand-out performance of our Home business, with strong new business sales in the second half of the year, contributing to record full-year trading profit.

This strong performance has driven a rebound in profitability. We delivered £126.8 million of trading profit (+£143.5 million year-on-year)[1], and £57.7 million IFRS Profit After Tax (+£117.8 million year-on-year), which provides a great foundation for our future growth plans. This also flowed into strong solvency coverage at 172%, supported by the removal of dual-running technology costs post-transformation. We continue to operate with a conservative balance sheet, benefitting from prudent reserving and a high-quality asset portfolio.

## Improving customer experience

We're committed to providing an excellent customer experience with every interaction. At the start of the year, unprecedented call volumes put a strain on customer service, which at times, was below the high standards our customers expect from us. I appreciate the considerable efforts of our colleagues over this period which resulted in strong customer satisfaction throughout the second half of the year and into 2025.

The real-time insights now available to us on the new platform help us quickly respond to evolving customer needs. This has supported a relentless focus on improving customer experience and speeding-up service. 80% of customer service contacts are now fully self-served digitally and digital ease has improved by 20%pts over the course of the year.

A key focus has been to expand our product offering, providing customers with more choice. During the year, we launched esure Flex for Home customers and temporary insurance cover for Motor customers. More recently we have launched the esure app which provides easy access to all our customer journeys as well as a host of useful motoring services such as tax and MOT reminders.

## Leading the way with AI

We've built exceptional data capability on the new platform, with our real-time single view of customer interactions helping us to optimise our pricing, underwriting, fraud, and marketing activities.

Our advanced AI capability has been widely recognised, both within the industry and beyond. We have ten GenAI use cases already scaled across the business, with more to come in 2025. This is delivering significant benefits through streamlined processes, faster customer service, and dynamic pricing for a competitive edge.

As the AI landscape continues to evolve at pace, we're in a strong position to embrace it, and to do so in a responsible, considered way.

Our data expertise has also shaped a national debate on road safety. We published data to show the positive impact 20mph zones have had on reduced claims frequency and severity, and have proactively passed these savings back to customers through reduced premiums.

1 Alternative Performance Measure – the rationale for the use of these metrics can be found in the Glossary of Terms and Measuring Performance on pages 181 to 185.

**+2.9%**
In-force Policy growth

**£126.8m**
Trading profit

**172%**
Solvency coverage

# Chief Executive's Review

continued

**"Our market-leading digital platform has plenty more capability still to unlock."**

## Exceptional talent and culture

Transforming our business has only been possible thanks to the talent and dedication of our teams. In a challenging but very successful year, I'd like to thank all our colleagues for playing strong as one, daring to do different and acing what matters most. I'm immensely proud of what we've achieved together.

After a period of significant change, it's encouraging to see colleague satisfaction growing alongside improved customer metrics. Through quarterly employee engagement surveys, we consistently achieved high scores for teamwork, supportive managers, and the working environment we provide. I'm also pleased that our strong culture has been externally recognised, with the Financial Times featuring esure on its 2025 UK's Best Employers list.

## Outlook

2024 was a milestone year with transformation now complete. We made excellent progress in delivering our strategy and built strong foundations to achieve our long-term growth plans.

Our market-leading digital platform is already providing us with a cost advantage and has plenty more capability still to unlock. We'll leverage this in 2025 to further enhance customer experience and broaden our reach by utilising the strength of our brands and launching new products. The strength of our pricing and underwriting fundamentals, supported by cutting-edge data and AI capability, will be critical to trade successfully in a competitive market – and with the transformation spend now behind us, we're well-positioned to deliver continued sustainable, profitable growth.

I'm very optimistic about the opportunities that lie ahead, as we embark on the next stage of our journey.

**David McMillan**
Chief Executive Officer

# Business Model – Driving Value

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

## Our strategic focus

### Digital Leadership
Unlocking the benefits of our new digital platform for customers and colleagues; fully decommissioning legacy technology.

### Enhancing Value
As an agile organisation we listen and respond to customer feedback, with a focus on delivering great customer outcomes and strengthening our business.

### Exceptional Culture
Creating an inclusive, collaborative and supportive environment for our colleagues to flourish.

### A More Sustainable and Safer World
Supporting our communities and reducing the impact we have on the environment.

## What we do

### Great Value Products
Our increasing selection of products provides cover to suit different customers' needs at a range of price points.

### Excellent Customer Service
Our digital journeys are an easy and convenient way for customers to manage their policies, with our dedicated colleagues on hand to support when needed.

### Effective Claims Management
Simple digital journeys alongside expert and empathetic Claims handlers ensure we deliver for customers when they need us most.

### Leading Data Science and Risk Selection
Our extensive data assets and advanced data science capability inform our forensic understanding of insurance risk.

### Efficient Balance Sheet
Solvency coverage increased by +21ppt and delivered 39.9% return on tangible equity[1]. Our active risk management, reinsurance relationships and strong underwriting capability allow us to maintain an efficient balance sheet and generate enhanced long-term returns.

### Low-Cost Operations
Having fully decommissioned our legacy technology, eradicating dual-running costs and with our focus on cost efficiency and investment in empowering customers to use digital channels, we strive to deliver leading unit economics.

## How we share value with our stakeholders

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

### Our Corporate Partners
We aim to build mutually beneficial long-term relationships across a broad range of valued partners.

### Our Colleagues
We are committed to fostering a supportive and inclusive working environment focused on employee wellbeing, where our colleagues can develop and thrive.

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

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

1 Alternative Performance Measure – the rationale for the use of these metrics can be found in the Glossary of Terms and Measuring Performance on pages 181 to 185

# Strategic Framework

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

The four strategic pillars of our Game Changer strategy are:

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

Read more **page 12**

This will **enhance value**, delivering better outcomes for our customers and further strengthening our business.

Read more **page 16**

esure's **exceptional culture** (diverse expertise, customer obsession, modern, collaborative and agile) will be key to our success.

Read more **page 18**

We use our know-how to support a **safer, more sustainable world**.

Read more **page 20**

# Digital Leadership

esure is a leading digital insurer operating at scale with over two million customers.

We are operating solely on our new 100% cloud-native digital platform and are now realising the benefits of our multi-year transformation to become the UK's leading digital insurer. Our platform is integrated with over 50 leading cloud solutions and insurance partners.

## Legacy technology decommissioned

Following migration of our full customer base by the end of the first quarter of 2024, we decommissioned all legacy technology within three months, removing dual running costs and simplifying our business.

Our focus now moves to refinement and optimisation to enhance our digital processes and customer experience. As customers increasingly look for personalised and intuitive digital experiences, our platform enables us to make managing insurance online more straightforward.

# Digital Leadership
continued

## Digital channel adoption

**Our new digital platform enables customers to easily and conveniently manage their insurance online; with our expert, empathetic colleagues available when needed most.**

**92%**
Right first time
(% of customers having no need to get back in touch with us within five days of their initial contact with our Operations team, December 2024, vs. 87% December 2023)

**72%**
Digital ease
(% of customers rating their overall digital experience 4 or 5 out of 5, December 2024, vs. 52% December 2023)

**57%**
Mid-Term Adjustment transactions fully self-served (December 2024, vs. 30% December 2023)

**92%**
Ease after Mid-Term Adjustment transaction
(% of customers scoring the ease of making a Mid-Term Adjustment 4 or 5 out of 5, December 2024, vs. 87% December 2023)

**83%**
Renewal ease
(% of customers rating the ease of their renewal process 4 or 5 out of 5, December 2024, vs. 58% February 2024[1])

**78%**
Ease at eFNOL
(% of customers rating the ease of making their claim (First Notification of Loss) online 4 or 5 out of 5, December 2024, vs. 56% December 2023)

**Agile**
squads work on digital continuous improvement, including enhancements to self-service that make things easier and more efficient, for customers and colleagues

### Spotlight on Home claims

We are working to make Home claims digital journeys more intuitive and helpful:

**56%**
of Home claims registered online across 2024

**18%**
of Home claims registered online settled without human intervention

**New claims dashboard**
for customers to support them through the eFNOL process, launching 2025

### Adoption of digital channels

has been supported by our chatbot and Live Chat communication channels:

**80%**
of customer contact was self-served via digital channels (December 2024)

**>50%**
agent-assisted journeys are via Live-Chat, representing 12% of overall customer contact (December 2024)

**8%**
of overall contact is via telephony (December 2024)

1 Renewal ease statistics have only been collected since February 2024

# Digital Leadership

continued

## Data and AI

### The ability to leverage data and AI is an important source of competitive advantage in our market.

We make industry-leading use of AI and Machine Learning:

**10**

Generative AI use cases scaled across the business, with ability to scale new use cases in six to eight weeks

**Data mining**

Our new proprietary data mining tool has been scaled for fraud detection and reviewed 2.5 million documents in 2024, with a 246% increase in document detection rate vs. previous third-party solution

**Generative AI**

Extended our use of Generative AI for summarisation, expanding from Operations and Claims to include complaints management and fraud recognition. AI use cases are positively impacting customer handling times on digital journeys and reducing case management lengths across complaints

**Industry-leading**

use of Reinforcement Learning and Dynamic pricing for price optimisation on Price Comparison Websites for our First Alternative brand live in market from the third quarter of the year

**c.900**

Colleagues are being assisted by our Generative AI use cases to support their job roles, with all customers benefiting from the integration of Generative AI within their contact experience

### Reinforcement learning for price optimisation:

Developed following research with the Alan Turing Institute, our industry-first dynamic pricing optimisation system allows faster rate setting than standard insurance software.

Our approach adjusts quote prices on Price Comparison Websites based on market conditions and esure's risk profile. This ensures customers get the best price possible while maintaining an appropriate risk mix.

Initial results show:

- Increased contribution per policy vs. baseline risk layer
- Achievement of our target conversion rate
- Little cannibalisation of our other brands
- No adverse impact on vulnerable customers due to dynamic pricing system
- Efficiency savings

# Digital Leadership
continued

## Data-driven decision making

is central to our business, and the ability to rapidly ingest large quantities of data on our new platform is improving our understanding of customer behaviour, our accuracy and responsiveness.

**50**
New proprietary factors developed inhouse, enabling a more granular geographic risk assessment

**>135**
Model updates implemented in 2024 to respond to inflation and market pricing

**3.6bn**
Data points, sourced from our work with HERE Technologies, used within recent pricing model upgrade informing over 100 live Motor and Home models

**23k**
Data events processed every minute, with a total of c.900bn data assets now held

## Partnership with HERE Technologies:

Ingestion of new data source provided by HERE allows esure to harness the power of dynamic map content and high-quality traffic data to improve the accuracy of our pricing models and react quickly to emerging trends.

By improving the quality of our data, esure has gained a deeper understanding of traffic patterns, developed comprehensive scoring models, and enhanced our predictive capabilities.

The seamless integration of HERE's data into our new platform has further streamlined operations and enabled richer data-driven decision-making.

# Enhancing Value



With customer centricity driving us, we are committed to offering innovative solutions that cater to the evolving needs of customers to deliver great outcomes and strengthen our business.

In 2024 we have focused on continuing to understand and meet evolving customer expectations for insurance products and service experience.

We have:

- Relaunched our esure and Sheilas' Wheels websites with an improved online purchase journey
- Scaled esure Flex to over 700,000 policies, representing nearly half of our total Motor policies
- Launched a new temporary car insurance product, moving from concept to launch within weeks
- Prepared for planned 2025 launches of our new Sheilas' Wheels Essentials Home and Motor products
- Built a new esure app, giving customers the ability to check and change their cover and make a claim, as well as manage car admin directly in-app through tax and MOT reminders and the ability to book servicing and repairs at local garages. The app launched in H1 2025.

# Enhancing Value

continued

## Through embracing continuous improvement, we have seen customer metrics improve across the insurance policy lifecycle and expect these to continue to increase as we make managing insurance simpler for our customers

**90%**

Purchase satisfaction
(% of customers scoring 4 or 5 out of 5 for satisfaction after purchase, December 2024, vs. 85% March 2024[2])

**83%**

Post-renewal ease
(% of customers scoring 4 or 5 out of 5 for ease after renewing with us, December 2024, vs. 58% February 2024[3])

**12.4**

Days key to key time
(December 2024, vs. 13.2 days in December 2023) and we are continuing to assess opportunities to reduce this further

**88%**

Post-repair satisfaction
(December 2024 vs. 85% January 2024[4])

**66%**

Motor retention
(December 2024 vs. 54% in December 2023) and Home retention of 78% (December 2024 vs. 70% in January 2024)

### Strong conversion performance on Price Comparison Websites

We have a strong pedigree in trading effectively on Price Comparison Websites, meeting customer needs where they are purchasing most regularly and driving 90% of our new business sales through this channel.

While we did experience some service challenges at the start of the year, our customer satisfaction scores have significantly improved throughout the year, and our TrustPilot rating was ‘Excellent’ at 4.3 as at year end 2024.

Our scalable and flexible cloud-native platform is already integrated with over 50 leading Cloud solutions and insurance partners, giving us the ability to ‘plug-in’ and partner with new suppliers quickly and easily.

1 Purchase satisfaction statistics have only been collected since March 2024
2 Post-Renewal ease statistics have only been collected since February 2024
3 Post-Repair satisfaction statistics have only been collected since January 2024

# Exceptional Culture

The continued success of our business is powered by our market-leading platform – both technology and people.

We're committed to supporting all our people to be the best they can be, by creating an environment that fuels growth and values difference.

Colleagues have recognised this, with our 2024 engagement survey results placing esure in the top 10% of the financial services sector for our working environment and peer relationships. Colleagues also rated esure in the top 25% for management support, recognition, inclusion and diversity, freedom of opinion, goal setting, and organisational fit.

Our strong culture has been externally recognised, too. The Financial Times named esure as one of the UK's best employers for 2025.

FT FINANCIAL TIMES statista BEST EMPLOYERS UK 2025

# Exceptional Culture

continued

### Highlights from our communities:

- We hosted five expert training sessions with Thrivver to help colleagues understand and unlock the power of neurodiversity in the workplace.
- 17 colleagues were paired with future leaders from under-represented backgrounds via Circl and earned a part-coaching qualification.
- Our first internal mentoring programme matched 22 cross-functional pairs to support personal and professional development.
- In May, we celebrated the second anniversary of our Women in Data partnership and launched a bespoke Level 3 Data Technician apprenticeship to further drive data enablement across the business.
- We enhanced our support for caregivers, providing up to five days of paid leave per year for colleagues to care for a dependent.
- Colleagues recorded 356 volunteering hours in 2024, including Shelter's Walk for Home, tree-planting with The Conservation Volunteers, and creating habitats for pollinators with GreenTheUK.

In the second quarter of 2024, we launched seven colleague-led communities to embed inclusion and diversity in everything we do. They provide a safe space for our people to connect, share and learn, and drive positive change across esure.

**Gender equality community:**
Driving gender balance

**R.E.A.C.H. community:**
Championing race, ethnicity, and cultural heritage

**Caregiver community:**
Supporting our carers and guardians

**Coaching community:**
Fuelling personal growth and development

**PRIDE community:**
For LGBTQ+ colleagues and allies

**Neurodiverse community:**
Celebrating brains that think differently

**Give back community:**
Championing charitable causes close to our hearts

# A More Sustainable and Safer World

A key pillar of our strategy is 'Driving Good'. We aim to be a force for good for our customers, colleagues, and the communities we are proud to work in and serve, as well as for the environment.

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

As a general insurer, we are naturally passionate about supporting initiatives for safer roads and cleaner air, as well as the importance of a safe and secure home.

# A More Sustainable and Safer World

continued

## Social progress

SHELTER

In this first full year of our corporate charity partnership with Shelter, we surpassed our fundraising target by 40%, thanks to a broad array of colleague and supplier fundraising activities throughout the year.

CIRCL

17 colleague volunteers from across the business participated in a 12-week coaching programme with Circl, with esure colleagues matched with under-represented young, aspiring leaders.

Brake
the road safety charity

approximately 80,000 primary-school aged children participated in the Kids Walk demanding their right to safe and clean journeys.

We launched an enhanced paid carers' leave policy in April, supporting our colleagues who are caregivers with up to five days of flexible, paid leave per year.

20's Plenty for Us
...making your place a better place to be

In partnership with 20's Plenty, esure identified the reduction in accidental damage claims following the introduction of 20mph zones in Wales in 2023 and shone a light on this and the resulting potential reduction in premiums for UK drivers should more 20mph zones be rolled out.

## Environmental progress

ClimateWise

We were proud to maintain our rank of seventh within a global body of insurers, reinsurers and brokers, for our 2023/24 ClimateWise disclosure, recognising our continuing action and progress to support the fight against climate change.

GREEN THE UK

We continued our support for two nature-based initiatives through our partnership with GreenTheUK, creating three hectares of wildflower-rich meadows to support pollinators and other wildlife, and sponsoring five sea kelp recovery survey sites.

TCV
The Conservation Volunteers

Our tree planting partnership with TCV continued, with 910 trees planted across the UK in 2024, thanks to our customers choosing to forgo a courtesy car while their car is repaired.

CLIMATE IMPACT PARTNERS
A merger of ClimateCare & Natural Capital Partners

We continued work with Climate Impact to support a number of global carbon reduction projects to offset 110% of our prior year's residual Scope 1 and 2 greenhouse gas (GHG) emissions.

**26%**

of parts repaired and 2.4% of replacements carried out using recycled parts, maintaining our focus on repairing instead of replacing.

Our digital claims-review tool continues to reduce in-person call-outs to review damage claims, reducing associated emissions.

**Q2 2024**

we opened a new state-of-the-art esure bodyshop in partnership with Halo ARC, fully equipped with the latest repair technology and built with sustainability at the forefront of its operation.

**100%**

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

# Investment Case

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

### Growth

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

The Group has 2.13 million In-force Policies. 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 has been bringing together digital transformation with our customer-centric approach to build a significant competitive advantage in this highly fragmented, profitable market.

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

### Quality

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

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

### Returns

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

We expect our Game Changer strategy to build upon strong underwriting, pricing and claims management discipline through further product launches, automation and data science capabilities into 2025.

# Financial Review

## Key Performance Indicators ('KPIs')

### Growth 2024

In-force Policies
**2.13m**
2023: 2.07m

Turnover[1,2]
**£1,111m**
2023 (restated): £973m

Net Insurance Revenue[1]
**£888.8m**
2023: £752.1m

Retention Rate
**63%**
2023: 67%

### Quality 2024

Net Loss Ratio[1]
**64.5%**
2023: 78.7%

Complaints (% of policies)
**0.79%**
2023: 1.32%

Employee Engagement
**7.5**
2023: 6.7

Expense Ratio[1]
**20%**
2023: 23.8%

Referrals to the Financial Ombudsman (% of policies)
**0.10%**
2023: 0.04%

Combined Operating Ratio[1]
**84.5%**
2023: 102.5%

### Returns 2024

Profit/(Loss) After Tax
**£57.7m**
2023: -£60.1m[1]

Solvency Coverage
**172%**
2023: 151%

RoTE[1]
**39.9%**
2023: -10.9%[3]

Profit Margin[1]
**13.2%**
2023: -2.1%

Trading Profit/(Loss)[1]
**126.8m**
2023: -£16.7m

1 Alternative Performance Measure – the rationale for the use of these metrics can be found in the Glossary of Terms and Measuring Performance on pages 181 to 185
2 The turnover alternative performance measure has been restated for 2023 to bring instalment income onto a written, rather than earned basis, in line with the gross written premium input
3 The 2023 comparative for RoTE has been restated following a prior period adjustment to insurance liabilities

# Financial Review

continued

## 2024 marks a new chapter following esure's transformation journey with the benefit of restored pricing adequacy benefitting this year's financial performance.

Following significant rate strengthening in 2023, the UK motor market experienced softening rates. This was against a backdrop of continued claims severity inflation but lower claims frequency. Meanwhile, the UK home market continued to experience price increases following pressure on underwriting results.

The Group continued to focus on pricing and underwriting discipline whilst returning to policy growth from the second quarter of 2024 having started to enjoy the benefits of the new platform. Looking forward, the Group now believes it is well positioned to capitalise on a lower cost to serve, a more efficient operating platform and advanced data science and analytical capabilities that align to long-term profit growth.

### Financial Summary

| Year ended 31 December | 2024 | 2023 |
|---|---|---|
| In-force policies | **2.13** | 2.07 |
| **£m** | | |
| Turnover[1,2] | **1,111.3** | 973.1 |
| Motor trading profit[1] | **146.7** | 21.5 |
| Home trading profit[1] | **29.9** | 1.1 |
| Central trading costs[1] | **-49.8** | -39.3 |
| **Trading profit/(loss)**[1] | **126.8** | -16.7 |
| Exceptional investment performance[1] | **2.1** | -2.2 |
| Non-trading costs[1] | **-39.6** | -57.3 |
| Finance costs | **-14.5** | -12.4 |
| **Profit/(loss) before tax** | **74.8** | -88.6 |
| Loss ratio[1] | **64.5%** | 78.7% |
| Expense ratio[1] | **20.0%** | 23.8% |
| Combined operating ratio[1] | **84.5%** | 102.5% |
| Profit margin[1] | **13.2%** | -2.1% |
| Return on tangible equity[1,3] | **39.9%** | -10.9% |
| Solvency ratio | **172%** | 151% |

1 Alternative Performance Measure – the rationale for the use of these metrics can be found in the Glossary of Terms and Measuring Performance on pages 181 to 185

2 The turnover alternative performance measure has been restated for 2023 to bring instalment income onto a written, rather than earned basis, in line with the gross written premium input

3 The 2023 comparative for RoTE has been restated following a prior period adjustment to insurance liabilities

# Financial Review
continued

## Financial Overview

Market conditions across Motor and Home insurance remained competitive. Motor experienced softening rate conditions during the year, albeit from a position of strength at the end of 2023. This softening pricing environment was offset by lower claims frequencies and a moderation in previously heightened levels of severity inflation. Meanwhile Home continued to experience rate hardening across the year, with weather experience being relatively benign. The Association of British Insurers reported a -1% year on year decrease in average written premium across Motor and +11% increase across Home.

Having completed esure's transformation programme in early 2024, and margin restored to historic highs, esure returned to policy growth from the second quarter of this year. Despite the softening of rates, Motor average written premium increased by 11% allowing for growth at acceptable margins. Home increased average written premium by 16% whilst adopting a more competitive stance in pricing to drive volume. Overall, in-force policies increased modestly, by 3% over the full year with growth in the second half of 8% more than offsetting a reduction in the first half of the year.

Group Trading Profit, esure's measure of underlying long-term profitability, increased substantially to a profit of £126.8m (2023: -£16.7m). The increase was primarily due to much stronger written profitability earning through from 2023 into 2024. Motor claims frequency remained marginally lower than prior year in spite of drivers returning to the roads at broadly pre-pandemic levels. Severity inflation remained elevated compared to long-term historic levels, albeit moderated somewhat in the second half of the year. Likewise, Home experienced benign weather conditions with the Group benefiting from its ongoing strategy to de-risk the book away from weather-related perils.

Having successfully completed the migration of all policies onto the Group's new technology platform, legacy technology infrastructure was decommissioned in the second quarter. This allowed the Group to bring to an end transformation related non-trading expenditure and removed the residual dual running costs from the Group's operations.

The Group also incurred a charge of £11.3m following completion of a review of historic Motor total loss claims. Of this charge, £10m is a provision as at December 2024 with approximately half of the provision an allowance to cover the prospective operational cost of remediation and the balance to allow for potential retrospective customer redress to previous settled total loss claims.

As a result, esure's overall level of profitability increased substantially to a reported profit before tax of £74.8m (2023: -£88.6m). 2024 marks a transitional year in esure's history where 2025 is expected to benefit from lower costs to serve and the absence of non-trading programme costs.

Group solvency is above the target operating range at 172% (2023: 151%) with the increase driven by underlying business performance over the year.

# Financial Review
continued

## Turnover

| Year ended 31 December | 2024 Motor | 2024 Home | 2024 Total | 2023 (restated) Motor | 2023 (restated) Home | 2023 (restated) Total |
|---|---|---|---|---|---|---|
| **In-force policies (million)** | 1.54 | 0.59 | **2.13** | 1.50 | 0.57 | **2.07** |
| **£m** | | | | | | |
| Gross written premiums | 874.8 | 119.0 | **993.8** | 769.4 | 99.4 | **868.8** |
| Instalment income written | 66.6 | 7.0 | **73.6** | 55.2 | 5.7 | **60.9** |
| Admin and cancellation fees | 14.9 | 0.6 | **15.5** | 17.7 | 0.6 | **18.3** |
| Other ASR income | 19.0 | 9.4 | **28.4** | 15.9 | 9.2 | **25.1** |
| **Turnover** | 975.3 | 136.0 | **1,111.3** | 858.2 | 114.9 | **973.1** |

Group turnover increased 14% during 2024 as a result of a combination of higher average written premiums across both Motor and Home and a 3% increase in in-force policies. Retention dropped to 63% (2023: 67%) driven by migration of policies onto the new platform in the first quarter of 2024, which was subsequently offset by stronger retention levels and a return to strong policy growth in the second half of the year.

Motor saw in-force policy count increase by 3% to 1.54m (2023: 1.50m) as the business returned distribution capability to pre-migration levels during the second quarter. Motor gross written premium increased by 11% accompanied by growth in instalment income driven by the higher average premiums, offset partially by lower policy fees and other ASR income. Overall Motor turnover grew by 14%.

Similarly, underlying price increases on Home led to a 16% year on year increase in average written premium with in-force policy count increasing 4% to 0.59m (2023: 0.57m). Home gross written premium and turnover increased by 20% and 18% respectively.

## Net Loss Ratio

| Year ended 31 December<br>% | 2024 Motor | 2024 Home | 2024 Total | 2023 Motor | 2023 Home | 2023 Total |
|---|---|---|---|---|---|---|
| **Current accident year – normalised** | 70.7 | 63.3 | **69.9** | 81.4 | 81.9 | **81.5** |
| Weather impact versus normalised expectation | n/a | -4.9 | **-0.6** | n/a | -4.7 | **-0.6** |
| Prior year reserves | -4.6 | -6.0 | **-4.8** | -2.6 | 0.5 | **-2.3** |
| **Reported Net Loss Ratio (discounted)** | 66.1 | 52.4 | **64.5** | 78.8 | 77.7 | **78.7** |

The total Reported Net Loss Ratio decreased by 14.2pts to 64.5% during 2024. The full impact of stronger written profitability across 2023 has earned in the 2024 result, resulting in a material reduction in the earned loss ratio.

# Financial Review
continued

Motor Reported Net Loss Ratio decreased by 12.7pts, with the current accident year loss ratio decreasing by 10.7pts. The benefits of written rate increases during 2023 and 2024 have significantly influenced the reduction in loss ratio. The current year loss ratio also reflects the continuation of elevated market wide claims severity inflation across damage loss costs offset by claims volumes which reduced in the year. Prior year favourable reserve releases benefitted the loss ratio by 2pts more than in 2023 reflecting favourable claims severity and frequency development across prior years. On 11 January 2025, the Ogden discount rate used in personal injury claim settlements increased from -0.25% to 0.5%; this has been fully reflected in our year end reserves, but given esure's reinsurance structure, the impact on Motor profitability in 2024 was minimal. The movement in the discount rate supported a reduction in reinsurance costs for the 2025 underwriting year.

Home Reported Net Loss Ratio reduced 25.3pts, driven by a combination of stronger pricing, continued efforts to manage the risk profile away from volatile perils and large losses as well as relatively benign weather during the year which benefitted the loss ratio by 4.9pts relative to the long-term modelled average for weather related claims. The book also benefited from favourable prior year reserve releases equivalent to 6pts of loss ratio.

## Expense ratio

| Year ended 31 December | 2024 | | | 2023 | | |
|---|---|---|---|---|---|---|
| % | Motor | Home | Total | Motor | Home | Total |
| **Expense ratio** | 18.8% | 29.4% | **20.0%** | 22.5% | 33.3% | **23.8%** |

The expense ratio reduced year on year primarily as a result of higher Net Insurance Service Revenue and a relatively stable cost base. This was despite higher acquisition costs as the Group restored volume growth following completion of the policy migration. The Group's operating expenditure in 2024 also includes the impact of carrying approximately £3m of dual run costs (2023 c.£10m) related to esure's legacy technology platform which was decommissioned in the first half of 2024 and an additional charge relating to the revision of property related provisions.

## Investment income

| Year ended 31 December | 2024 | | | 2023 | | |
|---|---|---|---|---|---|---|
| £m | Motor | Home | Total | Motor | Home | Total |
| Investment income | 35.2 | 4.8 | **40.0** | 30.5 | 4.1 | **34.6** |
| **Exceptional investment performance** | | | **2.1** | | | **-2.2** |
| **Total investment income** | | | **42.1** | | | **32.4** |

The Group deploys a conservative investment strategy with the primary objectives of capital preservation and maintaining liquidity. Through close alignment of the asset and liability durations the Group can deliver appropriate returns while minimising earnings and capital volatility. Investment income is allocated to the Motor and Home portfolios and reported within their respective Trading Profit figures, and in 2024 continued to increase due to improving book yields.

Over 2024, investment income benefited from the rising yield environment experienced in recent years, earning into bond book yields and reflected in the Income Statement. Exceptional investment performance is a result of derivative and exchange rate effects, resulting from hedging activities.

# Financial Review
continued

## Profitability

| Year ended 31 December £m | 2024 | | | | 2023 | | | |
|---|---|---|---|---|---|---|---|---|
| | Motor | Home | Central | Total | Motor | Home | Central | Total |
| **Trading (Loss)/Profit** | **146.7** | **29.9** | **-49.8** | **126.8** | 21.5 | 1.1 | -39.3 | -16.7 |
| ***Profit margin*** | | | | ***13.2%*** | | | | -2.1% |
| Exceptional investment performance | | | | **2.1** | | | | -2.2 |
| Non-trading costs | | | | **-39.6** | | | | -57.3 |
| Finance costs | | | | **-14.5** | | | | -12.4 |
| **Profit/(Loss) Before Tax** | | | | **74.8** | | | | -88.6 |

## Non-trading costs

The first quarter of 2024 saw the successful migration of policies onto the new technology platform followed by the decommissioning of legacy infrastructure in the second quarter. £22.9m of non-trading costs incurred in the year therefore related to the tail of the transformation programme as well as associated run-off costs, property restructuring and investment in Generative AI (2023: £56.2m). Non-trading costs are not expected to be a significant on-going feature of the Group's overall cost base.

In line with others in the industry, the Group undertook a detailed review of a subset of historic claims processes during the year. The conclusion of this review is that in a small minority of claims, the settlement value will be adjusted to allow for a higher payment. As a consequence, the Group incurred £11.3m of non-trading costs relating to the remediation of these claims together with the operational cost associated with the remediation activity. £10m of this charge represents a provision at December 2024.

## Finance costs

The Group incurred £14.5m (2023: £12.4m) of finance costs related to Tier 2 Subordinated Debt. The remaining £25.0m 6.75% ten-year Tier 2 Subordinated Notes issued on 19 December 2014, were redeemed in December 2024. The £75.0m 6.0% Restricted Tier 1 issuance on 22 July 2021 is accounted for under IFRS as equity, therefore the coupon is recognised on payment through other comprehensive income, rather than as a finance cost.

# Financial Review
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, this reduces the impact that an event can have on the capital position and underwriting results in both Motor and Home. The Group's reinsurance programmes are due for renewal annually on either 1 January or 1 July.

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

In 2024, the Group also had 40% whole account quota share reinsurance in place with various long standing reinsurance partners (2023: 40%).

The 2025 Motor excess of loss programme has been finalised with a reduction in the rate payable to reinsurers reflecting the increase in Ogden discount rate and improved margin for esure.

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

The Group's solvency coverage is above our desired operating range at 172% with Eligible Own Funds of £479.1m at 31 December 2024 (2023: 151% and £417.8m). Current year profitability significantly increased Own Funds over the year. The Solvency Capital Requirement increased to £279.1m (2023: £277.5m), reflecting increased levels of reserves and future premium forecasts.

The Group's capital position is outlined below:

| Year ended 31 December | 2024 | 2023 |
|---|---|---|
| **£m** | | |
| **Own Funds** | **479.1** | 418.2 |
| Tier 1 | **355.2** | 279.4 |
| Tier 2 | **105.2** | 138.7 |
| Tier 3 | **18.7** | nil |
| **Solvency Capital Requirement** | **279.1** | 277.5 |
| **Coverage Ratio** | **172%** | 151% |

# Financial Review
continued

## Dividend policy

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

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

The Group paid a dividend of £5m during 2024 (2023: £nil).

## Outlook

Having successfully completed the Group transformation programme, the business is already seeing the benefits from its new technology and data platform. While we remain cautious regarding the outlook for market pricing in the near term, we are confident that this platform provides the foundation to support further improvements to the expense ratio as the Group grows and to allow the Group to deliver profitable growth by leveraging its product, pricing, data and distribution capabilities.

# Risk Management

## Our risk management approach continues to ensure a consistent and robust management of risks and opportunities across the business to support our strategy, with a particular focus this year on embedding new processes and controls following the completion of the transformation programme.

### Risk strategy

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

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

**Climate risk is considered a cross-cutting risk across all our key risks themes**

# Risk Management

continued

### Risk management framework

Our risk management framework helps the Group identify, understand and manage risks and opportunities – helping the business increase the likelihood of achieving objectives by minimising threats and uncertainty and maximising opportunities.

The risk management framework supports the consistent and robust identification and management of opportunities and risks within desired levels across the Group, supporting openness, challenge, innovation and excellence in the achievement of objectives.

Within this framework:

- Our risk culture is a set of encouraged and acceptable behaviours, discussions, decisions and attitudes toward taking and managing risk, and is a key element of the risk management framework
- Our policy framework articulates in a suite of policies our business objectives, legal and regulatory obligations, and risk appetite, and helps colleagues to understand how we meet and achieve these
- Our Own Risk and Solvency Assessment ('ORSA') process is linked to our annual strategic planning process and includes our annual ORSA report which documents our capital requirements and risks associated with the current period and future periods. The key processes that underpin the ORSA include:
  - Stress testing and scenario analysis including reverse stress testing
  - Business planning and assessment of the key risks
  - Forward-looking assessments of the solvency position
  - Own assessment of solvency based on the Group's capital modelling
  - Assessment of the appropriateness of the standard formula for regulatory capital setting
  - Risk appetite setting
  - Material and emerging risk reviews
  - Climate risk materiality assessment, modelling and metrics

## Risk Management Process

# Risk Management
continued

## Risk governance

We manage risk through the three lines model which provides a simple and effective way to delegate and co-ordinate risk management roles and responsibilities across the organisation. Further information on the work of the Risk Committee can be found in the Corporate Governance Report on pages 89 and 90.

### 1st Line – Business functions that own and manage risks

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

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

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

### 3rd Line – Internal audit function that provides independent assurance

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

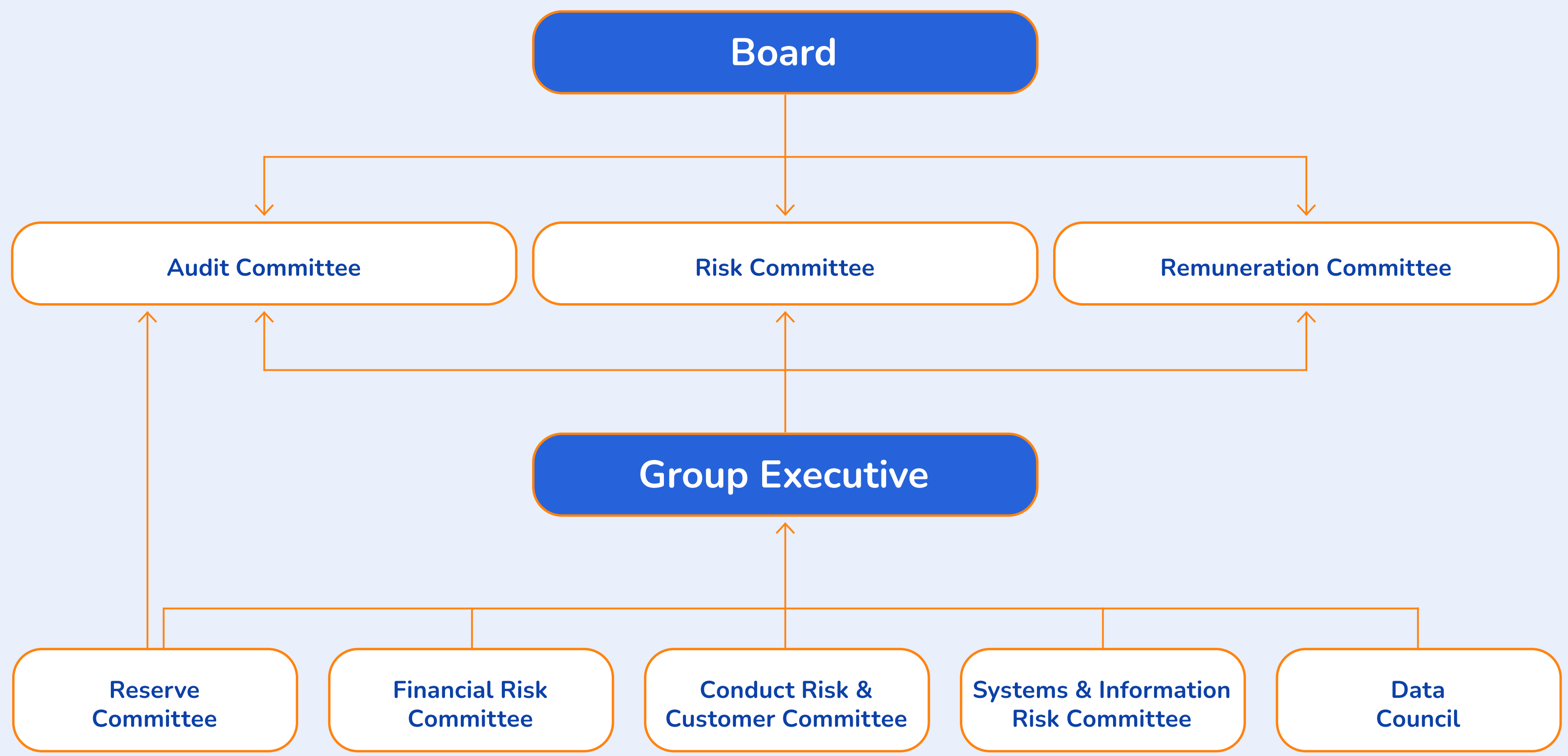
Accountability for the Risk and Compliance function resides with the Chief Risk and Legal Officer, a member of the Group Executive who reports to the Chief Executive Officer. Independence is assured through direct access to the Chair of the Risk Committee.

