SOLVENCY & FINANCIAL CONDITION REPORT (SFCR)
ESURE GROUP PLC AND ESURE INSURANCE LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2022

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Summary

Solvency II ('SII') is the solvency framework implemented on 1 January 2016 as the capital adequacy regime for the European insurance industry governed by EIOPA. Following Brexit and the transitional period, all the Binding Technical Standards mandates currently set out in the SII Directive have been brought into UK law with responsibilities for meeting those mandates transferred to the PRA.

This document, the SFCR, is a requirement of the SII Directive. The structure and content follow the Delegated Regulation and supplementary information can be obtained from the esure Group plc Annual Report and Accounts ('ARA'). The SFCR is required to provide information on the solvency and financial condition of esure Group plc and esure Insurance Limited ('eIL' or 'Solo'). Due to the similarities in the risk profile and operation of eIL and the Group, the Prudential Regulation Authority ('PRA') has approved a waiver such that the Group can produce a combined Group and Solo entity SFCR document.

The document is divided into seven sections outlining A) the Business and Performance, B) System of Governance, C) Risk Profile, D) Valuation for Solvency Purposes, E) Capital Management, F) Quantitative Reporting Templates ('QRTs'), and G) a Glossary of Terms.

The Group and Solo entity are closely aligned in terms of performance, governance and risk. As such, these sections (A, B & C) of the report focus on the Group position and where this is not the case this has been highlighted. The remaining sections disclose information for the Group and Solo entities separately. Relevant information about the business of the Group is also included in the ARA which is the primary document for reporting performance, consolidated financial statements, corporate governance and risk management to the Group's stakeholders.

The Group's 2022 ARA was published on its website in March 2023 and a copy can be found at: https://www.esuregroup.com/investors/. Some elements of the SFCR are subject to external audit as detailed in the Auditor's report, which can be found on page 11.

A) Business and Performance

Business Model

We are focused on delivering high quality Motor and Home insurance products to over 2.3 million UK personal customers. The Group's principal brands are esure and Sheilas' Wheels which can be bought direct or via the four principal UK Price Comparison Websites.

Business Model – Driving value

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

Our Strategic Focus

Enhancing Value	Digital Leadership	Exceptional Culture	A Greener and Safer World
We are focused on delivering better outcomes for customers rewarding their loyalty and providing empathetic end to end claims experience all underpinned by high levels of service.	We have scale, heritage and expertise providing peace of mind to our 2.3 million customer base. We are building on this heritage in two ways: • through the use of proprietary data combined with scale machine learning models to enhance capability across our entire business • by investing in an entire technology ecosystem to create a leading digital insurer	We have strong insurance DNA throughout the organisation that has been enhanced by colleagues with a proven track record in some of the most technologically advanced industries. Our culture is increasingly centred on a continual test/learn/optimise approach that drives a culture of innovation.	We seek to make everyday life safer and more sustainable for everyone. We are working hard to reduce our impact on the environment, to inspire more sustainable choices by customers and colleagues and to promote awareness of the importance of road safety.

What We Do

Great Value Products	Excellent Customer Service	Effective Claims Management
Personalised products that meet customer needs. We will look to develop our new products to serve a broader set of customer needs and fuel our growth.	Combining seamless digital journeys with human service when it matters most.	Deep experience driving cost-effective Claims management and delivering for customers when they need us most.
Leading Data Science and Risk Selection	**Efficient Balance Sheet**	**Low-Cost Operations**
Using extensive data assets and advanced data science, we have a forensic understanding of insurance risk.	Our active risk management combined with our reinsurance relationships allow us to maintain an efficient balance sheet and generate enhanced long-term returns. This is underpinned by strong underwriting capability.	With our focus on cost efficiency and investment in high levels of automation, we strive to deliver leading unit economics.

How we share value with our stakeholders

Our Customers	Our Corporate Partners	Our Colleagues	Our Investors	Our Communities
We deliver high-quality products and strong customer service, aimed at attracting and retaining customers. *RNPS 31.3 in 2022*	Cost-effective customer acquisition via access to millions of informed customers. *Top 5 provider for the four main Price Comparison Websites in 2022*	We are committed to fostering a supportive and inclusive working environment focused on employee wellbeing. *Employee engagement net score of 7.2 in 2022. Read more on page 33 of the Group's ARA*	We work to deliver long term returns for our shareholders and, through the cycle, deliver profitable growth. *Read more on page 17 of the Group's ARA*	We contribute to the communities around us and strive to make a positive impact through fundraising and volunteering. *Read more on page 34 of the Group's ARA*

For further information on how we are driving value, see our strategic update on pages 13 to 16 of the Group's ARA.

Financial Review

Group

	2022	2021 Restated
In-force policies (millions)	**2.32**	2.54
Turnover (£m)	**836**	908
Net loss ratio	**80.4%**	71.8%
Unit cost per policy (£)	**90.58**	93.13
Trading profit (£m)	**47.9**	84.8
Profit margin	**9%**	15%
(Loss)/Profit before tax (£m)	**(29.1)**	7.7
Solvency coverage	**149%**	188%

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

Group Turnover also decreased 7.9% from £908m to £836m due to lower motor volumes, partially offset by higher average premiums and instalment income as a result of price increases. Group Trading Profit, the Group's measure of underlying long-term profitability, reduced 44% from £84.8m to £47.9m due primarily to the return of higher claims frequency following COVID, heightened motor claims inflation and the impact from severe weather on the home account.

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

· £61.3m of expenditure related to investment in the Group's transformation programme (Blueprint) and;

· A further £10.6m of exceptional investment losses resulting from volatility in the investment markets.

The Group continues to execute against the Blueprint programme with 2022 being another year of significant progress. Further costs were incurred, as detailed above. The expenditure, which is not expected to be a permanent feature of the Group's cost base, relates to business and technology environment that is focused on delivering operational efficiency and excellent customer experience. The benefit of this is starting to emerge with over 54,000 customers having bought the new esure Flex product that is supported by the new operating platform.

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

The Group continues to use reinsurance arrangements as part of its Risk and Capital management activities. This includes the use of a Loss Portfolio Transfer combined with Adverse Development Cover (the "LPT") which was put in place in 2019 and remains in place, and annual quota share contracts.

esure Insurance Limited ("eIL")

The performance of eIL is materially the same as that of the Group. The principal difference is the revenues the Group receives from esure Services Limited ("eSL") for fees receivable for policy administration services.

B) System of Governance

Risk management system

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

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

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

Risk governance

In accordance with recognised good practice, the Group operates a 'three lines of defence' governance framework. Further information on the work of the Risk Committee of the Board can be found in B.3.1.

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

C) Risk Profile

As an underwriter of insurance for Motor and Home personal lines, the Group is exposed to a number of risks including underwriting, market, credit, liquidity, operational and conduct risks. These risks are monitored and mitigated through the implementation of processes, controls, stress testing and scenario analysis.

The Solvency Capital Requirement ('SCR') is the level of capital the Group is required to hold to meet its obligations if a 1-in-200-year event were to occur in the next 12 months.

Holding a capital surplus above the SCR provides a level of capital coverage that should enable the Group to continue to meet its Regulatory Capital Requirements in both normal and stressed trading conditions. The Group adopts the standard formula to calculate its Capital Requirements under SII.

The Group's SCR allocation by risk type, based upon the undiversified Capital Requirement, can be seen below:

	2022	2021
Underwriting risk	**58%**	54%
Market risk	**23%**	26%
Operational risk	**13%**	13%
Counterparty Default risk	**6%**	7%

The main risk driver of the capital requirement is underwriting risk: consisting of premium risk, reserve risk; and catastrophe risk.

Market risk has decreased in 2022 due to a reduction in risk taken within the investment portfolio due to uncertainties in the economic environment. The proportion attributed to underwriting risk has increased due to reductions in market risk and also increased net reserves.

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

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.

As part of the Group's Capital Strategy, quota share reinsurance is also utilised by the Group.

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. Our capital management approach considers the proactive use of reinsurance to protect against downside risks and manage our business effectively.

D) Valuation for Solvency Purposes

Under SII, assets and liabilities are required to be valued at fair value which is the amount for which they could be exchanged with a third party in an arm's length transaction. This should be derived from active market prices where possible. The valuation principles are broadly the same as those applied under IFRS but there are some notable exceptions at the Group and Solo level including the valuation of deferred acquisition costs, intangible assets, prepayments, land and buildings, right of use assets, the technical provisions and the valuation of the subordinated loan notes ('the Notes').

Deferred acquisition costs, intangible assets and prepayments do not meet SII valuation principles and as such have no value under SII; land and buildings are recognised and valued at highest and best use taking into account the market value of rental income if the property were leased out. Property, plant and equipment is valued at replacement cost.

Where it is not possible to value assets or liabilities (excluding technical provisions) using active market prices, alternative valuation methods must be used. These include:

- Market approach - using other market observable inputs;
- Income approach - using, for example, future cash flows; and
- Cost or replacement cost approach, using the replacement cost of the asset or liability adjusted for obsolescence.

The Group has used alternative valuation methods in the valuation of Property, plant and equipment, right of use assets, the Notes and its unquoted investments.

SII technical provisions are the best estimate of future insurance cash flows, plus a risk margin to allow for the capital cost for a third party to run off the Group's claims liability. Under SII, future insurance cash flows include all expenses and income in relation to contractually bound policies at the balance sheet date. Further information on the differences to IFRS are set out in section D.2.2.

E) Capital Management

The Group's aim is to ensure there are appropriate financial resources in place at all times to deliver on its policyholder and corporate obligations.

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 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.

A summary of the Group and Solo capital position, as at 31 December 2022 and 2021, is shown in the table below:

	Group		Solo	
	2022	2021	**2022**	2021
	£m	£m	**£m**	£m
Tier 1 capital	259.2	370.9	217.0	333.8
Tier 2 capital	130.3	126.2	127.9	129.9
Eligible Own Funds	**389.6**	497.1	**345.0**	463.7
SCR	260.7	264.3	255.9	259.9
Surplus	**128.9**	232.8	**89.1**	203.8
Coverage ratio	**149%**	188%	**135%**	178%

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

A capital injection from esure Group plc to esure Insurance Limited has been completed post year-end which has strengthened the Solo solvency coverage. If this capital contribution was in place at December 2022, solvency coverage would have been 142%. This has had no impact on the Group solvency coverage.

Group Tier 1 capital comprises IFRS equity adjusted for all SII valuation adjustments of £209.3m (2021: £299.9m) plus £51.8m (2021: £72.8m) of restricted Tier 1, less foreseeable dividends, distributions and charges of £1.9m (2021: £1.9m). The Group paid £2.0m dividends in 2022 (2021: Nil).

Group Tier 2 capital relates to the Notes issued by the Group in 2014 which are allowable as capital as they rank as creditors after the claims of policyholders. This also includes the element of the restricted Tier 1 Notes that is in excess of the allowable amount in Tier 1. Total Tier 2 capital is capped at 50% of the SCR.

The SCR is calculated using the standard formula taking into account underwriting, market, counterparty default and operational risks.

Directors' Responsibility Statement

The Directors are responsible for ensuring that the SFCR is properly prepared in all material respects in accordance with the Prudential Regulatory Authority (PRA) rules and SII Regulations. The PRA Rulebook for SII firms in Rule 6.1(2) and Rule 6.2(1) of the Reporting Part requires that the Group and eIL must have in place a written policy ensuring the ongoing appropriateness of any information disclosed and that the Group and eIL must ensure that its SFCR is subject to approval by the Directors.

The Board of Directors confirm that, to the best of their knowledge:

(a) Throughout the financial year in question, the Group and eIL have complied in all material respects with the requirements of the PRA rules and SII Regulations as applicable; and

(b) It is reasonable to believe that, at the date of the publication of the SFCR, the Group and eIL continue to comply, and will continue so to comply in future.

On behalf of the Boards of esure Group plc and esure Insurance Limited.

Peter Bole
Chief Financial Officer
Date: 30 March 2023

Auditor's Report

Report on the Audit of the Relevant Elements of the Solvency and Financial Condition Report

Opinion

Except as stated below, we have audited the following documents prepared by the Group and the Company as at 31 December 2022:

the 'Valuation for solvency purposes' and 'Capital Management' sections of the SFCR of the Group and the Company as at 31 December 2022, ('the Narrative Disclosures subject to audit'); and

Group templates S02.01.02, S22.01.22, S23.01.22, S25.01.22, S32.01.22 and the Company templates S02.01.02, S.12.01.02, S17.01.02, S22.01.21, S23.01.01, S25.01.21, S28.01.01 ('**the Templates subject to audit**')

The Narrative Disclosures subject to audit and the Templates subject to audit are collectively referred to as the '**Relevant Elements of the SFCR**'.

We are not required to audit, nor have we audited, and as a consequence do not express an opinion on the Other Information which comprises:

The 'Business and performance', 'System of governance' and 'Risk profile' sections of the Solvency and Financial Condition Report;

Group template S05.01.02

Company templates S05.01.02, S19.01.21

Information calculated in accordance with the previous regime used in the calculation of the transitional measures on technical provisions, and as a consequence all information relating to the transitional measures on technical provisions as set out in the Appendix to this report;

the written acknowledgement by management of their responsibilities, including for the preparation of the SFCR ('**the Responsibility Statement**').

Information which pertains to an undertaking that is not a Solvency II undertaking and has been prepared in accordance with PRA rules other than those implementing the Solvency II Directive or in accordance with a UK law other than the Solvency II regulations ('the sectoral information').

In our opinion, in accordance with Rule 4.2 of the External Audit Chapter of the PRA Rulebook, the sectoral information has been properly compiled in accordance with the PRA rules and UK law relating to that undertaking from information provided by members of the group and the relevant insurance group undertaking.

To the extent the information subject to audit in the Relevant Elements of the SFCR includes amounts that are totals, sub-totals or calculations derived from the Other Information, we have relied without verification on the Other Information.

In our opinion, the information subject to audit in the Relevant Elements of the SFCR of the Group and the Company as at 31 December 2022 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based, as modified by relevant supervisory modifications, and as supplemented by supervisory approvals and determinations.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK), including ISA (UK) 800 and ISA (UK) 805. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the relevant elements of the Solvency and Financial Condition Report* section of our report. We are independent of the Group and the Company in accordance with the ethical requirements that are relevant to our audit of the SFCR in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to public interest 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.

Emphasis of Matter – Special Purpose Basis of Accounting

We draw attention to the Valuation for solvency purposes and Capital Management sections of the SFCR, which describe the basis of accounting. The SFCR is prepared in compliance with the financial reporting provisions of the PRA Rules and Solvency II regulations, and therefore in accordance with a special purpose financial reporting framework. The SFCR is required to be published, and intended users include but are not limited to the PRA. As a result, the SFCR may not be suitable for another purpose. Our opinion is not modified in respect of these matters.

Conclusions relating to going concern

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

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

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

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

Other Information

The Directors are responsible for the Other Information.

Our opinion on the relevant elements of the SFCR does not cover the Other Information and, we do not express an audit opinion or 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 relevant elements of the SFCR, 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 there is a material misstatement in the relevant elements of the SFCR 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.

Responsibilities of Directors for the Solvency and Financial Condition Report

The Directors are responsible for the preparation of the SFCR in accordance with the financial reporting provisions of the PRA rules and Solvency II regulations which have been modified by the modifications, and supplemented by the approvals and determinations made by the PRA under section 138A of FSMA, the PRA Rules and Solvency II regulations on which they are based.

The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of a SFCR that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the relevant elements of the Solvency and Financial Condition Report

It is our responsibility to form an independent opinion as to whether the relevant elements of the Group and Company SFCR are prepared, in all material respects, with financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based.

Our objectives are to obtain reasonable assurance about whether the relevant elements of the Group SFCR and Company SFCR 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 it 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 decision making or the judgement of the users taken on the basis of the Group and Company SFCR.

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 . The same responsibilities apply to the audit of the Group and Company SFCR.

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.

We considered the nature of the Group and Company's industry and its control environment and reviewed the Group and Company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management, internal audit, audit committee about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the SFCR. These included Solvency II as implemented in the UK; and
- do not have a direct effect on the SFCR but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included Companies Act 2006 and related Company Law.

We discussed among the audit engagement team including relevant internal specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the valuation of insurance contracts liabilities. We performed procedures including assessing the significant accounting estimates for bias.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. 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.

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

- reviewing the SFCR disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing correspondence with the PRA and FCA, reviewing internal audit reports.

Report on Other Legal and Regulatory Requirements

In accordance with Rule 4.1 (3) of the External Audit Chapter of the PRA Rulebook for Solvency II firms we are required to consider whether the Other Information is materially inconsistent with our knowledge obtained in the audit of the Group's and the Company's statutory financial statements. 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 relation to this matter.

Use of our Report

This report is made solely to the Directors of the Group and the Company in accordance with Rule 4.1 (2) of the External Audit Chapter of the PRA Rulebook for Solvency II firms. We acknowledge that our report will be provided to the PRA for the use of the PRA solely for the purposes set down by statute and the PRA's rules. Our audit work has been undertaken so that we might state to the insurer's Directors those matters we are required to state to them in an auditor's report on the relevant elements of the SFCR 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 PRA, for our audit work, for this report or for the opinions we have formed.

Mark McQueen
for and on behalf of Deloitte LLP, Statutory Auditor
1 New Street Square
London, EC4A 3HQ
United Kingdom

30 March 2022

Appendix – relevant elements of the Solvency and Financial Condition Report that are not subject to audit

The relevant elements of the Group Solvency and Financial Condition Report, and Company Solvency and Financial Condition Report that are not subject to audit comprise:

- The following elements of template S.22.01.22
  - Column C0030 – Impact of transitional measure on technical provisions
- The following elements of Group template S.23.01.22
  - Rows R0410 to R0440 – Own funds of other financial sectors
- The following elements of Group template 25.01.22
  - Rows R0500 to R0530 – Capital Requirement for other financial sectors (Non-insurance capital requirements)

The relevant elements of the Group Solvency and Financial Condition Report, and Company Solvency and Financial Condition Report that are not subject to audit comprise:

- The following elements of Template S.12.01.02
  - Rows R0110 to R0130 – Amount of transitional measure on technical provisions
- The following elements of Template S.17.01.02
  - Rows R0290 to R0310 – Amount of transitional measure on technical provisions
- The following elements of template S.22.01.21
  - Column C0030 – Impact of transitional measure on technical provisions

Elements of the narrative disclosures subject to audit identified as “unaudited”

A. Business and Performance

A.1 Business

A.1.1 General information

Name and legal form

esure Group plc is a public limited company without a premium listing but with listed debt. Its principal activity is that of a Holding company. The principal subsidiary of esure Group plc is esure Insurance Limited, both are incorporated and domiciled in England and Wales. Both registered offices are at The Observatory, Castlefield Road, Reigate, Surrey RH2 0SG. The Group's principal activity is the writing of non-Life insurance business. esure Group plc's ultimate parent is Blue (BC) Holdings L.P. a limited partnership incorporated in Jersey.