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

Accountabilities across the Executive Team and senior management are clearly articulated and managed through the Group Responsibilities Map.

# Risk Management
continued

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



# Risk Management
continued

## Principal risks and uncertainties

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

| | Risk | Mitigation |
|---|---|---|
| **Underwriting Risk**<br>• Pricing<br>• Reserving<br>• Catastrophe<br><br>**Trend:** | **Definition**<br>Underwriting Risk represents the uncertainty in the profitability of the business written due to variability in premium rates as well as the value and timing of claims – this can impact historic (reserve risk) as well as future exposures (pricing and catastrophe).<br><br>**Current risk profile**<br>Underwriting Risk is expected to increase due to planned growth. We operate in a highly competitive pricing environment and continue to face heightened underwriting risks due to the inflationary impacts from the wider economy; the uncertainty on longer-term impacts from the Financial Conduct Authority General Insurance Pricing Practices (FCA GIPP) (2021); the Civil Liability Act (2020); changes to tariff and Judicial College Guideline awards for bodily injury (January 2025); and potential shifts in customer behaviour as they adapt to the heightened cost of living. | • Our reinsurance programme protects the business from individual large losses, catastrophe events, adverse reserve development and adverse loss ratio movement<br>• Claims management processes are designed to contain claims leakage and feedback claims trends whilst providing strong customer service<br>• A risk adjustment is held above the Actuarial Best Estimate under IFRS 17. In addition, independent external actuaries assess the adequacy of the Group's reserving assumptions |
| **Market Risk**<br>• Interest Rate<br>• Equity<br>• Spread<br>• Concentration<br><br>**Trend:** | **Definition**<br>Market Risk represents the uncertainty in the financial position due to fluctuations in the level and volatility of market prices of assets and liabilities.<br><br>**Current risk profile**<br>Uncertainty in general market conditions is driven by potential interest rate volatility by central banks; and geopolitical tensions and activity.<br><br>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, risk appetite<br>• 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 the interest rate sensitivities of our assets and liabilities<br>• The investment strategy does not materially expose the Group to currency risk or the risks arising from active trading of derivatives<br>• The Group's policy concerning market risk aligns and ensures compliance with Solvency II 'Prudent Person Principle' requirements |

# Risk Management
continued

| | Risk | Mitigation |
|---|---|---|
| **Credit Risk**<br>• Reinsurance<br>• Counterparty<br>• Supplier<br><br>**Trend:** | **Definition**<br>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).<br><br>**Current risk profile**<br>The Group has a low appetite for credit risk. The most material exposures are through 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<br>• As part of the Group's supplier management process, credit exposures to significant third-parties are monitored regularly |
| **Solvency and Liquidity Risk**<br>• Solvency<br>• Liquidity<br><br>**Trend:** | **Definition**<br>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.<br><br>**Current risk profile**<br>The Group is currently operating within or above its desired solvency operating range and liquidity risk profile. | • Solvency risk is managed through the ORSA processes which include stress and scenario testing of a range of events and decisions<br>• Liquidity risk is assessed by considering the Group's operating cash flows, stressed for catastrophe scenarios, and liquidity strains<br>• Regulatory risks that could impact solvency are monitored through our close relationship with the Prudential Regulation Authority and other bodies |
| **Operational Risk**<br>• Operational Resilience<br>• People<br>• Outsourcing and Third-party<br>• Financial Crime and Fraud<br>• IT, Data and Cyber<br>• Business Processes<br><br>**Trend:** | **Definition**<br>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.<br><br>**Current risk profile**<br>Our Operational Risk outlook is influenced by the external cyber environment and customer experience. The implementation of our new technology platform significantly improves our operational resilience and reduces risk across IT, data, cyber, financial crime and fraud. Over the past year we have focused on improving customer outcomes and the control environment within the new IT estate. | • Our governance and risk framework provides an effective structure within which operational risks are identified, measured and managed. It ensures clear ownership of risks with effective reporting and escalation mechanisms, supporting management oversight and decision-making<br>• There is specific governance in place to oversee improvements to customer interactions<br>• We maintain specialist teams to provide business functions with expertise and support in operational resilience, people, IT, fraud, financial crime and cyber risk<br>• We have implemented additional governance and oversight around customer outcomes and target activity to further reduce associated risks |

# Risk Management
continued

| | Risk | Mitigation |
| --- | --- | --- |
| **Change Risk**<br>• People<br>• Systems<br>• Data<br><br>**Trend:** | **Definition**<br>Change risk is the loss or adverse impact due to an inability to deliver change effectively or arising from uncertainty in the outcome or impact on current business operations.<br><br>**Current risk profile**<br>We expect levels of change risk in 2025 to remain unchanged following the successful migration of the business onto the new platform and decommissioning of our legacy data centre. However, the risks will continue to evolve as we embed our new systems. | • As the transformation programme came to an end in 2024, practices have evolved into our change management processes<br>• There has been a significant upskilling of colleagues to utilise internal tools for managing and monitoring change |
| **Conduct and Regulatory Risk**<br>• Legal and Political<br>• Compliance<br>• Regulatory<br><br>**Trend:** | **Definition**<br>Conduct and Regulatory Risk is the risk of failing to deliver the appropriate treatment to, or meet the needs of, our customers throughout our customer interactions, product design and service delivery.<br><br>**Current risk profile**<br>The Group is averse to Conduct Risk, and this is reflected in our Risk Appetite statement and management decision-making. FCA GIPP has been embedded well within the business and we have successfully implemented changes to support our compliance with Consumer Duty regulations. The risk is assumed to increase as there is regulatory interest in Motor and Home practices across the market, these include total loss valuations and Premium Finance. In relation to Operational Resilience we are mapping and testing that we can remain within impact tolerances for each important business service by the regulatory deadline of March 2025. We expect to have interactions with the regulators on these themes during 2025. | • Our purpose to fix insurance for good and associated culture ensures the interests of customers, and their fair treatment are paramount. This is supported by our compliance with the letter and spirit of the relevant laws and regulation<br>• We operate a strong governance framework, and the Conduct Risk and Customer Committee reviews all aspects of customer service<br>• The Board actively exercises oversight through the Risk Committee with regular upward reporting of the risk profile against the customer and conduct risk appetite and has approved our Consumer Duty annual report<br>• We continue to monitor legal and regulatory developments in the UK and Europe, including through our close relationship with the Financial Conduct Authority and Prudential Regulation Authority, Information Commissioner's Office and other bodies including the Association of British Insurers |

# Risk Management

continued

## Our approach to climate risk

### Definition and risks

Climate risk includes all risks stemming from trends or events caused by climate change. We consider this against the two drivers of risk:

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

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

### Risk focus

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

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

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

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

# Risk Management

continued

The table below provides information on how climate risk is embedded within the Group.

| Area | |
|---|---|
| **Governance** | • Climate risk updates and training have been provided to the Board, with the materiality assessment presented on an annual basis.<br>• Established a Driving Good Working Group and also a specific electric vehicle working group.<br>• Climate risk Key Risk Indicators have been agreed by the Board through the ORSA process and are monitored. |
| **Risk Management** | Frameworks and tolerances<br>• Climate risk is part of risk management framework and recorded on our Risk Management System.<br>• Risk Appetite Statements for weather events are in place and monitored at the Financial Risk Committee. These support our overarching solvency and liquidity strategic risk objective.<br>• Climate risk is managed as a cross-cutting risk.<br>• Emerging regulatory requirements are considered through our regulatory tracking process with relevant requirements reported to the Financial Risk Committee and then the Risk Committee. If deemed appropriate these are also considered within ORSA process. |
| | Modelling<br>• Climate risk assessment and modelling performed as part of the ORSA process.<br>• Climate risk scenarios reviewed as part of annual Scenario and Stress Testing exercise.<br>• A climate risk adjustment is included in the weather capital modelling, and there are judgements that have been made on the adjustments due to lack of data. |
| | Counterparties' exposures<br>• The main counterparty engagement is with the repairer network with ongoing initiatives to use green parts; have carbon neutral body shops; and ensure 100% of esure's body shops have electric vehicle trained technicians.<br>• Established a procurement framework for weighting of ESG credentials in tender decisions. |
| | Capital<br>• There is a specific Climate Risk section in the ORSA including the capital modelling assessment, which includes a climate risk adjustment for weather events.<br>• We conduct an annual materiality assessment which has been enhanced this year to include a wider consideration of risks and opportunities and to show our potential impacts across three (short, medium and long-term) horizons. |

# Risk Management
continued

## Our approach to climate risk continued

| Area | |
|---|---|
| **Scenario analysis** | Embedding scenario testing<br>• Climate risk stress tests are performed (including annually reassessing the 2019 Prudential Regulation Authority stress test for trends) and reported to the Risk Committee.<br>• Weather scenarios are reassessed on an annual basis and support the reinsurance decision-making process for Home reinsurance catastrophe cover. |
| **Data** | Data gaps<br>• Quality of data remains a limitation in risk modelling and therefore judgments have been made in weather peril quantitative analysis.<br>• There is sharing of information that continues to be gathered by Home Pricing and Underwriting and risk to understand developments in the market for modelling of weather-related risks, along with continued engagement with external firms.<br>• We engage with our investment manager to enhance the quality of data in relation to our investment portfolio and better understand changes to Key Risk Indicators values and data limitations within the Key Risk Indicators.<br>• During the year we have incorporated an MSCI tool to assess and monitor carbon intensity of investments. |

### Materiality assessment

Our materiality assessment provides a holistic view of the climate risks and opportunities that we face, encompassing the sustainability issues that impact us and also how our activities impact people and the environment. The assessment is on a residual basis and has involved Risk Management working with individuals from across the Group in Pricing, Underwriting, Claims, Facilities, Marketing, Legal, Procurement and Finance, to capture current and future views and activities in each of these areas.

We have enhanced our assessment this year with a wider consideration of climate risks and opportunities across underwriting risk, market risk, credit and counterparty risk, operational risk, reputational risk and strategic risk, and also by showing our potential impact across three (short, medium and long-term) horizons.

Risks are considered to be material where ignoring the risk could influence the decision making or the judgement of the Board and Management.

The table on pages 41 to 44 is based on a mixture of quantitative and qualitative assessments as appropriate historical data is limited for some themes.

Climate risk is not considered a material risk to the Group in the short-term which is defined as the next two to three years of our planning horizon, due to the reinsurance protections we have in place for extreme weather events; writing policies that can be repriced annually at renewal; and the composition of the investment portfolio.

# Risk Management

continued

In the longer term the risk can become material, due to:

- Reinsurance capacity risk: The risk of reinsurance capacity reducing if there are more frequent and more severe extreme events impacting reinsurers. Discussions with brokers take place to understand the near-term implications of severe global climate driven events on the reinsurance market and the potential consequences to reinsurers' appetite to writing UK Motor and Home reinsurance.
- Strategic risk: The transition to a low-carbon economy can reduce demand for motor insurance products and services. Whilst there is the possibility of lower car usage in the next two to three years in the planning horizon, any material impact is expected to emerge in the longer term. The new platform and IT infrastructure is expected to allow the Group flexibility to adapt through refining and adding products and services.

### In summary:

- Underwriting risk is susceptible to a lack of experience and data over new and changing products, regulation and initiatives (e.g., electric vehicles, solar panels, subsidence, gas boilers), creating a short-term mismatch between claims and premiums. Due to the short nature of esure's insurance contracts premium can be rapidly updated to reflect trends, minimising the time of increased exposure. As such this is only a timing issue and so is not deemed material.
- The Market risk assessment is based on the temperature increases assumed in the Climate Biennial Exploratory Scenarios (CBES), using Prudential Regulation Authority parameters from 2019 that are consistent with these. A weighted average of these scenarios (weighting based on Schroders' climate trajectory analysis) gives a 3.3°C increase. The 1 in 100 value at risk is assessed at less than £10m based on the most recent assessment.
- Credit/counterparty risk exposure is largely due to esure's reliance on reinsurance, and the risk of default due to increased weather claims. There are minimum credit rating and concentration requirements in place for the reinsurers we use.
- Operational/reputational/strategic risk relates to the various climate change products and initiatives available in the market, and those being implemented by esure and consumer behaviours towards these, including car usage or ownership, use of green parts, and tree planting. In the short-term, this risk is not expected to be material.
- A new anti-greenwashing rule that came into force on 31 May 2024, although our current exposure is considered low due to minimal advertising and no specific green customer proposition. Potential greenwashing is considered throughout our communication processes and mitigated with the appropriate tone and messaging. Our mandatory disclosures are reviewed by an external third-party.
- There are no material changes from updated scenarios performed during the year that would indicate an increased materiality.

### Time horizon key:

| | |
|---|---|
| **Short-term** | 0 to 3 years |
| **Medium-term** | 3 to 10 years |
| **Long-term** | >10 years |

### Materiality key:

L

**Low**
Does not fall into above categories

M

**Medium**
Scenarios consider losses >£10m as being plausible (the threshold is informed from our materiality matrix) during the next two to three years (within our business planning horizon), however not considered material to the Group continuing as a going concern

H

**High**
The risk could influence the decision making or the judgement of the Board and Management in relation to long-term strategy

# Risk Management
continued

## Climate Risk Driver – Transition Risks

| Climate Risk Category | Climate Risks and Opportunities | Time Horizon Short | Time Horizon Medium | Time Horizon Long | Mitigations/Key Actions |
|---|---|---|---|---|---|
| **Policy and Legal Risks** | Although electric vehicle uptake is expected to increase, a number of these are on lease policies, therefore limiting our market share of these customers and the availability of accurate data and risk profiles to inform our pricing. However, there is an opportunity for us to become market leaders on electric vehicle insurance and capitalise on early price learnings using increased data available to us.<br><br>There is a potential risk that challenges with the electric vehicle repair supply chain, particularly the availability of some green parts could result in longer claims settling periods.<br><br>New regulations on the installation of heat pumps could potentially increase home claims.<br><br>The increased use of technology to control heating away from home has positive impacts to climate and also provides an opportunity to reduce escape of water claims. | M | M | M | We have an electric vehicle Working Group monitoring electric vehicle trends and risk profiles.<br><br>Our Supplier and Claims teams are working with our repairer network to manage the supply chain and settlement timeframes.<br><br>We continue to conduct horizon scanning and address any changing or evolving regulations and trends. |
| **Legal/Litigation** | There is a potential risk of financial penalties or reputational damage from lawsuits for insufficient adaptation, non-compliance to climate regulation or making false or misleading statements about the environmental benefits of a product or service (greenwashing).<br><br>There is also a risk of inappropriate policy wording, risk selection and pricing in relation to new climate products, technologies or regulation.<br><br>Legislation on tree removal may also potentially drive inflation on subsidence claims. | M | M | M | Currently esure has minimal advertising and no specific green customer proposition. Potential greenwashing is considered throughout our communication processes and mitigated with the appropriate tone and messaging. Our mandatory disclosures are reviewed by an external third-party.<br><br>Current processes ensure relevant terms, conditions and exclusions applicable to new and existing climate products, technologies and regulation, are applied where appropriate. |

# Risk Management
continued

| Climate Risk Category | Climate Risks and Opportunities | Time Horizon: Short | Time Horizon: Medium | Time Horizon: Long | Mitigations/Key Actions |
|---|---|---|---|---|---|
| **Technology** | Electric vehicles are known to be more expensive and take longer to repair, increasing claims costs.<br><br>There is a potential risk esure may experience an increase in total loss claims resulting from more windscreen replacements (as the new thinner versions are harder to repair) or unavailability of green parts. In addition, an increase in write offs could result from a lack of electric vehicle repair capabilities or resource in the supply chain.<br><br>There is an industry wide issue related to not having a safe method of disposal for lithium batteries.<br><br>There is limited data on the exposure to solar panel losses.<br><br>There is an opportunity to accelerate progress on our suppliers' decarbonisation initiatives. | M | M | M | We have ongoing engagement and are actively working with our suppliers and repair network to ensure adequate parts and resources to manage our electric vehicles claims.<br><br>We are also working with loss adjusters to ensure minimal waste to landfill.<br><br>We continue to conduct horizon scanning and address any changing or evolving regulations and trends.<br><br>The supply chain section on page 56 describes how we are engaging with our top twenty most carbon-intensive suppliers. |
| **Market Sentiment** | Various trends have been reported on consumer behaviour and attitudes towards climate risk products and technologies, including a potential move away from private vehicles to public transport or car sharing and electric vehicle uptake, mostly with younger and less experienced drivers. However, there is limited data on the timeframes and impact of these.<br><br>There is opportunity in the short-term to modify the investment portfolio to improve its carbon intensity and Implied Temperature Rise scores in the longer-term, the portfolio is heavily dependent on the decarbonisation pathway of sovereign states. | L | M | M | Existing processes continue to monitor the profile of drivers, their age and experience to identify and mange changes through our Pricing and Underwriting.<br><br>Our investment portfolio strategic asset allocation is reviewed on an annual basis. |
| **Reputational** | The risk of reputational damage for highly priced electric vehicle's insurance may be construed as indirectly restricting the growth of electric vehicle's car ownership. | L | L | L | We continue to consider and monitor our reputational impact across all our activities. |

# Risk Management
continued

## Climate Risk Driver – Physical Risks

| Climate Risk Category | Climate Risks and Opportunities | Time Horizon Short | Time Horizon Medium | Time Horizon Long | Mitigations/Key Actions |
|---|---|---|---|---|---|
| **Acute and Chronic** | Climate change increases the frequency and concentration of extreme weather events and natural catastrophes, e.g. heat waves, landslides, floods, wildfires, storms and hail stones, resulting in property damage and higher insurance claims and increased reinsurance default risk for catastrophe events. They can also lead to business interruption and financial losses. | L | M | M | Premium can be updated rapidly to reflect trend minimising the time of increased exposure and we can reprice annually for renewals.<br><br>We maintain regular communication with our suppliers and support initiatives such as Build Back Better programme to address the impacts of extreme weather events. |
| | Reinsurance capacity risk – the risk of reinsurance capacity reducing if there are more frequent and more severe extreme events impacting reinsurers. | L | M | H | We monitor with brokers the potential implications of severe global climate driven events on the reinsurance market and the potential impact on reinsurers' appetites for writing UK Motor and Home reinsurance.<br><br>We do not consider it likely that climate change will render UK reinsurance unviable over the current planning horizon. Any material impact is expected to emerge over the longer term, which is monitored though regular discussions with Aon. |
| | Credit/Counterparty risk exposure is largely due to esure's reliance on reinsurance, and the risk of default due to increased weather-related claims. | L | M | H | Our risk appetite requires we place the majority of reinsurance with high credit quality (at least A- rating) when available and not place more than 50% of exposure with one reinsurer or group of reinsurers. |
| | Chronic climate events raise the potential risk of supply chain disruption. This is the inability of suppliers to deliver services or products resulting in operational failures or reputational damage. | L | M | M | Our Operational Resilience work identifies our Important Business Services and material suppliers which are monitored on an ongoing basis.<br><br>There is an opportunity for further work to be undertaken to better understand the impact of chronic climate events on our full supply chain. |

# Risk Management
continued

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

New models have been implemented for weather perils. An alternative freeze model is also being developed and the incorporation of subsidence risk is also in progress. We are working with an external firm to assist in the development, including consideration of incorporating other secondary perils.

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

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

Three scenarios have been considered as they cover early, late and no additional policy action, The three scenarios (sourced from the Bank of England's 2021 Climate Biennial Exploratory Scenarios) are:

(i) a sudden transition led by global action and policies, therefore severely limiting the effects of climate change and keeping well below 2°C;

(ii) a long-term but orderly transition, while there is global action it takes time to embed staying at or below 2°C, leading to some but limited climate change, and

(iii) there are failed attempts at a global climate policy, and therefore temperatures exceed 4°C and so has significant climate outcomes

The multiple weather event scenario provides the most material impact. Five different weather events are assumed to occur across the planning period of 2024 to 2026, focusing on an increase in the frequency of occurrence, with the overall severities assumed to be generally lower than the retention level in the Catastrophe Excess of Loss reinsurance contracts.

# Risk Management
continued

The five events considered are:

| Event | Description |
|---|---|
| **Subsidence** | Similar to a recent event year, with more extreme/prolonged impact. |
| **Winter Freeze** | Replicates the UK Winter Freeze event across 2010/11 split across three event periods. |
| **Series of 50 Windstorms** | UK hit by a series of 50 windstorms in four main waves (clusters), rolling in off the Atlantic Ocean due to climate change/shift in weather patterns. The windstorms tend to last one to five days and impact a band across the country running from North London to Yorkshire, capturing the vast proportion of the Midlands, Wales and Northern England. The windstorms are attritional in nature, i.e. fall below the reinsurance retention level. |
| **Summer Flooding** | Similar dynamics to the 2007 summer floods – heavy flooding causing ground saturation and rivers to burst banks. |
| **Boscastle Type Event** | A very specific flash flood event impacting a single town/village within a valley, which has not had a history of flooding. The flood is assumed to be the result of a combination of exceptional (localised) factors. |

The impact of this extreme more than 1 in 100 year event scenario is a c.20%pts reduction in solvency at the end of 2025. Whilst an extreme scenario puts pressure on our solvency position, this is to be expected, and the scenario provides no indication that our reinsurance programme is insufficient to appropriately manage risk from multiple weather events (due to climate change or otherwise). Note also that the impact is prior to any contingent management actions being taken to improve solvency during the period. The business strategy is resilient to this scenario due to the contingent management actions available to the Group, these actions are considered as part of the ORSA process by the Board as part of setting the Group's normal solvency operating range.

# Risk Management

continued

## Climate risk monitoring

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

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

# Risk Management
continued

There are elements of judgement in estimating the Climate VaR and 1-in-200 catastrophe loss due to limited data available on climate risk impacts on the future valuation of the investment portfolio and impact on claims from weather perils.

Our targets align to those set out within the Association of British Insurers's Climate Change Roadmap: net zero across Scope 1 and 2 emissions by 2025; reducing Scope 3 emissions by 50% by 2030 (from a baseline year of 2020) and reaching net zero across Scope 1, 2 and 3 emissions by 2050. In 2024 we developed a Transition Plan, setting out our plans to reduce emissions and deliver a net zero business by 2050.Our overarching sustainability risk appetite is to remain net zero across Scope 1 and 2 emissions.

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

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

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

## Non-Financial and Sustainability Information Statement

### Climate-related Financial Disclosures Regulations

The Group has reported against the climate-related disclosures ('CFD') contained in the Companies (Strategic Report) (Climate Related Financial Disclosure) Regulations 2022. As a large Public Interest Entity esure Group plc is in scope for reporting against these regulations. There are eight regulations under these reporting requirements, and we have set out our reporting under the regulations below. We also show progress against the Task Force on Climate-related Financial Disclosure ('TCFD') requirements. During 2024 we reviewed our climate change risks and climate-related targets and developed a transition plan, however there is more analysis to be undertaken in 2025 as we look to analyse further our opportunities and risks in more detail over various time periods.

# Risk Management

continued

| TCFD recommendation | CFD requirement | Progress |
|---|---|---|
| **Governance:** Disclose the organisation's governance around climate-related risks and opportunities. | | |
| A Describe the board's oversight of climate-related risks and opportunities **Partial alignment**<br><br>B Describe management's role in assessing and managing climate-related risks and opportunities **Aligned** | A A description of the organisation's governance arrangements in relation to assessing and managing climate-related risks and opportunities | The Board's oversight of climate-related opportunities is considered as one of the four pillars of our Strategic Framework (A more Sustainable and Safer World). The Board reviews the ORSA annually which documents progress on climate risk scenarios. The Risk Committee monitors climate change metrics displayed on page 47 as part of the ORSA process. The ESG policy is approved annually and this documents the management responsibilities for climate change.<br><br>Management is informed on climate-related issues through the risk management processes in place where climate risk is considered a cross-cutting risk; and through the ORSA process where there is a specific climate risk section within ORSA reporting.<br><br>Further information can be found in<br>• ESG report – Governance section: pages 63 and 64<br>• Strategic Framework: A more Sustainable and Safer World: page 20 and 21<br><br>These risks and opportunities need to be embedded further within the Company's financial planning process and forecasting and this will be a focus for 2025. |
| **Strategy:** Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material. | | |
| A Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long-term **Partial alignment** | D Describe the<br>(i) The principal climate-related risks and opportunities arising in connection with the company's operations and;<br>(ii) The time periods by reference with which those risks and opportunities are assessed | We continue to conclude that climate risk remains a material long-term risk but we do not consider it likely to be material in the two to three year planning horizon due to reinsurance protections. We have identified various risks and opportunities as part of the risk management and ORSA processes, however we recognise that there may be more opportunities that will be considered in 2025. We currently consider materiality on a high, medium, low basis with judgements made on financial impacts where the quality of data is limited. As more data becomes available, we will continue to incorporate in our materiality assessments.<br><br>Refer to the 'Our approach to climate risk' section in the Risk Management report on pages 38 to 50 for more information. |
| B Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning **Partial alignment** | E Description of actual and potential impacts of the principal climate-related risks and opportunities on the company's business model and strategy | Climate risk remains an area of focus for the Group and all business functions are engaged in assessing our materiality of exposures to climate change risks and opportunities. During 2024 we reviewed various climate-related risks and opportunities. These risks and opportunities need to be embedded further within the Company's financial planning process and forecasting and this will be a focus for 2025.<br><br>Refer to the 'Our approach to climate risk' section in the Risk Management report on pages 38 to 50. |
| C Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario **Partial alignment** | F Analysis of the resilience of the company's business model and strategy, taking into account different climate-related scenarios | We use weather modelling, stress testing and scenario analysis and climate risk Key Risk Indicators to assess how our risk exposure is changing over time. This includes scenarios where the temperature increase is kept below 2°C and in excess of 4°C relative to pre-industrial levels. This enables us to understand the potential impact and resilience of our strategy and incorporate this into our planning processes. The Group is considered resilient to climate risk and we have concluded that it is not material to the Group in the short to medium term. In forming this view we have considered a range of stress scenarios reviewed by the Risk Committee as part of the ORSA process.<br><br>Refer to the 'Our approach to climate risk' section in the Risk Management report on pages 38 to 50. |

# Risk Management
continued

<table>
<tr><th colspan="2">TCFD recommendation</th><th colspan="2">CFD requirement</th><th>Progress</th></tr>
<tr><td colspan="5">Risk Management: Disclose how the organisation identifies, assesses, and manages climate-related risks</td></tr>
<tr><td>A</td><td>Describe the organisation's processes for identifying and assessing climate-related risks Aligned</td><td rowspan="2">B</td><td rowspan="2">Description of how the company identifies, assesses and manages climate-related risks and opportunities</td><td rowspan="2">Climate risk cuts across all our four key risk themes and we use our existing Risk Management framework to identify and assess climate-related risks within the business units.<br>Full TCFD guidance terminology is not currently incorporated into our frameworks, this will be considered in 2025.<br>Further information can be found in the 'Our approach to climate risk' section in the Risk Management report pages 38 to 50.</td></tr>
<tr><td>B</td><td>Describe the organisation's processes for managing climate-related risks Partial alignment</td></tr>
<tr><td>C</td><td>Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management Aligned</td><td>C</td><td>Description of the processes for identifying, assessing and managing climate-related risks are integrated into the company's overall risk management processes.</td><td>Our embedded Risk Management framework including our risk culture, policy framework, and Own Risk and Solvency Assessment process integrate climate-related risk. This means each of the business functions are engaged in assessing and reviewing climate risks.<br>Refer to 'Our approach to climate risk' section in the Risk Management report on pages 38 to 50.</td></tr>
<tr><td colspan="5">Metrics and Targets: Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.</td></tr>
<tr><td>A</td><td>Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process Partial alignment</td><td rowspan="2">H</td><td rowspan="2">Description of the key performance indicators used to assess progress against the targets used to manage climate-related risks and realise climate-related opportunities and calculations on which those key performance indicators are based.</td><td rowspan="2">Our targets are aligned to the Association of British Insurer's Climate Change Roadmap: net zero across Scope 1 and 2 emissions by 2025; reducing Scope 3 emissions by 50% by 2030 and reaching net zero across Scope 1, 2 and 3 by 2050.<br>During 2024 the Group developed a transition plan setting out our plans to reduce emissions and deliver a net zero business by 2050.<br>We directly engaged with our top twenty most carbon-intensive suppliers to better understand their carbon emissions across Scope 1, 2 and 3.<br>Climate risk Key Risk Indicators are included on page 47.<br>See Risk Management report under 'Our approach to climate risk' on pages 38 to 50 for more information.</td></tr>
<tr><td>B</td><td>Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 GHG emissions, and the related risks Partial alignment</td></tr>
<tr><td>C</td><td>Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets Partial alignment</td><td>G</td><td>Description of the targets used by the company to manage climate-related risks and to realise climate-related opportunities and performance against those targets.</td><td>We use a variety of climate risk Key Risk Indicators to track our performance and assess how our risk exposure is changing over time. These metrics are reported to the Financial Risk Committee (composed of Executive and senior management) and the Risk Committee.<br>See 'Our approach to climate risk' section on pages 38 to 50 for a description of Key Risk Indicators.</td></tr>
</table>

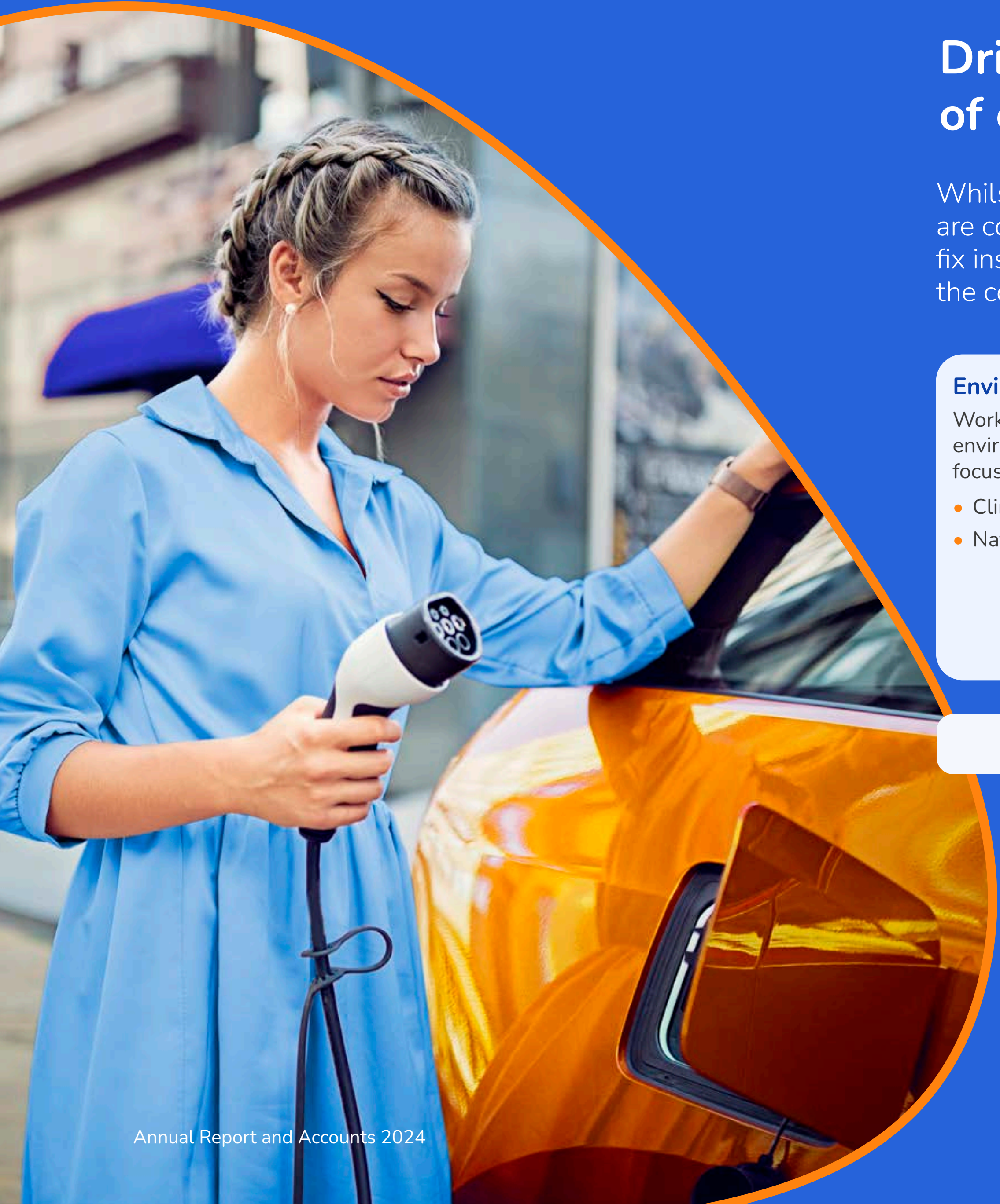
# Risk Management

continued

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

| | |
|---|---|
| **Business model** | We aim to fix insurance for good and be the UK's leading digital insurer.<br>A description of the Business Model is on page 10 and the Investment Case on page 22. |
| **Environmental** | Our approach to climate risk is provided on pages 38 to 50 and our actions taken to reduce our environmental impact are provided on pages 52 to 59 Our role and ambition with respect to the environment, local communities and employees is described in our ESG policy that is reviewed and approved annually by the Board.<br>The principal risks relating to climate risk can be found on pages 41 to 44. |
| **Employees** | We are committed to making esure an attractive place to work. How we aim to do this and engage our people is described in our ESG report under "engaging our people" on page 60. We have various policies in place which help us execute on our ambition for our employees including our Equity, Inclusion and Diversity policy, Health and Safety policy, Code of Conduct and Whistleblowing policy.<br>Our key risks are the ability to recruit and retain a talented and diverse workforce with digital skills. |
| **Human rights** | We are committed to respecting all human rights and seek to ensure that we treat all colleagues, customers and suppliers fairly, avoid discrimination and respect individuals' privacy. We have implemented a Modern Slavery policy within our supply chain and operations.<br>For further information see page 97. |
| **Anti-bribery and anti-corruption** | The Group maintains high ethical standards in carrying out its business activities and we have a zero tolerance approach to acts of bribery and corruption.<br>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.<br>Further information can be found on page 97.<br>Our key risks are failure to prevent and detect financial crime. |
| **Social matters** | We have an ESG policy that outlines our approach to nurturing partnerships that deliver social impact within the communities we are proud to serve. We have a "Driving for Good" management committee which oversees our ESG strategy. Further information can be found in our ESG report on pages 60 to 62. |

# Environmental, Social and Governance (ESG)



## Driving Good is a key component of our Game Changer strategy.

Whilst eradicating pain points and enhancing customer experience are core to all we do, we will only truly succeed in our mission to fix insurance for good if we are also a force for good for our colleagues, the communities we are proud to serve and for the environment.

### Environment

Working to reduce our environmental impact, focusing on:

- Climate
- Nature and biodiversity

### Colleagues

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

- Equity, inclusion and diversity
- Supporting colleagues in and out of work
- Recognition and reward

### Communities

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

- Safer roads
- Tackling homelessness
- Inspiring female talent

**All underpinned by a strong foundation of governance rigour**

# Environmental, Social and Governance (ESG)
continued

## Environment

We are committed to playing our part in helping the UK become a sustainable, low-carbon economy. We believe that unmitigated climate change is a key risk for the insurance industry, as well as a systemic threat to society. We continue to see examples of extreme weather, providing further evidence of the climate emergency we face. We are focused on:

- Continuing to improve the data quality around our emissions
- Identifying insights to inform key opportunities to drive decarbonisation
- Taking action to drive decarbonisation across all areas of our business

### Key progress to drive decarbonisation:

| | 2024 | 2023 | 2022 |
|---|---|---|---|
| **Emissions $tCO_2e$** | | | |
| Scope 1 | **317** | 532 | 502 |
| Scope 2 | | | |
| Market-based | **2** | 2 | 3 |
| Location-based | **531** | 673 | 688 |
| Total market-based emissions $tCO_2e$ | **319** | 534 | 505 |
| Scope 3 | | | |
| Fuel/energy-related activities | **53** | 67 | 65 |
| Business travel | **425** | 504 | 111 |
| Employee commuting | **224** | 401 | 410 |
| Purchased goods and services (PG&S) | **12,926** | 16,488 | 17,202 |
| Financed emissions: data coverage | **87%** | 79% | – |
| Financed emissions: of assets within data coverage | **85,847** | 79,001 | – |
| | | | |
| **Intensity ratios (market-based)** | | | |
| Turnover | **£1,111m** | £973m | £836m |
| Market-based emissions ($tCO_2e$)/£m turnover | **0.29** | 0.55 | 0.60 |
| | | | |
| **Energy consumption kWh** | | | |
| Electricity (Scope 2) | **2,566,243** | 3,248,059 | 3,558,660 |
| Natural Gas (Scope 1) | **1,412,569** | 17,939,206 | 1,740,151 |
| Transport and other (Scope 1) | **102,262** | 132,545 | 107,333 |
| **Total** | **4,081,074** | **5,173,810** | **5,406,144** |

# Environmental, Social and Governance (ESG)

continued

## Of our total Scope 1 emissions:

- 258.3 $tCO_2e$ relate to Natural Gas (2023: 328.6)
- 34.4 $tCO_2e$ to Refrigerant (2023: 172.3 $tCO_2e$)
- 23.3 $tCO_2e$ to Direct Mileage (2023: 28.5 $tCO_2e$)
- 2 $tCO_2e$ to Gas Oil (2023: 4.1 $tCO_2e$)

Location-based emissions reflect the average emissions intensity of grids on which energy consumption occurs.

Market-based emissions reflect the emissions from electricity that we have purposefully chosen. Having purposefully chosen to switch to renewable electricity in 2021, we have chosen to focus on market-based emissions, aggregating them with Scope 1 emissions to inform our level of carbon offsets investment. The carbon offsets we have invested in equate to 110% of our market-based Scope 1 and 2 emissions.

## Carbon emissions quantification methodology:

**Carbon emissions quantification methodology:**
The emissions footprint is calculated in accordance with the Greenhouse Gas (GHG) Protocol and Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance. Activity data has been converted into carbon emissions using published Department for Energy and Net Zero emissions conversion factors. The data used has been provided by the Group.

**Emissions sources:**
The emissions footprint includes the Scope 1 combustion of fuel, fugitive and process emissions and Scope 2 electricity emissions associated with the activities for which the Group are responsible across our Reigate, Glasgow and Manchester offices.