Supervisory authorities

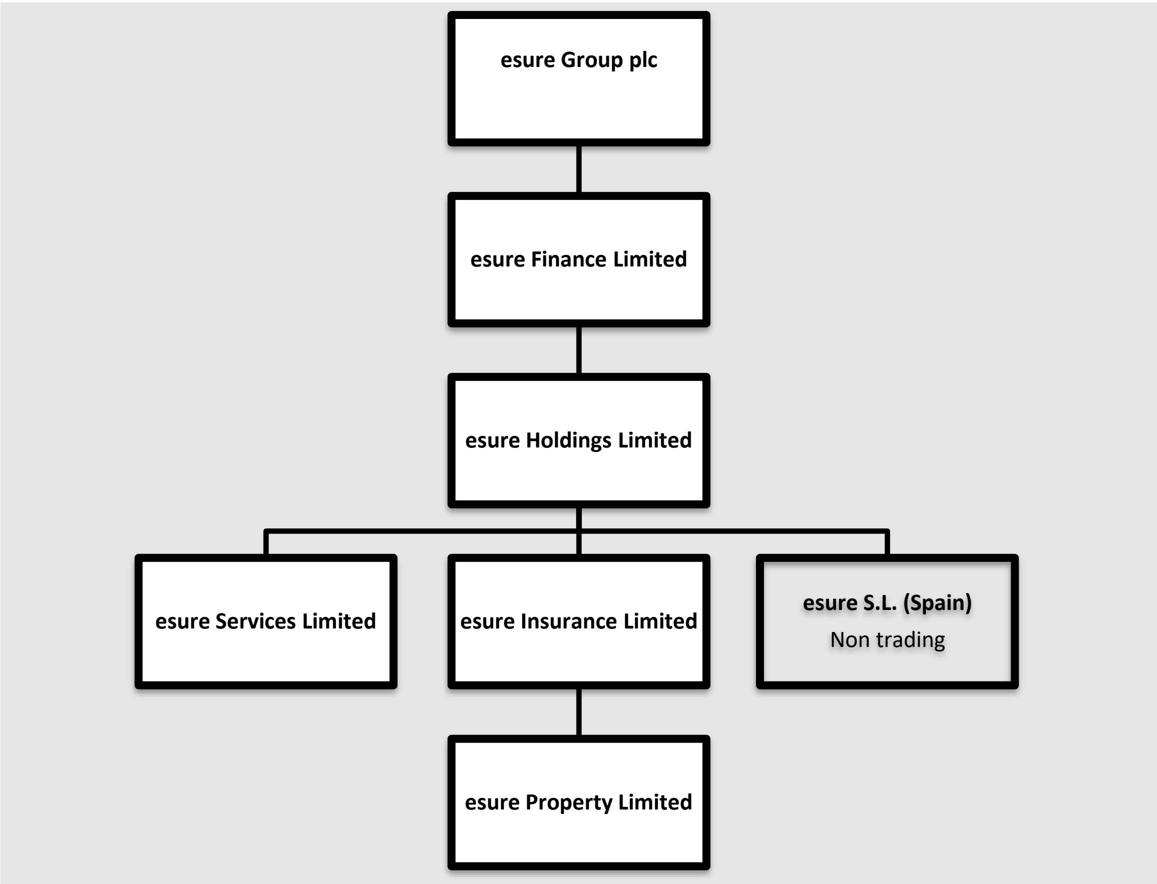
The Group's supervisory authority is the Prudential Regulation Authority ('PRA'), Bank of England, 20 Moorgate, London EC2R 6DA. The Group is also regulated by the Financial Conduct Authority ('FCA'), 25 The North Colonnade, Canary Wharf E14 5HS.

External auditor

The external auditor is Deloitte LLP, 1 New Street Square, London EC4A 3HQ.

Organisational structure

The diagram below shows the Solvency II regulated Group organisational structure as at 31 December 2022. All subsidiaries are owned 100% by the parent undertaking. All parent companies above esure Group plc are incorporated in Jersey and are not included in the Solvency II regulated Group.



Group subsidiary companies

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

	Country of incorporation	Class of shares held	Principal activity	Held directly or indirectly	Percentage held
esure Insurance Limited	England and Wales	Ordinary	General insurance	Indirect	100%
esure Services Limited	England and Wales	Ordinary	Insurance intermediary	Indirect	100%
esure Holdings Limited	England and Wales	Ordinary	Holding company	Indirect	100%
esure Property Limited	England and Wales	Ordinary	Property investment	Indirect	100%
esure Finance Limited	England and Wales	Ordinary	Holding company	Direct	100%
esure S.L.	Spain	Ordinary	Non-Trading	Indirect	100%

The registered office of all of the subsidiaries above, apart from esure S.L., is The Observatory, Castlefield Road, Reigate, Surrey, RH2 0SG. The registered office of esure S.L. is Ronda de Sant Pere 17,2 plant, Barcelona, Spain.

A.1.2 Scope of the Group

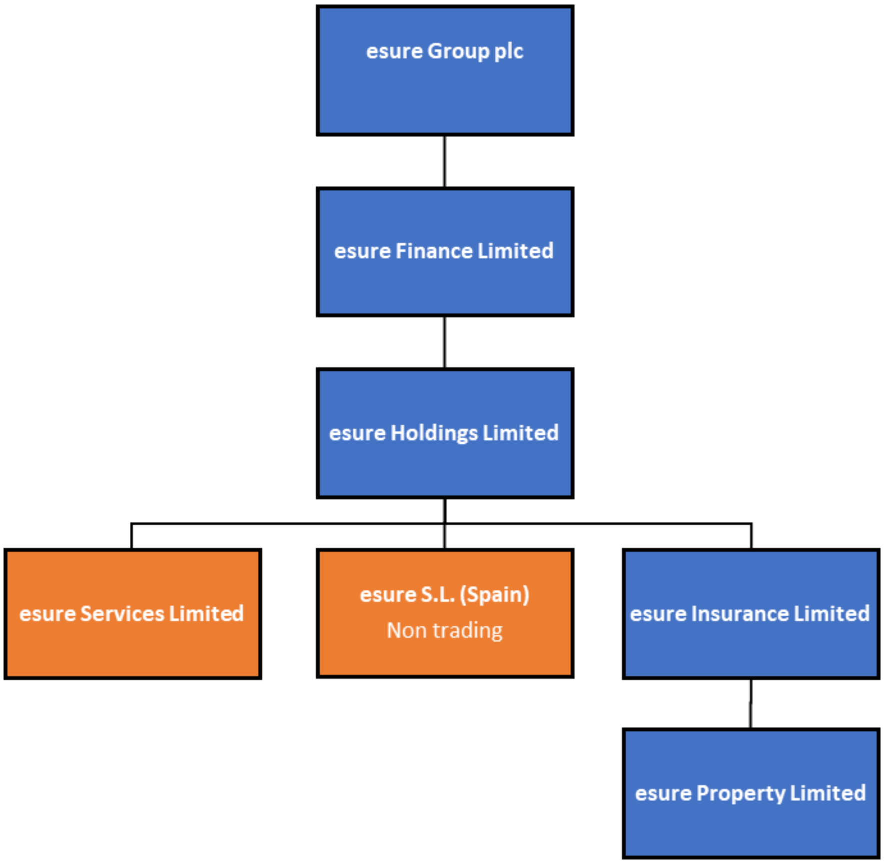
The scope of the Group used for the consolidated Financial Statements under IFRS and under SII is the same. However, a different consolidation treatment is applied under SII due to differences between SII and IFRS guidelines.

Under IFRS all entities within the Group are fully consolidated line by line in the statement of financial position. Under SII, insurance companies, insurance holding companies and entities whose sole purpose is to provide ancillary services to those companies are fully consolidated. All entities that do not meet the above definition are treated as participations and consolidated through one line on the SII balance sheet.

esure Group plc, esure Finance Limited and esure Holdings Limited are all insurance holding companies. esure Insurance Limited is an insurance company and esure Property Limited is an ancillary service company. These entities are therefore consolidated line by line. esure Services Limited is an insurance intermediary. This, along with esure S.L. are consolidated through one line as holdings in related undertakings, including participations.

The difference in consolidation approach has no impact on net assets but does result in a number of reclassifications between balance sheet line items.

The diagram below illustrates how the consolidation approach has been applied to the Solvency II regulated Group structure.



Companies in blue boxes are fully consolidated on the SII balance sheet

Companies in orange boxes are reported through the “holdings in related undertakings, including participations” line in the Solvency II balance sheet

A.1.3 Shareholders

esure Group plc is 100% owned by Blue (BC) BidCo Ltd, a Jersey incorporated entity and wholly owned subsidiary of funds advised by Bain Capital Private Equity (Europe) LLP. and its affiliates.

A.1.4 Other information

Material lines of business and geographical areas

The Group's material lines of business are UK personal Motor and Home insurance.

The Motor SII lines of business include Motor other, Motor liability, legal expenses, and miscellaneous financial loss.

The Home SII lines of business include fire, theft and other damage, and general liability.

The Group and all its subsidiaries and underwriting risks are located in the United Kingdom, except for esure S.L., which is incorporated in Spain and is a non-trading company.

Significant business or other events

This has been a year of significant progress for the Group, with a number of key strategic milestones achieved, albeit against a backdrop of very challenging market conditions.

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

The execution of this strategy is being pursed through the group’s Blueprint transformation programme. This programme will continue in 2023. However, with over 50,000 customers already supported by the new platform the benefits for colleagues and customers are starting to emerge.

The following Group Board membership changes occurred during the year and prior to publication:
Elisabeth Ling was appointed to the Board as an independent non-executive director on 19 May 2022.

A.2 Underwriting performance

The allocation of IFRS premiums, claims and expenses to Solvency II lines of business is performed solely for the purpose of producing Quantitative Reporting Templates using a simplified allocation basis. The SFCR is based on these simplified allocations as the Group does not report its IFRS performance internally by Solvency II lines of business. The Board manages the Group primarily by product type and presents a segmental analysis in the Group's Annual Report & Accounts on that basis as summarised below.

	2022	2021
Motor		
In-force policies	**1.72m**	1.93m
Trading profit	**£99.4m**	£108.0m
Home		
In-force Policies	**0.61m**	0.61m
Trading (loss)/profit	**£(6.5)m**	£19.0m

Motor

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

Throughout this period, the Group prioritised underlying pricing adequacy over volume and increased rates by 21.8% across the year, well ahead of the market average. This did result in in-force policies reducing 10.8% to 1.72m.