**Emissions data quality:**
The quality of the data used for the emissions footprint calculations has been rated as ‘good’, ‘average’, ‘poor’ based on benchmarks. Around 99.7% of emissions in the footprint were based on ‘good’ quality data meaning actual primary data as opposed to estimates. This is a weighted percentage according to contribution by the emissions source.

# Environmental, Social and Governance (ESG)

continued

## Operational

### Scope 1 and 2 GHG emissions equate to 0.3% of our overall carbon footprint.

- Scope 1 emissions have decreased 40.4% year on year, driven by continued support for hybrid working. Scope 1 emissions are down 28% versus 2020.
- Scope 2 emissions remain near-nil, due to our use of 100% renewable electricity. This is down 99.8% since 2020.

- We believe we are near our natural floor for remaining residual emissions, in terms of ability to drive further decarbonisation in areas that are within our direct control
- Having reviewed the occupation and ways our colleagues used the Manchester office, we took the decision to close and mothball the underused office building and move to a smaller serviced office space nearby, which also uses 100% renewable energy
- We partnered with a company that allowed us to donate the surplus furniture, equipment and materials generated in Manchester because of the office closure. This allowed us to support many charities across the country, generating positive social impact and a carbon saving

Whilst driving carbon emissions reductions remains our priority, we choose to invest offset initiatives equating to 110% of our prior year's Scope 1 and 2 emissions. 2024 is our third year of doing so and our 2024 investment supported:

- Water filters in Kenya, delivering positive carbon and nature impacts through reduced need to burn wood to boil water
- Solar power in India, replacing use of kerosene and electricity from a grid reliant on fossil fuels
- Wind power in Turkey, supplying renewable power from wind directly into the grid, reducing reliance on natural gas and oil imports for its energy supply
- Stove cookers in Bangladesh, helping families move away from cooking over open fires, reducing costs and cutting emissions

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

# Environmental, Social and Governance (ESG)

continued

## Supply chain:

In Q1 and Q4 of 2024 we directly engaged our top twenty most carbon-intensive suppliers to better understand:

- Their carbon emissions across Scope 1, 2 and 3 emissions
- Where emissions quantification was incomplete across all Scopes, suppliers' intended timeline to complete emissions footprinting
- Suppliers' net zero targets
- Which suppliers are using renewable energy
- Which suppliers have signed-up to Science Based Targets initiative (SBTi)
- Key decarbonisation initiatives and examples of best practice

This is our third year of directly engaging key suppliers. The work delivers three key benefits:

- Enhancing data quality, with direct engagement reducing our reliance on proxy data, improving accuracy of our footprinting and our future decarbonisation trajectory
- Encouraging our suppliers to continually improve their focus on emissions reporting, broadening their assessment of their own footprint and improving the accuracy of their data
- Empowering our Supplier Relationship Managers to have a better dialogue with suppliers on decarbonisation initiatives, encouraging and supporting opportunities to accelerate progress

Our supply chain footprint decreased from 16.5 ktCO$_2$e to 12.9 ktCO$_2$e, driven by a decrease in total supplier spend. The total intensity per £ spent with our supply chain has marginally increased. However, direct engagement with our most carbon intensive suppliers suggests that this is down to suppliers increasing the quality and scope of their emissions calculations. For example, we have observed suppliers broadening the factors included within their Scope 3 emissions, which naturally increases the sum total of emissions calculated, as opposed to any increases being driven by a marked shift in the intensity of the nature of the work suppliers undertake on our behalf.

In 2024, we have increased the weightings for the ESG factors assessed within our tender process, used within all supplier onboarding decisions. 10% of the total weighting is based on Environmental and Social factors. For work that is more carbon intensive, we have increased this to a 20% ESG weighting.

**Our approach:** We use primary data from key 20 carbon intensive suppliers (representing 35% of total PG&S and "read across" primary carbon intensity data to other suppliers providing similar services (representing 15% of PG&S). Spend-based emission factors (using Department for Energy Security and Net Zero (DESNZ) and Environmental Protection Agency (EPA) Environmentally-Extended Input-Output factors) are applied to spend for all other suppliers for 2024.

## More sustainable repairs:

Given the carbon intensive nature of motor repair work, our new dedicated esure repair centre was built with sustainability in mind:

- State of the art bodyshop, fully equipped with the latest repair technology
- Solar PV panels, heat source pump, thermally efficient building, latest repair tools to reduce carbon emissions, using energy efficient technologies and materials
- State of the art electric vehicle repair bay with thermal heat camera technology, electric vehicle safety equipment and specially trained technicians

# Environmental, Social and Governance (ESG)

continued

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

## Motor supplier highlights

- 100% of esure branded bodyshops and over 93% of our total repair network are carbon neutral
- 2,748 recycled parts used in 2024 saving 102 tonnes of $CO_2$e. We have been focussed on repair over replace with an average ratio of 3.9:1
- We planted 910 trees in 2024- one for every customer who chose to forgo a courtesy car during their repair (923 in 2023), against a backdrop of reducing repairs volumes
- To support the sustainability of our supply chain, we continue to sponsor Autoraise, a charity set up to help the UK vehicle repair industry attract young people into a range of technical apprenticeships

## Home supplier highlights

- Carpet and flooring: assessing damage virtually has saved 507 customer visits and avoided over 40,000 driven miles from January to September 2024
- Contents recycling: we were able to repair rather than replace within 7% of furniture and flooring claims, and 7% of electrical claims, from January – September 2024.

## Investments:

Throughout 2024, we have been using external data sources to give us higher quality data on the emissions relating to our investment portfolio.

As of the fourth quarter 2024, 87% of our portfolio was covered by this data. This has enabled us to enhance our portfolio monitoring, covering assessments of both current carbon emissions attributed to the portfolio and expected future development of the issuers of the bonds we are invested in, and includes:

- Providing data on sovereign and supranational debt, and corporate bonds, covering carbon intensity ($tCO_2$e per £m of assets under management) and the associated implied temperature increase across different assets
- Embedding reporting to consider both the reported carbon emissions of issuers and the transition plans issuers have in place to support limits on global temperature increases
- Considering how best to estimate carbon emissions for assets not covered by standard assessments

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

As these frameworks, methodologies and standards continue to evolve, the way certain asset classes are measured continues to improve, as does the comparability of different portfolios. However, the availability and reliability of appropriate data to assess portfolios are imperfect. While this has improved over 2024, there are still gaps to be addressed over time, such as carbon emissions attributed to supranational debt.

We have agreed to target a 50% reduction in the carbon intensity of the corporate bond portfolio by 2030 relative to a base year of 2020, and are working with our asset manager to deliver this. We believe that working to an intensity metric is beneficial in terms of providing a meaningful way to track progress irrespective of movements in total assets under management.

| | 2024 | | | | 2023 | | | |
|---|---|---|---|---|---|---|---|---|
| Asset Class | Coverage | $ktCO_2$e | $tCO_2$e/£m Invested | PCAF Weighted Data Score | Coverage | $ktCO_2$e | $tCO_2$e/£m Invested | PCAF Weighted Data Score |
| Corporate Bonds | 94% | 10.4 | 17 | 2.4 | 96% | 15.3 | 27 | 3.1 |
| Sovereign and Supranational Debt | 94% | 75.5 | 140 | 3.8 | 72% | 63.7 | 165 | 2.0 |
| **Total** | **87%** | **85.8** | **76** | **3.0** | **79%** | **79.0** | **84** | **2.6** |

# Environmental, Social and Governance (ESG)

continued

We will continue to monitor data on sovereign and supranational debt issuers with the option to steer the portfolio away from entities and nations that are not on a favourable trajectory of decarbonisation.

As seen over 2024, the measurement and accuracy of financed emissions has continued to evolve and improve, with coverage levels increasing over time and including further asset types, and we expect this to continue. This will present an opportunity to better understand our footprint and to further develop our strategy in relation to financed emissions.

2024 has seen an improvement in the coverage of our assets assessed by market data, from 79% to 87%, specifically for sovereign and supranational debt. This has led to an increase in the absolute level of assessed emissions from the portfolio. However, emission intensities per £m of assessed assets under management have fallen, driven by reductions relating to the energy and utility sector, and sovereign and supranational debt. The corporate bond portfolio carbon emission intensity is improving relative to our 2020 baseline of 30 $tCO_2e$ per £m of covered assets. Over the period, the data quality score for sovereign emissions has been aligned to the latest published methodology, having previously been based on the draft consultation.

Our investment strategy's primary objective is the protection of funds that back policyholders' claims, which in turn drives us to invest in highly liquid and highly rated investments, with UK government debt being a key element in achieving this.

As a consequence, and under current measurement practices, we have a high dependency on relatively carbon intensive assets, with sovereign debt contributing to approximately 88% of our assessed investment portfolio carbon emissions. Therefore, our ability to influence and decarbonise is intrinsically linked to government policy and the decarbonisation of the UK as a whole, and hence we advocate for strong, consistent climate policy, regulation and action.

In the long-term, we are committed to aligning our primary investment objective of protecting policyholder funds with net zero carbon targets, however we recognise there will be challenges with short-term transition and we do not intend to materially change our asset mix.

We believe the right activity is to support a real reduction in carbon emissions across the planet using influence, rather than a short-term strategy to adjust our portfolio asset mix away from current carbon intensive assets.

Having access to data to understand these dynamics and having now agreed a short-term carbon intensity target for our corporate bond portfolio, 2025 will see us monitor progress towards this target. We will also work to identify additional decarbonisation opportunities within investment risk appetite. We will also refine future transition plans given the constraints and conflicts in this area, considering our asset allocation mix, individual issuer allocations, and publicly stated decarbonisation targets from leading issuers, agencies and states. We will also consider how best to use our voice to encourage and influence issuers to commit to their targets, via our investment managers and industry bodies.

## Underwritten emissions:

We acknowledge the Partnership for Carbon Accounting Financials' guidance on emissions associated with our underwriting portfolio. We have calculated the emissions associated with our Motor customers' driving activity and used an attribution figure to quantify the proportion of emissions which we take accountability for within our Scope 3 footprint.

From our analysis, including data from the Department for Transport and the Office for National Statistics, it is clear that the forecast pace of average carbon intensity reductions across UK vehicles is not sufficient to drive a marked decrease in total Underwritten emissions across the insurance sector. Further to this, as a business forecasting growth in the size of our Motor customer base, our ability to directly reduce Underwritten emissions is limited. Our progress on this front is highly dependent on strong, consistent climate policy from UK government, to encourage widespread consumer behaviour change.

# Environmental, Social and Governance (ESG)

continued

## Our partners play an important role in how we combat climate change and support nature and biodiversity.

**Through their experience and expertise they are able to effect change to a greater extent than we could alone. We support these partners' work with funding and colleague volunteering.**

### Our environmental partnerships

We are proud to partner with GreenTheUK, supporting nature, biodiversity and carbon sequestration projects. Through our partnership, we planted 30,000m$^2$ of wildflowers to support pollinators, and funded five sea kelp restoration survey sites.

The Conservation Volunteers (TCV) support our tree planting proposition whereby we plant a tree for every customer who chooses to forgo taking a courtesy car during their repair. Within this year's planting season, 910 trees were planted by TCV on our behalf. TCV also provide us with colleague volunteering opportunities aimed at restoring natural habitats to support biodiversity.

# Environmental, Social and Governance (ESG)

continued

## Social

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

### Our colleagues

As of 31 December 2024, we employed 1,087 people (2023: 1,222).

### Engaging our people

The last few years have seen both tremendous delivery and significant change across the business, culminating in the successful completion of our transformation programme in the first quarter of 2024. To support the transition to a post-transformation state, we maintained our continual listening approach via quarterly colleague engagement surveys, achieving an aggregated participation rate of 93%.

With engagement action plans in place across all business areas, we delivered quarter-on-quarter growth throughout 2024, ending the year with an overall engagement score of 7.5 (2023: 6.7) and an employee net promoter score of 25, which is above the industry benchmark. Ongoing optimisation of our industry-leading digital platform and ways of working led to us being benchmarked in the top 10% of the financial services sector for our working environment and peer relationships, with a further six engagement drivers ranked in the top 25%, including management support, recognition, and inclusion – all staples of our culture.

Alongside this, we enhanced our communication channels to celebrate colleagues' ongoing efforts to fix insurance for good and fuel long-term business growth. This included the refresh of our company-wide live broadcasts (Game Changer TV), quarterly business review team conversations (Game Changers in Action), and strategy roadshows (The Game Changer on Tour).

We are committed to making esure a brilliant place to work and are delighted to have received external recognition for the culture we've created, being named in the FT UK's Best Employers 2025 list.

FT FINANCIAL TIMES statista | BEST EMPLOYERS UK 2025

### Equity, inclusion and diversity

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

Our equity, diversity and inclusion policy is advocated at all levels of the business, and includes commitments to:

- Ensure inclusion and diversity are part of everything we do – from how we treat our customers, to how we work together every day
- Work towards our long-term ambition of an equal gender split at each level in the business
- Create an environment that nurtures individual differences and ensures the contributions of all our people are recognised and valued

As of 31 December 2024, we had the following diversity split:

**55%**
of our colleagues were male (2023: 55%).

**45%**
of our colleagues were female (2023: 45%).

**30%**
of our senior leaders were female (2023: 30%).

# Environmental, Social and Governance (ESG)

continued

## We know there's more to do to build a truly inclusive and diverse workforce, but we also recognise this will take time.

We are proud of the progress we made last year through:

- **Strong partnerships:** We advertised our vacancies with Diversity Jobs Group and launched a mentoring programme with Circl to drive inclusive leadership through working with under-represented 18 to 24 year-olds
- **Policy change:** We continued to action the Association of British Insurer's Making Flexible Work Charter and introduced paid carers' leave to help colleagues balance their responsibilities at home and work (the burden of care falls disproportionately on women in the UK)
- **Educating and empowering our people:** All colleagues completed refreshed equity, diversity and inclusion learning in 2024 and were invited to join expert training sessions on neurodiversity and conscious inclusion. We also launched seven colleague-led equity, diversity and inclusion communities to broaden our focus, connect our diverse people, and fuel peer-to-peer learning
- **Nurturing our talent:** We continue to provide a range of development opportunities for all colleagues, including a new data apprenticeship, dedicated learning days for our Agile squads, career spotlight sessions with our Women in Data® network, and an internal mentoring programme. We believe this will strengthen our female talent pipeline in more senior and technical roles over time

We are confident these improvements are taking us in the right direction. In our recent all-colleague equity, diversity and inclusion survey, we achieved a high score of 8.7 (previous score: 8.5), placing esure in the top quartile of the financial services sector. We will continue to invest in our people to drive positive change and listen to their feedback to shape and deliver our equity, diversity and inclusion agenda.

### Ways of working

Becoming a truly digital business requires exceptional ways of working to innovate at pace and drive continuous improvements for our customers.

As well as strengthening our digital capability through advanced technical skills (e.g., AI, data, and product) and targeted development programmes, we are focused on embedding an agile mindset in every part of the business. To achieve this, we:

- Launched quarterly business reviews to improve the strategic planning process
- Delivered 'digital on the inside' workshops to all leadership teams
- Rolled out a new approach to create, measure, and improve our business processes and customer journeys (esure Thinking)
- Introduced cross-functional 'fix forums', enabling our Agile squads and frontline colleagues to collaborate on customer journey improvements
- Optimised our digital environment by streamlining collaboration tools, standardising workflows, and upskilling colleagues

We also further invested in our physical working environment, moving to a modern office in the heart of Manchester. This better reflects the leading digital insurer we are today, encourages colleague collaboration, and supports our ESG ambitions through reduced energy consumption.

### Reward and recognition

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

- Paying salaries in line with the real Living Wage and reviewing remuneration for our customer-facing colleagues to reflect the increasingly digital nature of their roles
- Providing discretionary 'thank you' and festive bonuses, as well as a special bonus to celebrate a record-breaking year in 2024
- Doubling the colleague discount available on our insurance products to 50%
- Inviting 450 colleagues and partners to a special award ceremony to mark the completion of our transformation programme
- Promoting flexible benefits, including expert advice on financial wellbeing

# Environmental, Social and Governance (ESG)

continued

## Communities

2024 was our first full year as a corporate charity partner of Shelter. As Home insurance providers, we understand the importance of having a safe, secure home and are proud to help Shelter's work supporting people and families facing or experiencing homelessness. During our first year we developed a wide variety of initiatives to raise vital funds for Shelter, engaging our colleagues, customers and suppliers.

- Colleagues
  - From bake sales to football tournaments, donating pre-loved clothing to donning their trainers to run marathons, our colleagues have found lots of ways to raise funds.
- Customers
  - We've engaged our customers with new content in our engagement emails and on our retail website highlighting our partnership and the work we are doing to support Shelter
  - To mark World Homeless Day on 10th October, we launched a campaign to give £2 to Shelter for every esure or esure Flex Home policy sold for one week via esure directly and Compare The Market
- Suppliers
  - Our suppliers have also generously supported fundraising by donating prizes and supporting events

**"The support we receive from our partners, like esure, means we can continue to be there for families impacted by housing emergency, providing expert support and advice to help them find and keep a safe home."**

Lauren Thompson
Head of Corporate Partnerships, Shelter

In 2024 we continued our partnership with Microhive (formerly known as Pennies from Heaven), to support colleagues with a simple solution for charitable giving. The partnership enables colleagues to "round down" their salaries to the nearest pound, donating the difference to Shelter. c10% of colleagues have chosen to enrol on the scheme already, and this continues to grow.

2024 was the fourth year of our support of Brake, the road safety charity. We sponsored Brake's Kids Walk which saw 80,000 primary school-aged children campaigning for safer roads and cleaner air.

In the second quarter of 2024 we began a partnership with 20's Plenty, who campaign for 20mph speed limits where people live, work and play. Through analysis of our data, we have raised awareness of the impact reducing speed to 20mph has on accidental damage claims and consequent reduction in insurance premiums.

Our partnership with Women in Data® has inspired us to grow our internal community of women and allies to over 100 colleagues. We have continued our internal speaker events, with female leaders in the business sharing their story and learnings to encourage and inspire others.

# Environmental, Social and Governance (ESG)

continued

## ESG governance:

**Our approach to governance of ESG, climate and nature issues is summarised in the following diagram**

Overview of ESG and Climate Governance

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

### Board Remuneration Committee
Agrees appropriate remuneration related to ESG factors for the senior management team

### Board Risk Committee
Monitors and evaluates climate-related risks and opportunities (including Physical, Transition and Other)

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

### Driving Good Management Committee
Chaired by Chief Operations Officer
- Comprised of leaders from key areas of ESG agenda
- Directs and drives key ESG initiatives and improvements
- Makes recommendations and provides updates to the Group Executive Committee on ESG matters

### Driving Good Working Group
- Brings forward ESG initiatives and solutions
- Explores activities in three areas: Safer Driving, Green Driving and Sustainability

### Financial Risk Committee
Chaired by Chief Financial Officer

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

# Environmental, Social and Governance (ESG)

continued

## Specific actions taken in 2024:

| | |
|---|---|
| **Board** | Deep Dive ESG sessions in September and November 2024, providing updates on all ESG Plans, initiatives, data and progress including:<br>• Undertook a full detailed review of our full Scope 1, 2 and 3 carbon footprint, together with the key initiatives in place to drive further reductions<br>• Reviewed overview of our 2024 ClimateWise disclosure score and findings, and agreed related recommendations for future focus areas<br>• Oversight of signature social initiatives including Shelter, our corporate charity partner, plus our environmental and road safety partnerships |
| **Board Remuneration Committee** | • Indexing 2024 bonuses for all our senior leaders to maintaining our Top 10 ClimateWise rank to further incentivise the integration of the ClimateWise principles into our activities |
| **Risk Committee** | • Reviewed and approved the materiality assessment for climate risk, considering milestones for decarbonisation of our investment portfolio and approving our updated Environmental, Social and Governance (ESG) policy<br>• The Group climate metrics were reviewed on a regular basis |
| **Group Executive** | • Reviewed the Group carbon footprint and our progress in implementing our climate strategy, including initiatives to drive decarbonisation.<br>• Reviewed our climate-related plans and next steps in areas including our investments, claims, our supply chain and in our operations.<br>• Reviewed and approved our submission to ClimateWise |
| **Driving Good Management Committee** | Supported the business's progress in areas including:<br>• Leading our first year's fundraising activities for our corporate charity partner, Shelter<br>• Developing decarbonisation plans, action and corresponding interim milestones<br>• Significantly reducing reliance on proxy data within supply chain and investments emissions calculations<br>• Maintaining quality engagement and dialogue with suppliers on ESG<br>• Continuing to support partnerships focused on nature and biodiversity initiatives<br>• Assessing climate risk capability across the business |

# Stakeholders

## Section 172 statement of the Directors

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

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

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

## Stakeholder groups

The table on pages 66 to 71 highlights the interests of our key stakeholders, our engagement methods and examples of the decisions made and actions we have taken during 2024 to support those interests. Further details can be found in the Group's Business Model on page 10 and in the Strategic Report on pages 4 to 71.

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

# Our Engagement with Stakeholders

## Customers

S172 sections (a), (c) and (e)

### Why we engage

- We continually work hard to deliver better outcomes for our customers as part of our mission to fix insurance for good. We want to put things right within the insurance industry, bringing human values back into insurance to look after the customers we exist to protect. We will use industry-leading technology, insights and data, alongside fantastic customer service, to deliver more personalised experiences that meet the evolving needs and expectations of all our customers

### How we engage

- Direct conversations with our Customer Service, Claims and Complaints teams
- Social media and our commercial websites
- Focus groups/perception studies including new product design
- Customer satisfaction scores, Ease and Trustpilot surveys

### Our response – decisions and actions taken in 2024

The Board spent time on:

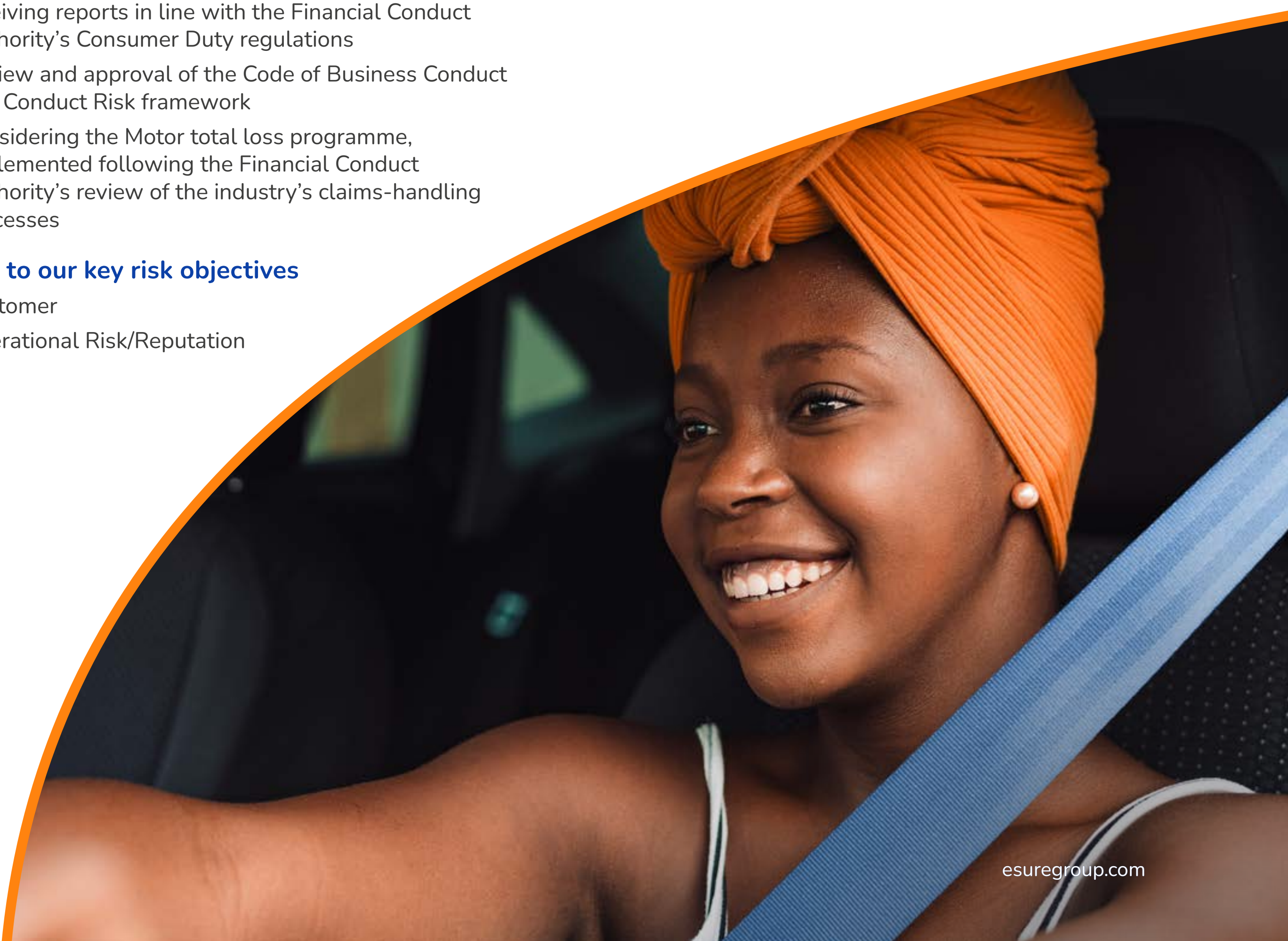
- The pricing approach, associated governance and control framework to ensure quality and value of products, plus fair and reasonable treatment of all customers
- Reviews of customer journeys including digital offerings, with focus on ease of use, and proposition vision
- Operational performance (Sales and Service, Claims and Complaints) monitoring to ensure full compliance with regulations
- Regular review of customer metrics, including RNPS scores, complaints, retention and digital ease
- Approach and progress on the upgrade to our core customer system
- Assuring itself that our customers receive 'good outcomes' from our products and services by receiving reports in line with the Financial Conduct Authority's Consumer Duty regulations
- Review and approval of the Code of Business Conduct and Conduct Risk framework
- Considering the Motor total loss programme, implemented following the Financial Conduct Authority's review of the industry's claims-handling processes

### Links to our key risk objectives

- Customer
- Operational Risk/Reputation

### Further information


- Strategic Report pages 4 to 71
- ESG report on pages 52 to 64
- Strategic Framework on pages 11 to 21

# Our Engagement with Stakeholders

continued

## Colleagues

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

### Why we engage

- Our people are a huge strength and are critical to our success. Our colleagues represent an exceptional people and skills capability combining deep-rooted insurance knowledge and leading technology and data capabilities
- A modern, collaborative, and agile culture allows us to derive maximum value from our technology and data platforms

### How we engage

- Regular two-way multi-channel communication including face to face meetings, blogs/vlogs, social media (Yammer), all colleague broadcast and quarterly engagement surveys
- An independent whistleblowing helpline
- Regular updates on gender and diversity, ethnicity, corporate culture and values

### Our response – decisions and actions taken in 2024

The Board spent time on:

- Regular review of colleague engagement surveys, including employee satisfaction scores, and other colleague related data on diversity, attrition, recruitment and sickness
- Regular consideration of talent development and succession plans, including a deep dive on digital talent to help drive our digital business transformation
- Approval of diversity and inclusion initiatives
- Approval of the Gender Pay Gap and Ethnicity Pay Gap reports
- Approval of the Modern Slavery Statement, Code of Business Conduct, Whistleblowing policy, Health and Safety policy and the 2024 annual bonus plan approved by the Remuneration Committee

### Links to our key risk objectives

- Operational Risk/Reputation

### Further information

- Exceptional culture on pages 18 and 19
- ESG report on pages 52 to 64
- Directors' Remuneration Committee report pages 91 to 93

# Our Engagement with Stakeholders

continued

## Community and environment

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

### Why we engage

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

### How we engage

- Colleague community committees run by volunteers at each office location supporting fund raising for local charities
- Sponsorship deals and partnering with environmentally focused global charities
- Corporate charity partnership with Shelter
- A clearly articulated climate strategy and commitment to annual ClimateWise reporting
- Appointment of an ESG Board Champion

### Our response – decisions and actions taken in 2024

The Board spent time on:

- Reviewing and approval of Code of Business Conduct, Modern Slavery Statement and Board Diversity Statement
- Reviewing and approval of our sustainability ambition, strategy, targets (aligned with the Association of British Insurers Climate Change Roadmap) and initiatives aimed at combatting climate change and managing climate change risks
- Reviewing submission and results of ClimateWise reporting and agreeing ambitions for 2025
- Overseeing various colleague and community engagement initiatives

### Links to our key risk objectives

- Financial Sustainability
- Customer
- Operational risk/reputation

### Further information

- See ESG report on pages 52 to 64 and our ClimateWise report

# Our Engagement with Stakeholders

continued

## Investors

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

### Why we engage

- As an insurer and Public Interest Entity, we need to provide fair, balanced, and comprehensive information to instil trust and confidence and allow informed investment decisions to be made
- We consider the interests of our debt investors and our shareholder
- We foster understanding with our shareholder on our strategy and investment case providing opportunity for their input on the business and priorities

### How we engage

- Regular programme of formal and informal engagement with shareholder representatives, including at Board meetings, strategy days and shareholder reviews
- One-to-one shareholder update meetings with the Chair, Independent Non-Executive Directors, Chief Executive Officer, Chief Financial Officer and Group Executive Team members
- Meetings with debt investors and investment houses and consideration of their interests in decision-making
- Annual and interim reporting

### Our response – decisions and actions taken in 2024

The Board spent time on:

- Trading strategy adopted in light of market conditions
- The 2025 Financial Plan and updated Capital Management Plan
- Regulatory Capital Adequacy and management actions taken to optimise the capital position
- Annual Report and Accounts and Half Year Report
- Financial and Operating performance
- Investment returns
- External factors – competitor behaviour, evolving economic and market conditions, inflation, insurance industry performance and regulatory environment

### Links to our key risk objectives

- Financial Sustainability
- Financial Protection/Solvency and Liquidity
- Customer
- Operational risk/reputation

### Further information

- Strategic Report pages 4 to 71
- Corporate Governance page 72 to 93
- esure Group plc website www.esuregroup.com

# Our Engagement with Stakeholders

continued

## Corporate partners

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

### Why we engage

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

### How we engage

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

### Our response – decisions and actions taken in 2024

The Board spent time on:

- Reviewing and approving the Outsourcing and Material Third-party Suppliers policy, and supporting the Supplier Governance framework
- Approving the renewal of the Group's reinsurance arrangements
- Reviewing modern slavery risks in supply chains and approval of the Modern Slavery Statement
- Approval of high-value key material supplier
- Review and approval of the Supplier Code of Conduct
- Approach to environmental sustainability and dialogue with supply chain including carbon footprint, using recycled parts, carbon-neutral repairer network, and electric vehicle ready network
- Third-party impact on our Operational resilience

### Links to our key risk objectives

- Financial Sustainability
- Financial Protection/Solvency and Liquidity
- Operational Risk/Reputation

### Further information


- Strategic Report pages 4 to 71
- Financial Review pages 23 to 30
- Corporate Governance pages 72 to 93


# Our Engagement with Stakeholders

continued

## Regulators

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

### Why we engage

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

### How we engage

- Proactive and collaborative engagement with the Prudential Regulation Authority, Financial Conduct Authority, Competition and Markets Authority and Information Commissioner's Office, and alignment of our approach to meet regulatory requirements
- Membership of industry bodies (Association of British Insurers) to ensure active engagement in industry-wide discussions
- Regular and ad hoc meetings with regulators, attended by members of the Board and Executive team
- Open and transparent reporting

### Our response – decisions and actions taken in 2024

The Board spent time on:

- Meeting with the Prudential Regulation Authority annually and receiving updates of regular communications between the executives and the regulators
- Responses to consultations and other requests
- A review of regulatory, technological and consumer trends
- Review and confirmation of compliance with our regulatory obligations including the Financial Conduct Authority's Consumer Duty regulations
- Review of our self-assessment and plans to meet future regulatory expectations such as the 2026 Operational Resilience requirements.
- Approving our key regulatory policies

### Links to our key risk objectives

- Financial Protection/Solvency and Liquidity
- Customer
- Operational Risk/Reputation

### Further information

- Strategic Report pages 4 to 71
- Risk management pages 31 to 51
- Corporate Governance pages 72 to 93

### Statement of the Directors in respect of the Strategic Report

The Board reviewed and approved the Strategic Report on pages 4 to 71 on 31 March 2025.

By order of the Board

**David McMillan**
Chief Executive Officer
31 March 2025

# Corporate Governance Report

# Chair's Introduction

We remain firmly committed to high standards of corporate governance and maintaining a sound framework for the control and management of the business.

Andy Haste
Chair of the Board of Directors

The Board recognises that effective governance is essential to the implementation of our strategy and key to the creation of sustainable long-term value for both our shareholder and wider stakeholders including our employees. This report outlines our governance structure and describes the key activities for the year ended 31 December 2024.

## Corporate Governance principles

The Group has applied the Wates Corporate Governance Principles (the Wates Principles) for Large Private Companies (published by the Financial Reporting Council). This report contains information to demonstrate our compliance with those principles throughout 2024.

# Chair's Introduction

continued

| Wates Principles | |
|---|---|
| **Purpose and Leadership** | Please refer to the Strategic Report on pages 4 to 71 |
| **Board Composition** | Please refer to our Board of Directors on pages 75 to 78, and our Governance Framework on pages 80 to 85 |
| **Director Responsibilities** | Please refer to our Governance Framework on pages 80 to 85 |
| **Opportunity and Risk** | Please refer to our Risk Management report on pages 31 to 51 |
| **Remuneration** | Please refer to our Remuneration Committee report on pages 91 to 93 |
| **Stakeholder Relationships and Engagement** | Please refer to our stakeholder section on pages 65 to 71 and our ESG report on pages 52 to 64 |

The Wates Principles are available at **www.frc.org.uk**

The Walker PERG Guidelines are available at **www.privateequityreportinggroup.co.uk**

The Group also applies the Guidelines for Disclosure and Transparency in Private Equity Companies (the Walker PERG Guidelines), (published by the Private Equity Reporting Group). In preparing this Annual Report and audited financial statements, the Directors have complied with the requirements of the Walker PERG Guidelines, including recommended enhanced disclosures.

A summary of the Board's role regarding the Group's approach to climate-related issues can be found on pages 63 to 64 and 48 to 50.

As a major UK general insurer, the Group is familiar and comfortable with the corporate governance practices expected of a public limited company without an equity listing but with listed debt on the Global Exchange Market segment of the Dublin Euronext exchange, and the legislation applicable to Public Interest Entities.

## Governance highlights in 2024

- **Strategy** – consideration and revalidation of our key strategic pillars in light of market and economic developments and completion of our transformation programme, including a focused strategy away day
- **Business performance and trading oversight** – significant focus on performance and trading
- **Risk** – regular review of emerging and principal risks facing the Group and review of the Group's risk appetite.
- **Internal control** – review of progress on enhancements to operating and financial reporting controls following a period of significant change for the business
- **People** – regular review of colleague engagement and actions taken to respond to feedback, consideration of use of the outsourcing model, restructuring activity, resource and succession planning
- **Customers** – focus on our customer journeys, strategy and proposition, including product design, optimisation of customer experience, service delivery, customer complaints and conduct risk. Oversaw the upgrade to the core customer platform ('EIS')
- **ESG agenda** – review of our ESG strategy, with particular focus on sustainability and inclusion and diversity
- **Board and Group Executive effectiveness** – tracking implementation of actions following the self-evaluation of the Board's effectiveness carried out in mid-2023. In 2024, the scope of the effectiveness review was expanded to include all Group Executive members for the first time

Andy Haste
Chair of the Board of Directors
31 March 2025

# Board of Directors

A Audit Committee Member
R Risk Committee Member
REM Remuneration Committee Member
R Denotes Chair
R Denotes standing attendee

## Andy Haste

Non-Executive Chair

Appointed: March 2020

### Background and experience

Andy's career in financial services spans more than 40 years, and he has a wealth of experience in board leadership, executing change, delivering profitable growth and increasing shareholder value. He has held several non-executive roles serving as a chairman, deputy chair, board committee chair and senior independent director at a range of high-profile and regulated organisations. Andy is currently chair at Canopius Group Limited and chair at RiskPoint Group A-S.

### Prior appointments

Andy served as the senior independent deputy chairman of Lloyd's of London where he chaired its remuneration committee, technology and transformation committee and capacity transfer panel. He was also a member of Lloyd's nominations and governance committee. He was 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's previous roles include chairman of Wonga Group, senior independent director of ITV plc, Group chief executive officer of RSA Insurance Group plc, chief executive officer of AXA Sun Life PLC and executive director AXA UK Plc.

### Committee membership

A R REM

## David McMillan

Chief Executive Officer

Appointed: July 2019

### Background and experience

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

### Prior appointments

Prior to joining esure, David was group chief operating officer of QBE, one of the world's top 20 insurance and reinsurance companies and was responsible for strategy, transformation, digital, technology and operations. Before QBE, he was chief executive officer, Europe and India and chairman of global health insurance for Aviva plc. Earlier in his career at Aviva, David was chief executive officer of UK general insurance & group transformation officer. He joined Aviva in 2002 following almost ten years with the management consulting arm of PricewaterhouseCoopers. Until March 2023, David was a non-executive director of Scottish Rugby Ltd. David chairs the Group Executive.

### Committee membership

A R REM

## Peter Bole

Chief Financial Officer

Appointed: March 2020

### Background and experience

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

### 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. Peter is a member of the Group Executive.

### Committee membership

A R

# Board of Directors
continued

- A Audit Committee Member
- R Risk Committee Member
- REM Remuneration Committee Member
- R Denotes Chair
- R Denotes standing attendee

### Andrew Birrell
Independent Non-Executive Director
Appointed: December 2019

### Elisabeth Ling
Independent Non-Executive Director
Appointed: May 2022

### Peter Shaw
Independent Non-Executive Director
Appointed: March 2017

## Background and experience

Andrew is an independent non-executive director of Sun Life Financial of Canada (UK), Sanlam Group and Sanlam Life. He is a senior adviser to Sixth Street Partners in relation to their European and US Life insurance strategy. Andrew has spent his career in financial services, general, life and health insurance, investment management and banking, primarily as chief financial officer of fast growing, entrepreneurial insurance businesses. He is a Fellow of the Institute and Faculty of Actuaries and a Chartered Enterprise Risk Actuary.