While average written premiums benefitted from this pricing activity, the full impact will not be reflected in the income statement until 2023 and 2024 and, as a result, profitability was held back by the impact of claims inflation incurred during the year. In line with the market, the Group experienced most acute levels of inflation across damage loss costs and second-hand car prices. The motor portfolio saw its current accident year Net Loss Ratio increase 8.9pts during the year as a consequence.

	2022	2021
Reported Net Loss Ratio (%)	**78.5**	73.6
Prior year reserves release (%)	11.2	7.2
Current accident year Net Loss Ratio (%)	**89.7**	80.8

Home

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

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

	2022	2021 Restated
Reported Net Loss Ratio (%)	**91.3**	59.0
Severe weather above expectation	**(14.6)**	1.0
Prior year reserves release (%)	**2.2**	12.9
Current accident year Net Loss Ratio (adjusted for weather) (%)	**78.9**	72.9

Central

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

	Motor £m	Home £m	Central £m	Trading profit £m	Reclassifications £m	Income Statement Total £m
Gross written premium	639.3	96.4		735.7	0.0	735.7
Net earned premium	349.7	55.4		405.1	0.0	405.1
Investment income	17.2	2.4		19.6	(10.6)	9.0
Instalment interest income	45.2	5.5		50.7	0.0	50.7
Other income	59.9	11.4		71.3	0.0	71.3
Total income	**472.0**	**74.7**		**546.7**	**(10.6)**	**536.1**
Net incurred claims	(270.5)	(50.8)	(1.0)	(322.3)	0.0	(322.3)
Claims handling costs	(21.6)	(2.8)	(8.7)	(33.1)	0.0	(33.1)
Insurance expenses	(75.1)	(26.1)	(34.7)	(135.9)	0.0	(135.9)
Other operating expenses	(5.4)	(1.5)	(0.6)	(7.5)	(66.4)	(73.9)
Total expenses	**(372.6)**	**(81.2)**	**(45.0)**	**(498.8)**	**(66.4)**	**(565.2)**
Trading profit	**99.4**	**(6.5)**	**(45.0)**	**47.9**	**(77.0)**	**(29.1)**
Non-trading costs	-	-	(67.2)	(67.2)	67.2	0.0
Non-trading costs: investments	-	-	(10.6)	(10.6)	10.6	0.0
Non-trading costs: LPT finance costs	-	-	(1.1)	(1.1)	1.1	0.0
Finance costs	(2.1)	(0.3)	(8.8)	(11.2)	(1.9)	(13.1)
Profit before tax	**97.3**	**(6.8)**	**(132.7)**	**(42.2)**	**0.0**	**(42.2)**

The following table shows the comparative underwriting performance for 2021:

	Motor £m	Home £m	Central £m	Trading profit £m	Reclassifications £m	Income Statement Total £m
Gross written premium	701.5	106.1		807.6	0.0	807.6
				0.0	0.0	0.0
Net earned premium	385.1	58.1		443.2	0.0	443.2
Investment income	16.7	2.4		19.1	(1.3)	17.8
Instalment interest income	48.2	5.7		53.9	0.0	53.9
Other income	49.6	13.1		62.7	0.0	62.7
Total income	**499.6**	**79.3**		**578.9**	**(1.3)**	**577.6**
Net incurred claims	(281.7)	(32.5)	(1.0)	(315.2)	0.0	(315.2)
Claims handling costs	(18.9)	(2.6)	(7.5)	(29.0)	0.0	(29.0)
Insurance expenses	(76.6)	(24.1)	(33.1)	(133.8)	0.0	(133.8)
Other operating expenses	(14.4)	(1.1)	(0.6)	(16.1)	(65.0)	(81.1)
Total expenses	**(391.6)**	**(60.3)**	**(42.2)**	**(494.1)**	**(65.0)**	**(559.1)**
Trading profit	**108.0**	**19.0**	**(42.2)**	**84.8**	**(66.3)**	**18.5**
Non-trading costs	-	-	(65.9)	(65.9)	65.9	0.0
Non-trading costs: investments	-	-	(1.3)	(1.3)	1.3	0.0
Non-trading costs: LPT finance costs	-	-	(1.7)	(1.7)	1.7	0.0
Finance costs	(1.7)	(0.2)	(8.8)	(10.7)	(2.6)	(13.3)
Profit before tax	**106.3**	**18.8**	**(119.9)**	**5.2**	**0.0**	**5.2**

A.3 Investment return

The Group generated an investment return of £9.0m (2021: £17.8m).

Investment return	2022 £m	2021 £m
Interest income on financial investments	11.3	6.9
Interest income on cash deposits	0.2	-
Investment charges	(4.8)	(5.1)
Dividend income on financial instruments	9.2	12.5
Net fair value gains/(losses) on derivative financial instruments	(11.9)	3.7
Net fair value gains/(losses) on financial instruments at FVTPL	5.2	(2.6)
Net gains/(losses) on AFS financial instruments reclassified from equity to P&L	(0.2)	2.3
Rental income	-	0.1
Total investment return	**9.0**	17.8

A.3.1 Other investing activities

Gains recognised directly in equity

During the year ended 31 December 2022, £64.3m was charged to other comprehensive income in respect of fair value movements on available for sale financial assets (31 December 2021: £17.4m), and £0.3m was charged to other comprehensive income in respect of fair value movements on land and buildings (31 December 2021: £0.3m).

Investments in securitisation

As at 31 December 2022, the Group held no investments in securitisation.

A.4 Additional service revenues

	2022	2021
	£m	£m
Instalment income	50.7	53.9
Other income	71.3	62.8
Other operating expenses	(7.5)	(16.1)
Total income from additional services	**114.5**	100.6

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

A.5 Any other information

A.5.1 Reconciliation of trading profit to (loss)/profit before tax.

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

Non-trading costs

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

Finance and other costs

The Group incurred £11.2m in finance costs, of which £8.8m (2021: £8.8m) related to the £125.0m 6.75% ten-year Tier 2 Subordinated Notes issued on 19 December 2014 ('the Notes') with the remainder mainly linked to reinsurance arrangements. The £75.0m 6.0% Restricted Tier 1 issuance on 22 July 2021 is accounted for under IFRS as equity, therefore the coupon is recognised on payment through other comprehensive income rather than as a finance cost.

A.5.2 Commitments

Contracts for Assets

The Group has entered into the following contractual commitments which have not been provided for at the balance sheet date: Fixed asset acquisitions contracted for but not provided in the balance sheet of Nil (2021: £0.1m) and investment commitments of £32.2m (2021: £25.5m).

B. System of Governance

B.1 General Information on the System of Governance

B.1.1 Structure of the Board, committees, roles and responsibilities

The Boards of esure Group plc and eIL are comprised slightly differently as detailed below, but all eIL Board members are also members of the Group Board.

Board Composition	Position	Group	eIL
Andy Haste	Chair	✓	✓
David McMillan	CEO	✓	✓
Peter Bole	CFO	✓	✓
Kirsty Whitehead	Co Sec	✓	✓
Andrew Birrell	INED	✓	✓
Peter Shaw	INED	✓	✓
Luca Bassi	NED	✓	✓
Elke Reichart	INED	✓	
Elisabeth Ling	INED	✓	
James Stevens	NED	✓	
Robin Marshall	NED	✓	
Philip Loughlin	NED	✓	

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

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

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

The Board remains firmly committed to high standards of corporate governance and maintaining a sound framework for the control and management of the business. The Board recognises that effective governance is key to the implementation of our strategy for our Shareholder and wider stakeholders and values strong relationships with our workforce.

The eIL Board meets separately to the Group Board to ensure that all matters specific to eIL are considered fully, and all matters discussed by the Group Board have been appropriately discussed, challenged and agreed with focussed consideration from an eIL perspective.

The Role of the Group Board

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.

The Role of the eIL Board

Responsible for:

- leadership and oversight of eIL and has overall authority for the management and conduct of eIL'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); and
- the approval of any changes to the capital, corporate and management structure of eIL.

The Role of the Group Audit Committee

The primary role of the Audit Committee is 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 auditors. The Committee maintains oversight of the Group's systems of internal controls and risk management activities.

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

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

The Role of the Group Risk Committee

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 systems and Framework and the Group's approved risk appetite which can be found in section B.3.4.
The Committee responsibilities in respect of the Risk Management Framework are to:

- Provide advice to the Board on risk strategy and oversight of current risk exposures in relation to risk appetite;
- Keep under review the effectiveness of the Group's risk management systems, the overall risk assessment processes and methodology, and ensure that risk-based information is used effectively by management and the Board in the running of the business;
- Evaluate potential emerging trends, including but not limited to environmental, social and governance trends, that may result in future adverse developments against the Group's risk appetite or new risk issues facing the Group and their potential impact on the business model;
- Review the principal risk policies for consistency with the Group's risk appetite and approve any material changes to those policies;
- Oversee and challenge the design and execution of stress and scenario testing, this includes reverse stress testing, day-to-day risk management and management's responsiveness to the findings and recommendations from the Chief Risk Officer and the Risk Management function;
- Challenge due diligence on risk issues relating to material transactions and strategic proposals that are subject to approval by the Board;
- Provide advice, oversight and challenge necessary to embed and maintain a supportive risk culture and review the effectiveness of its embedding and maintenance throughout the Group;
- Review the capital adequacy of the Group, taking into account the forward-looking assessment of risks from the outcomes

of the Own Risk and Solvency Assessment (ORSA) process and recommend to the Board for approval prior to submission to the Group's regulatory supervisor;

- Approve the annual objectives of the Risk Management function, ensuring it has adequate resources, independence and has appropriate access to information to enable it to perform its function effectively;
- Review the approach by which each principal risk is controlled, and new and emerging risks are identified and managed;
- Receive notification of any material breaches of risk appetite and discuss possible actions and solutions; and
- Consider the implications of any changes proposed to regulations and legislation that could be material to the Group's risk appetite, risk exposure, management of risk and regulatory compliance.

The Role of the Group Remuneration Committee

The Committee's key role is to oversee remuneration arrangements and make decisions on behalf of the Board for Executive and Material Risk Takers ('MRT') remuneration.

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

The Committee's responsibilities include:

- Appointment/termination of individual Executives;
- Pay review for individual Executives;
- Short-term incentive/bonus payments for Executives;
- Long-term incentive award allocations/grants for individual Executives;
- Short-term incentive/bonus plan design (and annual targets for bonus purposes);
- Long-term incentive plan design;
- Benefits Plan design;
- Agree population governed by Remuneration Policy;
- Accountability for Remuneration Policy – Board approval for all proposed amendments;
- Setting of the Expense policy;
- Retirement terms; and
- Contractual terms.

Roles and Responsibilities relevant to both Group and eIL Boards

The Chair of the Board - Andy Haste

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

Chief Executive Officer, Executive Director - David McMillan

Responsible for:

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

Chief Financial Officer, Executive Director - Peter Bole

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

Independent Non-executive Directors - Peter Shaw*, Andrew Birrell*, Elke Reichart, Elisabeth Ling

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

*Also an Independent Non-Executive Director of eIL

Non-executive Directors - Robin Marshall, Phil Loughlin, Luca Bassi*, James Stevens

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

*Also a Non-executive Director of eIL

Company Secretary - Kirsty Whitehead

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

Any material changes in the System of Governance

Changes to the Board membership during the year are noted in section A.1.4.

B.1.2 Overview of key functions

This section provides an overview of the key functions. All of the key functions have the necessary authority, resources, and operational independence to carry out their roles and responsibilities.

Internal Audit

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. The Internal Audit Function provides independent and objective assurance on the internal control environment and focuses assurance on the design and operating effectiveness of governance processes, risk management procedures and internal control. The Audit Committee is responsible for ensuring that the Internal Audit function remains independent, effective, and fit for purpose.

Risk Management

The Risk Management function is led by the Chief Risk Officer ('CRO') who reports to the Chief Executive Officer and has regular access to the Chair of the Risk Committee and is overseen by the Risk Committee. The Risk Management function performs a 2nd Line of defence role, providing independent and objective challenge to the business in the effective operation of the risk management system. It seeks to ensure that the material risk exposures are contained within approved strategy and appetite, reports on risk exposure, advises on the administration and management of risk within the 1st Line functions and draws the attention of the Executive and the Risk Committee, as appropriate, to situations in which it believes there are material variances to risk appetite.

The operational business areas have primary responsibility for managing risk in line with the defined appetite statements, performing their 1st Line of defence role. The responsibility of the Risk Management function is to ensure that the 1st Line of defence performs that role effectively.

The risk management framework and ORSA process are designed to ensure that the Risk Committee and Board receive timely and appropriate reporting on the Group's exposure to the existing and emerging risks in each of the core risk categories: Strategy, Sustainability & Change; Capital & Liquidity; Earnings; Conduct & Customer; Business Information; Business Operations; People; and Regulation & Reputation.

Compliance

As part of the independent Risk Management function led by the CRO and overseen by the Risk Committee, the Compliance function performs a 2nd Line of defence role and is responsible for oversight, challenge, education, embedding and coordination of regulatory risk and compliance activities. The accountability for the Compliance function resides with the Chief Risk Officer, a member of the Group Executive Team reporting to the Chief Executive Officer.

The operational business areas have primary responsibility for managing regulatory risk in line with the defined appetite statements, performing their 1st Line of defence role. The responsibility of the Compliance function is to ensure that 1st Line of defence performs its role effectively. The Compliance function also provides advice and guidance on regulatory matters ensuring a good understanding of the regulatory landscape in all areas of the business.

The Group continues to monitor legal and regulatory developments in the UK and Europe, through its close relationship with the FCA and PRA, Information Commissioners Office ('ICO') and other bodies including the Association of British Insurers.

Actuarial

The Actuarial function is responsible for fulfilling its duties under Solvency II regulation including the calculation of technical provisions and providing opinions on underwriting policy and reinsurance strategy.

The Actuarial function analyses and projects historical claims development data and uses a number of actuarial techniques to validate assumptions used to calculate technical provisions. The Actuarial function provides an Actuarial Function Report to the Audit and Risk Committees annually, setting out the tasks that have been undertaken by the Actuarial function and their results, and any relevant recommendations.

The Chief Actuary is a member of the Institute and Faculty of Actuaries. The Chief Actuary reports to the CFO and, to ensure independence, has direct access and bi-annual private meetings with the Audit Committee.

B.1.3 Remuneration policy

The Remuneration Committee oversees remuneration arrangements and makes decisions on behalf of the Board for Executive and MRT remuneration.

The principles and remuneration structures described within the Executives and MRT Remuneration Policy below apply throughout the whole senior management team, with the exception of employees within key control functions (Risk, Compliance and Internal Audit).

Key Elements and Principles of the Executive and MRT Remuneration Policy

The Policy sets out the key principles underpinning the remuneration of the Group's Executive team and colleagues considered Material Risk Takers, the regulatory framework relating to remuneration for this population and the roles and responsibilities of the Remuneration Committee and the Chief Executive Officer in applying the policy.
The policy supports the Group's strategy and, based on the following key principles, seeks to ensure remuneration is:

- 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; and
- Simple and transparent in its design.

Types of Remuneration

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

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

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.

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

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.

Risk adjustment process

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

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

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

Remuneration for wider employees

The Group seeks to pay all staff competitively and fairly for the roles they undertake. The Group 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.

Executive and MRT Remuneration Policy

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

Supplementary pension or early retirement schemes

The Group offers no supplementary pension or early retirement schemes.

Management Incentive Plan

Certain employees are eligible to purchase shares in the Group's ultimate parent company, Blue (BC) Topco Limited. Due to the restrictive conditions in place over the options these shares qualify as a share-based payment scheme under IFRS 2 share-based Payments. The Group receives the employees' services, but the scheme will be settled by Blue (BC) Topco Limited and is therefore classified as equity settled.

B.1.4 Material transactions

Transactions with Shareholder and Directors

The following transactions took place with Shareholders and related entities during the year:

- The Group uses a company that is controlled by Bain Capital to provide recruitment, HR, payroll and benefits-related services.
- Until June 2022, the Group uses a company which is controlled by Bain Capital to provide a media monitoring service.

	2022	2021
	£m	£m
Value of expense for the year:		
External communication services	-	n/a
HR-related services	(0.1)	(0.3)
Total expense for the year	**(0.1)**	(0.3)

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 in the Group ARA.

B.2 Fit and proper requirements

The Group's Fit and Proper Policy on the appointment of Independent Non-executive Board members summarised as follows:

- An independent external search consultant with comprehensive experience for that particular role is engaged;
- An all-inclusive selection and interview process considering the specific role requirements is followed to ensure a candidate is deemed to be fit and proper;
- The search consultant agrees with the Chair of the Board , Chief Executive and Chief People Officer, the short list of candidates to be interviewed;
- A selection of candidates meet with the Chair of the Board and other Board members;
- A detailed referencing and checking process is undertaken prior to appointment to ensure the candidate is appropriately qualified to act as Director and the fit and proper process is repeated on a bi-annual basis once appointed;
- The proposed appointment(s) is notified to the FCA and the PRA as required; and
- Any appointment is approved by the Group Board.

The appointment of roles at Group Executive is led by the Chief Executive Officer and/or the Chief People Officer as follows:

- A detailed search and external benchmark exercise is undertaken using the agreed role specification;
- The engagement of an independent external search consultant with comprehensive experience in recruitment for that particular role;
- Group Executive level short-listed candidates are interviewed by the Chief Executive Officer, the Chair of the Board and/or another Board member or other senior representative of the Shareholder, as appropriate.

The appointment of roles at Senior Leadership is as follows:

- A detailed search and external benchmark exercise undertaken using an agreed role specification;
- Candidates will be interviewed by one or more senior leaders. A member of the Group Executive and a senior member of HR may also interview the candidate depending on the nature of the role;

- A detailed referencing and checking process is undertaken prior to appointment to ensure candidates are appropriately qualified and the fit and proper process is repeated annually once appointed.

B.2.1 Board of Directors

Board induction and professional development

On joining the Board, Directors take part in an induction programme to increase their understanding of the Group. This is based on the individual Director's previous knowledge and experience, and role within the Group.

Directors are provided with information about the Group including:

- Financial information, operating plans, operational overview, key internal audits, the Group risk profile and approach to risk management;
- Company structure and strategy including the corporate governance framework, relevant minutes and Board effectiveness reviews;
- Role of the Board, Membership of Committee's, Matters reserved for the Board and Committee Terms of reference; and
- Meetings are arranged with the Non-executive Directors and the Group Executive Team.

Evaluation of Board performance

Following a facilitated review in 2021 which focused on key governance areas agreed with the Chair and Company Secretary, the Board agreed an action plan based on development opportunities identified. Significant progress has been made against this plan during 2022: increased focus on customer voice and customer needs, on employee talent and succession development, and a greater degree of initiative in discussing social and environmental topics; and achieving a greater balance of diversity in terms of identity, areas of expertise and share of voice.