Elisabeth is a product management and data science leader with over 25 years' experience and expertise in developing digital products and leading teams in start-ups, scale-ups and global companies. She advises chief executive officers of digital ventures on their product and scaling strategies. Elisabeth is currently a member of the AI ethics steering committee at Digital Catapult. She holds an Applied Mathematics MSc from Ecole Nationale des Ponts et Chaussées (ParisTech) and an MA Marketing from ESSEC Business School.

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

## Prior appointments

Previously, Andrew held roles as chief financial officer of Guardian Financial Services Ltd, group chief risk officer and group chief actuary of Old Mutual Plc, chief operating officer and chief financial officer at Investec Securities Ltd, South Africa and chief financial officer of Capital Alliance Holdings, South Africa. He was a founder of Universal Partners Limited, and was an executive director until April 2022. He also held roles as chairman of Assupol Holdings and Assupol Life Limited and as a non-executive director of Investec Life.

In her most recent executive position, Elisabeth led product management and data teams at Elsevier where she was responsible for developing new digital commercial offerings for Researcher products. Elisabeth was a board member and remains a product advisor to the chief executive officer of Ometria, a marketing and customer data platform. Prior to that she held senior product roles at Talk Talk, eBay, and PayPal. She is a noted expert in the field of artificial intelligence and was a member of the European Commission's High Level Expert Group on Artificial Intelligence & Ethics in 2019 and 2020.

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

## Committee membership

Andrew Birrell: A R REM

Elisabeth Ling: R

Peter Shaw: A R REM

# Board of Directors

continued

A Audit Committee Member
R Risk Committee Member
REM Remuneration Committee Member
R Denotes Chair
R Denotes standing attendee

## Annette Andrews

Independent Non-Executive Director

Appointed: May 2024

## Robin Marshall

Non-Executive Director

Appointed: December 2018

## Philip Loughlin

Non-Executive Director

Appointed: December 2018

### Background and experience

Annette Andrews is an experienced HR leader and Remuneration Committee Chair who brings a significant track record across the financial services industries. She has an MBA from Henley Management College, is a qualified Executive Coach and Mediator, and a Fellow of the Institute of Personnel Management.

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

Philip joined Bain Capital Private Equity in 1996. He is a partner and serves as the global head of the financial services and business services vertical. He is also a member of the consumer/retail vertical. Philip received an MBA from Harvard Business School, where he was a Baker Scholar. He graduated cum laude with an AB from Dartmouth College.

### Prior appointments

Annette was Chief People Officer at Lloyd's of London, one of the world's leading insurance and reinsurance marketplaces, where she led organisation and people transformation. Prior to this she had senior appointments at Catlin, Lloyds Banking Group and Ford Motor Company. She is currently also an independent non-executive director at Foxtons Group plc.

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

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

A R REM

# Board of Directors
continued

A Audit Committee Member
R Risk Committee Member
REM Remuneration Committee Member
R Denotes Chair
R Denotes standing attendee

## Luca Bassi
Non-Executive Director
Appointed: December 2018

## James Stevens
Non-Executive Director
Appointed: April 2020

### Background and experience

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

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

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

### Prior appointments

Prior to joining Bain Capital, 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.

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

Luca Bassi: A R REM

James Stevens: A R

### Changes during the year

- Elke Reichart, Independent Non-Executive Director, retired from the Board with effect from 30 April 2024.
- Annette Andrews was appointed to the Board as an Independent Non-Executive Director with effect from 1 May 2024.

# Group Executive and Company Ownership

## Group Executive

David McMillan chairs the Group Executive which comprises the Chief Financial Officer, Chief Risk and Legal Officer, Chief Technology Officer, Chief Commercial Officer, Chief Operations Officer, Chief People Officer and Company Secretary and Chief Claims Officer.

### Company ownership (the shareholder)

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

Bain Capital Private Equity (Europe), LLP is an investment adviser authorised and regulated by the Financial Conduct Authority. Bain Capital Private Equity (Europe), LLP and Bain Capital Private Equity, LP are indirect subsidiaries of Bain Capital, LP, a global investment firm based in Boston, Massachusetts, USA.

Bain Capital Private Equity (Europe), LLP is based in London and is the investment adviser to the following European private equity funds:

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

and the investment sub-advisor to:

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

# Our Governance Framework

## Board of Directors

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

Membership of the Board Risk and Audit Committees consists of a sub-set of Independent Non-Executives only. Membership of the Board Remuneration Committee consists of a sub-set of Independent and Shareholder Non-Executives. Committee membership can be found on pages 75 to 78 of the report.

Responsible for:

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

## Audit Committee

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

## Risk Committee

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

## Remuneration Committee

Accountable for remuneration policy, short and long-term incentives for Executives and the senior management team and agreeing the individual remuneration arrangements for new Executive appointments.

## Group Executive consists of the Chief Executive Officer and his direct reports

- Supports the Chief Executive Officer in managing the day-to-day operations of the Group in accordance with the authority delegated to it by the Board.

# Our Governance Framework

continued

## The role of the Board

Led by the Chair, the Board is collectively responsible for promoting the long-term sustainable success of the Group. The Board provides leadership, sets the strategic aims of the Group and holds management to account in achieving those aims.

The Board has delegated certain specific responsibilities to Board Committees. This assists the Board in carrying out its functions and ensures there is independent oversight of internal control, risk management and remuneration policy. These Committees are comprised of Non-Executive Directors and utilise the expertise and experience of their members to examine subjects in detail and make recommendations to the Board where required. Each Committee Chair reports to the Board on their respective Committee's after each meeting.

Whilst day-to-day management of the business lies with the executive management team, certain matters are reserved to 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 at Board level.

Key matters reserved for the Board:

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

# Our Governance Framework

continued

| Areas of focus in 2024 | Key matters considered | Outcome |
| --- | --- | --- |
| **Strategy** | • Transformation programme<br>• Strategic plan<br>• Market<br>• Regulatory developments and Consumer Duty | • Maximising opportunities relating to our technology platform, facilitated by the successful migration of customer policies which represented the completion of our multi-year transformation programme<br>• Reviewed performance against strategic goals and approved the three-year strategic plan for the business<br>• Chief Executive Officer updates, and third-party insights on market M&A activity and competitor results<br>• Updates at each meeting on latest Financial Conduct Authority and Prudential Regulation Authority regulatory developments, correspondence, discussions and our response<br>• Monitored the Consumer Duty programme and compliance within required timescales |
| **Culture/People** | • Colleague engagement<br>• Whistleblowing line review<br>• Modern slavery<br>• Mandatory training<br>• Group policies | • Chief Executive Officer updates on colleague engagement scores and feedback<br>• Reviewed the use of our whistleblowing line over the year<br>• Reviewed the Modern Slavery Act Statement, Supplier Code of Conduct, and the processes adopted to ensure and track continued compliance<br>• Board members undertook mandatory training and monitored training for all colleagues<br>• Approval of updated Group policies on Code of Conduct, Health and Safety, Financial Crime, Board Diversity, ESG and Whistleblowing<br>• Reviewed our outsourcing arrangements |
| **Risk** | • Risk appetite and principal risks<br>• Own Risk Solvency Assessment | • 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<br>• Reviewed and approved the ORSA in November 2024 |
| **Operational Performance** | • Operations<br>• Claims<br>• Customer experience | • Focused Board sessions on customer journeys and channel strategy including ChatBot performance<br>• Considered the risk relating to talent and capability and reviewed succession plans at the most senior level of the business including a focus on improving diversity<br>• Considered the design and resourcing of the complaints handling processes<br>• Reviewed approach and status of cyber security and data privacy and embedding of AI, including associated risks<br>• Monitored the governance and implementation of a substantial upgrade to our core customer system (EIS), including potential impacts on customer and business operations |

# Our Governance Framework

continued

| Areas of focus in 2024 | Key matters considered | Outcome |
|---|---|---|
| **Governance** | • Governance framework<br>• Succession planning<br>• Effectiveness | • Reviewed and updated the terms of reference for the principal Committees<br>• Received regular Audit Committee updates on enhancements to financial reporting controls following a period of substantial transformation<br>• Considered the risk relating to talent and capability and reviewed succession plans at the most senior level of the business<br>• Broadened Board assessment to include the Group Executive for the first time |
| **ESG** | • Company initiatives, including ClimateWise report and proposed Path to Net Zero<br>• Equity, inclusion and diversity | • Held focused Board sessions on all ESG-related activity being undertaken by the Group<br>• Approved ESG policy<br>• Agree of appropriate targets related to the same<br>• Updated Equity, Inclusion and Diversity policy and Board Diversity policy<br>• Published Gender Pay Gap report<br>• Reviewed Ethnicity Pay Gap report<br>• Considered results of ClimateWise report and proposed areas of future focus<br>• Approved initiatives and commitments supporting sustainability and equity, diversity and inclusion objectives |
| **Financial Performance** | • Monthly performance<br>• Budget<br>• Trading strategy<br>• Capital strategy<br>• Reinsurance strategy | • Received updates from the Chief Financial Officer on financial performance at every meeting<br>• Reviewed performance against the 2024 Financial Plan and approved the Plan for 2025<br>• Received regular updates on market environment and proposed trading response<br>• Considered pricing dynamics and customer segmentation<br>• Reviewed the reserving position<br>• Reviewed the Group's solvency position<br>• Redemption of the ten-year Tier 2 Subordinated Notes issued 19 December 2014<br>• Approved proposed 2025 reinsurance programme |
| **Trading Oversight** | • Continued claims inflation<br>• Movement in market pricing | • Continued disciplined approach to pricing<br>• Focus in 2024 in trading new products successfully and strengthening competitiveness to attract new customers |

# Our Governance Framework

continued

## Roles and responsibilities

### The Chair of the Board – Andy Haste

- Leads the Board and sets the agenda
- Promotes a culture of openness and debate
- Responsible for the effectiveness of the Board
- Facilitates the effective contribution of Independent Non-Executive Directors and oversees the relationship between them, 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 ExecutiveTeam in the day-to-day running of the Group's business
- Charged with recommending and then implementing the Board's strategy and decisions
- Responsible for ensuring effective internal controls and risk management systems
- Keeps the Chair informed on all important matters

### Chief Financial Officer, Executive Director – Peter Bole

- Supports the Chief Executive Officer 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, Annette Andrews, Elisabeth Ling

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

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

- Bring representation of the shareholder's 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

# Our Governance Framework

continued

## 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, disinterested Board members have the ability to authorise any actual or potential situational conflicts that may arise, and to impose such terms on the conflicted Director as they consider appropriate. The Group has a Conflicts of Interest policy which was last reviewed and approved by the Risk Committee in March 2024. There is a procedure in place to deal with any actual or potential conflicts of interest and Directors are required to review and confirm their interests annually. Prior to taking on additional responsibilities or external appointments, Directors are required to declare any interests that may give rise to a conflict of interest on appointment and to obtain authorisation from the Chair subsequently as they arise. 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.

It is each Director's responsibility to ensure that they will be able to meet the time commitment expected of them to adequately discharge their duties.

## Equity, inclusion and diversity

Succession planning and diversity remained a key area of focus for the Board during the year. The Board continues to focus on achieving an inclusive, balanced and diverse 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 to promote effective decision making. The Board continues to focus on promoting diversity across its executive pipeline, senior leadership roles and among all its employees.

## Board evaluation

The Board progressed areas for improvement identified following the 2023 self-evaluation with all areas being successfully addressed during the year, in particular, improving focus on customer voice and customer needs, and on employee talent and engagement.

In 2024, the Board conducted a self-evaluation. For the first time, the evaluation was open to the Group Executive, given the close working relationship between the two groups. The evaluation highlighted a number of positives, including the good mix of skills and experience at Board level, as well as the high quality of Board discussions. A number of actions were proposed to further improve the Board's performance and processes, including reviewing the cadence of meetings and enhancing Board and Committee packs.

## 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, Half Year Report (in line with the Walker PERG Guidelines), the Group's ClimateWise report, Modern Slavery Statement, Tax Strategy, Supplier Code of Conduct and recent press releases.

# Audit Committee Report



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

During the year the Committee focused on ensuring all audit actions and recommendations are appropriately addressed; received internal and external reports on outstanding claims reserves, financial reporting, the effectiveness of internal controls, and regulatory reform; and provided oversight and challenge on the work undertaken by the internal and external auditors. The Committee also considered the impact of the ongoing inflationary environment on claims reserves.

### 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, Annette Andrews and Andy Haste. The Chief Executive Officer, the Chief Financial Officer, the Chief Risk and Legal Officer, the Chief Audit Officer, and Non-Executive Directors along with the external auditor, are invited to attend meetings of the Committee. Other members of senior management are invited to present reports as necessary.

Cross-membership between the Committee and the Risk Committee helps facilitate coordination on topics of mutual interest, particularly in relation to internal controls and the risk management framework.

### Responsibilities

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

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

The Committee's terms of reference are approved by the Board and set out in writing. These authorise the Committee to investigate any activity within its remit and to seek any information that it requires from any employee. It has the right to consult professional advisors and, if it is not satisfied with the advice received, seek further independent professional advice. The Committee's Chair formally reports to the Board on its proceedings after each Committee meeting.

# Audit Committee Report

continued

## Key areas of focus in 2024

### IFRS 17 Insurance Contract Liabilities

The Committee reviewed and monitored the accounting processes and judgements implemented on the adoption of IFRS 17. During the course of the year, management identified an error in the implementation of Insurance Contract Liabilities under IFRS 17 that occurred on adoption of the standard in the financial statements for the year ended 31 December 2023. Following a thorough review of the background to the error and the impact on the financial statements a decision was taken to restate the Statement of Financial Position as at 1 January 2023. This matter was reviewed by the Audit Committee with input from both management and the Group's external auditor. The Committee is satisfied that the restatement is appropriate and that, following changes to reporting processes and the related control environment, the risk of the error reoccurring has been adequately addressed.

### Financial reporting

An important part of the Committee's annual activities is the review of the Group's financial reporting, including the Annual Report and Accounts, the Half Year Report and the SFCR. In reviewing these, the Committee receives reports from management and, as appropriate, from the internal audit team and the external auditor.

In fulfilling its duties, 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 understandable.

### Strengthening financial controls

The Group's control environment underpins the integrity of the financial statements and Solvency II reporting.

Following a period of transformation for the Group, including the successful completion of the migration of all policies onto the Group's new technology platform, the Committee requested management to implement a project to ensure the additional data and related management processes introduced by the new platform were fully utilised in financial reporting and control. The Committee spent significant time over the year on reviewing the work undertaken to enhance the Group's financial controls. Considerable progress has been made during the course of the year in strengthening the financial control environment. Enhancements to IT and business controls will remain an area of focus for management in 2025.

### Liability for incurred claims

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

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

### Other matters

The Committee also considered several other matters, including:

- The Group's tax strategy
- Half-year report, prepared in line with the Walker Guidelines
- Solvency returns to the Regulator
- Reviewed and challenged the external auditor's year-end reports and the statement of external auditor's independence
- Received regular updates from the auditor on audit planning and progress, discussing key items relating to the preparation of the Group's financial reporting, including sensitivities, accounting judgements and areas of significant risk
- Reviewed and approved the Internal Audit Charter
- Reviewed and challenged the effectiveness of the Group's whistleblowing procedures and approved the non-material updates to the Group Whistleblowing policy
- Reviewed the provision for redress following a review of the total loss claims processes
- Assessed the impact of changes to the Ogden discount rate, used as part of determining the quantum of compensation for personal injury claims

# Audit Committee Report

continued

## Internal audit

The internal audit function has established a three-year cycle of work, aligned to our strategy and key risks facing the Group. This cycle of work is reviewed regularly and supplemented as needed by thematic reviews. The Committee received regular updates from the Chief Audit Officer on progress against the 2024 annual plan and the outcomes of specific audit reviews, including key themes, remedial plans, and any outstanding actions. The 2025 annual plan was reviewed and approved by the Committee in November 2024.

The reports received by the Committee form an important part of the Group's internal control environment, providing comfort as to the adequacy of systems to manage business risk and to safeguard the Group's assets and resources.

The Committee is responsible for monitoring the effectiveness of the internal audit function. In December 2024, as required every five years by the Chartered Institute for Internal Auditors' ('IIA') International Audit Standards ('the Standards'), the Committee received the output of an External Quality Assessment ('EQA') conducted by the IIA. The EQA concluded that the internal audit team Generally Conforms (the highest rating possible) to the Standards. Having regard to the output of the EQA, and to feedback from management the Committee was satisfied that the internal audit function remained independent, effective and fit for purpose.

The Committee was also updated on the impact of the IIA's updated Standards, which take effect in 2025. Actions taken to comply with those standards were also reviewed by the IIA.

## External auditor

The Committee oversees the relationship with the external auditor, including the approval of the terms of appointment, scope of work, audit fees, performance and independence.

In May, the Committee held a review of the performance of Deloitte LLP, including feedback from management. Overall, the Committee concluded that Deloitte LLP were effective in discharging their responsibilities as the external auditor and areas of improvement in the audit process were identified.

The Group's policy on non-audit work is reviewed annually. No updates to the policy were proposed in 2024 following updates made in November 2023. This policy helps ensure that the external auditor's 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. Deloitte LLP also provided an update on their independence to the Committee in accordance with the International Standards in Auditing (UK) and the Companies Act 2006.

Details of fees paid to Deloitte LLP in 2024 are included in Note 9 in the financial statements.

## Committee governance

The Committee reviewed its terms of reference in 2024 and recommended non-material updates to the Board. The Committee has acted in accordance with its terms of reference throughout 2024.

The Committee undertook a self-evaluation of its performance in 2024 and concluded that it continued to operate effectively.

**Andrew Birrell**
Chair of the Audit Committee
31 March 2025

# Risk Committee Report



## The Risk Committee continued to play a central role in the Group's risk management framework in 2024, advising the Board on the risk appetite for the Group, risk tolerance, limits and strategy. The Committee also advised the Board on the current and future risk exposures.

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

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

Cross-membership of the Committee and the Audit Committee helps facilitate coordination on topics of mutual interest, particular in relation to the internal control and risk management framework.

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 risk appetite which can be found in the Strategic Report on pages 31 to 51.

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 and Legal 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 Solvency Assessment 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

# Risk Committee Report

continued

## Key areas of focus

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

- Oversaw the Own Risk Solvency Assessment process and reporting including assessment of the overarching risks within the Group
- Received an update on the impact of, and management's response to the CrowdStrike incident from July 2024 on services, including the impact on customers, and lessons learned
- Received regular updates on the Motor total loss programme, implemented following the Financial Conduct Authority's review of the industry's claims-handling processes
- Provided with updates on management's review of complaints handling, encompassing resourcing, processes, and engagement with the regulator
- Received updates and provided input on management's engagement with the regulator in relation to their market-wide premium finance review
- Reported on and debated material risk areas including Operational Resilience, Pricing, Reserving, Solvency, Conduct and Customer risk, Investment risk, Data risk, Cyber risk and Climate risk
- Provided with updates on IT transformation activities, including the decommissioning of legacy technology infrastructure
- Considered deep dives and updates on our Retail Premium Finance product, our core customer system ('EIS') base upgrade, data governance and privacy, and customer journeys
- Reviewed and approved updated policies within the risk management framework and recommended material risk policies for approval by the Board. Policies included, Risk Management, Conduct Risk and Consumer Duty, AI Governance, Conflicts of Interest, Health and Safety, Privacy and Data Protection, Outsourcing and Material Third-party Arrangements, Financial Crime, ESG, and Supplier Code of Conduct
- Received confirmation from the Actuarial function concerning the adequacy of the Group's reinsurance and underwriting arrangements
- Reviewed the 2024 and 2025 reinsurance programme for recommendation to the Board
- Considered compliance with the Financial Conduct Authority's Consumer Duty regulation, including the review of annual and quarterly reporting prior to recommending the Consumer Duty annual assessment to the Board

Pages 35 to 37 provide a summary of the principal risks faced by the Group and key mitigating actions as well as 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 report on pages 31 to 51.

## Remuneration matters

The Committee advises the Remuneration Committee on the design of senior executive short-term and long-term incentive plans, to ensure that management are not being incentivised to take undue risks. The Committee also advises the Remuneration Committee on any control issues that may have arisen that the Committee believes should be taken into account when determining executive remuneration payments under those incentive plans.

## Risk management function

The Committee reviewed the remit and performance of the Group's risk management function and confirmed that it continued to 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 that the functions are adequately independent.

## Committee governance

The Committee reviewed its terms of reference in 2024 and recommended non-material updates to the Board. The Committee has acted in accordance with its terms of reference throughout 2024.

The Committee undertook a self-evaluation of its performance in 2024 and concluded that it continued to operate effectively.

**Peter Shaw**
Chair of the Risk Committee
31 March 2025

# Remuneration Committee Report

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

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

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

The Chair of the Board, the Chief Executive Officer, the Chief People Officer and Company Secretary, Chief Risk and Legal Officer, and Non-Executive Directors along with appointed remuneration consultants, 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 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 and Company Secretary, Chief Risk and Legal Officer and Chief Financial Officer. The Remuneration Committee may select, appoint, retain and terminate any remuneration consultants (currently FIT remuneration consultants); and obtain, at the Company's expense), independent legal or other professional advice on any matters within its Terms of Reference.

The roles and responsibilities apply in practice as follows:

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

### Executive and Material Risk Takers Remuneration policy

The Executive and MRT Remuneration policy applies to the Chair, Executives and the MRTs. It is reviewed and agreed annually by the Remuneration Committee. In setting the policy and individuals' remuneration, the Committee is mindful of the remuneration on offer to the wider employee population within the Group and considers external market benchmarking.

### Key elements and principles of the policy

The policy sets out key elements including the principles underpinning the policy and the regulatory framework within which the policy sits, in addition to the roles and responsibilities of the 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
- Meets all regulatory requirements

This policy is kept under review in line with development in best practice, new regulation and legislation and in the best interests of the Group.

# Remuneration Committee Report

continued

## 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 Executives 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.
- **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 as well as external market benchmarking. The Committee and the Board closely monitor the Group's Gender Pay Gap reporting, progress against the HM Treasury Women in Finance Charter (of which esure is a signatory) and the organisation's approach to equity, inclusion and diversity

The Committee ensures that consumer and vulnerable customer outcomes are appropriately included in the design of variable remuneration and Executive objectives.

## Chair and Independent Non-Executive Directors' Remuneration policy

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

No individual is involved in decision-making related to their own remuneration. The remuneration for the Chair and Non-Executive Directors is structured to enable the Company to recruit and retain, at an appropriate cost, individuals with the necessary skills and experience to support the Board's leadership of the Group. Fees are reviewed annually, considering time commitments and equivalent benchmarks for comparable non-executive director roles.

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

## Chief Executive Officer

The Chief Executive Officer does not participate in the Committee's discussion of his pay review and any variable remuneration award. The Committee consults the Chair of the Board and the shareholder on the Chief Executive Officer'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 Committee and all deferrals are reviewed and, if appropriate, approved by the 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.

# Remuneration Committee Report

continued

## 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 and Legal 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 Committee, in consultation with the Chief Risk and Legal 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 2024 is shown below:

| All Directors | Year ended 31 December 2024 | Year ended 31 December 2023 |
|---|---|---|
| Directors' emoluments | **£6,128,455** | £3,400,631 |
| Payments in respect of pension[1] | **£137,500** | £137,500 |
| Total | **£6,265,955** | £3,538,131 |

1 Or cash supplement in lieu of pension.

| Highest paid Director | Year ended 31 December 2024 | Year ended 31 December 2023 |
|---|---|---|
| Director's emoluments | **£3,173,522** | £1,835,658 |
| Payments in respect of pension[1] | **£90,000** | £90,000 |
| Total | **£3,263,522** | £1,925,658 |

1 Or cash supplement in lieu of pension.

## Remuneration for other members of the senior management team

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

## Remuneration for wider employees

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

## Gender pay gap report

Gender pay gap data is reviewed on a regular basis, and 2024 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 MRT 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.

## Committee governance

The Committee reviewed its terms of reference in 2024 and recommended non-material updates to the Board. The Committee has acted in accordance with its terms of reference throughout 2024.

The Committee undertook a self-evaluation of its performance in 2024 and concluded that it continued to operate effectively.

A C Andrews

**Annette Andrews**
Chair of the Remuneration Committee
31 March 2025

# Directors' Report

# Directors' Introduction

## The Directors present their report together with the audited accounts for the year ended 31 December 2024

esure Group plc is incorporated and domiciled in England and Wales. It has debt listed on the Global Equity Market segment of the Euronext Dublin exchange. Its registered office is in England and Wales (see Corporate Information).

Its wholly owned subsidiaries, esure Insurance Limited, and esure Services Limited are authorised and regulated by the Prudential Regulation Authority and the Financial Conduct Authority (as applicable). The Group has no branches outside the United Kingdom. Other information that is relevant to the Directors' Report, and which is incorporated by reference, can be located as follows:


- Chair's Statement – pages 5 and 6
- Chief Executive's Review – pages 7 to 9
- Risk Management – pages 31 to 51
- Environmental, Social and Governance – pages 52 to 64
- Corporate Governance Statement – pages 73 and 74
- Corporate Governance Report – pages 72 to 93


### Non-Financial Information Statement

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


- Business Model – page 10
- Key Performance Indicators – page 23
- Principal Risks – pages 35 to 37
- Environmental, Social and Governance Matters – pages 52 to 64
- Directors' Report – pages 94 to 99


In addition to the ESG policy, esure has several other related policies in place, including: (i) Financial Crime policy, (ii) Modern Slavery policy, (iii) Whistleblowing policy, (iv) Equity, Inclusion and Diversity policy, (iv) Code of Conduct and our (iv) Outsourcing and Material Third-party Arrangements policy.

# Directors' Introduction

continued

## Section 172 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 4 to 71.

## Strategic Report

The Group is required by the Companies Act 2006 to prepare a Strategic Report that includes a fair review of the Group's business, a balanced and comprehensive analysis of the development and the performance of the Company's business during the year, the position of the Group as at 31 December 2024 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.

## Results

The results for the year are shown in the consolidated statement of comprehensive income in the Financial Statements.

## Dividends

The Directors do not propose to recommend the payment of a final dividend in respect of the year ended 31 December 2024 (2023: nil), or to pay an interim dividend. For further information about dividend policy and interim dividends paid in 2024, refer to page 30.

## Post-balance sheet events

There were no significant post-balance sheet events requiring an adjustment to the Group financial position since 31 December 2024.

## Board of Directors

The current Directors who served on the Board, biographical details and any changes to the Board composition during the 2024 financial year and up to the date of this report can be found in the Corporate Governance report on pages 75 to 78. They are incorporated into this Directors' Report by reference.

## Appointment, retirement and removal of Directors

The appointment and replacement of Directors is governed by the Company's Articles of Association, as adopted on 20 April 2020 (Articles), and the Companies Act 2006. The Articles may only be amended by a special resolution of the shareholder. The Board has the power to appoint additional Directors or to fill a casual vacancy amongst the Directors. Any such Director holds office only until the next Annual General Meeting 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 Executive Directors and Independent Non-Executive Directors against liabilities and related costs that they may incur in the execution of their duties. This includes Directors of the Group's subsidiary companies. These indemnities do not cover the Directors for fraudulent activities and were in force during the financial year and remain in force for future financial years.

## Employees and employee engagement

As at 31 December 2024, the Group employed 1,087 people of which 45% are women and 55% are men. Our Board of Directors at the end of 2024 was 18% female and 82% male. Our senior leadership team comprised 30% female and 70% male members. Further information on our employee engagement can be found in the People area of the ESG report on pages 60 to 61.

## Engagement with stakeholders

Details of how the Directors have had regard to foster the Company's business relationships with our corporate partners, customers and others, and the effect of that regard on principal decisions taken by the Company can be found in the s172 section on pages 65 to 71.

# Directors' Introduction

continued

## 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. We seek to promote equal opportunities for all, through the provision of employment practices and policies that recognise the diversity of employees and ensure that neither current employees nor prospective employees receive less favourable treatment on the basis of their perceived or actual age, disability, race, religion or belief, sex (including gender, marital status, pregnancy or maternity, or gender reassignment or sexual orientation), working hours (part-time, full-time or fixed-term employees) or physical characteristics.

We are committed to becoming a truly diverse and inclusive organisation – in everything we do and for everyone. Further details on our employee engagement can be found in the Equity, Inclusion and Diversity section on page 60 and 61.

## Colleague policies

The colleague policies listed below are reviewed annually by the Board:

- Equity, Inclusion and Diversity policy
- Code of Conduct

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. In addition, our Recruitment policy affirms our commitment to equality and diversity throughout the recruitment and selection process.

The training, career opportunities, development, and promotion of people with disabilities are, as far as possible, identical to those of other employees. The Group's policy is to offer reasonable adjustments as appropriate, to support the employment of those with disabilities.

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 report on pages 60 to 61.

## Human rights

The Group resides and offers its products only within Great Britain. During 2024, the Group was subject to both the European Convention on Human Rights and the UK Human Rights Act 1998. We respect all human rights and enact these particularly in relation to fair treatment, the avoidance of discrimination and privacy for our customers, suppliers and colleagues. The Group aims to ensure that employees comply with all relevant UK legislation and regulations, and this is underpinned by the policies in place and managed by the Human Resources function. The Board annually reviews and approves the Modern Slavery Statement which sets out our efforts and actions to eliminate modern slavery across our supply chain.

## Bribery and corruption

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

## Political donations

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

## External auditor

Deloitte LLP were appointed auditor of the Group for the year ended 31 December 2024. Resolutions to re-appoint Deloitte LLP as auditor of the Group and to authorise the Directors to determine its remuneration were proposed and approved at the 2024 Annual General Meeting. The Audit Committee considers that the relationship with the External auditor is working well and remains satisfied with its effectiveness.

There are no contractual obligations restricting the Group's choice of auditor. Further information can be found in the Audit Committee report on pages 86 to 88.

Their registered office details are:

Deloitte LLP
1 New Street Square
London, EC4A 3HQ
United Kingdom

## Disclosure of information to the Group's auditor

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

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

# Directors' Introduction

continued

## Internal audit

The activities and effectiveness of internal audit are monitored and reviewed by the Audit Committee. Further information can be found in the Audit Committee Report on page 88.

## Going concern

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

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

In addition, the Board has reviewed the Group's projections for the next planning cycle, including regulatory capital surpluses and has considered the potential impacts arising from current economic conditions.

The key uncertainties for 2025 and beyond considered by the Board were the risks due to the impact of inflation on claims severity and expenses, changing consumer behaviour and the consequential impact on claims frequency, and the outlook for market pricing.

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

## Related party transactions

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

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

The Group undertakes a quarterly review of related party relationships with Bain Capital. Further details can be found in the Notes to the Accounts (note 25).

The Group undertakes an annual review of conflicts of interest and any related party transactions of the Board of Directors and Group Executive members. Directors and Group Executive members are required to review and confirm their interests annually. The Board is satisfied that the systems for the reporting of conflicts of interest and related party transactions are operating effectively. Further details on Directors' conflicts of interest can be found on page 85.

## 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 report on pages 31 to 51. The Risk Committee and the Audit Committee, respectively, regularly review the effectiveness of the Group's risk management and internal control systems.

The Committees have not identified or been advised of any failings or weaknesses that they have determined to be significant. The Audit Committee has considered the restatement in the opening balance sheet in relation to the transition to IFRS 17 in the context of the control environment. Further details can be found in the Committee Reports on pages 86 to 90.

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

## Financial instruments

Details of the Company's approach to the use of financial instruments can be found in the Notes to the Accounts (notes 2 and 15).

## Corporate information

**Registered office:** The Observatory, Castlefield Road, Reigate, Surrey RH2 0SG.

**Registered No:** 07064312

**Type of Company:** Public company limited by shares.

**Place of Registration:** England and Wales

**Legal entity identifier:** LEI 213800KOI3F5LM54PT80

**Website:** www.esuregroup.com

**Tel:** +44 (0)1737 222 222

This section, together with the Corporate Governance report set out on pages 72 to 93, are approved by order of the Board.

Caroline Smith
Company Secretary
31 March 2025

# 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 with 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
31 March 2025

# Financial Statements

# Independent Auditor's Report

to the Members of esure Group PLC

## Report on the audit of the financial statements

### 1. Opinion

In our opinion:

- the financial statements of esure Group plc (the 'Parent Company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and Parent Company's affairs as at 31 December 2024 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated statement of financial position;
- the consolidated statement of changes in equity;
- the consolidated statement of cash flows;
- the parent company statement of financial position;
- the parent company statement of changes in equity;
- the parent company statement of cash flows; and
- the related notes 1 to 27 on the consolidated financial statements and related notes 1 to 7 on the parent company financial statements, excluding the capital adequacy disclosures in note 15(d) calculated in accordance with the Solvency II regime that are marked as unaudited.

The financial reporting framework that has been applied in their preparation of the Group financial statements is applicable law and United Kingdom adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

### 2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

# Independent Auditor's Report

continued

## 3. Summary of our audit approach

| | |
|---|---|
| **Key audit matters** | The key audit matters that we identified in the current year were:<br>• Valuation of liability for incurred claims – bodily injury excess<br>• Valuation of liability for incurred claims – inflation assumptions<br>Within this report, key audit matters are identified as follows:<br>Similar level of risk |
| **Materiality** | The materiality that we used for the group financial statements was £8,130,000 which was determined on the basis of Insurance Revenue. |
| **Scoping** | Four entities within the Group were subject to audit procedures based on our scoping of significant accounts for the Group. These entities account for 100% of the Group's net assets, 100% of the Group's Insurance Revenue and 98% of the Group's loss before tax. |
| **Significant changes in our approach** | Significant changes in our approach in the current year include:<br>• The key audit matter related to capitalisation of intangibles is no longer a key audit matter given the reduction in the amount of transformation costs for the year ended 31 December 2024; and<br>• Given the Group's transition to IFRS 17 Insurance Contracts on 1 January 2022, we no longer deem the pervasive accounting impact and the significant judgements made by management in its application as a key audit matter for the year ended 31 December 2024. |

## 4. Conclusions relating to going concern

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

Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- obtaining an understanding of the internal controls relating to Directors' going concern assessment process;
- assessing management's Strategic Plan and underlying business plans and forecasts, including the forecast solvency position, to support key forward-looking assumptions;
- evaluating the historical accuracy of forecasts prepared by management; and
- evaluating management's sensitivity analysis on key assumptions used in the going concern assessment.

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

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

# Independent Auditor's Report

continued

## 5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### 5.1 Valuation of liability for incurred claims – bodily injury excess

| | |
|---|---|
| **Key audit matter description** | The Group's gross insurance contract liabilities total £1.48 billion (2023, as restated: £1.51 billion) and represent the single largest liability on the balance sheet. Valuation of these liabilities requires the selection of methods and assumptions that are subject to high levels of estimation uncertainty. Consequently, small changes in these methods or assumptions can materially impact the valuation of these liabilities.<br><br>The frequency and severity of large bodily claims have a significant impact on the valuation of the insurance contract liabilities and the setting of these assumptions is driven by a variety of factors. These factors include the completeness and accuracy of source data and the transparency of any changes in the reporting of large bodily claims. There is a significant level of judgement and estimation uncertainty in the valuation of these claims in considering the consistency of actuarial assumptions with emerging data, market factors and the Group's reserving policy, which increases the susceptibility of the balance to material misstatement due to error and fraud.<br><br>Refer to page 87 (Audit Committee Report), page 130 (Note 3, Significant Judgements and Estimates), page 117 (Accounting policies), and page 155 (Note 16 – Insurance Liabilities and Reinsurance Assets). |
| **How the scope of our audit responded to the key audit matter** | We have gained an understanding of the end-to-end claims and reserving process and obtained an understanding of relevant controls over data reconciliations, management review meetings, and models and assumption used in setting the reserves.<br><br>In order to gain assurance over the completeness and accuracy of source data used in the Group's actuarial calculations, we have performed reconciliations on the actuarial data back to the financial ledger. Having done this, we worked with our actuarial specialists to:<br><br>• Understand the reserving process in relation to large bodily injury claims undertaken by assessing relevant documentation and meeting with the Group's actuarial team;<br>• Challenge the Group's methodology and key assumptions, and the underlying rationale adopted. This included:<br>– Reproducing model outputs using our reserving software;<br>– Using our reserving software to assess the impact of any emerging claims trends;<br>– Compare the bodily injury assumptions to trends in historical claims data and market data such as RPI, wage inflation and other inflationary indices, considering frequency and severity separately where applicable.<br>– Testing the consistency of gross and reinsurance assumptions for Periodic Payment Order (PPOs) and large bodily injury lump sum claims;<br>– Performing sensitivity testing on the model methodology and assumptions selections and changes;<br>– Obtaining the reports from management's external actuary and comparing the output of the external reserving exercise to that of management. We also assessed the objectivity, competence and capability of management's expert; and<br>– Assessing the appropriateness of management's disclosures. |
| **Key observations** | We have concluded that the assumptions used in the valuation of the large bodily injury claims reserves within liability for incurred claims are reasonable. |

# Independent Auditor's Report

continued

### 5.2 Valuation of liability for incurred claims – inflation assumptions

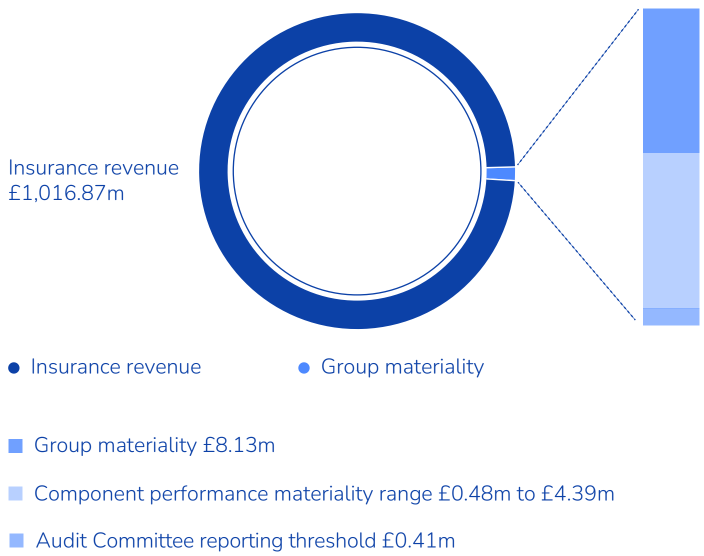
| | |
|---|---|
| **Key audit matter description** | The Group's gross insurance contract liabilities total £1.48 billion (2023, as restated: £1.51 billion) and represent the single largest liability on the balance sheet. Valuation of these liabilities requires the selection of methods and assumptions that are subject to high levels of estimation uncertainty. Consequently, small changes in these methods or assumptions can materially impact the valuation of these liabilities.<br><br>Given the ongoing uncertainty in the UK's inflation environment, the impact of future inflation assumptions is highly judgemental and has a material impact on the financial statements.<br><br>Given past trends and the impact of different drivers of future inflation, the approach to consideration of the future inflationary impact is expected to differ by damage, lump sum bodily injury and Periodical Payment Order ("PPOs") claim types.<br><br>Refer to page 87 (Audit Committee Report), page 130 (Note 3, Significant Judgements and Estimates), page 117 (Accounting policies), and page 155 (Note 16 – Insurance Liabilities and Reinsurance Assets). |
| **How the scope of our audit responded to the key audit matter** | We have gained an understanding over management's process for setting these assumptions and obtained an understanding of the relevant controls surrounding the setting of the inflation assumptions.<br><br>We have worked with our actuarial specialists to:<br>• Understanding management's inflation assumption, by claim type, by assessing relevant documentation, discussions with management, and comparison with market economic data;<br>• Inspecting and challenging management's assumption in comparison to output of alternative inflation assumptions, by claim type, requesting additional sensitivity testing from management where needed;<br>• Inspecting and challenging management's assumptions by comparison to alternative benchmarks, by claim type, of inflationary impacts captured within case estimates;<br>• Inspecting and challenging management on the methodology and rationale for deriving the PPO future inflation rate given reference to current and future expectations of market wage inflation and cost of care inflation;<br>• Challenging the selected inflation rate by benchmarking it against market peers; and<br>• Assessing the appropriateness of management's disclosures. |
| **Key observations** | We have determined that the inflation assumptions used in the valuation of liability for incurred claims reserves are reasonable. |

# Independent Auditor’s Report
continued

## 6. Our application of materiality
### 6.1 Materiality
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

| | Group financial statements | Parent company financial statements |
|---|---|---|
| **Materiality** | £8,130,000 (2023: £6,720,000) | £7,320,000 (2023: £5,376,000) |
| **Basis for determining materiality** | Materiality approximates 0.8% of insurance revenue (2023: approximates 0.8% of insurance revenue). | Materiality approximates 2% of shareholders’ equity (2023: approximates 2% of shareholders’ equity), which is capped to 95% of group materiality. |
| **Rationale for the benchmark applied** | Insurance revenue was chosen as a metric as esure is a profit-making entity and this is expected to be a primary metric under IFRS 17 used by stakeholders when valuing an entity. | We determined that the critical benchmark for the Parent Company was shareholders’ equity. This is because the Parent Company is not a trading entity but rather receives dividend income from its subsidiaries. When determining materiality for the Parent Company, we also considered the appropriateness of this materiality for the consolidation of this set of financial statements to the Group’s results. |



# Independent Auditor's Report

continued

### 6.2 Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

| | Group financial statements | Parent company financial statements |
|---|---|---|
| **Performance materiality** | 56.8% of group materiality<br>(2023: 65% of group materiality) | 56.8% of parent component materiality<br>(2023: 65% of parent component materiality) |
| **Basis and rationale for determining performance materiality** | In determining performance materiality, we considered the following factors:<br>• the nature, volume and size of misstatements in the previous audit;<br>• the nature, volume and size of prior year restatements identified;<br>• quality of the control environment and whether we were able to rely on controls; and<br>• identified control deficiencies. | |

### 6.3 Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £407,000 (2023: £340,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

# Independent Auditor's Report

continued

## 7. An overview of the scope of our audit

### 7.1 Identification and scoping of components

The scope of our Group audit was determined by obtaining an understanding of the Group and its environment, including group wide controls and assessing the risks of material misstatement at Group level. We have performed an audit of the entire financial information for esure Group plc, esure Insurance Limited, esure Services Limited and esure Property Limited. All entities subject to an audit of the entire financial information were performed directly by the group audit team and executed at levels of performance materiality applicable to each individual entity that were lower than group performance materiality. All entities within scope of the Group audit are based in the UK. The other entities within the group are immaterial to the group and we have hence performed an assessment of residual balances alongside analytical review procedures for the group.

Group materiality is used for setting audit scope and the assessment of uncorrected misstatements. Materiality is set for each component in line with the components proportion of the chosen benchmark. This is capped at the lower of 95% of Group materiality determined for individual components and the materiality determined for a standalone audit. The main insurance trading entity, esure Insurance Limited, which makes up 100% of Group insurance revenue is scoped to a component performance materiality of £4.39 million. Component performance materiality for other entities within the scope of our Group audit ranged from £0.48 million to £4.16 million.

These four entities subject to an audit of the entire financial information represent the principal trading and service operations of the Group and account for 100% (2023: 100%) of the Group's net assets, 100% of the Group's insurance revenue (2023: 100%) and 100% (2023: 98% of the group's loss before tax) of the Group's profit before tax. They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above.

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

### 7.2 Our consideration of the control environment

We obtained an understanding of the relevant controls within the Group, including controls over the following business processes: financial reporting, insurance revenue, insurance service expenses, liability for incurred claims, liability for remaining coverage, cash and investments. We also identified the key IT systems in the Group that were relevant to the audit, and involved our IT specialists to support our testing of general IT controls over these systems, including the policy administration systems, general ledger, reserving software, data warehouse, payment gateway and automated reconciliation tools. We identified deficiencies in the business controls and our IT specialists identified deficiencies in respect of user access review, segregation of duties and privilege user access, hence we were not able to place reliance on controls. The focus on 'strengthening financial controls' is discussed in the audit committee report on page 87 of the annual report.

### 7.3 Our consideration of climate-related risks

The Group monitors and manages climate risk as a cross-cutting risk considered within the principal risks and integrated into the Risk Management Framework. Refer to page 38 (Climate section) and pages 52 to 64 of the ESG section of the annual report. We obtained an understanding of management's processes to address climate-related risks, including management's implementation of the Climate strategy. We have assessed whether these initiatives undertaken by management are aligned with the Climate Change Roadmap developed by the Association of British Insurers. We have performed a risk assessment of the financial impact of climate risks on the financial statements and concluded the risks of material misstatement due to climate risk factors are remote. We have considered whether information included in the climate related disclosures in the Annual Report were materially consistent with our understanding of the business and the financial statements. Management has concluded there to be no material impact arising from climate change on the judgements and estimates made in the financial statements as noted in Note 3: Critical accounting judgements.

# Independent Auditor's Report

continued

## 8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## 9. Responsibilities of directors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

### 11.1 Identifying and assessing potential risks related to irregularities

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

- the nature of the industry and sector, control environment and business performance including the design of the group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- the group's own assessment of the risks that irregularities may occur either as a result of fraud or error;
- results of our enquiries of management, internal audit, the directors and the audit committee about their own identification and assessment of the risks of irregularities, including those that are specific to the company's sector;

# Independent Auditor's Report

continued

- any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including fraud, real estate, tax, valuations, IT and industry specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: valuation of liability for incurred claims – large bodily excess and valuation of liability for incurred claims - inflation assumptions, and the migration of historical claims information from one system to another.. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty. These included the group's operating licence, regulatory solvency requirements such as those under the relevant Solvency II requirements and those required by the PRA, FCA and environmental regulations.

### 11.2 Audit response to risks identified

As a result of performing the above, we identified valuation of liability for incurred claims – large bodily excess and valuation of liability for incurred claims - inflation assumptions as key audit matters related to the potential risk of fraud. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the audit committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with the PRA and FCA;
- in addressing the fraud risk identified in the migration of historical claims information from one system to another we performed reconciliations and agreed a sample of claims between the two systems; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

# Independent Auditor's Report

continued

## Report on other legal and regulatory requirements

### 12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

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

#### 13.1 Adequacy of explanations received and accounting records

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

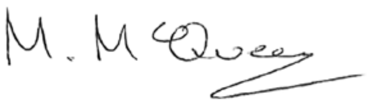
#### 13.2 Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

### 14. Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Mark McQueen, ACA

Senior statutory auditor

For and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

31 March 2025

## Consolidated income statement

| | Notes | Year ended 31 Dec 2024 £m | Year ended 31 Dec 2023 £m |
|---|---|---|---|
| Insurance revenue | 16 | 1,016.9 | 870.1 |
| Insurance service expenses | 16 | (754.6) | (825.1) |
| **Insurance service result before reinsurance contracts held** | | **262.3** | **45.0** |
| **Net expense from reinsurance contracts held** | 16 | **(129.6)** | **(64.0)** |
| **Insurance service result** | | **132.7** | **(19.0)** |
| **Total investment income** | 5 | **42.1** | **32.4** |
| Insurance finance expenses from insurance contracts issued | 16 | (35.9) | (24.9) |
| Reinsurance finance income from reinsurance contracts held | 16 | 14.0 | 11.9 |
| **Investment return and net insurance financial result** | | **20.2** | **19.4** |
| Other income | 6 | 28.4 | 25.1 |
| Other operating expenses | 7 | (91.3) | (101.0) |
| Finance costs | 10 | (15.2) | (13.1) |
| **Profit/(loss) before tax** | | **74.8** | **(88.6)** |
| Taxation | 11 | (17.1) | 28.5 |
| **Profit/(loss) for the year attributable to the owners** | | **57.7** | **(60.1)** |

The Notes on pages 116 to 170 form part of these Financial Statements.

## Consolidated statement of comprehensive income

| | Notes | Year ended 31 Dec 2024 £m | Year ended 31 Dec 2023 £m |
|---|---|---|---|
| **Profit/(loss) for the year** | | **57.7** | **(60.1)** |
| **Other comprehensive income** | | | |
| **Items that are or may be reclassified to profit or loss:** | | | |
| Change in fair value of debt instruments measured at FVOCI | **21** | **8.5** | 28.3 |
| Insurance finance (expense)/income from insurance contracts issued | **16** | **5.3** | (40.2) |
| Reinsurance finance income/(expense) from insurance contracts issued | **16** | **(11.2)** | 27.0 |
| Tax relating to items that may be reclassified | **21** | **(0.6)** | (3.4) |
| | | **2.0** | **11.7** |
| **Total comprehensive profit/(loss) for the year attributable to the owners** | | **59.7** | **(48.4)** |

## Consolidated statement of financial position

| | Notes | As at 31 Dec 2024 £m | *Restated* As at 31 Dec 2023 £m | *Restated* As at 31 Dec 2022 £m |
|---|---|---|---|---|
| **Assets** | | | | |
| Goodwill and intangible assets | **13** | 11.2 | 14.7 | 21.9 |
| Property, plant and equipment | **14** | 17.3 | 23.1 | 26.1 |
| Financial investments | **15** | 1,300.2 | 1,186.6 | 1,112.6 |
| Reinsurance contract assets | **16** | 520.6 | 560.1 | 528.0 |
| Deferred tax assets | **20** | 47.0 | 54.7 | 29.2 |
| Current tax assets | | 1.8 | 1.7 | 4.0 |
| Other debtors | **17** | 11.7 | 11.0 | 26.8 |
| Prepayments and accrued interest | **17** | 15.5 | 14.6 | 11.9 |
| Cash and cash equivalents | **18** | 26.2 | 71.6 | 38.4 |
| **Total assets** | | **1,951.5** | **1,938.1** | **1,798.9** |
| | | | | |
| **Equity and liabilities** | | | | |
| Share capital | **21** | 0.4 | 0.4 | 0.4 |
| Share premium account | **21** | 95.6 | 95.6 | 48.2 |
| Capital redemption reserve | **21** | 44.9 | 44.9 | 44.9 |
| Other reserves | **21** | 54.9 | 45.6 | 24.3 |
| Insurance finance reserve | **21** | 3.3 | 7.7 | 17.5 |
| Retained earnings | | 121.6 | 75.1 | 139.7 |
| **Total equity** | | **320.7** | **269.3** | **275.0** |
| | | | | |
| **Liabilities** | | | | |
| Insurance contract liabilities | **16** | 1,478.3 | 1,514.5 | 1,356.7 |
| Reinsurance contract liabilities | **16** | 3.2 | - | - |
| Borrowings | **15** | 96.9 | 121.1 | 124.6 |
| Other creditors and payables | **19** | 49.0 | 31.6 | 35.9 |
| Derivative financial liabilities | **15** | 3.4 | 1.6 | 6.7 |
| **Total liabilities** | | **1,630.8** | **1,668.8** | **1,523.9** |
| **Total equity and liabilities** | | **1,951.5** | **1,938.1** | **1,798.9** |

The Notes on pages 116 to 170 form part of these Financial Statements.

The Financial Statements were approved by the Board and authorised for issue on 31 March 2025 and signed on its behalf.

Peter Bole
Director

Registered number: 07064312

## Consolidated statement of changes in equity

| | Notes | Share capital £m | Share premium £m | Capital redemption reserve £m | Restricted Tier 1 notes £m | Insurance / Reinsurance finance reserve £m | Other reserves £m | Retained earnings £m | Total equity £m |
|---|---|---|---|---|---|---|---|---|---|
| **Year ended 31 December 2023 (restated)** | | | | | | | | | |
| As at 31 December 2022 as previously reported | 27 | 0.4 | 48.2 | 44.9 | 72.8 | 17.5 | (48.5) | 171.9 | 307.2 |
| Correction of error | | - | - | - | - | - | - | (32.2) | (32.2) |
| At 1 January 2023 (restated) | **21** | 0.4 | 48.2 | 44.9 | 72.8 | 17.5 | (48.5) | 139.7 | 275.0 |
| Loss for the year | | - | - | - | - | - | - | (60.1) | (60.1) |
| Other comprehensive loss | | - | - | - | - | (9.8) | 21.5 | - | 11.7 |
| **Total comprehensive loss** | | - | - | - | - | **(9.8)** | **21.5** | **(60.1)** | **(48.4)** |
| **Transactions with owners** | | | | | | | | | |
| Share issue | | **0.0** | **47.4** | **-** | **-** | **-** | **-** | **-** | **47.4** |
| Payment to holders of rT1 | **21** | - | - | - | - | - | - | (4.5) | (4.5) |
| Capital contribution: | | | | | | | | | |
| share-based payments | **21** | - | - | - | - | - | (0.2) | - | (0.2) |
| **Total transactions with owners** | | - | **47.4** | - | - | - | **(0.2)** | **(4.5)** | **42.7** |
| **At 31 December 2023 (restated)** | | **0.4** | **95.6** | **44.9** | **72.8** | **7.7** | **(27.2)** | **75.1** | **269.3** |
| **Year ended 31 December 2024** | | | | | | | | | |
| At 1 January 2024 | **21** | **0.4** | **95.6** | **44.9** | **72.8** | **7.7** | **(27.2)** | **75.1** | **269.3** |
| Profit for the year | | **-** | **-** | **-** | **-** | **-** | **-** | **57.7** | **57.7** |
| Other comprehensive income | | **-** | **-** | **-** | **-** | **(4.4)** | **6.4** | **-** | **2.0** |
| Transfer from other reserves on sale | | **-** | **-** | **-** | **-** | **-** | **1.7** | **(1.7)** | **-** |
| **Total comprehensive loss** | | **-** | **-** | **-** | **-** | **(4.4)** | **8.1** | **56.0** | **59.7** |
| **Transactions with owners** | | | | | | | | | |
| Dividends paid | | **-** | **-** | **-** | **-** | **-** | **-** | **(5.0)** | **(5.0)** |
| Payment to holders of rT1 | **21** | **-** | **-** | **-** | **-** | **-** | **-** | **(4.5)** | **(4.5)** |
| Capital contribution: | | | | | | | | | |
| share-based payments | **21** | **-** | **-** | **-** | **-** | **-** | **1.2** | **-** | **1.2** |
| **Total transactions with owners** | | **-** | **-** | **-** | **-** | **-** | **1.2** | **(9.5)** | **(8.3)** |
| **At 31 December 2024** | | **0.4** | **95.6** | **44.9** | **72.8** | **3.3** | **(17.9)** | **121.6** | **320.7** |

The Notes on pages 116 to 170 form part of these Financial Statements.

## Consolidated statement of cash flows

| | Notes | Year ended 31 Dec 2024 £m | Year ended 31 Dec 2023 £m |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit/(loss) after tax for the period | | **57.7** | (60.1) |
| Adjustments to reconcile profit/(loss) after tax to net cash flows: | | | |
| - Finance costs | **10** | **15.2** | 13.1 |
| - Depreciation and revaluation of property, plant and equipment | **14** | **2.3** | 2.8 |
| - Amortisation of intangible assets | **13** | **5.5** | 9.7 |
| - Share-based payments | **22** | **1.2** | (0.2) |
| - Taxation credit | **11** | **17.1** | (28.5) |
| - Total investment return | **5** | **(42.1)** | (32.4) |
| - Loss on the sale and revaluation of property, plant and equipment | **13,14** | **4.9** | 4.8 |
| Operating cash flows before movements in working capital, tax and interest paid | | **61.8** | (90.8) |
| Sales of financial investments | | **453.0** | 565.5 |
| Purchase of financial investments | | **(549.8)** | (612.5) |
| Interest and dividends received less investment management expenses on financial investments | | **35.8** | 27.4 |
| Changes in working capital: | | | |
| - Reinsurance assets | | **31.7** | (5.1) |
| - Other receivables | | **(0.2)** | 14.7 |
| - Insurance liabilities | | **(31.0)** | 113.2 |
| - Other payables | | **16.1** | 2.5 |
| Taxation (paid)/recovered | | **(9.0)** | 1.9 |
| **Net cash generated in operating activities** | | **8.4** | 16.8 |
| **Cash flows used in investing activities** | | | |
| Purchase of property, plant and equipment, and software | **13,14** | **(2.4)** | (7.6) |
| **Net cash used in investing activities** | | **(2.4)** | (7.6) |
| **Cash flows (used in)/generated from financing activities** | | | |
| Proceeds from 2023 Notes Issuance | | **-** | 100.0 |
| Cost of 2023 Notes Issuance | | **-** | (4.8) |
| Repayment of 2012 Notes Issuance | | **(25.0)** | (100.0) |
| Interest paid on loans | **15** | **(13.7)** | (11.1) |
| Repayment of lease liabilities | | **(3.2)** | (3.1) |
| Payment to holders of rT1 | | **(4.5)** | (4.5) |
| Dividends paid | **12** | **(5.0)** | - |
| Share issue | **21** | - | 47.5 |
| **Net cash (used in)/generated from financing activities** | | **(51.4)** | 24.0 |
| **Net (decrease)/increase in cash and cash equivalents** | **18** | **(45.4)** | 33.2 |
| **Cash and cash equivalents at the beginning of the year** | **18** | **71.6** | 38.4 |
| **Cash and cash equivalents at the end of the year** | | **26.2** | 71.6 |

The Notes on pages 116 to 170 form part of these Financial Statements.

## 1 . General information

esure Group plc is a public limited company incorporated under the Companies Act 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. esure. S.L.U, incorporated in Spain, was dissolved during 2024.

## 2 . Accounting policies

**Basis of preparation**

These financial statements present the esure Group plc consolidated financial statements for the year ended 31 December 2024, 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 as issued by the International Accounting Standards Board ('IASB') as adopted for use in the UK by the UK Endorsement Board, and in conformity with the requirements of the Companies Act 2006.

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

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

The Group's financial position reflects appropriate reserves, a conservative investment portfolio and capital in excess of the minimum regulatory requirement. In addition, the Board has reviewed the Group's projections for the next planning cycle, including regulatory capital surpluses and has considered the potential impacts arising from the current economic environment. The key uncertainties for 2025 and beyond considered by the Board were the risks due to the impact of inflation on claims severity and expenses; changing consumer behaviour and the consequential impact on claims frequency; and the outlook for market pricing.

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

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

**New and amended accounting standards adopted**

The Group applied for the first time, certain standards and amendments which are effective for annual periods beginning on or after 1 January 2024 (unless otherwise stated).

The amendments do not have a significant impact on the Group's consolidated financial statements.

- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)
- Non-current Liabilities with Covenants (Amendments to IAS 1)
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)

**New and amended accounting standards issued but not yet adopted.**

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

**Impact of Pillar Two**

*International Tax Reform – Pillar Two Model Rules – Amendments to IAS 12*

Management have performed a review of the Pillar Two legislation and have concluded that whilst the Group is not a multinational Group for Pillar Two purposes, it will qualify for the Domestic Top-Up Tax Regime. Management's review has concluded that the Group will be eligible for the transitional safe harbour on the basis of the simplified effective tax rate test and there will therefore be no impact on the Group before 2027.

The group has applied the temporary exception issued by the IASB in May 2023 from the accounting requirements for deferred taxes in IAS 12. Accordingly, the group neither recognises nor discloses information about deferred tax assets and liabilities related to Pillar Two income taxes.

## 2 . Accounting policies (continued)

**Basis of consolidation**
The Group has a number of subsidiaries which it controls. The Group controls these entities when it has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns. 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.

**Insurance and reinsurance contracts**

***Classification***
The Group issues insurance contracts in the normal course of business, under which it accepts significant insurance risk from its policyholders. As a general guideline, the Group determines whether it has significant insurance risk, by considering whether the Group would compensate the policyholder in the event of a specified uncertain future event which adversely affects the policyholder. The Group issues non-life insurance to individuals. Non-life insurance products offered are motor and home insurance. These products offer protection of policyholder’s assets and indemnification of other parties that have suffered damage as a result of a policyholder’s accident.

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

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

***Separating components from insurance and reinsurance contracts***
The Group assesses its insurance and reinsurance products to determine whether they contain distinct components which must be accounted for under another IFRS instead of under IFRS 17. After separating any distinct components, the Group applies IFRS 17 to all remaining components of the underlying insurance contract.

*Insurance contracts*
Currently, the Group sells non-underwritten products along with its underwritten products and thus these require to be separated out and measured under IFRS 15 Revenue from contracts with customers.

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

## 2 . Accounting policies (continued)

**Level of aggregation**

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

The Group divides policies into cohorts based on when they were issued, with a cohort containing all contracts that were issued within a 12-month period. These are then further divided based on expected profitability at inception into three categories:
- onerous contracts;
- contracts with no significant risk of becoming onerous; and
- the remainder.

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

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

Under the PAA there is an assumption that contracts are not onerous unless facts and circumstances indicate otherwise. The Group considers facts and circumstances to identify whether a group of contracts may be onerous based on pricing information, results of similar contracts it has recognised and environmental factors, e.g. a change in market experience or regulations. Where facts and circumstances indicate that contracts are onerous at initial recognition, the Group will perform additional analysis to determine if a net outflow is expected from the contract. Where a net outflow is expected the portfolio may be deemed onerous, and categorised separately from those with no significant risk of becoming onerous.

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

The Group divides portfolios of reinsurance contracts held applying the same principles set out above, except that the references to onerous contracts refer to contracts on which there is a net gain on initial recognition. The Group has determined that groups of reinsurance contracts held will be at the individual contract level. The Group holds a range of reinsurance agreements including:
- Annual Quota Share contracts covering motor and home insurance policies ('QS')
- Property Catastrophe excess of loss occuring contracts ('Home CAT')
- Motor liability excess of loss occuring contracts ('Motor XoL')
- Property risk excess of loss contracts ('Home XoL')
- A Loss Portfolio Transfer contract for motor claims ('Motor LPT')

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

***Recognition***

The Group recognises groups of insurance contracts it issues from the earliest of the following:
- The beginning of the coverage period of the group of contracts
- The date when the first payment from a policyholder in the group is due or when the first payment is received if there is no due date
- For a group of onerous contracts, if facts and circumstances indicate that the group is onerous

The Group recognises a group of reinsurance contracts held from the earlier of the following:
- The beginning of the coverage period of the group of reinsurance contracts held.

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

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

## 2 . Accounting policies (continued)

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

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

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

***Measurement – Premium Allocation Approach***
The PAA provides entities with a number of accounting policy choices. These are summarised below along with the options taken by the Group.

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

## 2 . Accounting policies (continued)

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

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

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

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

The Group also currently does not have any onerous contracts. Were such contracts to exist, a loss component would be established by the Group for the liability for remaining coverage for such onerous group depicting the losses recognised.

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

*General Model*
The Group measures the LPT contract using the general model under IFRS 17.

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

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

The Group’s objective in estimating future cash flows is to determine the expected value, or the probability-weighted mean, of the full range of possible outcomes, considering all reasonable and supportable information available at the reporting date without undue cost or effort. The Group estimates future expected cash flows within the contract boundary and discounts them using current assumptions.

The Group incorporates, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows.

For the reinsurance contracts, measurement of the cash flows include an expected allowance for the effect of any non-performance by the reinsurer.

## 2 . Accounting policies (continued)

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

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

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

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

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

***Insurance acquisition cash flows***
Insurance acquisition cash flows are deferred and amortised over the expected lifetime of the cohort of policies.

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

(i) to that group; and

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

## 2 . Accounting policies (continued)

***Insurance contracts – modification and derecognition***

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

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

***Presentation***

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

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

The Group disaggregates the change in risk adjustment for non-financial risk between a financial and non-financial portion and includes the non-financial portion in the insurance service result.

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

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

**Insurance revenue**

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

The Group changes the basis of allocation between the two methods above as necessary, if facts and circumstances change. The change is accounted for prospectively as a change in accounting estimate. There has been no changes to the facts and circumstances during the year.

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

***Insurance and reinsurance finance income and expense***

Insurance and reinsurance finance income or expenses comprise the change in the carrying amount of the group of insurance and reinsurance contracts arising from:

- The effect of the time value of money and changes in the time value of money; and
- The effect of financial risk and changes in financial risk.

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

***Net income or expense from reinsurance contracts held***

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

## 2 . Accounting policies (continued)

**Financial assets**

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

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales of financial assets are purchases or sales that require delivery of assets within the time frame established by regulation or convention in the marketplace.

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

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

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

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

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

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

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

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

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

## 2 . Accounting policies (continued)

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

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

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

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

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

Debt instruments in this category are those that are intended to be held to collect contractual cash flows and which may be sold in response to needs for liquidity or in response to changes in market conditions.

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

***Subsequent measurement***

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

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

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

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

## 2 . Accounting policies (continued)

***Derecognition***

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

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

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

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

***Impairment of financial assets***

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

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

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

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

*The calculation of ECLs*

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

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

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

## 2 . Accounting policies (continued)

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

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

*Debt instruments measured at fair value through other comprehensive income*

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

***Write-offs***

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

***Cash and cash equivalents***

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

**Financial liabilities**

***Initial recognition and measurement***

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

***Subsequent measurement***

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

***Derecognition***

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

***Derivatives***

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

***Hedge accounting***

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

***Offsetting of financial instruments***

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

## 2 . Accounting policies (continued)

**Recognition of investment and interest income**

***The effective interest rate***

Under IFRS 9, interest income is recorded using the EIR method for all financial assets measured at amortised cost. Interest income on interest bearing financial assets measured at FVOCI under IFRS 9 is recorded using the EIR method. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or, when appropriate, a shorter period, to the gross carrying amount of the financial asset.

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

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

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

***Investment income***

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

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

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

***Other income***

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

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

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

In certain circumstances, where the revenue is highly uncertain at the contract or policy inception date, broking fees and commission are recognised on a periodic basis when the consideration becomes due. Rebates of commissions and fees relating to the return of premiums for additional insurance products and services are recognised at the point the return is due.

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

***Finance costs***

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

***Foreign currency translation***

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

## 2 . Accounting policies (continued)

**Intangible assets**

***Software***

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

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

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

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

***Other intangible assets***

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

***Impairment testing of intangible assets***

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

**Property, plant and equipment**

Property, plant and equipment comprises land and buildings occupied by the Group and fixtures, fittings and equipment (including computer hardware). Land and buildings are stated at their revalued amount, which is the fair value, less subsequent depreciation for buildings. All other assets are stated at cost less depreciation and accumulated impairment. Replacement or major inspection costs are capitalised when incurred if it is 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 useful lives, with the exception of freehold land which is not depreciated. The useful lives are as follows:

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

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

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

**Impairment and revaluation of property, plant and equipment**

Carrying values are reviewed at each reporting date to determine whether there are any indications of impairment. If any such indications exist, the asset's recoverable amount is estimated and compared to the carrying value. The recoverable amount is the higher of the fair value of the asset, less costs to sell and the asset's value in use. Impairment losses are recognised through the income statement. Impairment losses may be reversed if conditions subsequently improve and amounts previously recognised through the income statement would then be credited through the income statement.

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

## 2 . Accounting policies (continued)

**Impairment and revaluation of property, plant and equipment (continued)**

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

**Leases**

*Group as a lessee*

On inception the Group assesses whether a contract contains a lease arrangement based on whether the Group obtains substantially all the economic benefit from the use of a specific asset and has the right to direct the use of the asset. Where a lease arrangement is identified the Group recognises a right of use asset and a lease liability, other than for contracts of less than a year in duration or of a very low value.

The right of use asset is measured based on the initial present value of the lease liability less any incentives received. Lease payments include fixed and variable payments where variable payements are recognised if based on contractual rent increases. The right of use asset is depreciated on a straight-line basis over the lifetime of the lease and is subject to impairment testing.

The lease liability is calculated using the incremental rate of borrowing, based on the rate at which the Group could borrow to fund the relevant payments for the underlying asset. The lease liability is subsequently measured at amortised cost using the effective interest rate method. It is remeasured where there is a change in future lease payments.

The Group's leases are property leases.

**Taxation**

*Current tax*

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

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

*Deferred tax*

Deferred tax is provided in full using the balance sheet liability method, providing for temporary differences arising between the carrying amount of assets and liabilities for accounting purposes, and the amounts used for taxation purposes. It is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is recovered, using tax rates enacted or substantively enacted by the reporting date.

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

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

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

**Share capital**

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

**Restricted Tier 1 Notes**

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

## 2 . Accounting policies (continued)

**Provisions**

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

**Other operating expenses**

Other operating expenses are those expenses that do not relate to income that falls under IFRS 17. Costs are expensed as incurred.

**Employee expenses**

The charges for base salaries, pension costs, bonuses and related taxes are charged to the income statement in the period in which the service is received from the employee.

**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.

**Share-based payments**

*Equity settled share-based payments*

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

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

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

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

*Cash settled share-based payments*

Cash settled share-based payments to employees are measured at each reporting date at the fair value of the equity insturments. The fair value is expensed on a straight-line basis and results in an increase in liabilities.

**Non-trading costs**

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

## 3 . Significant judgements and estimates

**Critical accounting judgements**

The preparation of these consolidated financial statements requires management to make judgements about the application of policies, and estimates and assumptions that affect the reported amounts of assets and liabilities, income and expenses. These are the critical judgements, apart from those involving estimations, that have been made in the process of applying the Group's accounting policies and that have the most significant effect of the amounts recorded in the financial statements.

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

## 3 . Significant Judgements and Estimates (continued)

**Critical accounting judgements (continued)**

Premium allocation approach

The coverage period of esure's insurance contracts is normally one year or less. IFRS 17 outlines that entities can adopt the PAA measurement approach if at the inception of the contracts, the entity reasonably anticipates that such an approach would result in the measurement of the liability for remaining coverage for the Group would not be materially different from the one that would be produced using another approach. As a result, the Group applies the PAA to simplify the measurement of insurance contracts issued and all reinsurance contracts held except for the LPT contract. The judgement around the PAA measurement has been disclosed in the measurement section of the accounting policies and the judgements for discount rates are disclosed below. Sensitivities on estimation uncertainty for insurance and reinsurance contracts are disclosed below.

Risk adjustment for non-financial risk

Under IFRS17, insurance contract liabilities include a risk adjustment for non-financial risk quantifying the compensation the Group would require for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts. More recent accident periods tend to be less developed with generally larger reserves than older contract periods, as a result, a higher proportion of the risk adjustment is allocated to these group of contracts. The risk adjustment reduces the risk that future cash flows will exceed the expected value amount. The risk adjustment is based on a value at risk approach, considering reserve risk only.

Discounting

IFRS 17 requires entities to determine discount rates using either a 'bottom up' or a 'top down' approach. The 'top down' approach is done by using the discount rate curves from a portfolio of reference assets adjusted to take out all aspects of the assets that are not in the insurance contracts, but not permitting the illiquidity premium to be eliminated. The Group has selected the 'bottom up' approach in which insurance contract liabilities are calculated by discounting expected future cash flows at a risk-free rate, plus an illiquidity premium.

**Sources of estimation uncertainty**

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making estimates about carrying values of assets and liabilities. The consolidated financial statements presented are based on conditions that existed at the balance sheet date.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revisions affects both current and future periods.

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

Liability for incurred claims

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques. The measurement of the liability for incurred claims represents a major source of estimation uncertainty.

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

## 3 . Significant Judgements and Estimates (continued)

**Sources of estimation uncertainty (continued)**

Liability for incurred claims (continued)

Whilst the inflationary pressures seen in 2022 and 2023 are reducing, there are still assumptions made in reserve estimation that relate to claims inflation that may not yet be fully seen in claims trends. The sensitivity of the portfolio to a change in inflation assumption is disclosed in Note 16. During 2024 the potential effects of the migration of policies and claims the new platform were considered when estimating ultimate claims numbers and amounts; in particular whether and to what extend the migration has changed development patterns that would affect model estimates.

Discount rates

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

| **%** | **1 year** | | **3 years** | | **5 years** | | **10 years** | |
|---|---|---|---|---|---|---|---|---|
| **Motor and Home** | **2024** | **2023** | **2024** | **2023** | **2024** | **2023** | **2024** | **2023** |
| Risk free rate | 4.45% | 4.73% | 4.15% | 3.66% | 4.04% | 3.35% | 4.07% | 3.28% |
| Illiquidity premium | 0.19% | 0.26% | 0.16% | 0.36% | 0.14% | 0.29% | 0.16% | 0.29% |
| **Total rate** | **4.64%** | **4.99%** | **4.31%** | **4.01%** | **4.18%** | **3.64%** | **4.23%** | **3.57%** |

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

Risk adjustment for non-financial risk

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

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

***Sensitivity of recognised amounts to changes in assumptions***

The table below provides a sensitivity analysis of the potential net impact of a change in a single factor (interest rates, credit spreads, claims inflation or the risk adjustment percentile) with all other assumptions left unchanged.

| | **2024 £m** | | | |
|---|---|---|---|---|
| | **Impact on profit before tax, gross of reinsurance** | **Impact on profit before tax, net of reinsurance** | **Impact on equity gross of reinsurance, net of tax** | **Impact on equity, net of reinsurance and tax** |
| Interest rate +1% | 5.7 | 3.4 | 9.2 | (7.4) |
| Interest rate -1% | (6.2) | (3.6) | (13.5) | 6.7 |
| Credit spreads +0.5% | 1.0 | 0.5 | 1.3 | (2.6) |
| Credit spreads -0.5% | (1.1) | (0.5) | (1.8) | 2.5 |
| Risk adjustment percentile -5% | 34.1 | 11.2 | 25.6 | 8.4 |
| Claims inflation +1% | (12.3) | (6.4) | (9.2) | (4.8) |

## 4 . Segmental information

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

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

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

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

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

***Trading profit***
Trading Profit is the measure of the Group’s ongoing, long term profitability. It represents the profitability of the Group’s insurance and investment activity but excludes exceptional gains or losses on the investment portfolio resulting from volatility in the market rate environment, Non Trading Costs relating to items that, by their nature, are not considered to be reflective of the ongoing profitability of the Group and it is stated before Finance Costs relating to Tier 2 Debt and Tax. Trading profit is a key measure reported to the chief operating decision maker to assess performance.

## 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 2024 | IFRS Income statement | Reclassifications | Trading Profit Reporting | Trading Profit Reporting | | |
|---|---|---|---|---|---|---|
| | | | | Motor | Home | Central |
| | | (i) | | (ii) | (ii) | (iii) |
| | £m | £m | £m | £m | £m | £m |
| Insurance revenue | 1,016.9 | - | 1,016.9 | 905.1 | 111.8 | - |
| Insurance service expenses | (754.6) | 5.0 | (749.6) | (668.8) | (80.8) | - |
| **Insurance service result before reinsurance contracts held** | **262.3** | **5.0** | **267.3** | **236.3** | **31.0** | **-** |
| **Net expense from reinsurance contracts held** | **(129.6)** | **-** | **(129.6)** | **(116.8)** | **(12.8)** | **-** |
| **Insurance service result** | **132.7** | **5.0** | **137.7** | **119.5** | **18.2** | **-** |
| Total investment income | 42.1 | (2.1) | 40.0 | 35.2 | 4.8 | - |
| Insurance finance expenses from insurance contracts issued | (35.9) | - | (35.9) | (33.9) | (2.0) | - |
| Reinsurance finance income from reinsurance contracts held | 14.0 | - | 14.0 | 13.6 | 0.4 | - |
| Other income | 28.4 | - | 28.4 | 19.0 | 9.4 | - |
| Other operating expenses | (91.3) | 33.9 | (57.4) | (6.7) | (0.9) | (49.8) |
| **Trading profit** | | | **126.8** | **146.7** | **29.9** | **(49.8)** |
| Non-trading costs | - | (39.6) | (39.6) | | | |
| Investment income | - | 2.1 | 2.1 | | | |
| Finance costs | (15.2) | 0.7 | (14.5) | | | |
| **(Loss)/profit before tax** | **74.8** | **-** | **74.8** | | | |

(i) Reclassifications include £5.0m which is the expense relating to historical customer redress, £2.1m which is the effect of investment volatility directly resulting from market rate movement in the year and £0.7m of interest expense on IFRS 16 leases, and non-trading costs of £39.6m (see below).

(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. Non-trading costs relating to transformation work continued to be managed centrally for the benefit of the entire Group. The non-trading investments costs relate to investment management activity that are not attributable to the Motor or Home products. The finance costs relate to interest payable on the Notes, which back the wider business.

The average number of In-force Policies during the year ended 31 December 2024 was 2.02m (2023: 2.23m).