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

B.3 Risk management system including the Own Risk & Solvency Assessment ('ORSA')

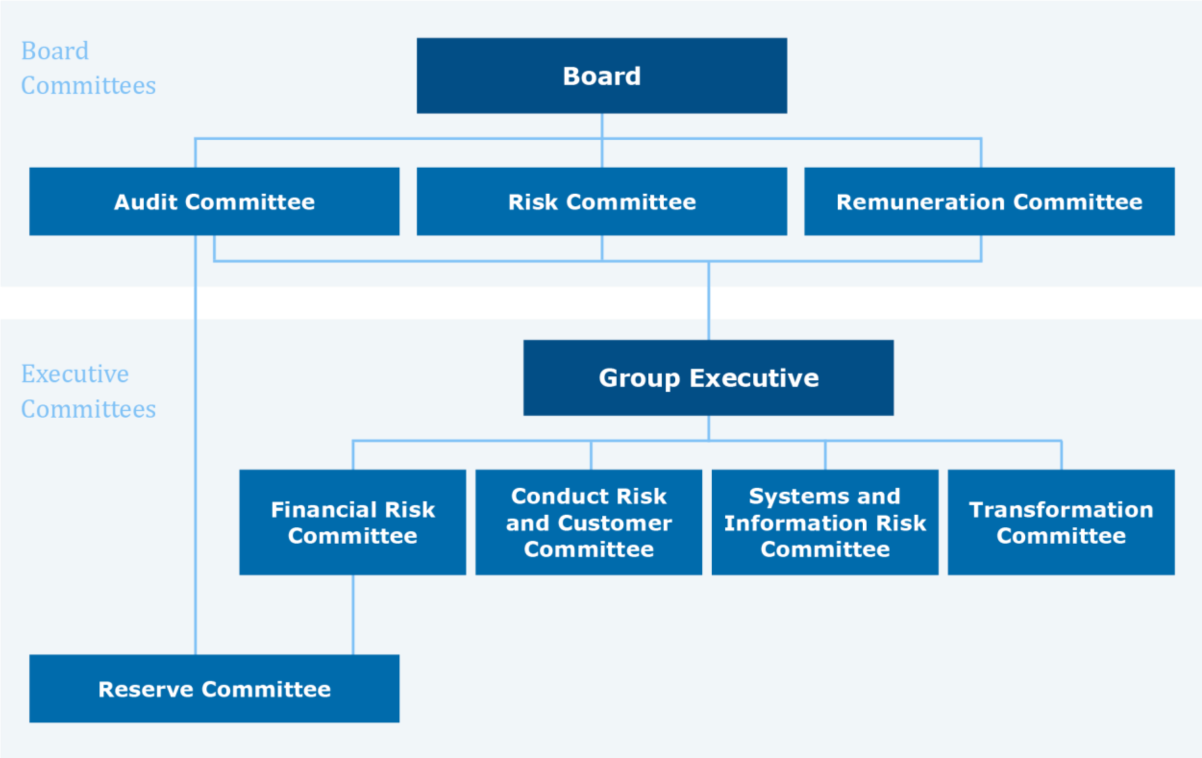
The Board is responsible for prudent oversight of the Group, ensuring that it is conducted in accordance with sound business principles and within applicable law and regulation. The Board is responsible for agreeing the strategic risk statements and setting the Risk Appetite for the business. It ensures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

B.3.1 Risk governance

In accordance with recognised good practice, the Group operates a 'three lines of defence' governance framework.

The Group's risk governance is overseen by a Risk function headed by the Chief Risk Officer, a member of the Executive Team reporting to the Chief Executive Officer, with independence assured through direct and separate access to the Chair of the Risk Committee.

The Group's risk management framework and Own Risk & Solvency Assessment ('ORSA') processes are proportionate to the risks that the business faces. The risk strategy, appetite and framework are articulated in a suite of policies covering material risks within the business. Each of these policies is subject to annual review and approval. The Group's governance structure is shown in the diagram below:



B.3.2 The Own Risk & Solvency Assessment ('ORSA') Process

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

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

The design of these processes takes account of the nature, scale and complexity of the Group's business.

The ORSA policy and processes are owned by the Board. Their role is to set the ORSA approach. Further challenge and governance is provided by the various committees and structures that are in place to ensure that there is appropriate direction and understanding of the risks and capital positions, both on a current and forward-looking basis. The Risk Committee takes a key role in supporting the Board in terms of management of the ORSA process.

The Board and the Risk Committee take an active part in the ORSA process, including the planning of reviews, how each assessment is performed, the content of the report and challenging the results. There have been discussions at the Board and Risk Committee around key aspects of the process during 2022.

In normal circumstances, where there is no material change to the capital and risk position, a full ORSA report is produced and approved by the Board on an annual basis. The timing of the ORSA report is linked into the Group's planning cycle and is presented at the Group Executive and Risk Committee before Board approval. When there is a material change to the capital and risk position and/or major strategic developments an Exceptional ORSA is produced. There was no Exceptional ORSA produced during 2022. A single Group ORSA is produced because the risks and capital of the Group and Solo entity are closely aligned.

The ORSA is forward-looking and informs the Board's discussions during the annual business planning process. The assessment of new business plans under base and alternative scenarios are supported by the ORSA. The report assists the Board to understand the capital positions under each of these scenarios and ensures that solvency requirements will be met in line with the Board's Risk Appetite and regulatory requirements over a three-year period.

The key processes that underpin the ORSA in determining own solvency needs include:

- Stress testing and scenario analysis including reverse stress testing;

- Business planning and assessment of the key risks;
- Forward-looking assessments of the solvency position;
- Own assessment of solvency based on the Group's capital modelling;
- Assessment of the appropriateness of standard formula for regulatory capital setting;
- Risk Appetite process; and
- Material and emerging risk processes.

B.3.3 Risk Reporting

Risk reporting as part of the Risk Management Framework and the ORSA process is designed to ensure that the Board and the Risk Committee receive timely and appropriate reporting on the Group's exposure to existing and emerging risks in each of the core risk categories as described in the table in B.3.4.

The Group's risk management strategy integrates risk assessment and evaluation into the Group's business operations, planning and capital management.

B.3.4 Strategy and Risk Appetite

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

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

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

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

The Group's Risk Appetite incorporates a range of quantitative and qualitative measures of risk supporting these strategic risk objectives, against which the actual or planned exposures and uncertainties can be monitored. This monitoring is reflected in regular reporting to the Executive Committees, Group Executive Committee, the Risk Committee and the Board.

The Risk Appetite forms a fundamental part of the way in which the Group thinks about and assesses risk, setting out the types and level of risk that it is willing to accept or avoid in the pursuit of its strategy and ensuring that we receive an appropriate return for the risks we accept running the business.

The Group's Risk Management Framework is dynamic and continues to be enhanced and developed to ensure it meets the needs of the business.

Group's risk management system (including the risk strategies, processes and reporting procedures) is described in B.4.1 below. This includes a description of how the risk management system is integrated into the business and decision-making processes.

B.4 Internal control system

B.4.1 Risk and internal control framework

The Group maintains a risk and internal control management framework that defines, through the strategic risk objectives and statements on its Risk Appetite, the level of business risks that it can tolerate or chooses to accept. The Group has established internal controls to manage its material business risks.

The purpose of the risk assessment process is to evaluate the risks in light of those controls and to identify additional actions, where necessary, with reference to the Group's Risk Appetite.

An overview of the process by which the Group manages risk on a continuous basis is as follows:

- **Identify** – The Risk Appetite report, owned by the Group Executive and based upon the strategic risk objectives, is the basis of our risk focus. Lower-level risk registers and Key Risk Indicators are held at departmental level.
- **Measure** – The Group has implemented a series of risk management tools, such as the stochastic capital model, the Standard Formula and the Stress and Scenario Testing programme to aid its understanding of financial risks, which are linked to the Risk Appetite. Risks are also assessed using KPIs, Key Risk Indicators and expert judgement where appropriate.
- **Monitor** – The process of monitoring is managed by the Risk function, who challenge and debate risks with the 1st Line of defence, including relevant output from Key Risk Indicators, Issue Management, Control Testing, Stress and Scenario Testing, Risk Reviews, Emerging Risks and other information obtained from the business.
- **Manage** – The Group's strategy for the management of risk includes considering appropriate actions, with reference to the Group's Risk Appetite. This can include risk transfer strategies (such as reinsurance), risk mitigation (additional controls or contingency plans) or risk acceptance. Risks that are outside of appetite are typically managed by creating a new control or a continuity strategy that reduces the residual risk to an acceptable level.
- **Report** – The Chief Risk Officer's report assessing compliance with the Risk Appetite and key risk limits is presented at each Risk Committee meeting. This report also presents analysis of emerging risks and other risk and capital-related matters and is a key element of the ORSA reporting.

B.4.2 Compliance framework

As part of the independent Risk function led by the CRO and overseen by the Risk Committee, the Compliance function performs a 2nd line of defence role and is responsible for oversight, challenge, education, embedding and coordination of regulatory risk and compliance activities. The accountability for the Compliance function resides with the Chief Risk Officer, a member of the Group Executive Team reporting to the Chief Executive Officer, with independence assured through direct and separate access to the Chair of the Risk Committee

The operational business areas have primary responsibility for managing regulatory risk in line with the defined appetite statements, performing their 1st line of defence role. The responsibility of the Compliance function is to ensure that 1st line of defence performs its role effectively. The Compliance function also provides advice and guidance on regulatory matters ensuring a good understanding of the regulatory landscape in all areas of the business.

The key policy defining the risk activity of the Compliance function is the Conduct Risk Policy, which sets out how conduct risks are identified, evaluated, mitigated and monitored, which may be referred to as the Conduct Risk Framework. This policy is reviewed and approved by the Risk Committee on behalf of the Board and was last reviewed in March 2022.

The Compliance function produces an annual compliance assurance plan that is approved at the Risk Committee, the plan for 2023 being agreed in November 2022. The compliance plan covers the Priorities and Approach for 2022, including day-to-day advice and guidance, horizon scanning and pre-planned compliance reviews. The outcomes of the completed compliance review activities are reported to the heads of relevant business areas, relevant senior management, the Group Executive Committee and Risk Committee (as appropriate). The Compliance function's performance against the plan is monitored at the Group Executive Committee and the Compliance function submits progress updates to the Risk Committee.

B.5 Internal Audit function

B.5.1 Description of the Internal Audit function

The Internal Audit function provides independent and objective assurance on the design and operating effectiveness of the firm's governance, risk management and internal controls.