## Notes to the Financial Statements
## For the year ended 31 December 2024

### 4 . Segmental information (continued)

***Segmental revenues, expenses and other information***

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

***Reconciliation to adjusted measures***

| Year ended 31 December 2023 | IFRS 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 |
| Insurance revenue | 870.1 | - | 870.1 | 767.5 | 102.6 | - |
| Insurance service expense | (825.1) | - | (825.1) | (719.7) | (105.4) | - |
| **Insurance service result before reinsurance contracts held** | **45.0** | - | **45.0** | **47.8** | **(2.8)** | - |
| **Net expense from reinsurance contracts held** | **(64.0)** | - | **(64.0)** | **(56.7)** | **(7.3)** | - |
| **Insurance service result** | **(19.0)** | - | **(19.0)** | **(8.9)** | **(10.1)** | - |
| Total investment income | 32.4 | 2.2 | 34.6 | 30.5 | 4.1 | - |
| Insurance finance expenses from insurance contracts issued | (24.9) | - | (24.9) | (23.1) | (1.8) | - |
| Reinsurance finance income from reinsurance contracts held | 11.9 | - | 11.9 | 11.4 | 0.5 | - |
| Other income | 25.1 | - | 25.1 | 15.9 | 9.2 | - |
| Other operating expenses | (101.0) | 56.6 | (44.4) | (4.3) | (0.8) | (39.3) |
| **Trading loss** | | | **(16.7)** | **21.5** | **1.1** | **(39.3)** |
| Non-trading costs | - | (57.3) | (57.3) | | | |
| Investment income | - | (2.2) | (2.2) | | | |
| Finance costs | (13.1) | 0.7 | (12.4) | | | |
| **(Loss)/profit before tax** | **(88.6)** | - | **(88.6)** | | | |

(i) Reclassifications include £2.2m which is the effect of investment volatility directly resulting from market rate movement in the year and £0.7m of interest expense on IFRS 16 leases, and non-trading costs of £57.3m (see below).

(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. Non-trading costs relating to transformation work have been allocated to Central as the relative impact of these Group-wide changes has not been assessed. The non-trading investments costs relate to investment management activity that are not attributable to the Motor or Home products. The finance costs relate to interest payable on the Notes, which back the wider business.

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

## 4 . Segmental information (continued)

***Segmental revenues, expenses and other information***

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

***Reconciliation to adjusted measures***

**Year ended 31 December 2024**

| | Total | Motor | Home | Central |
|---|---|---|---|---|
| | £m | £m | £m | £m |
| Gross written premiums | 993.8 | 874.8 | 119.0 | - |
| Instalment income written | 73.6 | 66.6 | 7.0 | - |
| Earned premium adjustment, additional UW products | (66.0) | (51.2) | (14.8) | - |
| Admin and cancellation fees | 15.5 | 14.9 | 0.6 | - |
| **Insurance revenue** | **1,016.9** | **905.1** | **111.8** | **-** |
| Claims incurred | 577.1 | 525.6 | 51.5 | - |
| Insurance expenses | 177.5 | 148.1 | 29.4 | - |
| **Insurance service expense** | **754.6** | **673.7** | **80.9** | **-** |

**Year ended 31 December 2023**

| | Total | Motor | Home | Central |
|---|---|---|---|---|
| | £m | £m | £m | £m |
| Gross written premiums | 868.8 | 769.4 | 99.4 | - |
| Instalment income written | 60.9 | 55.2 | 5.7 | - |
| Earned premium adjustment, additional UW products | (77.9) | (74.8) | (3.1) | - |
| Admin and cancellation fees | 18.3 | 17.7 | 0.6 | - |
| **Insurance revenue** | **870.1** | **767.5** | **102.6** | **-** |
| Claims incurred | 645.8 | 571.0 | 74.8 | - |
| Insurance expenses | 179.3 | 148.7 | 30.6 | - |
| **Insurance service expense** | **825.1** | **719.7** | **105.4** | **-** |

## 4 . Segmental information (continued)

**Trading Profit**

Trading Profit is the measure of the Group's ongoing, long term profitability. It represents the profitability of the Group's insurance and investment activity but excludes exceptional gains or losses on the investment portfolio resulting from volatility in the market rate environment, Non Trading Costs relating to items that, by their nature, are not considered to be reflective of the ongoing profitability of the Group and it is stated before Finance Costs relating to Tier 2 Debt and Tax. Trading profit is a key measure reported to the chief operating decision maker to assess performance.

The items excluded from trading profit, but included in IFRS profit before tax are:

| | **Year ended 31 Dec 2024** | **Year ended 31 Dec 2023** |
|---|---|---|
| Trading profit/(loss) | 126.8 | (16.7) |
| Exceptional investment performance | 2.1 | (2.2) |
| Non trading costs | (39.6) | (57.3) |
| Finance costs | (14.5) | (12.4) |
| **Profit/(loss) before tax** | **74.8** | **(88.6)** |

*Non trading costs*

The non trading costs include the following items:

| | **Year ended 31 Dec 2024** | **Year ended 31 Dec 2023** |
|---|---|---|
| Blueprint and related expenditure | 27.6 | 56.2 |
| Customer redress | 11.3 | 0.3 |
| Impairment of owned property | 0.7 | 0.6 |
| Refinancing of Tier 2 debt | - | 0.2 |
| **Profit/(loss) before tax** | **39.6** | **57.3** |

Blueprint and related expenditure

These costs relate to esure's Transformation Programme which completed in 2024.

The spend includes the cost of building and implementing esure's new platform, as well as related property restructuring costs, and the associated amortisation of previously capitalised Transformation Programme spend.

Consistent with previous years, they continue to be classified as Non-Trading Costs as they do not reflect long term costs associated with the Group's ongoing profitability; this remains consistent with the definition of Trading Profit shown above.

Expenses associated with customer redress

These costs primarily relate to the expense incurred for establishing a £10.0m provision at year end for claims redress payments, of which £5.0m is held in the liability for incurred claims as it relates to indemnity claims costs, emanating from prior years and £5.0m relating to associated operational expenses. Additional operational costs of £1.3m have been incurred during 2024 in relation to this. Since this expense is a non-recurring feature of esure's cost base, it has been classified as a Non-Trading Costs since it does not relate to esure's on going long term profitability.

## 5 . Investment income

| | Year ended 31 Dec 2024 | Year ended 31 Dec 2023 |
|---|---|---|
| | £m | £m |
| Interest income on financial investments | **34.0** | 21.2 |
| Interest income on cash deposits | **0.9** | 1.3 |
| Investment expenses | **(4.0)** | (4.7) |
| Dividend income on financial instruments | **6.5** | 11.1 |
| Net fair value gains / (losses) on derivative financial instruments | **5.0** | 10.2 |
| Net fair value (losses) / gains on financial instruments at FVTPL - mandatory | **(0.6)** | (6.3) |
| Net losses on financial instruments reclassified from equity to profit and loss | **0.3** | (0.4) |
| **Total investment return and expenses** | **42.1** | 32.4 |

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

## 6 . Other income

| | Year ended 31 Dec 2024 | Year ended 31 Dec 2023 |
|---|---|---|
| | £m | £m |
| Brokerage and commission income | **18.9** | 17.4 |
| Claims and related income | **9.5** | 7.7 |
| | **28.4** | 25.1 |

## 7 . Other operating expenses

| | Year ended 31 Dec 2024 | Year ended 31 Dec 2023 |
|---|---|---|
| | £m | £m |
| Other operating expenses | 57.4 | 44.4 |
| Non-trading costs | 33.9 | 56.6 |
| | **91.3** | 101.0 |

## 8 . Employee benefit expense

| | Year ended 31 Dec 2024 £m | Year ended 31 Dec 2023 £m |
|---|---|---|
| Wages and salaries | **75.2** | 74.2 |
| Social security costs | **8.3** | 7.8 |
| Pension costs (defined contribution schemes) | **4.0** | 4.3 |
| Equity settled share-based payment (credit)/expenses (Note 22) | **1.2** | (0.2) |
| **Total employee benefit expense** | **88.7** | 86.1 |

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

Employee expenses are included within insurance service expenses and other operating expenses.

| | Year ended 31 Dec 2024 | Year ended 31 Dec 2023 |
|---|---|---|
| Operations | **678** | 833 |
| Support | **437** | 528 |
| **Total average number of employees** | 1,115 | 1,361 |

### Directors' remuneration

| | Year ended 31 Dec 2024 £m | Year ended 31 Dec 2023 £m |
|---|---|---|
| Emoluments (including cash supplement in lieu of pension) | **6.3** | 3.5 |
| IFRS Share based payment (credit)/charge (see Note 22) | **0.6** | (0.1) |
| **Total Directors' remuneration** | 6.9 | 3.4 |

| | Year ended 31 Dec 2024 £m | Year ended 31 Dec 2023 £m |
|---|---|---|
| **Remuneration of the highest paid Director** | | |
| Emoluments (including cash supplement in lieu of pension) | **3.3** | 1.9 |
| IFRS Share based payment (credit)/charge (see Note 22) | **0.4** | (0.1) |
| **Total remuneration of the highest paid Director** | **3.7** | 1.8 |

Retirement benefits were accruing to no Directors (2023: no Directors) in respect of defined contribution pension schemes.

## 9 . Profit/(loss) after tax

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

| | Year ended 31 Dec 2024 £m | Year ended 31 Dec 2023 £m |
|---|---|---|
| Employee benefit expense (Note 8) | 88.7 | 86.1 |
| Depreciation and revaluation of property, plant and equipment (Note 14) | 2.9 | 3.3 |
| Amortisation of intangible assets (Note 13) | 5.5 | 9.7 |
| Operating lease payments | 2.8 | 1.0 |
| **Auditor's remuneration:** | | |
| *Fees for audit services* | | |
| Audit of these Financial Statements | **0.1** | 0.1 |
| Audit of Financial Statements of subsidiaries of the company | **1.4** | 1.6 |
| **Total audit fees** | **1.5** | 1.7 |
| *Fees for non-audit services* | | |
| Audit-related assurance services | **-** | 0.2 |
| Other assurance services | **0.1** | 0.1 |
| **Total non-audit fees** | **0.1** | 0.3 |
| **Total Group auditor remuneration** | **1.6** | 2.0 |

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

## 10 . Finance costs

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

| | Year ended 31 Dec 2024 £m | Year ended 31 Dec 2023 £m |
|---|---|---|
| Interest expense on ten-year subordinated Notes (see Note 15) | **14.5** | 12.4 |
| Interest expense on leasing liabilities | **0.7** | 0.7 |
| **Total finance costs** | **15.2** | 13.1 |

## 11 . Taxation

| | Year ended 31 Dec 2024 | Year ended 31 Dec 2023 |
|---|---|---|
| | £m | £m |
| Current tax charge on income for the reporting period | 8.1 | - |
| Tax adjustment relating to income for prior periods | 0.7 | 0.6 |
| **Total current tax charge** | **8.8** | 0.6 |
| Origination and reversal of temporary differences | 9.3 | (25.6) |
| Tax adjustment relating to deferred tax for prior periods | (1.0) | (3.5) |
| **Total deferred tax charge/(credit)** | **8.3** | (29.1) |
| **Taxation charge/(credit)** | 17.1 | (28.5) |

The tax rate used for the calculations is the Corporation Tax rate of 25.0% (2023: 23.5%) payable by the corporate entities in the UK on taxable profits under tax law in that jurisdiction.

The tax credit for the year can be reconciled to the loss before tax per the consolidated statement of comprehensive income as follows:

| | Year ended 31 Dec 2024 | Year ended 31 Dec 2023 |
|---|---|---|
| | £m | £m |
| Profit/(loss) before taxation | 74.8 | (88.6) |
| Taxation credit calculated at 25% (2023: 23.50%) | 18.7 | (20.8) |
| Effect of expenses that are not deductible | 0.3 | 0.7 |
| Adjustments in relation to the current tax of prior years | 0.7 | 0.6 |
| Adjustments in relation to the deferred tax of prior years | (1.0) | (3.5) |
| Change in tax rate | - | (1.5) |
| Non-taxable income | (1.5) | (4.0) |
| Current tax transferred through equity | (0.1) | (0.1) |
| **Taxation (credit)/expense** | **17.1** | **(28.5)** |

**Tax recognised directly in equity**

| | Year ended 31 Dec 2024 | Year ended 31 Dec 2023 |
|---|---|---|
| | £m | £m |
| Deferred tax credit recognised directly in equity | **0.6** | 3.6 |
| **Total tax recognised directly in equity** | **0.6** | 3.6 |

The deferred tax recognised directly in equity related to unrealised gains and losses on available for sale assets and the impact of the change in future tax rates on deferred tax assets held in relation to the implementation of IFRS 16.

The main UK corporation tax rate was 19% until April 2023, when it was increased to 25%. This resulted in an effective rate of 23.5% for 2023.

## 12 . Dividends

An interim dividend of £5.0m (1.055p per share) was declared during the year ended 31 December 2024 (2023: £nil). No final dividend has been declared for 2024 (2023: none).

## 13 . Intangible assets

| | Software £m |
|---|---|
| **Cost** | |
| As at 1 January 2023 | 78.2 |
| Additions in the year | 7.3 |
| **As at 31 December 2023** | 85.5 |
| Additions in the year | 2.0 |
| **As at 31 December 2024** | **87.5** |
| | |
| **Accumulated amortisation and impairment** | |
| As at 1 January 2023 | 56.3 |
| Amortisation for the year | 9.7 |
| Accelerated amortisation in the year | 4.8 |
| **As at 31 December 2023** | 70.8 |
| Amortisation for the year | 5.5 |
| **As at 31 December 2024** | **76.3** |
| | |
| **Net book value** | |
| As at 31 December 2023 | 14.7 |
| **As at 31 December 2024** | **11.2** |

Included in software as at 31 December 2024 is £1m relating to software assets that are not yet available for use in the manner intended by management (31 December 2023: £1.7m). 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 2025, after which the assets are expected to have a useful life of two to four years. See Note 23 for details of commitments at year end.

*Impairment testing on intangible assets*

The Group tests intangible assets with finite useful lives for impairment where there are indicators that their carrying value may be impaired. In 2024, the Group recognised a no charge relating to reduction in useful life of assets or impairment (2023: £4.5m).

IAS 36 *Impairment of Assets* requires that all intangible assets not yet in use are tested for impairment annually. This testing was performed for the assets not yet in use at year end and no impairments were identified.

*Research and development expenditure*

During the year the Group expensed £0.9m (2023: £8.5m) in research and development costs which were not capitalisable.

*Amortisation expense in the consolidated statement of comprehensive income*

The Group allocates amortisation expense across the business in line with an internal expense allocation model - this means that amortisation expense is included in both insurance service expenses and other operating expenses.

## 14 . Property, plant and equipment

| | Right of use assets - leasehold buildings £m | Land and buildings £m | Fixtures, fittings and equipment £m | Total £m |
|---|---|---|---|---|
| **Cost** | | | | |
| As at 1 January 2023 | 21.1 | 10.5 | 27.8 | 59.4 |
| Additions in the year | - | - | 0.3 | 0.3 |
| Revaluation of land and buildings | - | (0.6) | - | (0.6) |
| **As at 31 December 2023** | 21.1 | 9.9 | 28.1 | 59.1 |
| Recognition of dilapidation provisions | 0.9 | - | - | 0.9 |
| Additions in the year | 0.3 | - | 0.1 | 0.4 |
| Disposals in the year | - | - | (0.3) | (0.3) |
| Revaluation of land and buildings | - | (0.7) | - | (0.7) |
| **As at 31 December 2024** | **22.4** | **9.2** | **28.0** | **59.6** |
| **Accumulated depreciation** | | | | |
| As at 1 January 2023 | 7.7 | - | 25.6 | 33.3 |
| Depreciation for the year | 1.9 | 0.1 | 0.8 | 2.8 |
| Revaluation of land and buildings | - | (0.1) | - | (0.1) |
| **As at 31 December 2023** | 9.6 | - | 26.4 | 36.0 |
| Impairment of right-of-use asset | 4.2 | - | - | 4.2 |
| Depreciation for the year | 1.5 | 0.1 | 0.6 | 2.2 |
| Disposals in the year | - | - | (0.2) | (0.2) |
| **As at 31 December 2024** | 15.3 | **0.1** | **26.9** | **42.3** |
| **Carrying amount** | | | | |
| As at 31 December 2023 | 11.5 | 9.9 | 1.7 | 23.1 |
| **As at 31 December 2024** | **7.1** | **9.1** | **1.1** | **17.3** |

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 2024 and 31 December 2023. 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 2024 of £9.1m (31 December 2023: £9.9m).

**Lease disclosures**

During 2024 the Group decided to exit an office building for which there was a right-of-use asset of £4.2m. As a result of this decision, that right-of-use asset was impaired to £nil.

The Group has tested its right-of-use assets for impairment at 31 December 2024 and at 31 December 2023 and has concluded that there is no indication that the right-of-use assets are impaired.

During the year the Group reviewed its treatment of leases and as a result has recognised dilapidation provisions for the leased Glasgow and Manchester properties. The impact is shown above.

The following is a summary of the disclosures related to leases in these consolidated financial statements:

| | Year ended 31 Dec 2024 £m | Year ended 31 Dec 2023 £m |
|---|---|---|
| Depreciation expense (Note 14) | 1.5 | 1.9 |
| Interest charged (Note 10) | 0.7 | 0.7 |
| | **As at 31 Dec 2024 £m** | **As at 31 Dec 2023 £m** |
| Right of use assets (Note 14) | 7.1 | 11.5 |
| Lease liability (Note 19) | (14.4) | (16.7) |
| Dilapidations provision (Note 19) | (3.5) | - |

## 15 . Financial assets and liabilities

| Financial assets | As at 31 Dec 2024 £m | As at 31 Dec 2023 £m |
|---|---|---|
| **Financial investments measured at FVTPL (mandatory):** | | |
| *Debt instruments* | | |
| Debt securities and other fixed income securities | **66.7** | 63.9 |
| Deposits with credit institutions | **74.4** | 58.6 |
| *Other financial investments* | | |
| Derivative financial instruments | **1.9** | 3.1 |
| **Total financial investments measured at FVTPL (mandatory)** | **143.0** | 125.6 |
| **Financial investments measured at FVOCI** | | |
| Debt securities and other fixed income securities | **1,123.5** | 1,048.5 |
| Shares in unquoted equity investments (designated at FVOCI) | **0.5** | 0.5 |
| **Total financial investments measured at FVOCI** | **1,124.0** | 1,049.0 |
| **Debt instruments measured at amortised cost** | | |
| Deposits with credit institutions | **33.2** | 12.0 |
| **Total financial investments** | **1,300.2** | 1,186.6 |
| Other debtors measured at amortised cost (Note 17) | **11.8** | 11.0 |
| Cash and cash equivalents (Note 18) | **26.3** | 71.6 |
| **Total financial assets** | **1,338.3** | 1,269.2 |

Financial investments are held to support the Group's insurance activities and may be required to be realised in order to meet the obligations arising out of those activities at any time.

**Financial assets measured at Fair value through other comprehensive income**

The Group continues to measure some financial assets at fair value through other comprehensive income as part of its asset and liability matching for capital management.

**Derivative financial instruments, at fair value through profit or loss**

To eliminate as far as possible the effect of exchange rate fluctuations on the value of investments denominated in currencies other than Sterling, the Group has purchased forward currency contracts. The Group also uses government bond futures as a mechanism to adjust investment portfolio duration. The Group's exposure to Currency Risk is set out in Note 15(a).

| Financial liabilities | As at 31 Dec 2024 £m | As at 31 Dec 2023 £m |
|---|---|---|
| **Financial liabilities measured at FVTPL** | | |
| Derivative financial instruments | 3.4 | 1.6 |
| **Other financial liabilities:** | | |
| Borrowings (see below) | 96.9 | 121.1 |
| Due to related parties (Note 19) | 1.5 | 1.1 |
| **Total financial liabilities** | **101.8** | 123.8 |
| **Borrowings** | | |
| Ten-year Subordinated Notes (due 2024) | - | 25.0 |
| Ten-year Subordinated Notes (due 2033) | 96.9 | 96.1 |
| **Total borrowings** | **96.9** | 121.1 |

Derivative financial instruments are due within one year.

## 15 . Financial assets and liabilities (continued)

| | Year ended 31 Dec 2024 £m | Year ended 31 Dec 2023 £m |
|---|---|---|
| The movement in Group borrowings in the year is attributable to: | | |
| As at 1 January | 121.1 | 124.6 |
| Cash outflow - interest | (13.7) | (11.1) |
| Cash outflow - cost of issuing 2023 notes | - | (4.8) |
| Cash outflow - redemption of 2014 issuance | (25.0) | (100.0) |
| Cash inflow - issuance of 2023 notes | - | 100.0 |
| Non-cash movement: interest accrued | 14.5 | 12.4 |
| **As at 31 December** | **96.9** | **121.1** |

**Subordinated Notes - 2014 Issuance**

£125m ten-year Subordinated Notes were issued by esure Group plc on 19 December 2014 (2014 Notes) at the rate of 6.75% per annum, with payments made biannually. Directly attributable fees were £2.9m. During 2024 the Group redeemed the final £25m of the 2014 Notes.

**Subordinated Notes - 2023 Issuance**

£100m Subordinated Notes were issued by esure Group plc on 16 June 2023 (2023 Notes) at the rate of 12.00% per annum, with payments made biannually. Directly attributable fees were £4.8m. The market value of the £100m 2023 Subordinated Notes at 31 December 2024 was £111.4m.

The nominal £100m Subordinated Notes have a maturity date of 20 December 2033. The 2023 Notes are direct, unsecured and subordinated obligations of the Group, ranking pari passu and without preference amongst themselves, and will, in the event of the winding-up of the Group or in the event of an administrator of the Group being appointed and giving notice that it intends to declare and distribute a dividend, be subordinated to the claims of all Senior Creditors and policy holders of the Group.

## 15. Financial assets and liabilities (continued)

**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 in the financial position due to fluctuations in the level and volatility of market prices of assets and liabilities.

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

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

***Key elements***

- Interest Rate Risk
- Equity Risk
- Spread Risk
- Concentration Risk

***Mitigation***

- The investment strategy is set with consideration to the overall market risk, 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 the interest rate sensitivities of our assets and liabilities.
- The investment strategy does not materially expose the Group to currency risk or the risks arising from active trading of derivatives.
- The Group’s policy concerning market risk aligns and ensures compliance with Solvency II ‘Prudent Person Principle’ requirements.

The nature of the Group's exposure to market risk, and its objectives, policies and processes used to manage and measure the risks have not changed from the previous period.

## 15 . Financial assets and liabilities (continued)

***Sensitivities***

*Interest Rate Risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument or insurance contract or reinsurance contract will fluctuate because of changes in market interest rates.

The Group is exposed to interest rate risk through its debt instruments held and in respect of liabilities or assets for incurred claims where cash flows are not expected to be settled within a year from when claims are incurred. Interest rate risk is assessed by stressing both the assets and liabilities to determine the expected net impact of a scenario. Futures contracts are in place to hedge non-GBP interest rate exposure. The sensitivity of the income statement and statement of financial position to interest rate risk is disclosed in Note 3.

This analysis was performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before tax and equity. The correlation of variables will have a significant effect in determining the ultimate impact of interest rate risk, but to demonstrate the impact due to changes in variables, variables have been changed on an individual basis. It should be noted that movements in these variables are non-linear. The method used for deriving sensitivity information and significant variables has not changed from the previous period, however the effect on liabilities is now included.

There is no direct contractual relationship between financial investments and insurance or reinsurance contracts, however the Group manages its net interest rate risk by maintaining an appropriate portfolio of financial investments to support the insurance liabilities.

*Equity Risk*

The Group's equity risk exposure relates to financial assets and financial liabilities whose values fluctuate as a result of changes in market prices. The Group does not issue any participating contracts. Therefore there is no insurance or reinsurance contracts which are exposed to price risk.

The Group's Market and Liquidity Risk Policy requires it to manage such risks by setting and monitoring objectives and contraints on investments, diversification plans, limits on individual and total equity instruments.

*Currency Risk*

Currency risk is the risk that the fair value of future cash flows of a financial instrument, insurance contract assets and/or liabilities will fluctuate because of changes in foreign exchange rates.

The Group's principal transactions are carried out in Pound Sterling and its financial assets are primarily denominated in the same currency as its insurance contract liabilities. However, at the reporting date, the Group has direct exposure to both US Dollars and Euros through bonds issued in those currencies. After foreign exchange hedging, the net exposure is £(1.0)m (2023: £(0.4)m). There is no material impact from a strengthening/weakening of the Sterling rates with either of these foreign currencies (2023: no material impact on profit before tax of 10% strengthening/weakening).

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

## 15 . Financial assets and liabilities (continued)

**Financial risk management objectives (continued)**

The Group's Market and Liquidity Risk Policy sets out the assessment and determination of what constitutes credit risk for the Group. Compliance with the policy is monitored and exposures and breaches are reported to the Group's Risk Committee. The policy is regularly reviewed due to its importance and for changes in the risk environment.

Credit risk relating to financial instruments is monitored by the Group's investment team. It is their responsibility to review and manage credit risk, including environmental risk for all counterparties. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits. It is the Group's policy to invest in high quality financial instruments with a low risk of default. If there is a significant increase in credit risk, the policy dictates that the instrument should be sold and amounts recovered reinvested in high quality instruments.

Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year by the board of directors and are subject to regular reviews. At each reporting date, management performs an assessment of creditworthiness of reinsurers and may update future reinsurance purchasing strategy as relevant.
The credit risk in respect of customer balances incurred on non–payment of premiums will only persist during the grace period specified in the policy document. Commission paid to intermediaries is netted off against amounts receivable from them to reduce the risk of default.

The Group's investment team uses external rating grades from Moody's and Standard & Poors for financial instruments held.

Investments bearing credit risk, and cash and cash equivalents, are summarised below, together with an analysis by credit rating as at the reporting date:

| | As at 31 Dec 2024 £m | As at 31 Dec 2023 £m |
|---|---|---|
| Derivative financial instruments | **1.9** | 3.1 |
| Debt securities | **1,190.2** | 1,112.4 |
| Deposits with credit institutions | **107.6** | 70.6 |
| Cash at bank and in hand | **26.3** | 71.6 |
| **Total credit risk exposure** | **1,326.0** | **1,257.7** |
| | | |
| AAA | **169.5** | 185.6 |
| AA | **595.1** | 524.3 |
| A | **300.6** | 270.7 |
| BBB | **192.3** | 210.0 |
| Below BBB or not rated | **68.5** | 67.1 |
| **Total credit risk exposure** | **1,326.0** | **1,257.7** |

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

| | | |
|---|---|---|
| AAA | **169.5** | 185.6 |
| AA | **595.1** | 524.4 |
| A | **300.6** | 270.8 |
| BBB | **192.3** | 210.0 |
| Below BBB or not rated | **-** | - |
| **Financial assets which would meet SPPI criteria** | **1,257.5** | **1,190.8** |

The change in fair value during the period for these financial assets was a gain of £17.7m (2023: gain of £33.8m)

Shares and other variable yield securities and units in unit trusts do not bear credit risk. Cash at bank and in hand is "A" rated.

The sensitivity of the income statement and statement of financial position to credit risk are disclosed in Note 3.

## 15 . Financial assets and liabilities (continued)

**Financial risk management objectives (continued)**

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.

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

***Key elements***

- Liquidity Risk
- Solvency Risk

***Mitigation***

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

The following tables summarise the maturity profile of financial assets of the Group based on remaining undiscounted contractual cash flows, including interest receivable and of insurance contracts issued that are liabilities and portfolios of reinsurance contracts held that are liabilities of the Group based on the estimates of the present value of the future cash flows expected to be paid out in the periods presented. The difference between the Total and Carrying Value represents the difference between the undiscounted and discounted cash flows. All amounts, apart from the liabilities for incurred claims, included in the Less than 1 year column (current) are undiscounted therefore the difference between the Total and Carrying Value represents the remaining discounted cash flows of more than 12 months (non-current).

| | Less than 1 year £m | Between 1 and 5 years £m | More than 5 years £m | Total £m | Carrying value £m |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| **At 31 December 2024** | | | | | |
| Derivative financial instruments | **1.9** | **-** | **-** | **1.9** | **1.9** |
| Debt securities and other fixed income securities | **424.9** | **842.6** | **56.4** | **1,323.9** | **1,190.2** |
| Deposits with credit institutions | **107.6** | **-** | **-** | **107.6** | **107.6** |
| Accrued interest | **7.7** | **-** | **-** | **7.7** | **7.7** |
| Cash at bank and in hand | **26.2** | **-** | **-** | **26.2** | **26.2** |
| Other debtors | **11.8** | **-** | **-** | **11.8** | **11.8** |
| **Total** | **580.1** | **842.6** | **56.4** | **1,479.1** | **1,345.4** |
| **Financial and insurance liabilities** | | | | | |
| **At 31 December 2024** | | | | | |
| Ten-year Subordinated Notes (due 2033) | **12.0** | **48.0** | **148.0** | **208.0** | **96.9** |
| Derivative financial instruments | **3.4** | **-** | **-** | **3.4** | **3.4** |
| Social security and other taxes | **0.3** | **-** | **-** | **0.3** | **0.3** |
| Lease liabilities and dilapidation provisions | **3.2** | **13.6** | **3.3** | **20.1** | **14.4** |
| **Financial liabilities** | **18.9** | **61.6** | **151.3** | **231.8** | **115.0** |
| Liability for incurred claims | **380.6** | **637.0** | **247.7** | **1,265.3** | **1,265.2** |
| **Financial and insurance liabilities** | **399.5** | **698.6** | **399.0** | **1,497.1** | **1,380.2** |

## 15 . Financial assets and liabilities (continued)

**Financial risk management objectives (continued)**

**(c) Solvency and Liquidity risk (continued)**

| | Less than 1 year £m | Between 1 and 5 years £m | More than 5 years £m | Total £m | Carrying value £m |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| **At 31 December 2023** | | | | | |
| Derivative financial instruments | 3.1 | - | - | 3.1 | 1.9 |
| Debt securities and other fixed income securities | 297.6 | 849.1 | 99.1 | 1,245.8 | 1,190.2 |
| Deposits with credit institutions | 70.6 | - | - | 70.6 | 74.4 |
| Accrued interest | 6.2 | - | - | 6.2 | 6.2 |
| Cash at bank and in hand | 71.6 | - | - | 71.6 | 71.6 |
| Other debtors | 11.0 | - | - | 11.0 | 11.0 |
| **Total** | **460.1** | **849.1** | **99.1** | **1,408.3** | **1,355.3** |
| **Financial and insurance liabilities** | | | | | |
| **At 31 December 2023** | | | | | |
| Ten-year Subordinated Notes (due 2024) | 26.7 | - | - | 26.7 | 25.0 |
| Ten-year Subordinated Notes (due 2033) | 12.0 | 48.0 | 160.0 | 220.0 | 96.1 |
| Derivative financial instruments | 1.6 | - | - | 1.6 | 1.6 |
| Social security and other taxes (restated) | 0.5 | - | - | 0.5 | 0.5 |
| Lease liabilities | 3.1 | 12.4 | 3.3 | 21.9 | 16.7 |
| **Financial liabilities** | **43.9** | **60.4** | **163.3** | **270.7** | **139.9** |
| Liability for incurred claims | 433.3 | 612.3 | 251.6 | 1,297.2 | 1,297.2 |
| **Financial and insurance liabilities** | **477.2** | **672.7** | **414.9** | **1,567.9** | **1,437.1** |

## 15 . Financial assets and liabilities (continued)

**Financial risk management objectives (continued)**

**(d) Capital management and regulation**

The Group maintains a capital structure consistent with the Group's risk profile and the regulatory requirements of its business. The Group's objectives in managing its capital are:

- to match the profile of its assets and liabilities, taking account of the risk inherent in the business;
- to satisfy the requirements of its policyholders and regulators;
- to maintain financial and capital strength to support growth; and
- to retain financial flexibility by maintaining strong liquidity and access to a range of capital markets.

The Board has considered the Risk Appetite of the Group as part of the ORSA process under SII and aims to maintain solvency coverage within a normal operating range of 140-160%.

The esure Board has considered the risk appetite of the Group as part of the Own Risk and Solvency Assessment process under Solvency II. The capital surplus above the Solvency Capital Requirements (SCR) provides sufficient headroom to absorb adverse capital events and should enable the Group to continue to meet its regulatory capital requirements.

The Board will consider dividends to its shareholder if the Group has excess capital and distributable reserves. The Board will consider a number of factors when determining the level of dividend, which includes but is not limited to the level of available distributable reserves; opportunities for growth; potential strategic opportunities; and the outlook for solvency capital, including capital generation and headroom required to absorb adverse capital events.

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

The below analysis shows the Group’s sensitivity to certain events. Were these events to occur, the Group has sufficient contingent management actions to maintain solvency in line with regulatory requirements.

| **Description** | **Unaudited impact on solvency coverage** |
|---|---:|
| Interest rates -100 bps | 2% |
| Interest rates +100 bps | -2% |
| Credit spreads of corporate bonds -50bps | 2% |
| Credit spreads of corporate bonds +50bps | -2% |
| Real estate values - 25% | -3% |
| Real estate values + 25% | 3% |
| Motor loss ratio 5ppts worse | -18% |
| 1987 Hurricane | -6% |
| Ogden discount rate of -1% | -2% |

The Group has made no significant changes from previous years to its policies and processes for its capital management.

## 15 . Financial assets and liabilities (continued)

**Financial risk management objectives (continued)**
**(e) Fair value estimation**
In accordance with IFRS 13 *Fair Value Measurement* financial instruments reported at fair value and revalued properties have been categorised into a fair value measurement hierarchy as follows:

***Quoted prices (unadjusted) in active markets for identical assets or liabilities - (Level 1)***
Inputs to Level 1 fair values are quoted prices (unadjusted) in active markets for identical assets. An active market is a market in which transactions for the asset occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

***Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) - (Level 2).***
Fair value measurements that are derived from inputs other than quoted prices included in Level 1, if all significant inputs required to fair value an instrument are observable, would result in the instrument being included in Level 2. The majority of assets classified as Level 2 are over-the-counter corporate bonds and sovreign or supranational debt, where trades are less frequent owing to the nature of the assets. Inputs used in pricing the Group's Level 2 assets include:
- quoted prices for similar (i.e. not identical) assets in active markets;
- quoted prices for identical or similar assets in markets that are not active, the prices are not current, or price quotations vary among market makers, or in which little information is released publicly;
- inputs that are derived principally from, or corroborated by, observable market data by correlation; and
- for forward exchange contracts, the use of observable forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.

The Group's policy, should there be a change to the valuation techniques or level of activity in the market in which that asset is traded, is to transfer the asset between levels effective from the beginning of the reporting period. The Group classifies all debt securities as Level 2 assets with the exception of those which are Level 3 assets as defined below.

***Inputs for the asset or liability that are not based on observable market data (unobservable inputs) - (Level 3)***
Unobservable inputs have been used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset at the measurement date (or market information for the inputs to any valuation models). As such, unobservable inputs reflect assumptions about the inputs that market participants would use in pricing the asset.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. The Group held Level 3 financial assets measured at fair value through other comprehensive income of £0.5m as at 31 December 2024 (2023: £0.5m) and Level 3 financial assets measured at fair value through the profit and loss of £66.7 at 31 December 2024 (2023: £63.9m)

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

Private fund investments, consisting of Direct Lending, are valued based on valuation reports received from fund managers which are adjusted for liquidity and internal views of fair value where considered appropriate. These funds have been classified as Level 3 because these valuation reports are deemed to be based on unobservable inputs.

Valuation policies and procedures are approved by the Financial Risk Committee and the Financial Reporting and Control Group, both chaired by the Chief Financial Officer.

The Group monitors movements in fair value and this analysis is regularly reviewed by the Financial Risk Committee.

Under IFRS 13, land and buildings with a carrying value of £9.1m (2023: £9.9m) are classified as Level 3 assets. Owner-occupied properties are stated at their revalued amounts, as assessed by qualified external valuers annually, all with recent relevant experience. These values are assessed in accordance with the relevant parts of the current RICS Valuation Standards in the UK ('Red Book'). The valuer's opinion of fair value was primarily derived using comparable recent market transactions on arm's length terms. No sensitivity analysis has been performed due to the nature of the valuation.

There were no transfers between Levels in 2024 (2023: no transfers between Level 3 and Level 2).

## 15 . Financial assets and liabilities (continued)

**Financial risk management objectives (continued)**

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

| At 31 December 2024 | Level 1 £m | Level 2 £m | Level 3 £m | Total fair value £m |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Derivative financial instruments | - | 1.9 | - | 1.9 |
| Equity securities | - | - | - | - |
| Debt securities | - | - | 66.7 | 66.7 |
| Deposits with credit institutions | 107.6 | - | - | 107.6 |
| **Total financial assets at fair value through profit or loss** | **107.6** | **1.9** | **66.7** | **176.2** |
| Debt securities | - | 1,123.5 | - | 1,123.5 |
| Unquoted equity securities | - | - | 0.5 | 0.5 |
| **Total financial assets at fair value through OCI** | **-** | **1,123.5** | **0.5** | **1,124.0** |
| **Land and buildings** | - | - | **9.2** | **9.2** |
| **Financial liabilities** | | | | |
| Derivative financial instruments | - | 3.4 | - | 3.4 |
| **Total financial liabilities reported at fair value** | - | **3.4** | - | **3.4** |

| At 31 December 2023 | Level 1 £m | Level 2 £m | Level 3 £m | Total fair value £m |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Derivative financial instruments | - | 3.1 | - | 3.1 |
| Equity securities | - | - | - | - |
| Debt securities | - | - | 63.9 | 63.9 |
| Deposits with credit institutions | 70.6 | - | - | 70.6 |
| **Total financial assets at fair value through profit or loss** | **70.6** | **3.1** | **63.9** | **137.7** |
| Debt securities | - | 1,048.5 | - | 1,048.5 |
| Unquoted equity securities | - | - | 0.5 | 0.5 |
| **Total financial assets at fair value through OCI** | - | **1,048.5** | **0.5** | **1,049.0** |
| **Land and buildings** | - | - | **9.9** | **9.9** |
| **Financial liabilities** | | | | |
| Derivative financial instruments | - | 1.6 | - | 1.6 |
| **Total financial liabilities reported at fair value** | - | **1.6** | - | **1.6** |

## 15 . Financial assets and liabilities (continued)

**(f) Level 3 assets**

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

| | Fair Value through OCI (including land and buildings) £m | Fair Value through Profit and Loss investments £m |
|---|---|---|
| Balance at 1 January 2023 | 11.2 | 71.7 |
| Purchases | - | 0.5 |
| Sales | - | (5.8) |
| Total net gains recognised in the income statement | (0.6) | (2.4) |
| Total net losses recognised in the statement of comprehensive income | (0.2) | - |
| **Balance at 1 January 2024** | **10.4** | **64.0** |
| **Purchases** | **-** | **3.7** |
| **Sales** | **-** | **(2.7)** |
| **Total net (losses)/gains recognised in the income statement** | **(0.7)** | **1.8** |
| **Balance at 31 December 2024** | **9.7** | **66.8** |

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 2024 in respect of Level 3 assets measured at fair value was a gain of £0.8m (31 December 2023: gain of £1.1m). In addition, there were £1.0m of foreign exchange related gains in respect of Level 3 assets measured at fair value during the period (31 December 2023: losses of £3.3m). These foreign exchange related gains saw a corresponding offsetting movement within the Group's foreign exchange forward positions. Please refer to Note 2 for further details on the Group's approach to the accounting for financial assets.

## 16 . Insurance liabilities and reinsurance assets

**Insurance risk**

Insurance risk arises from the inherent uncertainties as to the occurrence, amount and timing of insured events. The Group issues motor and home insurance contracts and these would include exposure to significant weather related events and personal injury claims. The Board is responsible for setting the overall underwriting strategy and defining the Risk Appetite, with Underwriting Risk a standing agenda item for the Risk Committee. The Group uses excess of loss reinsurance contracts to mitigate insurance risk, essentially by reducing exposure to large individual claims or aggregated losses from single events.

Since 2019 the Group has entered into quota share agreements, ceding 40% in each of 2024 and 2023. In 2024, the 2021 quota share arrangement was commuted with no impact on the income statement (2023: 2019 arrangement, part of the 2021 arrangement, no impact).

**Underwriting Risk**

Underwriting Risk represents the uncertainty in the profitability of the business written due to variability in premium rates as well as the value and timing of claims -this can impact historic (reserve risk) as well as future exposures (pricing and catastrophe).

Underwriting Risk is expected to increase due to planned growth. We operate in a highly competitive pricing environment and continue to face heightened underwriting risks due to the inflationary impacts from the wider economy; the uncertainty on longer term impacts from the Financial Conduct Authority General Insurance Pricing Practices (FCA GIPP) (2021); the Civil Liability Act (2020); changes to tariff and Judicial College Guideline awards for bodily injury (January 2025); and potential shifts in customer behaviour as they adapt to the heightened cost of living.

***Mitigation***

- Our reinsurance programme protects the business from individual large losses, catastrophe events, adverse reserve development and adverse loss ratio movement.
- Claims management processes are designed to contain claims leakage and feedback claims trends whilst providing strong customer service.
- A risk adjustment is held above the Actuarial Best Estimate under IFRS17. In addition, independent external actuaries assess the adequacy of the Group’s reserving assumptions.

**Claims Management Risk**

The Group employs a variety of strategies to ensure that claims are paid in a timely manner. Reserve provisions are made on a case by case basis for reported claims to ensure they reflect the Group's future liabilities.

***Mitigation***

- The Group has claims centres with over 600 specialists; our expertly trained staff benefit from modern technology to enhance efficiency and effectiveness;
- The Group has its own network of motor repairers, these dedicated teams offering an extensive range of services directly to 'not at fault' third parties to efficiently control credit hire cost and legal fees.
- Comprehensive anti-fraud strategies are in place to check both fraudulent claims and new business applications.

## 16 . Insurance liabilities and reinsurance assets (continued)

**Insurance risk (continued)**

***Reinsurance***

The Group purchases reinsurance as a risk transfer mechanism to mitigate risks that are outside the Group's appetite for individual claim or event exposure and to reduce the volatility caused by large individual and accumulation losses. By doing so the Group protects its capital and the underwriting result of each line of business.

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

During 2019 the Company entered into a loss portfolio transfer contract, protecting the Group from prior period deterioration on the covered claims. Since 2019 the Group has also entered into quota share agreements.

The Group's reinsurance programmes are reviewed on an annual basis and capital modelling is used to identify the most appropriate structure and risk retention profile, taking into account the Group's business objective of managing volatility and the prevailing cost and availability of reinsurance in the market.

Amounts recoverable from reinsurers are estimated in a manner consistent with the underlying insurance contract liabilities and in accordance with the reinsurance contracts. Although the Group has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance held, to the extent that any reinsurer is unable to meet its obligations.

***Reserving Risk***

Reserving Risk is defined as the uncertainty regarding either the current level of reserves or the payment timing over their lifetime. The Group analyses and projects historical claims development data and uses a number of actuarial techniques to both estimate and forecast claims provisions. In addition, the Group also provides data to external actuaries who independently assess the adequacy of the Group's claims provisions.

Apart from historical analyses, the Group also takes into account changes in risk profile and underwriting policy conditions, changes in legislation or regulation and changes in other external factors.

The ultimate costs and expenses of the claims for which these reserves are held are subject to a number of material uncertainties. As time passes between the reporting of a claim and the final settlement of the claim, circumstances can change that may require established reserves to be adjusted either upwards or downwards. Factors such as changes in the legal environment, results of litigation, frequency and severity of personal injury claims, changes in medical and care costs, and costs of vehicle and home repairs can all substantially impact overall costs and expenses of claims, and cause a material divergence from the bases and assumptions on which the reserves were calculated.

Claims subject to periodic payment orders ('PPO's) are an area of uncertainty relating to the claims provision. For known PPOs and claims which have been identified as potential PPO awards, cash flow projections are carried out in order to estimate an ultimate cost on a gross and net of reinsurance basis. The cash flow projections are discounted to a present value. The total net claims provision recognised for PPOs and potential PPOs in the consolidated statement of financial position represents less than 5% of the value of net claims outstanding. In the context of the Group's approach to the mitigation and management of underwriting risk, its reinsurance programme (including its approach to mitigating counterparty credit risk) and the Group's cautious approach to reserving for potential PPOs, the risk of an adverse development of the Group's net reserves for PPO claims is not considered to be significant.

The loss portfolio transfer contract put in place by the Group in 2019 has reduced the reserving risk for claims incurred prior to 1 July 2019.

Actuarial methods are inherently judgemental and use historical experience to develop an expectation. The impacts from the Financial Conduct Authority General Insurance Pricing Practices (FCA GIPP) (2021); the Civil Liability Act (2020); changes to tariff and Judicial College Guideline awards for bodily injury (January 2025); and potential shifts in customer behaviour as they adapt to the heightened cost of living all continue to drive uncertainty.

The following table shows the concentration of net insurance contract liabilities by type of contract:

| | 2024 | | | 2023 | | |
|---|---|---|---|---|---|---|
| | Insurance | Reinsurance held | Net | Insurance | Reinsurance held | Net |
| | £m | £m | £m | £m | £m | £m |
| Total insurance contracts | 1,478.3 | 520.6 | 957.7 | 1,514.4 | 560.1 | 954.3 |

## 16 . Insurance liabilities and reinsurance assets (continued)

**Insurance risk (continued)**

*Claims development*

The development of insurance liabilities provides a measure of the Group's ability to estimate the ultimate value of claims.

Tables (a) and (b) illustrate how the Group's estimate of total claims incurred for each accident year has developed over the past ten years, including a reconciliation to the liability for incurred claims reported in below.

(a) insurance claims - gross ultimate claims

| Accident year | 2015 £m | 2016 £m | 2017 £m | 2018 £m | 2019 £m | 2020 £m | 2021 £m | 2022 £m | 2023 £m | 2024 £m | Total £m |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Estimate of ultimate gross claims costs: | | | | | | | | | | | |
| - At end of reporting year | 459.4 | 528.6 | 592.4 | 758.1 | 693.2 | 610.3 | 719.9 | 750.8 | 790.9 | 746.2 | |
| - One year later | 448.2 | 525.7 | 603.0 | 753.7 | 683.2 | 606.8 | 659.1 | 747.7 | 756.5 | | |
| - Two years later | 438.2 | 513.7 | 596.8 | 762.2 | 680.4 | 593.4 | 621.1 | 740.2 | | | |
| - Three years later | 444.3 | 510.5 | 581.9 | 758.2 | 654.0 | 566.9 | 597.9 | | | | |
| - Four years later | 421.8 | 535.7 | 581.5 | 740.4 | 641.8 | 551.9 | | | | | |
| - Five years later | 421.2 | 528.1 | 557.7 | 736.2 | 629.2 | | | | | | |
| - Six years later | 418.9 | 508.9 | 561.6 | 719.4 | | | | | | | |
| - Seven years later | 423.6 | 505.3 | 561.1 | | | | | | | | |
| - Eight years later | 421.0 | 489.7 | | | | | | | | | |
| - Nine years later | 420.6 | | | | | | | | | | |
| Current estimate of cumulative claims | 420.6 | 489.7 | 561.1 | 719.4 | 629.2 | 551.9 | 597.9 | 740.2 | 756.5 | 746.2 | 6,212.7 |
| Cumulative payments to date | (413.8) | (476.5) | (533.7) | (667.6) | (592.2) | (448.0) | (463.9) | (497.7) | (462.4) | (325.1) | (4,880.8) |
| **Gross undiscounted liabilities for incurred claims** | | | | | | | | | | | 1,331.9 |
| Reserve in respect of prior periods | | | | | | | | | | | 127.5 |
| Provision for customer redress | | | | | | | | | | | 5.0 |
| Effect of discounting | | | | | | | | | | | (240.8) |
| Claims handling expense reserve | | | | | | | | | | | 10.3 |
| Related expense accruals | | | | | | | | | | | 31.2 |
| **Total gross liabilities for incurred claims** | | | | | | | | | | | **1,265.1** |

## 16 . Insurance liabilities and reinsurance assets (continued)

**Insurance risk (continued)**

*Claims development*

The development of insurance liabilities provides a measure of the Group's ability to estimate the ultimate value of claims.

Tables (a) and (b) illustrate how the Group's estimate of total claims incurred for each accident year has developed over the past ten years, including a reconciliation to the liability for incurred claims reported in below.

(b) insurance claims - net ultimate claims

| **Accident year** | **2015 £m** | **2016 £m** | **2017 £m** | **2018 £m** | **2019 £m** | **2020 £m** | **2021 £m** | **2022 £m** | **2023 £m** | **2024 £m** | **Total £m** |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Estimate of ultimate gross claims costs: | | | | | | | | | | | |
| - At end of reporting year | 421.2 | 451.1 | 501.8 | 656.1 | 626.8 | 528.3 | 598.7 | 616.0 | 651.8 | 650.1 | |
| - One year later | 394.5 | 439.9 | 515.3 | 642.8 | 625.1 | 494.2 | 555.7 | 616.3 | 637.6 | | |
| - Two years later | 390.8 | 446.6 | 515.6 | 647.2 | 617.1 | 481.0 | 546.7 | 610.2 | | | |
| - Three years later | 403.4 | 445.9 | 516.9 | 641.8 | 614.3 | 474.1 | 533.5 | | | | |
| - Four years later | 403.1 | 446.7 | 513.8 | 638.8 | 611.3 | 466.1 | | | | | |
| - Five years later | 402.7 | 444.8 | 512.9 | 637.6 | 608.4 | | | | | | |
| - Six years later | 402.0 | 444.5 | 512.8 | 636.1 | | | | | | | |
| - Seven years later | 402.3 | 444.6 | 512.5 | | | | | | | | |
| - Eight years later | 402.3 | 444.3 | | | | | | | | | |
| - Nine years later | 402.1 | | | | | | | | | | |
| Current estimate of cumulative claims | 402.1 | 444.3 | 512.5 | 636.1 | 608.4 | 466.1 | 533.5 | 610.2 | 637.6 | 650.1 | 5,500.8 |
| Cumulative payments to date | (398.0) | (443.1) | (516.7) | (626.3) | (580.6) | (427.4) | (460.3) | (487.4) | (462.4) | (325.1) | (4,727.3) |
| **Net undiscounted liabilities for incurred claims** | | | | | | | | | | | 773.5 |
| Reserve in respect of prior periods | | | | | | | | | | | 9.0 |
| Provision for customer redress | | | | | | | | | | | 5.0 |
| Effect of discounting | | | | | | | | | | | (48.4) |
| Claims handling expense reserve | | | | | | | | | | | 10.3 |
| Related expense accruals | | | | | | | | | | | 31.2 |
| Reinsurance bad debt provision | | | | | | | | | | | 4.3 |
| Reinsurance debtors | | | | | | | | | | | (0.7) |
| **Total net liabilities for incurred claims** | | | | | | | | | | | **784.2** |

## 16 . Insurance liabilities and reinsurance assets (continued)

| | 2024 | | | 2023 | | |
|---|---|---|---|---|---|---|
| | Assets £m | Liabilities £m | Net £m | Assets £m | Liabilities £m | Net £m |
| **Insurance contracts issued** | **(30.3)** | **1,508.6** | **1,478.3** | **(20.4)** | **1,534.8** | **1,514.4** |
| **Reinsurance contracts held** | **520.6** | **3.2** | **517.4** | **560.1** | **-** | **560.1** |

The roll-forward of the net asset or liability for insurance contracts issued and reinsurance contracts held, showing the liability for remaining coverage and the liability for incurred claims are disclosed in the tables below.

One reconciliation for insurance contracts issued and one reconcilation for reinsurance contracts held has been prepared. Management believes that this provides users of the accounts with the most useful balance of information.

Included within the reconciliations of the liability for remaining coverage and the liability for incurred claims for insurance contracts issued are the assets for insurance acquisition cash flows. The following table shows the reconciliation from opening to closing balance of the assets for insurance acquisition cash flows for motor and home insurance contracts.

| | 31 Dec 2024 £m | 31 Dec 2023 £m |
|---|---|---|
| Balance as at 1 January | 44.9 | 45.1 |
| Amounts incurred during the year | 69.4 | 55.0 |
| Amounts derecognised and included in measurement of insurance contracts | (53.3) | (55.2) |
| Balance as at 31 December | 60.9 | 44.9 |

The following table sets out when the Group expects to derecognise assets for insurance acquisition cash flows after the reporting date.

| | 31 Dec 2024 £m | 31 Dec 2023 £m |
|---|---|---|
| Less than one year | 45.0 | 34.7 |
| More than one year | 15.9 | 10.2 |
| | 60.9 | 44.9 |

## 16 . Insurance liabilities and reinsurance assets (continued)

**Reconciliation of the liability for remaining coverage and the liability for incurred claims**

(a) Insurance contracts issued

| | 2024 | | | | | |
|---|---|---|---|---|---|---|
| | **Assets for acquisition cash flows** | **Liabilities for remaining coverage** | | **Liabilities for incurred claims** | | **Total** |
| **£m** | | **Excluding loss component** | **Loss component** | **Estimates of the present value of future cash flows** | **Risk adjustment** | |
| Insurance contract liabilities as at 01/01 (restated - see Note 27) | - | 232.8 | - | 1,173.6 | 128.4 | 1,534.8 |
| Insurance contract assets at 01/01 | (20.4) | - | - | - | - | (20.4) |
| **Net insurance contract liabilities as at 01/01 (restated - see Note 27)** | **(20.4)** | **232.8** | **-** | **1,173.6** | **128.4** | **1,514.4** |
| Insurance revenue | - | (1,016.9) | - | - | - | (1,016.9) |
| Insurance services expenses | | | | | | |
| *Incurred claims and other expenses* | - | *7.7* | - | *758.0* | *44.3* | *810.0* |
| *Amortisation of insurance acquisition expenses* | - | *53.3* | - | - | - | *53.3* |
| *Losses on onerous contracts* | - | - | - | - | - | - |
| *Changes to liability for incurred claims* | - | - | - | *(77.5)* | *(31.3)* | *(108.7)* |
| Total insurance service expenses | - | 61.0 | - | 680.5 | 13.0 | 754.6 |
| Investment components | - | - | - | - | - | - |
| Insurance service result | - | (955.8) | - | 680.5 | 13.0 | (262.3) |
| Insurance finance expenses | - | - | - | 28.2 | 2.4 | 30.6 |
| **Total changes in the statement of comprehensive income** | - | **(955.8)** | **-** | **708.7** | **15.4** | **(231.7)** |
| Allocation of IACF to related groups of contracts | **59.5** | **(59.5)** | - | - | - | - |
| Cash flows | | | | | | |
| *Premiums received* | - | *1,025.9* | - | - | - | *1,025.9* |
| *Claims and other expenses paid* | - | - | - | *(760.9)* | - | *(760.9)* |
| *Insurance acquisition cash flows* | *(69.4)* | - | - | - | - | *(69.4)* |
| **Total cash flows** | **(69.4)** | **1,025.9** | **-** | **(760.9)** | **-** | **195.6** |
| **Net insurance contract liabilities as at 31/12** | **(30.3)** | **243.4** | **-** | **1,121.4** | **143.8** | **1,478.3** |
| Insurance contract liabilities as at 31/12 | - | 243.4 | - | 1,121.4 | 143.8 | 1,508.6 |
| Insurance contract assets as at 31/12 | (30.3) | - | - | - | - | (30.3) |
| **Net insurance contract liabilities as at 31/12** | **(30.3)** | **243.4** | **-** | **1,121.4** | **143.8** | **1,478.3** |

The table above includes results for Motor and Home. The asset for insurance acquisition cash flows is £25.2m for Motor and £5.1m for Home. The liability for remaining coverage is £199.4m for Motor and £44.1m for Home. The liability for incurred claims is £1,213.9m for Motor and £51.3m for Home.

The table above shows the total insurance finance expense for the Group with £35.9m credited to the income statement and £5.2m charged to other comprehensive income. This represents the unwinding of the discounting of insurance contract liabilities, with a disaggregation between the income statement and other comprehensive income due to the Group recognising related fair value movements on the underlying financial assets backing these insurance liabilities in other comprehensive income.

## 16 . Insurance liabilities and reinsurance assets (continued)

**Reconciliation of the liability for remaining coverage and the liability for incurred claims**

(a) Insurance contracts issued

| | 2023 | | | | | |
|---|---|---|---|---|---|---|
| | **Assets for acquisition cash flows** | **Liabilities for remaining coverage** | | **Liabilities for incurred claims** | | **Total** |
| **£m** | | **Excluding component** | **Loss component** | **Estimates of the present value of future cash flows** | **Risk adjustment** | |
| Insurance contract liabilities as at 01/01 (restated - see Note 27) | - | 206.2 | - | 1,045.2 | 122.5 | 1,373.9 |
| Insurance contract assets at 01/01 | (17.2) | - | - | - | - | (17.2) |
| **Net insurance contract liabilities as at 01/01 (restated - see Note 27)** | **(17.2)** | **206.2** | **-** | **1,045.2** | **122.5** | **1,356.7** |
| Insurance revenue | - | (870.1) | - | - | - | (870.1) |
| Insurance service expenses | | | | | | |
| *Incurred claims and other expenses* | - | *18.0* | - | *753.3* | *47.6* | *818.9* |
| *Amortisation of insurance acquisition expenses* | - | *55.2* | - | - | - | *55.2* |
| *Losses on onerous contracts* | - | - | - | - | - | - |
| *Changes to liability for incurred claims* | - | - | - | *(7.1)* | *(41.9)* | *(49.0)* |
| Total insurance service expenses | - | 73.3 | - | 746.2 | 5.7 | 825.1 |
| Investment components | - | - | - | - | - | - |
| Insurance service result | - | (796.9) | - | 746.2 | 5.7 | (45.0) |
| Insurance finance expenses | - | - | - | 64.9 | 0.2 | 65.1 |
| **Total changes in the statement of comprehensive income** | **-** | **(796.9)** | **-** | **811.1** | **5.9** | **20.1** |
| Allocation of IACF to related groups of contracts | **51.8** | **(51.8)** | **-** | **-** | **-** | **-** |
| Cash flows | | | | | | |
| *Premiums received (restated)* | - | *870.8* | - | - | - | *870.8* |
| *Claims and other expenses paid* | - | *4.6* | - | *(682.7)* | - | *(678.1)* |
| *Insurance acquisition cash flows* | *(55.0)* | - | - | - | - | *(55.0)* |
| **Total cash flows** | **(55.0)** | **875.3** | **-** | **(682.7)** | **-** | **137.7** |
| **Net insurance contract (assets)/liabilities as at 31/12 (restated - see Note 27)** | **(20.4)** | **232.8** | **-** | **1,173.6** | **128.4** | **1,514.5** |
| Insurance contract liabilities as at 31/12 | - | 232.8 | - | 1,173.6 | 128.4 | 1,534.8 |
| Insurance contract assets as at 31/12 | (20.4) | - | - | - | - | (20.4) |
| **Net insurance contract liabilities as at 31/12(restated - see Note 27)** | **(20.4)** | **232.8** | **-** | **1,173.6** | **128.4** | **1,514.4** |

The table above includes results for Motor and Home. The asset for insurance acquisition cash flows is £17.5m for Motor and £2.9m for Home. The liability for remaining coverage is £199.8m for Motor and £33.1m for Home. The liability for incurred claims is £1,230.9m for Motor and £71.3m for Home.

The table above shows the total insurance finance expense for the Group with £24.9m charged to the income statement and £40.2m charged to other comprehensive income. This represents the unwinding of the discounting of insurance contract liabilities, with a disaggregation between the income statement and other comprehensive income due to the Group recognising related fair value movements on the underlying financial assets backing these insurance liabilities in other comprehensive income.

## 16 . Insurance liabilities and reinsurance assets (continued)

**Reconciliation of the liability for remaining coverage and the liability for incurred claims**

(b) Reinsurance contracts held

| £m | 2024 Liabilities for remaining coverage: Excluding loss component | Liabilities for remaining coverage: Loss component | Liabilities for incurred claims: Estimates of the present value of future cash flows | Liabilities for incurred claims: Risk adjustment | Total |
|---|---|---|---|---|---|
| Reinsurance contract assets as at 01/01 | 25.8 | - | 458.1 | 76.2 | 560.1 |
| Reinsurance contract liabilities at 01/01 | - | - | - | - | - |
| **Net reinsurance contract assets as at 01/01** | **25.8** | **-** | **458.1** | **76.2** | **560.1** |
| Allocation of reinsurance premiums paid | (128.0) | - | - | - | (128.0) |
| Amounts recovered from reinsurance | | | | | |
| *Amounts recoverable for incurred claims and other expenses* | - | - | *52.7* | *12.1* | *64.8* |
| *Loss-recovery on onerous underlying contracts and adjustments* | - | - | - | - | - |
| *Changes to amounts recoverable for incurred claims* | - | - | *(69.8)* | *3.5* | *(66.3)* |
| Total amounts recovered from reinsurance | - | - | (17.1) | 15.6 | (1.5) |
| Investment components | - | - | - | - | - |
| Net expense from reinsurance contracts held | (128.0) | - | (17.1) | 15.6 | (129.5) |
| Reinsurance finance expenses | - | - | 4.7 | (1.7) | 2.9 |
| **Total changes in the statement of comprehensive income** | **(128.0)** | **-** | **(12.4)** | **13.8** | **(126.6)** |
| Cash flows | | | | | |
| *Premiums paid* | *138.6* | - | - | - | *138.6* |
| *Amounts received* | - | - | *(54.7)* | - | *(54.7)* |
| **Total cash flows** | **138.6** | **-** | **(54.7)** | **-** | **83.8** |
| **Net reinsurance contract assets as at 31/12** | **36.4** | **-** | **390.9** | **90.1** | **517.4** |
| Reinsurance contract assets as at 31/12 | 39.6 | - | 390.9 | 90.1 | 520.6 |
| Reinsurance contract liabilities as at 31/12 | (3.2) | - | - | - | (3.2) |
| **Net reinsurance contract assets as at 31/12** | **36.4** | **-** | **390.9** | **90.1** | **517.4** |

The table above shows the total reinsurance finance income for the Group with £14.0m charged to the income statement and -£11.1m credited to other comprehensive income. This represents the unwinding of the discounting of reinsurance contract assets, with a disaggregation between the income statement and other comprehensive income due to the Group recognising related fair value movements on related financial assets backing its insurance liabilities in other comprehensive income.

## 16 . Insurance liabilities and reinsurance assets (continued)

**Reconciliation of the liability for remaining coverage and the liability for incurred claims**

(b) Reinsurance contracts held

| | 2023 | | | | |
|---|---|---|---|---|---|
| | **Liabilities for remaining coverage** | | **Liabilities for incurred claims** | | **Total** |
| **£m** | **Excluding loss component** | **Loss component** | **Estimates of the present value of future cash flows** | **Risk adjustment** | |
| Reinsurance contract assets as at 01/01 | 38.3 | - | 415.3 | 74.4 | 528.0 |
| Reinsurance contract liabilities at 01/01 | - | - | - | - | - |
| **Net reinsurance contract assets as at 01/01** | **38.3** | **-** | **415.3** | **74.4** | **528.0** |
| Allocation of reinsurance premiums paid | (118.0) | - | - | - | (118.0) |
| Amounts recovered from reinsurance | | | | | |
| *Amounts recoverable for incurred claims and other expenses* | - | - | *69.2* | *16.8* | *86.0* |
| *Loss-recovery on onerous underlying contracts and adjustments* | - | - | - | - | - |
| *Changes to amounts recoverable for incurred claims* | - | - | *(11.4)* | *(20.6)* | *(32.0)* |
| Total amounts recovered from reinsurance | - | - | 57.8 | - 3.8 | 54.0 |
| Investment components | - | - | - | - | - |
| Net expense from reinsurance contracts held | (118.0) | - | 57.8 | (3.8) | (64.0) |
| Reinsurance finance expenses | - | - | 33.3 | 5.6 | 38.9 |
| **Total changes in the statement of comprehensive income** | **(118.0)** | **-** | **91.1** | **1.8** | **(25.1)** |
| Cash flows | | | | | |
| *Premiums paid* | *105.5* | - | - | - | *105.5* |
| *Amounts received* | - | - | *(48.3)* | - | *(48.3)* |
| **Total cash flows** | **105.5** | **-** | **(48.3)** | **-** | **57.2** |
| **Net reinsurance contract assets as at 31/12** | **25.8** | **-** | **458.1** | **76.2** | **560.1** |
| Reinsurance contract assets as at 31/12 | 25.8 | - | 458.1 | 76.2 | 560.1 |
| Reinsurance contract liabilities as at 31/12 | - | - | - | - | - |
| **Net reinsurance contract assets as at 31/12** | **25.8** | **-** | **458.1** | **76.2** | **560.1** |

The table above shows the total reinsurance finance income for the Group with £11.9m recognised in the income statement and £27.0m recognised in other comprehensive income. This represents the unwinding of the discounting of reinsurance contract assets, with a disaggregation between the income statement and other comprehensive income due to the Group recognising related fair value movements on related financial assets backing its insurance liabilities in other comprehensive income.

## 17 . Other receivables

| | As at 31 Dec 2024 | As at 31 Dec 2023 |
|---|---|---|
| | **£m** | **£m** |
| Prepayments and accrued income | **15.5** | 14.6 |
| Other debtors | **11.7** | 11.0 |
| **Total other receivables** | **27.2** | 25.6 |

Other debtors are financial assets classified as amortised cost. For more details see Note 15, which includes the ageing of these balances.

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

## 18 . Cash and cash equivalents

| | As at 31 Dec 2024 £m | As at 31 Dec 2023 £m |
|---|---|---|
| Cash at bank and in hand | **26.2** | 71.6 |
| **Total** | **26.2** | 71.6 |

## 19 . Other payables

| | As at 31 Dec 2024 | As at 31 Dec 2023 *Restated* | As at 31 Dec 2022 *Restated* |
|---|---|---|---|
| | **£m** | **£m** | **£m** |
| Accrued expenses | **9.0** | 8.7 | 7.9 |
| Corporation tax | **-** | - | - |
| Social security and other taxes | **0.3** | 0.5 | 2.1 |
| Due to related parties | **1.5** | 1.1 | 0.4 |
| Other creditors | **15.3** | 4.6 | 6.4 |
| Provision for customer redress | **5.0** | - | - |
| Lease liabilities | **14.4** | 16.7 | 19.1 |
| Dilapidations provision | **3.5** | - | - |
| **Total** | **49.0** | **31.6** | **35.9** |

Accrued expenses principally comprise amounts outstanding for suppliers and ongoing costs. The average credit period taken for invoiced trade purchases is 7.5 days (2023: 4.4 days). The Directors consider that the carrying amount other payables approximates their fair value. All other payables are expected to be settled within one year aside from lease liabilities.

Of the lease liabilities, £11.2m is expected to be settled in more than one year (2023: £13.5m). The property leases are subject to periodic rental reviews where the rent charged may be brought in line with open market values.

Of the dilapidations provision, £3.5m is expected to be settled in more than one year.

## 20 . Deferred tax assets and liabilities

The following are the deferred tax assets and liabilities recognised by the Group and movements thereon during the current and prior periods.
The analysis of deferred tax assets and deferred tax liabilities is as follows:

| | As at 31 Dec 2024 | As at 31 Dec 2023 *Restated* |
|---|---|---|
| | £m | £m |
| Deferred tax assets | 48.1 | 57.3 |
| Deferred tax liabilities | (1.1) | (2.6) |
| | **47.0** | **54.7** |

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

| | As at 31 Dec 2024 | As at 31 Dec 2023 *Restated* |
|---|---|---|
| | £m | £m |
| At 1 January | **54.7** | 29.2 |
| Income statement (charge)/credit | **(9.3)** | 24.1 |
| Effect of change in tax rate | **-** | 1.5 |
| Tax adjustment relating to deferred tax for prior periods | **1.0** | 3.5 |
| Reclassified from current tax | **1.2** | - |
| Deferred tax recognised directly in equity | **(0.6)** | (3.6) |
| **At 31 December** | **47.0** | **54.7** |

The deferred tax rate used is 25% (2023: 25%).

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

| | Deferred Tax Asset as at 1 January 2023 | Credited to the income statement | Impact of change in tax rate | Tax adjustment relating to deferred tax for prior periods | Deferred tax recognised directly in equity | Deferred Tax Asset as at 31 December 2023 |
|---|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m | £m |
| **Deferred tax assets/(liabilities)** | | | | | | |
| AFS reserve | 16.0 | - | - | - | (6.8) | 9.2 |
| Losses carried forward (restated - see Note 27) | 22.0 | 13.6 | 0.8 | 0.2 | - | 36.6 |
| Capital allowances | 3.0 | 2.5 | 0.2 | 3.3 | - | 9.0 |
| Discounting through OCI | (5.8) | - | - | - | 3.2 | (2.6) |
| IFRS17 Day 1 Provision | (8.3) | 7.8 | 0.5 | - | - | - |
| Liability for Incurred Claims | 1.9 | - | - | - | - | 1.9 |
| Other | 0.4 | 0.2 | - | - | - | 0.6 |
| **Total** | **29.2** | **24.1** | **1.5** | **3.5** | **(3.6)** | **54.7** |

| | Deferred Tax Asset as at 1 January 2024 | (Charged)/ credited to the income statement | Reclassified from current tax | Tax adjustment relating to deferred tax for prior periods | Deferred tax recognised directly in equity | Deferred Tax Asset as at 31 December 2024 |
|---|---|---|---|---|---|---|
| **Deferred tax assets/(liabilities)** | £m | £m | £m | £m | £m | £m |
| AFS reserve | 9.2 | - | - | - | (2.0) | 7.2 |
| Losses carried forward (restated - see Note 27) | 36.6 | (8.6) | 1.2 | 0.3 | - | 29.5 |
| Capital allowances | 9.0 | (0.9) | - | 0.7 | - | 8.8 |
| Discounting through OCI | (2.6) | - | - | - | 1.5 | (1.1) |
| Liability for Incurred Claims | 1.9 | 0.3 | - | - | - | 2.2 |
| Other | 0.6 | (0.1) | - | - | (0.1) | 0.4 |
| **Total** | **54.7** | **(9.3)** | **1.2** | **1.0** | **(0.6)** | **47.0** |

Management have assessed the recoverability of the deferred tax asset for losses carried forward and are satisfied that, based on current Board approve Plans, the expected profitability of the Group is sufficient that the asset will be fully recoverable.

There is an unrecognised deferred tax asset on land and buildings of £1.7m at 31 December 2024 (2023: £1.5m) for which there is insufficient likelihood that future taxable gains will be available against which the asset can be utilised.

## 21 . Share capital and other reserves

| | Ordinary shares | Share premium | Capital redemption reserve | Other Reserves | | Insurance / Reinsurance finance reserve | Total |
|---|---|---|---|---|---|---|---|
| | | | | Restricted Tier 1 notes | Fair value / share-based payments | | |
| | £m | £m | £m | £m | £m | £m | £m |
| **At 1 January 2023** | **0.4** | **48.2** | **44.9** | **72.8** | **(48.5)** | **17.5** | **135.3** |
| Fair value movements on OCI assets | - | - | - | - | 28.3 | - | 28.3 |
| Tax relating to fair value movements on OCI assets (restated) | - | - | - | - | (6.8) | - | (6.8) |
| Movement on insurance finance reserve | - | - | - | - | - | (13.2) | (13.2) |
| Tax relating to movement on insurance and reinsurance finance reserve | - | - | - | - | - | 3.4 | 3.4 |
| Share issue | 0.0 | 47.4 | - | - | - | - | 47.4 |
| Capital contribution: share-based payment | - | - | - | - | (0.2) | - | (0.2) |
| **At 31 December 2023** | **0.4** | **95.6** | **44.9** | **72.8** | **(27.2)** | **7.7** | **194.2** |
| Fair value movements on OCI assets | - | - | - | - | 8.5 | - | 8.5 |
| Tax relating to fair value movements on OCI assets | - | - | - | - | (2.1) | - | (2.1) |
| Movement on insurance finance reserve | - | - | - | - | - | (5.8) | (5.8) |
| Tax relating to movement on insurance and reinsurance finance reserve | - | - | - | - | - | 1.4 | 1.4 |
| Share issue | - | - | - | - | - | - | 0.0 |
| Capital contribution: share-based payment | - | - | - | - | 1.2 | - | 1.2 |
| **At 31 December 2024** | **0.4** | **95.6** | **44.9** | **72.8** | **(19.6)** | **3.3** | **197.4** |

The issued share capital of esure Group plc as at 31 December 2024 was 473,801,337 Ordinary Shares of 1/12 pence each, all fully paid up (31 December 2023: 473,801,337 Ordinary Shares of 1/12 pence each). The rights and obligations attaching to the Ordinary Shares are set out in full in the Articles of Association. There are no voting restrictions on the Ordinary Shares which each carry one vote. The Ordinary Shares carry full rights in respect of dividends

During the year ended 31 December 2024 the Group issued no shares (2023: 47,500,000 Ordinary Shares of 1/12 pence each for £47.5m).

No shares are held in Treasury.

During the year ended 31 December 2024 £5.8m (2023: £13.2m) was charged to other comprehensive income in repect of the Group's disaggregation of insurance finance income and expenses between profit and loss and other comprehensive income.

During the year ended 31 December 2024 £10.3m was credited (2023: £10.3m) to other comprehensive income in respect of fair value movements on financial assets classified and measured at Fair Value through Other Comprehensive Income (OCI).

During the year ended 31 December 2024 the charge in other comprehensive income in respect of fair value movements on land and buildings was £nil (2023: £nil).

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

## 22 . Share-based payments

Certain employees were eligible to purchase shares in the Group's ultimate parent company, Blue (BC) Topco Limited. Two schemes are in place - Management Incentive Plans 1 and 2. Due to the restrictive conditions in place over the options these shares qualify as a share-based payment scheme under IFRS 2 share-based Payments. The Group receives the employees' services but the share-element of the schemes will be settled by Blue (BC) Topco Limited and is therefore classified as equity settled in these accounts. The cash element will be settled by the Group and is therefore classified as cash settled.

Awards have been made in the scheme as follows:

| | **Year ended 31 Dec 2024** | **Year ended 31 Dec 2023** | **Year ended 31 Dec 2022** | **Year ended 31 Dec 2021** | **Year ended 31 Dec 2020** |
|---|---|---|---|---|---|
| *Management Incentive Plan 1 ("MIP 1")* | | | | | |
| Awarded to Directors | 50 | - | - | - | 380 |
| Awarded to Senior Management | 161 | - | 71 | 305 | 130 |
| *Management Incentive Plan 2 ("MIP 2")* | | | | | |
| Awarded to Directors | - | 430 | - | - | - |
| Awarded to Senior Management | 2 | 445 | - | - | - |

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

| | **MIP 1** | **MIP 2** |
|---|---|---|
| Number of shares initially granted | 510 | 875 |
| Number outstanding at 1 January 2023 | 833 | - |
| Granted in the year | - | 875 |
| Lapsed in the year | (55) | - |
| Number outstanding at 1 January 2024 | **778** | **875** |
| Granted in the year | **211** | **2** |
| Lapsed in the year | **(2)** | - |
| Number outstanding at 31 December 2024 | **987** | **877** |
| Exercise price per share | £5,500 issuances pre 2024<br>£430 issuances in 2024 | £1,850 |

<u>Valuation of awards</u>

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

The inputs into the model were:

| | **MIP 1** | **MIP 1** | **MIP 2** |
|---|---|---|---|
| Valuation date | 16 October 2020 | 29 July 2024 | 18 December 2023 |
| Volatility (modelled using historical share price volatility of quoted comparator companies) | 25.0% | 23.0% | 25.0% |
| Expected term | 3.2 years | 1.5 years | 2 years |
| Risk free rate | -0.09% | 4.23% | 4.07% |
| Expected transaction cost (% of enterprise value) | 3.0% | N/a | N/a |
| Discount for post vesting restrictions | 10.0% | 15.0% | 20.0% |

*Valuation Methodology*

IFRS 2 does not provide direct guidance as to the methodology for determining the share price at the valuation date. As Blue (BC) Topco Limited was not listed at the date of grant an approach using a multiple of net asset value at the date of grant has been applied.

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

The total expense recognised for the year arising from the equity-settled share-based payments above was £1.2m (2023: credit of £0.2m).

The total expense recognised for the year arising from the cash-settled share-based payments above was £0.4m (2023: £nil) and the related liability held on the balance sheet at year end was £0.4m (2023: £nil).

## 23 . Commitments

(a) Pension commitments
The Group contributes to a Group Personal Pension defined contribution scheme available to all staff of which 1,276 employees participated in the scheme at 31 December 2024 (2023: 1,562).

The pension cost charge for the period represents contributions payable by the Group to the scheme and amounted to £4.0m (2023: £4.3m). 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 2024 £m** | **As at 31 Dec 2023 £m** |
|---|---|---|
| Investment Commitments | **19.6** | 22.7 |

## 24 . Group subsidiary companies

esure Group plc has the following subsidiaries as at 31 December 2024

| | 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 broker limited | England and Wales | Ordinary | Non-trading | Indirect | 100% |

The registered office of all of the subsidiaries above is The Observatory, Reigate, Surrey, RH2 0SG.

All of the subsidiaries above are included in the consolidation of esure Group plc.

## 25 . Related party transactions

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

*a) Transactions with shareholders*

The following transactions took place with shareholders and related entities:

- The Group uses a company that was controlled by Bain Capital until 2024 to provide recruitment, HR, payroll and benefits-related services.

| | Year ended 31 Dec 2024 £m | Year ended 31 Dec 2023 £m |
|---|---|---|
| Value of expense for the year/period: | | |
| HR-related services | (0.2) | (0.2) |
| **Total expense for the year** | **(0.2)** | **(0.2)** |
| | | |
| Amount payable at the year end: | | |
| HR-related services | N/a | - |
| **Total amount payable at the year end** | **N/a** | **-** |

*b) Compensation of key management personnel*

The key management personnel are considered to be the Directors. Please refer to Note 8 for more details.