Accountability for the Internal Audit function resides with the Chief Audit Officer (CAO). The independence of the CAO is assured through a direct reporting line into the Chair of the Audit Committee, with day-to-day reporting to the Chief Executive Officer. The CAO supervises the activities of the Groups internal staff, and external firms providing services to the Internal Audit function.

B.5.2 Maintenance of independence

The Internal Audit function maintains its independence by reporting directly to the Audit Committee, the members of which are all independent Non-executive Directors.

During the period, the CAO had regular meetings with the Chair of the Board, Chief Executive Officer, Chair of the Audit Committee and the CRO; as well as private meetings with the Audit Committee without management present.

The Internal Audit function is authorised to review all areas of the Group and has full, free, and unrestricted access to all activities, records, property, and personnel necessary to complete their work. The Internal Audit plan is devised by the Chief Audit Officer and takes into account discussions with management, Non-executive Directors and the Chair of the Audit Committee. The plan is approved on an annual basis at the Audit Committee with progress and findings reported at each Audit Committee. Within this report any potential independence considerations are noted.

Internal Audit provide an annual opinion of the adequacy and effectiveness of the Group's framework of governance, risk management and internal control for the year.

B.6 Actuarial function

The Actuarial function is part of the Finance function of the Group and, via the Chief Actuary, reports to the CFO. The Actuarial function comprises both qualified and student actuaries with the required skill sets and experience to enable the tasks of the Actuarial function to be carried out effectively and to the required level of quality. The Actuarial function operates independently of the revenue generating functions of the Group and the actuarial staff are bound by the governance of the Institute and Faculty of Actuaries.

The Actuarial function analyses and projects historical claims development data and uses a number of actuarial techniques to calculate and validate technical provisions. The development of prior periods' claims is assessed quarterly against expected levels and the reasons behind deviations are investigated and reported to the Reserve Committee.

As well as historical analysis, the Group also takes into account changes in risk profile and in legislation or regulation and changes in other external factors including assumptions on the frequency of Periodic Payment Orders ('PPOs').

The Actuarial function also assesses the suitability of data used in the calculation of technical provisions and gives an annual opinion on the Group's underwriting policy and reinsurance arrangements.

Outputs from the Actuarial function are reported to the Reserve Committee and Audit Committee by the Chief Actuary. The Chief Actuary reports to the CFO and to ensure independence has access to and bi-annual private meetings with the Audit Committee.

B.7 Outsourcing

B.7.1 Description of the Outsourcing Policy

Outsourced suppliers are subject to an independent procurement process for the award of business. Prior to engagement, due diligence will be conducted to provide assurance on the service providers financial stability and expertise to ensure they have the ability, capacity and any authorisation required to carry out the service effectively. The risks associated with the service are assessed and this considers the quality of governance, operational risks, the ability of the service provider to adequately manage the risks identified and the ability of the Group to monitor the compliance of service obligations. The rights of the Group and the UK regulatory authorities (PRA and FCA) to access information and to audit suppliers of material or outsourced services are retained via the inclusion of appropriate clauses within the written contract.

The Group currently uses service providers to undertake some of its material outsourced functions on its behalf. Details of the functions and activities they provide are shown in Section B.7.2.

B.7.2 Critical or Important activities outsourced

Below is a table outlining the material outsourced services identified for the Group. The definition regarding what is a material outsource relationship is based on current PRA and FCA principles and guidance and identification of suppliers is subject to an assessment against agreed Group criteria. The decision to outsource is taken at Group Executive level and does not result in the delegation by senior personnel of their responsibility. Governance structures, appropriate reporting and oversight by senior management within the Group is in place for all material suppliers. We apply a consistent approach and level of oversight to all material third parties, whether they qualify as outsourced or not. These outsourced arrangements are with providers in either the UK, USA, South Africa or Europe:

Critical and Important function	Operations
Hosting servers including hardware/ applications and data centre/ warehousing, telephony, workforce planning applications	Provision of data storage, provision of ongoing day-to-day systems, maintenance and support.
Repair platform	Platform for instructing a motor repair.
Claims handling	Provision of claims handling staff.
Customer telephony services	Provision of call centre staff.

B.7.3 Management of existing outsourcing

The management of outsourced functions is owned by a Group Executive member and supported by an appropriate supplier relationship manager who has the necessary expertise to supervise the outsourced function effectively. The supplier relationship manager will regularly monitor the standard of performance of the service and that the associated risks are being managed. Appropriate action will be taken if it appears the service provider is not carrying out functions effectively and in compliance with applicable laws and regulations.

The contract with the supplier and the service levels agreed is subject to periodic performance review, to optimise the value derived from the supplier and to agree any actions to improve performance or monitoring. During the lifetime of the contract, the supplier relationship manager ensures that the supplier provides the agreed management information and that any issue is mitigated with suitable remedial action.

B.7.4 Intra-group outsourcing arrangements

The only material intra-group outsourcing arrangements relate to: esure Services Limited which acts as an intermediary to esure Insurance Limited and as a service provider for members of the Group; and esure Property Limited which owns a property which is leased to another member of the Group, esure Services Limited.

B.8 Any other information

B.8.1 Assessment of the adequacy of the System of Governance

The Group is firmly committed to high standards of corporate governance and maintaining a sound framework for the control and management of the business. The Board recognises that effective governance is key to the implementation of strategy for our Shareholder and wider stakeholders and values strong relationships with our workforce.

C. Risk Profile

Measurement of risk

The risk reporting as part of the Risk Management Framework and the ORSA process are designed to ensure that the Board and the Risk Committee receive timely and appropriate reporting on the Group's exposure to existing and emerging risks in each of the core risk categories. Strategic risks and the reputational consequences of these risk exposures are considered within this risk reporting, supported by:

- Updates to the Group's risk registers covering current and emerging risks.
- Reports on events that have resulted in actual or potential financial or reputational losses to the Group or its customers.
- The results of stress, scenario and sensitivity testing ('SST') as well as the modelling of the risks within our capital model.
- The findings, recommendations and management actions arising from reviews conducted by the Risk, Compliance and Internal Audit functions.

The Group's Risk Management Strategy integrates risk assessment and evaluation into the Group's business operations, planning and capital management. The following table illustrates the Group's standard formula SCR allocation by risk type, based on the undiversified Capital Requirement. The allocation by risk for eIL is similar.

A breakdown of the SCR for Group and eIL can be found in section E.2.

	2022	2021
Underwriting risk	**58%**	54%
Market risk	**23%**	26%
Operational risk	**13%**	13%
Counterparty Default risk	**6%**	7%

The table above allocates the capital on an undiversified basis; however, diversification effects are taken into account when aggregating underwriting risk, market risk and credit risk Capital Requirements.

Market risk has decreased in 2022 due to a reduction in risk taken within the investment portfolio due to uncertainties in the economic environment. The proportion attributed to underwriting risk has increased due to the reductions in market risk and also increased net reserves.

Risk sensitivities

An annual suite of stress tests and scenario analysis, including underwriting (pricing, reserving and catastrophe), market, operational and credit related scenarios are selected and refined through consultation within the business and by reference to significant events to ensure that the scenarios reflect the current risk environment. The suite of SSTs includes circumstances that would render the business model unviable, known as reverse stress tests.

The output from the SST exercise is embedded into capital modelling data, business planning and the ORSA process. Some have been used to set Risk Appetite (e.g. liquidity stress) and some have been used to inform margin setting (e.g. reserve stresses).

The material SSTs take into consideration the most up-to-date business plan and consider the knock-on impacts over multiple years. Impacts on technical provisions including risk margin, SCR, the amount of qualifying debt and impacts on the loss absorbing capacity of deferred taxes are also considered.

An economic capital model is used to stress the business plan at various return periods, with the ORSA specifically considering the 1-in-25-year event and 1-in-200-year event levels; the modelled events are a combination of impacts occurring together during a year.

The analysis below 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 at the 1-in-200 stress level.

	Impact on coverage*
Motor loss ratio 5ppts worse	**-14%**
Interest rates – 50bps	**<1%**
Interest rates + 50bps	**<-1%**
Credit spreads of corporate bonds +/- 50bps	**-/+ 5%**
Real estate values +/- 25%	**+/- 4%**
1987 Hurricane	**-7%**
Ogden discount rate of -1.0%	**-1%**

*Capital coverage movements are stated after earnings, tax and foreseeable dividend impact.

C.1 Underwriting risk

Definition

Underwriting risk is the most material risk for the Group. It represents the uncertainty in the profitability of business written due to variability in premium rates as well as the value and timing of claims – this can impact historic (reserve risk) as well as future exposures (pricing and catastrophe).

Current risk profile

We operate in a highly competitive pricing environment and are currently facing into heightened underwriting risks due to the inflationary impacts from the wider economy; the uncertainty on longer term impacts from the FCA General Insurance Pricing Practices ('GIPP') (2021) and the Civil Liability Act (2020); and potential shifts in customer behaviour as they adapt to the heightened cost of living.

Key Elements

- Pricing risk
- Reserving risk
- Catastrophe risk

Mitigation

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

C.2 Market risk

Definition

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

The Group policy concerning risk aligns and ensures compliance with SII 'Prudent Person Principle' requirements, which are:

- The firm must only invest in assets and instruments the risks of which it can properly identify, measure, monitor, manage, control and report, and appropriately take into account in the assessment of its overall solvency needs; and

- All the assets of the firm must be invested in such a manner as to ensure the security, quality, liquidity and profitability of the portfolio of assets of the firm as a whole.

Current risk profile

Uncertainty in general market conditions is driven by potential interest rate rises by central banks; and geopolitical developments such as the Russian invasion of Ukraine.