## 26 . Parent company

Blue (BC) Bidco Limited is the immediate parent of esure Group plc. Blue (BC) Bidco Limited is a company registered in Jersey and its ultimate parent is Blue (BC) Holdings LP, a limited partnership registered in Jersey. esure Group plc is the largest and smallest group into which these accounts are consolidated.

## 27 . Prior period error

In 2024, esure undertook a comprehensive review of its accounting processes related to IFRS 17, with the objective of streamlining process flows and enhancing transparency in the underlying calculations. During this review esure identified a significant unreconciled discrepancy in the liabilities on the balance sheet resulting in an understatement of £42.8m. This discrepancy was attributed to errors in the application of IFRS 17 specifically i) the calculation of the liability for remaining coverage, including the reclassification of IPT payable outside of the liability for remaining coverage (£29.6m on 01/01/2023 and £34.0m on 31/12/2023), and ii) the liability for incurred claims (£4.8m on 01/01/2023 and 31/12/2023), totalling a gross adjustment of £72.4m 01/01/2023 and £76.8m on 31/12/2023. Together, these resulted in a total adjustment to liabilities of £42.8m on 01/01/2023 and on 31/12/2023. As this results in a reduction in the day 1 profitability there is a resulting deferred tax asset (£10.6m) recognised.

*Consolidated statement of financial position*

| | Year ended 31 Dec 2023 | | | As at 1 Jan 2023 | | |
|---|---|---|---|---|---|---|
| | **as previously reported** | **Adjustments** | **As restated** | **as previously reported** | **Adjustments** | **As restated** |
| | **£m** | **£m** | **£m** | **£m** | **£m** | **£m** |
| **Assets** | | | | | | |
| Deferred tax assets | 44.1 | 10.6 | 54.7 | 18.6 | 10.6 | 29.2 |
| Other assets | 1,883.4 | - | 1,883.4 | 1,769.7 | - | 1,769.7 |
| **Total assets** | **1,927.5** | **10.6** | **1,938.1** | **1,788.3** | **10.6** | **1,798.9** |
| **Equity** | | | | | | |
| Retained earnings | 107.3 | (32.2) | 75.1 | 171.9 | (32.2) | 139.7 |
| Other equity | 194.2 | - | 194.2 | 135.3 | - | 135.3 |
| **Total equity** | **301.5** | **(32.2)** | **269.3** | **307.2** | **(32.2)** | **275.0** |
| **Liabilities** | | | | | | |
| Other creditors and payables | 65.6 | (34.0) | 31.6 | 65.5 | (29.6) | 35.9 |
| Insurance contract liabilities | 1,437.7 | 76.8 | 1,514.5 | 1,284.3 | 72.4 | 1,356.7 |
| Other liabilities | 122.7 | - | 122.7 | 131.3 | - | 131.3 |
| **Total liabilities** | **1,626.0** | **42.8** | **1,668.8** | **1,481.1** | **42.8** | **1,523.9** |

*Consolidated statement of changes in equity*

| | **Retained earnings** | **Total equity** |
|---|---|---|
| | **£m** | **£m** |
| As at 31 December 2022 as previously reported | 171.9 | **307.2** |
| Correction of error | (32.2) | **(32.2)** |
| **Restated balance as at 1 January 2023** | 139.7 | **275.0** |
| Total comprehensive loss for 2023 | (60.1) | **(48.4)** |
| Total transactions with owners 2023 | (4.5) | **42.7** |
| **At 31 December 2023 (restated)** | 75.1 | **269.3** |

## Parent Company statement of financial position

| | Notes | As at 31 Dec 2024 £m | As at 31 Dec 2023 £m |
|---|---|---|---|
| **Fixed assets** | | | |
| Investments | 4 | **370.9** | 370.9 |
| **Current assets** | | | |
| Deferred tax asset | | **0.7** | 0.6 |
| Debtors | 5 | **4.0** | 9.4 |
| Cash at bank | | **1.0** | 1.2 |
| | | **5.7** | 11.2 |
| Creditors: amounts falling due within one year | 6 | **(0.8)** | (25.4) |
| **Net current assets/(liabilities)** | | **4.9** | (14.2) |
| **Total assets less current liabilities** | | **375.8** | 356.7 |
| Creditors: amounts falling due after more than one year | 6 | **(96.5)** | (95.7) |
| **Net assets** | | **279.3** | 261.0 |
| Capital and reserves | | | |
| Share capital | 7 | **0.4** | 0.4 |
| Share premium account | 7 | **95.6** | 95.6 |
| Other reserves | 7 | **117.6** | 117.6 |
| Profit and loss account | | **65.7** | 47.4 |
| Shareholders' funds - all equity | | **279.3** | 261.0 |

The Financial Statements were approved by the Board and authorised for issue on 31 March 2025 and signed on its behalf.

Peter Bole
Director

Registration Number: 07064312

The Notes on pages 174 to 176 form part of these Financial Statements.

## Parent Company statement of changes in equity

| | Share capital<br>£m | Share premium<br>£m | Capital redemption<br>£m | Restricted Tier 1 notes<br>£m | Profit and loss account<br>£m | Total equity<br>£m |
|---|---|---|---|---|---|---|
| **Year ended 31 December 2023** | | | | | | |
| **At 1 January 2023** | 0.4 | 48.2 | 44.8 | 72.8 | 56.8 | 223.0 |
| Profit for the year | - | - | - | - | (4.9) | (4.9) |
| **Total comprehensive income** | - | - | - | - | (4.9) | (4.9) |
| **Transactions with owners:** | | | | | | |
| Issue of share capital | 0.0 | 47.4 | - | - | - | 47.4 |
| Payment to holders of rT1 | - | - | - | - | (4.5) | (4.5) |
| **Total transactions with owners** | 0.0 | 47.4 | - | - | (4.5) | 42.9 |
| **At 31 December 2023** | 0.4 | 95.6 | 44.8 | 72.8 | 47.4 | 261.0 |
| **Year ended 31 December 2024** | | | | | | |
| **At 1 January 2024** | **0.4** | **95.6** | **44.8** | **72.8** | **47.4** | **261.0** |
| Profit for the year | **-** | **-** | **-** | **-** | **27.8** | **27.8** |
| **Total comprehensive income** | **-** | **-** | **-** | **-** | **27.8** | **27.8** |
| **Transactions with owners:** | | | | | | |
| Dividends paid | **-** | **-** | **-** | **-** | **(5.0)** | **(5.0)** |
| Payment to holders of rT1 | **-** | **-** | **-** | **-** | **(4.5)** | **(4.5)** |
| **Total transactions with owners** | **0.0** | **0.0** | **-** | **-** | **(9.5)** | **(9.5)** |
| **At 31 December 2024** | **0.4** | **95.6** | **44.8** | **72.8** | **65.7** | **279.3** |

The Notes on pages 174 to 176 form part of these Financial Statements.

## Parent Company statement of cash flows

| Cash flows from operating activities | Notes | Year ended 31 Dec 2023 £m | Year ended 31 Dec 2022 £m |
|---|---|---|---|
| Profit/(loss) after tax for the year | | **27.8** | (4.9) |
| Adjustments to reconcile profit/(loss) after tax to net cash flows: | | | |
| - Finance costs | | **14.5** | 12.4 |
| - Taxation credit | 3 | **(3.6)** | (2.8) |
| - Total investment return | | **-** | (0.2) |
| Operating cash flows before movements in working capital, tax and interest paid | | **38.7** | 4.5 |
| Interest received on financial investments | | **-** | 0.2 |
| Changes in working capital: | | | |
| - Decrease/(increase) in debtors | | **5.4** | (2.8) |
| - Increase in payables | | **0.4** | - |
| Taxation received | | **3.5** | 3.3 |
| **Net cash generated in operating activities** | | **48.0** | 5.2 |
| **Cash flows from investing activities** | | | |
| Sale of financial investments (investments: call deposits) | | **-** | 29.7 |
| Capital contribution to subsidiary | | **-** | (61.3) |
| **Net cash used in investing activities** | | **-** | (31.6) |
| **Cash flows (used in)/generated from financing activities** | | | |
| Proceeds from 2023 Notes Issuance | | **-** | 100.0 |
| Cost of 2023 Notes Issuance | | **-** | (4.8) |
| Repayment of 2012 Notes Issuance | | **(25.0)** | (100.0) |
| Interest paid on loans | | **(13.7)** | (11.1) |
| Payment to holders of rT1 | | **(4.5)** | (4.5) |
| Issue of share capital | | **-** | 47.4 |
| Dividends paid | | **(5.0)** | - |
| **Net cash (used in)/generated from financing activities** | | **(48.2)** | 27.0 |
| **Net (decrease)/increase in cash and cash equivalents** | | **(0.2)** | 0.6 |
| **Cash and cash equivalents at the beginning of the year** | | **1.2** | 0.6 |
| **Cash and cash equivalents at the end of the year** | | **1.0** | 1.2 |

The Notes on pages 174 to 176 form part of these Financial Statements.

## 1 . Basis of preparation of Financial Statements

esure Group plc (the 'Company' or the 'Parent Company') is a company incorporated and domiciled in the UK.

These Financial Statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101').

In preparing these Financial Statements, the Company applies the recognition, measurement and disclosure requirements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

These Financial Statements have been prepared on a going concern basis. The Board has reviewed the Company's projections for the next planning cycle and has considered the possible impact of a range of scenarios and related contingent management actions.

The key uncertainties for 2025 and beyond considered by the Board were the risks due to the impact of inflation on claims severity and expenses; changing consumer behaviour and the consequential impact on claims frequency; and the outlook for market pricing.

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

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the Parent Company is not presented.

The Parent Company audit fee is not disclosed in these Financial Statements as it is disclosed in the consolidated Financial Statements of esure Group plc (Note 9).

## 2 . Parent Company accounting policies

In these Financial Statements, the Company has not provided the following disclosures and will continue to take the exemptions available under FRS 101 in future years subject to no objection being raised by a shareholder:

- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- The disclosures required by IFRS 7 and IFRS13 regarding financial instruments; and
- Disclosures in respect of key management personnel required by IAS 24.

As the consolidated Financial Statements of esure Group plc include the equivalent disclosures, the Company has not provided the following disclosures and will continue to take the exemptions available under FRS 101 in future years subject to no objection being raised by a shareholder:

- The disclosures required by IAS 1 regarding movements in share capital;
- IFRS 2 share-based Payments in respect of Group settled share-based payments (see Note 22 of the consolidated Financial Statements); and
- The disclosures required by IFRS 7 and IFRS 13 regarding financial instrument disclosures.

The disclosures are available on written request to the esure Group plc address provided in Note 1 of the consolidated Financial Statements.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Financial Statements:

*Income from investments in Group undertakings*
Income from investments in Group undertakings comprises dividend income. Dividends are recognised when the right to receive payment is established.

*Taxation*
The accounting policies applied to current and deferred tax are consistent with those disclosed in Note 2 of the consolidated Financial Statements. Deferred tax arose in the year ended 31 December 2023 relating to carried forward losses.

*Investments in Group undertakings*
Investments in Group undertakings are stated in the statement of financial position at cost less provision for impairment. The cost of investments in Group undertakings includes the cost of granting equity instruments to the employees of subsidiaries, in line with the requirements of IFRS 2 Share-based Payments.

## 2 . Parent Company accounting policies (continued)

*Financial assets*
The Company's financial assets as at 31 December 2024 and 31 December 2023 include amounts owed by group undertakings and cash at bank which are classified as 'loans and receivables'. The accounting policies applied to these financial assets are consistent with those disclosed in Note 2 of the consolidated Financial Statements.

*Financial liabilities*
The Company's financial liabilities as at 31 December 2024 and 31 December 2023 include borrowings which are all classified as 'other financial liabilities'. The accounting policies applied to these financial liabilities are consistent with those disclosed in Note 2 of the consolidated Financial Statements.

## 3 . Taxation

The tax rate used for the calculations is the Corporation Tax rate of 25.00% (2023: 23.50%) payable by the corporate entities in the UK on taxable profits under tax law in that jurisdiction.

| | **Year ended 31 Dec 2024 £m** | **Year ended 31 Dec 2023 £m** |
|---|---|---|
| Profit before taxation | **24.2** | (7.7) |
| Taxation calculated at 25.00% (2023: 23.5%) | **6.1** | (1.8) |
| Effects of: | | |
| Adjustments in relation to prior year deferred tax | **0.1** | 0.1 |
| Change in tax rate | **(0.1)** | - |
| Non taxable Income | **(9.7)** | (1.1) |
| Taxation credit | **(3.6)** | (2.8) |

## 4 . Investments

| | **Year ended 31 Dec 2024 £m** | **Year ended 31 Dec 2023 £m** |
|---|---|---|
| As at 1 January | **370.9** | 309.6 |
| Capital contributions | **-** | 61.3 |
| As at 31 December | **370.9** | 370.9 |

There are no provisions for impairment.

During 2024 the Company made capital contributions of £nil (2023: £61.3m) to esure Insurance Limited.

Investments in Group undertakings, which are wholly directly owned are as follows:

| | **Country of incorporation** | **Class of shares held** | **Registered office address** |
|---|---|---|---|
| esure Finance Limited | England and Wales | Ordinary | The Observatory, Reigate, Surrey, RH2 0SG |
| esure Insurance Limited | England and Wales | rT1 | The Observatory, Reigate, Surrey, RH2 0SG |

## 5 . Debtors

| | **As at 31 Dec 2024** | **As at 31 Dec 2023** |
|---|---|---|
| **Due within one year** | **£m** | **£m** |
| Due from related parties | **4.0** | 9.4 |
| **Total debtors due within one year** | **4.0** | 9.4 |

## 6 . Creditors and other payables

Amounts falling due within one year

| | As at 31 Dec 2024 £m | As at 31 Dec 2023 £m |
|---|---|---|
| Amounts due to related parties | **0.4** | - |
| Borrowings: ten-year Subordinated Notes | **-** | 25.0 |
| Accrued interest on ten-year Subordinated Notes | **0.4** | 0.4 |
| **Total creditors due within one year** | **0.8** | 25.4 |

**Amounts falling due after more than one year**

| | As at 31 Dec 2024 £m | As at 31 Dec 2023 £m |
|---|---|---|
| Borrowings: ten-year Subordinated Notes | **96.5** | 95.7 |
| **Total creditors due after more than one year** | **96.5** | 95.7 |

Full details of the Company's Subordinated Notes are included in the consolidated Financial Statements of esure Group plc above at Note 15.

## 7 . Share capital and other reserves

Full details of the Company's share capital and reserves are included in the consolidated Financial Statements of esure Group plc above at Note 21.
Full details of dividends declared during the year are included in the consolidated Financial Statements of esure Group plc above at Note 12.

## Glossary of Terms - Alternative Performance Measures

Alternative Performance Measures (APMs) are measures that are not defined by International Financial Reporting Standards. They may be commonly used insurance metrics or other measures that the Group uses, both for internal performance analysis and also to help users of the Annual Report and Accounts to better understand the Group's performance and position in the period in comparison to previous periods and the Group's competitors. The tables below define, explain and reconcile the APMs used in this report.

Users of the accounts should note that whilst these measure are useful for a better understanding of the business they do not give a complete picture of the financial result for the year and should be used in conjunction with the full IFRS metrics.

| KPI Category | KPI | Rationale | APM? |
|---|---|---|---|
| **Growth** | In Force Policies | Measure of scale and growth | No |
| | Turnover | Financial measure of underwriting scale, unimpacted by reinsurance or quota share | Yes |
| | Retention Rate | Measure of customer satisfaction and a key component of growth | No |
| **Quality** | Net Loss Ratio | Measure of core underwriting performance | Yes |
| | Combined operating ratio | Measure of profitability | Yes |
| | Unit Cost | Measure of operating efficiency improvements | Yes |
| | Net Promoter Score | Measure of customer advocacy | No |
| | Complaints | Measure of customer satisfaction | No |
| | Referrals to the Financial Ombudsman | Measure of customer service excellence | No |
| | Digital contact share | Measure of use of digital channels by customers | No |
| | Employee engagement | Measure of employee satisfaction | No |
| **Returns** | Trading Profit | Measure of underlying, long term profitability | Yes |
| | Profit Margin | Measure of profitability | Yes |
| | Underlying Return on Tangible Equity | Profitability measure | Yes |
| | Profit after tax | IFRS Measure, profit after tax | No |
| | Solvency coverage | Measure of balance sheet strength | No |

*Turnover*

Turnover includes gross written premiums, income from instalments, admin and cancellation fees and other income. This measure is used by management to show the underwriting scale of the Group. Details can be found in Note 4. The APM has been restated for the 2024 year end to bring instalment income onto a written, rather than earned basis, in line with the gross written premium input. The turnover previously quoted was £969.7m for the year ended 31 December 2023.

| | | | **Year ended 31 Dec 2024** | | | **Year ended 31 Dec 2023** *Restated* |
|---|---|---|---|---|---|---|
| | **Motor £m** | **Home £m** | **Total £m** | **Motor £m** | **Home £m** | **Total £m** |
| Gross written premiums (Note 4) | 874.8 | 119.0 | 993.8 | 769.4 | 99.4 | 868.8 |
| Instalment income written (Note 4) | 66.6 | 7.0 | 73.6 | 55.2 | 5.7 | 60.9 |
| Admin and cancellation fees (Note 4) | 14.9 | 0.6 | 15.5 | 17.7 | 0.6 | 18.3 |
| Other ASR income (Note 6) | 19.0 | 9.4 | 28.4 | 15.9 | 9.2 | 25.1 |
| **Turnover** | **975.3** | **136.0** | **1,111.3** | 858.2 | 114.9 | 973.1 |

## Glossary of Terms - Alternative Performance Measures (continued)

*Trading profit*
Trading Profit is the measure of the Group's ongoing, long term profitability. It represents the profitability of the Group's insurance and investment activity but excludes exceptional gains or losses on the investment portfolio resulting from volatility in the market rate environment, Non Trading Costs relating to items that, by their nature, are not considered to be reflective of the ongoing profitability of the Group and it is stated before Finance Costs relating to Tier 2 Debt and Tax. Trading profit is a key measure reported to the chief operating decision maker to assess performance. A reconciliation is provided in Note 4.

*Net loss ratio*
Net loss ratio is defined as net incurred claims (being insurance service expense less insurance expenses less amounts recoverable from reinsurers) as a percentage of net insurance revenue. This is a key measure of the underwriting performance of the Group. Insurance expenses are administration expenses, claims expenses and acquisition costs.

**Year ended 31 Dec 2024**

| | **Motor** | **Home** | **Total excluding central costs** | **Central costs** | **Total** |
|---|---|---|---|---|---|
| | **£m** | **£m** | **£m** | **£m** | **£m** |
| Insurance service revenue | **905.1** | **111.8** | **1,016.9** | **-** | **1,016.9** |
| Less allocation of reinsurance premiums | **(116.1)** | **(12.0)** | **(128.1)** | **-** | **(128.1)** |
| **Net Insurance Revenue** | **789.0** | **99.8** | **888.8** | **-** | **888.8** |
| Insurance service expense | **673.7** | **80.9** | **754.6** | **-** | **754.6** |
| Less insurance expenses | **(148.1)** | **(29.4)** | **(177.5)** | **-** | **(177.5)** |
| Less provision for customer redress | **(5.0)** | **-** | **(5.0)** | **-** | **(5.0)** |
| **Incurred claims** | **520.6** | **51.5** | **572.1** | **-** | **572.1** |
| Less amounts recoverable from reinsurers | **0.7** | **0.8** | **1.5** | **-** | **1.5** |
| **Net incurred claims** | **521.3** | **52.3** | **573.6** | **-** | **573.6** |
| **Net loss ratio = net incurred claims / net insurance revenue** | **66.1%** | **52.4%** | **64.5%** | | **64.5%** |

**Year ended 31 Dec 2023**

| | **Motor** | **Home** | **Total excluding central costs** | **Central costs** | **Total** |
|---|---|---|---|---|---|
| | **£m** | **£m** | **£m** | **£m** | **£m** |
| Insurance service revenue | 767.5 | 102.6 | 870.1 | - | 870.1 |
| Less allocation of reinsurance premiums | (107.5) | (10.5) | (118.0) | - | (118.0) |
| **Net Insurance Revenue** | 660.0 | 92.1 | 752.1 | - | 752.1 |
| Insurance service expense | 719.7 | 105.4 | 825.1 | - | 825.1 |
| Less insurance expenses | (148.7) | (30.6) | (179.3) | - | (179.3) |
| **Incurred claims** | 571.0 | 74.8 | 645.8 | - | 645.8 |
| Less amounts recoverable from reinsurers | (50.8) | (3.2) | (54.0) | - | (54.0) |
| **Net incurred claims** | 520.2 | 71.6 | 591.8 | - | 591.8 |
| **Net loss ratio = net incurred claims / net insurance revenue** | **78.8%** | **77.7%** | **78.7%** | | **78.7%** |

## Glossary of Terms - Alternative Performance Measures (continued)

*Expense ratio*
Expense ratio is defined as insurance expenses as a percentage of net insurance revenue, both metrics are detailed above and in Note 4.

**Year ended 31 Dec 2024**

| | Motor £m | Home £m | Total excluding central costs £m | Central costs £m | Total £m |
|---|---|---|---|---|---|
| Net insurance Revenue | 789.0 | 99.8 | 888.8 | - | 888.8 |
| Insurance expenses | 148.1 | 29.4 | 177.5 | - | 177.5 |
| **Expense ratio** | **18.8%** | **29.4%** | **20.0%** | | **20.0%** |

**Year ended 31 Dec 2023**

| | Motor £m | Home £m | Total excluding central costs £m | Central costs £m | Total £m |
|---|---|---|---|---|---|
| Net insurance Revenue | 660.0 | 92.1 | 752.1 | - | 752.1 |
| Insurance expenses | 148.7 | 30.6 | 179.3 | - | 179.3 |
| **Expense ratio** | **22.5%** | **33.3%** | **23.8%** | | **23.8%** |

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

| | Year ended 31 Dec 2024 | Year ended 31 Dec 2023 |
|---|---|---|
| Loss ratio | **64.5%** | 78.7% |
| Expense ratio | **20.0%** | 23.8% |
| **Combined operating ratio** | **84.5%** | **102.5%** |

*Profit margin*
Profit margin is the Group's trading profit as a percentage of Net Total Trading 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. The APM has been restated for the 2024 year end to remove the non-trading investment income from the net total revenue, in line with the trading profit denominator. There was no impact on the % profit margin.

| | 31 Dec 2024 £m | 31 Dec 2023 *Restated* £m |
|---|---|---|
| Net insurance revenue | 888.8 | 752.1 |
| Other ASR income | 28.4 | 25.1 |
| Investment income | 40.0 | 34.6 |
| **Net total trading revenue** | **957.2** | 811.8 |
| **Trading profit** | **126.8** | (16.7) |
| **Profit margin** | **13.2%** | **-2.1%** |

## Glossary of Terms - Alternative Performance Measures (continued)

*Unit cost*

Unit cost is used to monitor the efficiency of the Group's operations.

| | Year ended 31 Dec 2024 | Year ended 31 Dec 2023 |
|---|---|---|
| | **£m** | **£m** |
| Insurance expenses (above) | **177.5** | 179.3 |
| Other operating expenses (Note 4) | **57.4** | 44.4 |
| Trading expenses | **234.9** | 223.7 |
| Average In-force Policies (m) | 2.027 | 2.234 |
| **Unit cost = total cost, gross of quota share / In-force Policies** | £115.90 | £100.14 |

*Return on tangible equity*

Return on tangible equity is a measure of the Group's return on shareholder investment. Return on equity is a widely understood market measure of capital efficiency, and returns to shareholders, and has been adjusted for non-trading items and to exclude rT1 capital from equity and include the related coupon as a financing cost.

| | Year ended 31 Dec 2024 | Year ended 31 Dec 2023 |
|---|---|---|
| | **£m** | **£m** |
| Trading profit (Note 4) | **126.8** | (16.7) |
| Less: Interest expense on 10 year subordinate Notes | **(14.5)** | (12.4) |
| Less: notional expense for rT1 capital (see below) | **(4.5)** | (4.5) |
| **Pre-tax return** | **107.8** | (33.6) |
| Effective tax (calculated as the pre-tax return multiplied by the effective rate) | **(24.7)** | 10.8 |
| Less: tax effect dividend income | **0.4** | 1.3 |
| **Adjusted return** | **83.5** | (21.5) |
| | **2024 average** | **2023 average** |
| | | **£m** |
| Total equity (see calculation below) | **295.0** | 288.3 |
| Less: rT1 capital (see calculation below) | **(72.8)** | (72.8) |
| Less: intangible assets (see calculation below) | **(13.0)** | (18.3) |
| **Tangible equity** | **209.2** | 197.2 |
| **Return on tangible equity = adjusted return / tangible equity** | **39.9%** | (10.9)% |

The notional expense for rT1 capital for has been calculated as the coupon payable in the year (see note 15).

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

| | Year ended 31 Dec 2024 | Year ended 31 Dec 2023 | Year ended 31 Dec 2022 | 2024 average | 2023 average |
|---|---|---|---|---|---|
| | **£m** | **£m** | **£m** | **£m** | **£m** |
| Total equity (see consolidated statement of financial position) | 320.7 | 269.3 | 307.2 | 295.0 | 288.3 |
| rT1 capital | 72.8 | 72.8 | 72.8 | 72.8 | 72.8 |
| Intangible assets | 11.2 | 14.7 | 21.9 | 13.0 | 18.3 |

# Measuring Performance

The Group uses a number of Key Performance Indicators ('KPI'), some of which are Alternative Performance Measures, to assess business performance. These reflect how the business is managed and aligns 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 pages 183 to 185.

| KPI metric | Definition |
|---|---|
| **Growth:** | |
| **In-force Policies** | The number of live insurance policies at any point in time is a key measure of the scale of the Group's engagement with customers. |
| **Turnover** | Turnover includes insurance revenue, excluding the movement in unearned premium, and other income. This measure is used by management to show the underwriting scale of the Group. |
| **Net Revenue** | Net Revenue includes net insurance revenue, net investment return and other income. This measure shows the total income retained by the Group having ceded premium to reinsurance partners. |
| **Retention Rate** | The percentage of customers who choose to renew their policy with the Group and is a key measure of customer loyalty and underpins customer growth. |

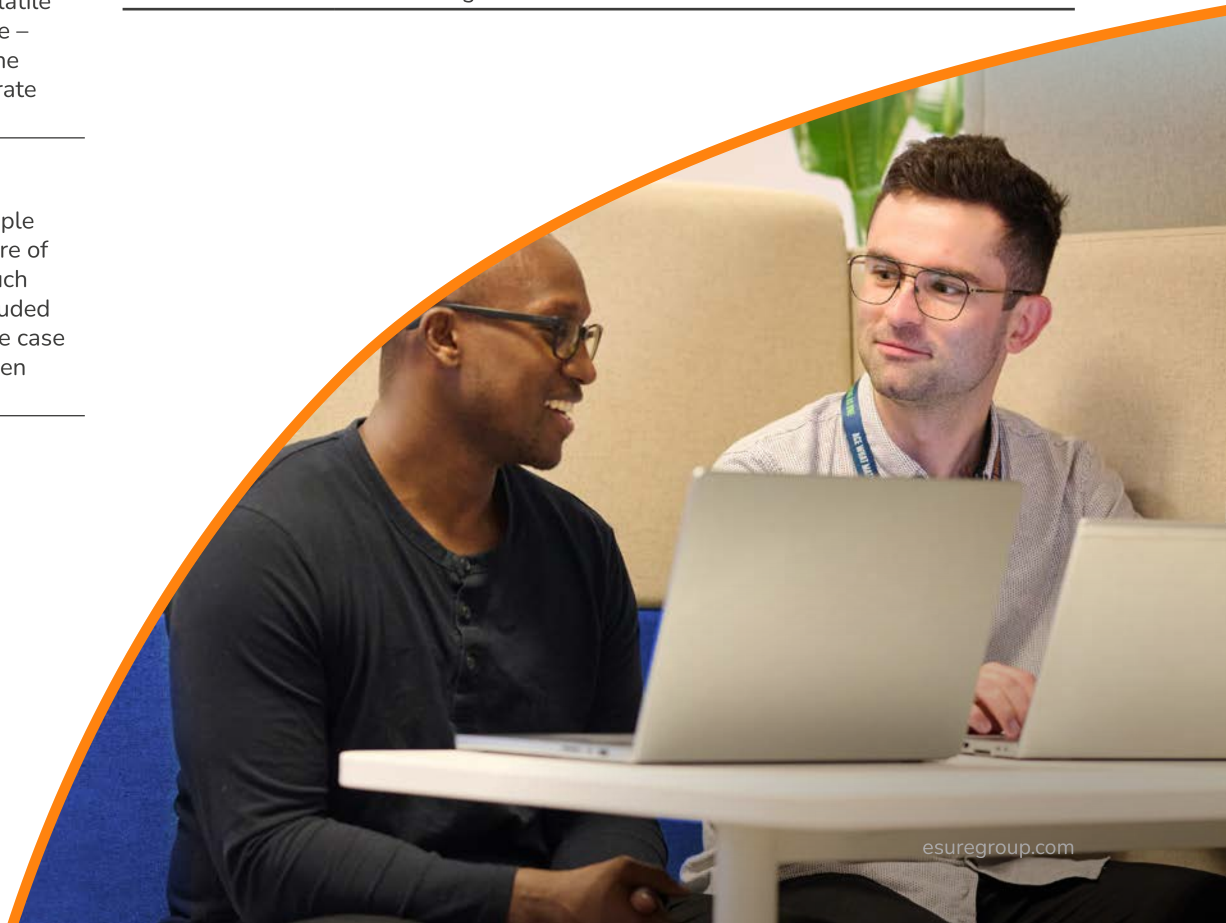
| KPI metric | Definition |
|---|---|
| **Quality:** | |
| **Net Loss Ratio** | Net loss ratio is defined as net incurred claims (being insurance service expense less insurance expenses less amounts recoverable from reinsurers) as a percentage of net insurance revenue. This is a key measure of the underwriting performance of the Group. |
| **Expense Ratio** | Expense ratio is defined as insurance expenses as a percentage of net insurance revenue. |
| **Combined Operating Ratio** | The combined operating ratio is defined as the net loss ratio plus the expense ratio and is a traditional general insurance measure of the profitability of an insurance business. |
| **Unit Cost** | Unit cost is used to monitor the efficiency of the Group's operations. The measure takes insurance expenses, plus other trading operating costs and divides this cost by the average number of In-force Policies in the year. |
| **Net Promoter Score** | Measure of overall customer sentiment and engagement with the Group. It is calculated by asking a random, representative sample of our customers how likely they are to recommend the Group to others on a scale of 0 to 10. |
| **Complaints and Financial Ombudsman referrals** | The number of complaints as a percentage of the Group's In-force Policies and the number complaints referred to the Financial Ombudsman as a percentage of the Group's In-force policies are both used to monitor the quality of customer service. |

# Measuring Performance

continued

| KPI metric | Definition |
| --- | --- |
| **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.<br>The Group holds a significant investment portfolio over the medium to long-term and therefore the movements seen in a very volatile investment market do not reflect this underlying performance – the Group has therefore disclosed the trading profit before the effect of investment volatility directly resulting from market rate movement in the year. |
| **Profit Margin** | Profit margin is the Group's trading profit as a percentage of Net Total Trading 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. In previous years this calculation also included non-trading investment income, however this is no longer the case for 2024. The prior year comparable (2023) has therefore been restated where the impact of doing so is minimal. |

| KPI metric | Definition |
| --- | --- |
| **Return on tangible equity** | Return on tangible equity is a measure of the Group's return on shareholder investment. Return on equity is a widely understood market measure of capital efficiency, and returns to shareholders, and has been adjusted for non-trading items and to exclude rT1 capital from equity with related coupon treated as a financing cost. |
| **Profit after tax** | IFRS measure of profit available for holders of the Groups equity after all costs and taxes, including the cost of investment in new capability. |
| **Solvency coverage** | The measure of available qualifying regulatory capital as a percentage of the capital the Group is required to hold under Solvency II regulations. This is a key measure of balance sheet strength. |



# Glossary of Terms

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

| Term | Definition |
|---|---|
| **'Actuarial Best Estimate'** | is the probability-weighted average of all future claims and cost scenarios, which is calculated using historical data, actuarial methods and judgements. |
| **'Average written premium'** | is the gross written premium divided by the year end in-force policies. |
| **'Board'** | means the Board of Directors of the Company from time to time. |
| **'Claims incurred, net of reinsurance'** | is the insurance service expense in the period, less insurance expenses, less any recoveries from reinsurers. It includes claims payments and movements in claims reserves. |
| **'Claims reserves'** | are the Group's estimate of the final cost of claims and related expenses, less claims paid to date, which the Group will need to pay for, relating to earned business. |
| **'Commutation'** | is an agreement between the Group and a reinsurer that provides for the valuation and complete discharge of all obligations between the parties under a particular reinsurance contract. |
| **'Company'** | means esure Group plc, a company incorporated in England and Wales with registered number 07064312 whose registered office is The Observatory, Castlefield Road, Reigate, Surrey RH2 0SG. |
| **'Complaints'** | means the number of complaints as a percentage of In-force Policies. |
| **'ClimateWise'** | is part of the University of Cambridge Centre for Sustainable Finance, a global network of leading insurance industry and related organisations committed to responding to the risks and opportunities of climate change. |
| **'Employee engagement'** | is a measure of how committed and enthusiastic our colleagues are about their work and the organisation. The overall employee engagement score is measured through the use of monthly colleague surveys. |
| **'FCA GIPP'** | In 2021, The Financial Conduct Authority (FCA) published rules to improve the way the insurance market functions in relation to Motor and Home Insurance which came in to force on 1 January 2022, called the General Insurance Pricing Practices (GIPP). The new rules mean that insurers must offer the same price to both new and existing customers. Insurers can no longer charge existing customers more at renewal compared to new customers, previously known as the 'loyalty penalty' and rights to cancel auto-renewal were made more accessible. |
| **'Game Changer'** | means the Group's long-term business strategy. It guides our activities by keeping all colleagues focused on why our business exists, what we need to deliver to successfully transform and grow our business, and how we do it. |
| **'Finance Costs'** | consist of coupon payments due on the Notes and interest chargeable under accounting standards on balances which have been discounted to allow for the timing of payments due. |
| **'Group' or 'esure Group'** | means the Company and its subsidiaries. |
| **'Group Executive'** | comprises the Chief Executive Officer, Chief Financial Officer, Chief Risk and Legal Officer, Chief Technology Officer, Chief Customer Officer, Chief Strategy and Transformation Officer, Chief People Officer and Company Secretary, Chief Claims Officer. |

# Glossary of Terms

continued

| Term | Definition |
|---|---|
| **'Gross written premiums'** | are the total premiums relating to policies that began during the period. |
| **'IFRS'** | means International Financial Reporting Standards. |
| **'Incurred but not reported' ('IBNR')** | are part of the Group's claims reserves, set aside to cover claims from accidents that have occurred but not been reported to the Group or that have been reported but where the ultimate cost of settling those claims is still uncertain. IBNR is an actuarial estimate. |
| **'In-force Policies'** | 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.<br>In an LPT, a reinsurer assumes and accepts an insurer's existing open and future claim liabilities. |
| **'Net insurance revenue'** | is a measure of insurance revenue after allowing for the cost of reinsurance premiums. It is defined as insurance service revenue less the allocation of reinsurance premiums. |
| **'Net total revenue'** | includes the net insurance revenue plus other additional services income plus investment income. This measure shows the total income retained by the Group having ceded premium to reinsurance partners. |
| **'Ogden rate'** | is the discount rate set by the Lord Chancellor and used by UK courts to calculate lump sum settlements. |
| **'Ordinary shares'** | means the ordinary shares with a nominal value of 1/12 pence each in the capital of **the Company.** |
| **'ORSA'** | refers to the Own Risk and Solvency Assessment that aims to assess the overall solvency needs of an insurance company. |
| **'Periodic Payment Orders ('PPOs')'** | are claims payments used to settle large personal injury claims. In addition to providing a lump sum, PPOs provide regular, index-linked payments for some or all of the future financial loss suffered. |

| Term | Definition |
|---|---|
| **'Profit margin'** | is the Group's trading profit as a percentage of Net Total Trading 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. In previous years this calculation also included non-trading investment income, however this is no longer the case for 2024. The prior year comparable (2023) has therefore been restated where the impact of doing so is minimal. |
| **'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'** | 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. |
| **'Relationship Net Promoter Score' ('RNPS')** | is a measure of customer sentiment based on surveying a representative sample of customers about their likelihood to recommend us. |
| **'Restricted Tier 1' ('rT1')** | means the £75m, 6.0% Fixed Rate Reset Perpetual Restricted Tier 1 Contingent Convertible Notes issued on 22 July 2021. |
| **'Retention rate'** | is the percentage of customers who choose to renew their policy with the Group and is a key measure of customer loyalty and underpins customer growth. |
| **'Return on tangible equity'** | is a measure of the Group's return on shareholder investment. Return on equity is a widely understood market measure of returns to shareholders and has been adjusted to exclude rT1 capital from equity with the related coupon treated as a financing cost. |

# Glossary of Terms
continued

| Term | Definition |
|---|---|
| **'Senior Leadership Team'** | comprises the team of esure colleagues responsible for the day-to-day management of the Group. |
| **'Solvency II'** | is the solvency framework implemented on 1 January 2016 as the capital adequacy regime for the European insurance industry governed by the European Insurance and Occupational Pensions Authority. Following Brexit and the transitional period, all the Binding Technical Standards mandates currently set out in the Solvency II Directive have been brought into UK law with responsibilities for meeting those mandates transferred to the Prudential Regulation Authority. 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. |
| **'Turnover'** | includes insurance revenue, excluding the movement in unearned premium, and other income. This measure is used by management to show the scale of the Group. |
| **'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.<br><br>The Group holds a significant investment portfolio over the medium to long-term and therefore the movements seen in a very volatile investment market do not reflect this underlying performance – the Group has therefore disclosed the trading profit before the effect of investment volatility directly resulting from market rate movement in the year. |
| **'Underwriting'** | is the receipt of premium in return for the provision of insurance to a policyholder.<br><br>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. |