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

Key Elements

- Interest rate risk
- Equity risk
- Spread risk
- Concentration risk

Mitigation

- The investment strategy is set with consideration to the overall market Risk Appetite.
- Market risk is managed against this appetite through regular monitoring: including the drivers of investment return and value at risk measures, counterparty exposures, asset liability management and interest rate sensitivities of our assets and liabilities.
- Asset/liability management is a key area of focus within the investment strategy, with regular monitoring and actions taken against the Risk Appetites set.
- The Group manages the level of investment counterparty credit risk it accepts by placing limits on its exposure to a single counterparty or group of counterparties, and on geographical concentration, segments and sectors. Investment manager mandates limit Concentration Risk, ensuring diversification in such a way as to avoid excessive accumulation of risk in the portfolio.
- The investment strategy does not expose it to material currency risk or the risks arising from active trading of derivatives.
- The Group policy concerning Market risk aligns and ensures compliance with Solvency II 'Prudent Person Principle' requirements.

C.3 Credit risk

Definition

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

Current risk profile

The Group has a low appetite for Credit risk. The most material exposures relate to its reinsurance counterparties.

Key Elements

- Reinsurance Counterparty Default risk
- Supplier Debtor risk

Mitigation

- We evaluate creditworthiness of reinsurers and concentration against Risk Appetite metrics. These are monitored prior to finalisation of any reinsurance contracts and on an ongoing basis.
- As part of the Group's supplier management process, credit exposures to third parties are regularly monitored and controlled.
- The Group manages its exposure to Credit risk in investments as part of its wider investment strategy, as discussed above under Market risk.

C.4 Liquidity risk

Definition

Liquidity risk is the risk that the Group is unable to realise investments and other assets in order to settle financial obligations when they fall due.

Current risk profile

The Group is currently operating well within its desired liquidity risk profile.

Key Elements

- Liquidity risk.

Mitigation

- The Group oversees Liquidity risk by considering the Group's operating cash flows, stressed for catastrophe scenarios, and liquidity strains.

C.5 Operational risk

Operational risk

Definition

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

Current risk profile

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

We expect elevated levels of change risk in 2023 arising from the Blueprint transformation programme. As we enter our fourth year of significant investment we have further embedded risk management within the programme.

Key Elements

- Operational resilience
- People
- Outsourcing and Third-Party
- Financial Crime and Fraud
- IT, Data and Cyber
- Business Processes
- Change
- Systems
- Data

Mitigation

- Our governance and risk framework provides an effective structure within which operational risks are identified, measured and managed. It ensures clear ownership of risks with effective reporting and escalation mechanisms, supporting management oversight and decision-making.

- We maintain specialist teams to provide business functions with expertise and support in operational resilience, people, IT, fraud, financial crime and cyber risk.
- A dedicated Transformation Office runs in parallel to business as usual. Our own specialists are supported by external implementation partners and consultancies. Independent assurance over the transformation is being supported by an external change risk consultancy.

C.6 Conduct risk

Definition

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

Current risk profile

The Group is averse to Conduct Risks and this is reflected in our Risk Appetite and management decision making. The recent implementation of the FCA GIPP has been embedded well within the business and we are well placed to effectively implement the new Consumer Duty regulations by July.

Key Elements

- Legal and Political risk
- Conduct and Compliance risk
- Regulatory risk

Mitigation

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

C.7 Other material risks

Climate risk

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

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

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

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

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

C.8 Any other information

Expected profit included in future premiums ('EPIFP')

In addition to the above disclosures on the Group's risk management framework and its SCR by risk type, the Group is also required to disclose the EPIFP as defined under Article 260 (2) of the Delegated Acts.

The EPIFP is a SII specific Liquidity risk metric relating to certain cash flows included in the Group's premium provision recognised as part of the Group's SII technical provisions. The EPIFP is not an IFRS profit measure and does not provide a measure of the profit recognised in the premium provision at the reporting date for both the run-off of existing policies and bound but not incepted business. The metric is an estimate of the cash flows included in the premium provision that are at risk under the following scenario: all In-force policies paid by instalments and bound but not incepted business lapse at the reporting date, without the Group receiving any corresponding cancellation income. As at 31 December 2022, the EPIFP was £55.7m (2021: £67.9m).

D. Valuation for Solvency Purposes

Under SII assets and liabilities are required to be valued at fair value which is the amount for which they could be exchanged with a third party in an arm's length transaction. This should be derived from active market prices where possible. The valuation principles are broadly the same as those applied under IFRS but there are some exceptions including the valuation of deferred acquisition costs, intangible assets, prepayments, property, plant and equipment, right of use assets, the technical provisions and the valuation of the Notes.

Certain balance sheet items such as deferred acquisition costs, intangible assets and prepayments do not meet SII valuation requirements and are not recognised.

Where balance sheet items do qualify under SII, but the IFRS valuation is not appropriate, they are revalued. The key valuation judgements under SII relate to the valuation of technical provisions, and property, plant and equipment (including right of use assets). There is also judgement applied around the consolidation approach.

This section provides a description of the bases, methods and main assumptions used for the balance sheet valuation for SII purposes. It also provides an explanation of the material differences between the valuation for SII purposes and the valuation in the IFRS Financial Statements.

A comparison of the IFRS balance sheet and the SII balance sheet for Group and Solo can be seen below with explanatory notes on the valuation of each material class of asset and liability, and the key differences between SII and IFRS. There are several types of difference:

Classification differences are due to differences in categorisation differences between IFRS and SII.

Consolidation differences relate to differences in consolidation approach; under SII insurance companies, insurance holding companies and ancillary services companies are consolidated on a line-by-line basis. All other companies are treated as participations and consolidated through one line. See the Group structure chart in section A.1.2 of this document for further details. Under IFRS, all entities are fully consolidated at the Group level. The difference in consolidation approach does not impact net assets but does result in reclassifications between balance sheet categories.

Other categorisation differences occur where the assets or liabilities have moved between accounting categories on the SII balance sheet.

Valuation differences are where the value of the asset or liability differs between SII and IFRS. The following notes focus on the valuation differences but also provide a high-level explanation of the difference in consolidation approach and the reclassifications.

D.1 Assets

A comparison of the IFRS Statement of Financial Position (SOFPs) and the SII balance sheet assets for Group and Solo can be seen below with explanatory notes on the valuation of each material class of asset, and the key differences between SII and IFRS.

Assets (Group)	At 31 December 2022		
	£m	£m	
Description	**IFRS valuation**	**SII valuation**	**Note**
Assets			
Intangible assets	21.9	-	1
Deferred acquisition costs	50.6	-	2
Deferred tax asset	30.7	16.1	3
Property, plant and equipment	26.1	38.8	4
Holdings in related undertakings	-	37.9	5
Investments	1,112.7	1,091.9	6
Insurance and other receivables	361.9	51.6	7
Cash and cash equivalents	38.4	52.0	8
Assets (ex-reinsurance assets)	**1,642.3**	**1,288.3**	

Assets (Solo)	At 31 December 2022		
	£m	£m	
Description	IFRS valuation	SII valuation	Note
Assets			
Deferred acquisition costs	50.6	-	2
Deferred tax asset	26.2	16.1	3
Holdings in related undertakings	25.5	27.6	5
Investments	1,082.3	1,062.4	6
Insurance and other receivables	349.0	47.9	7
Cash and cash equivalents	26.5	51.1	8
Assets (ex-reinsurance assets)	**1,560.1**	**1,205.1**	

Notes

Note 1 – Intangible assets

Intangible assets are software, which cannot be sold for a value and do not meet SII valuation principles, and therefore cannot be recognised on the SII balance sheet.

Note 2 – Deferred acquisition costs ('DAC')

Acquisition costs comprise all commissions and other direct and indirect acquisition costs arising from the conclusion of insurance contracts. DAC represent the proportion of acquisition costs incurred that corresponds to the unearned premiums provision at the reporting date and are deferred to the extent that these costs are recoverable out of future premiums. DAC does not meet SII valuation principles and is therefore not recognised on the SII balance sheet.

Note 3 – Deferred tax assets

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 including carried forward tax assets. 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 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.

The preparation of the SII balance sheet is on a different basis to IFRS and therefore that used for tax purposes. IFRS timing differences include brought forward tax positions which can be used in future years. Consequently, adjustments are required to allow for deferred tax amounts arising on the taxable differences between the SII valuation and the IFRS accounting treatment.

Note 4 – Property, plant and equipment

Property, plant and equipment comprises land and buildings occupied by the Group (including property leases) and fixtures, fittings and equipment (including computer hardware).

Under SII, as property owned by the Group is predominantly occupied by the Group and is not traded in an active market, it is not possible to obtain an active market valuation. Instead, a market approach is adopted which uses prices and other relevant information generated by market transactions involving similar assets. The property is independently valued annually by Royal Institution of Chartered Surveyors ('RICS') certified valuation experts 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 derived using comparable recent market transactions on arm's length terms.

Property leased by the Group is recognised as a right of use asset under IFRS but recognised at fair value under SII on an income approach using a discounted cash flow model. The valuation of property owned and leased by the Group is based on the highest and best use of the property. The lease asset valuation is based on the best estimate available of the value for which the properties could be sublet to an independent third party. As the valuation approach is the same for the assets and lease liabilities there is no impact on net assets under SII. The key assumptions in the valuation model are around comparable market prices of similar buildings and the market value of rental income for the property.

Plant and equipment comprise fixtures, fittings and equipment. The net assets primarily consist of computer hardware assets and the costs of bringing them into service. There is no active market for the assets therefore under SII the Group has adopted an alternative valuation method and believe that replacement cost is most appropriate. This is the cost to an independent third party to purchase the assets in the same service capacity.

The key assumptions in the valuation are that the assets are not bespoke, are transferable to an independent third party, and that a third party would be prepared to pay the modelled replacement cost for the assets as this is what they would reasonably expect to have to pay to create the assets with the same service capacity. The replacement cost of the assets will be reviewed at least annually.

Note 5 – Holdings in related undertakings

Group holdings in related undertakings represent the net assets of the two Group companies treated as participations: esure Services Limited and esure S.L. (Spain). Please refer to the consolidation treatment in section A.1.2 for more information. A consolidation adjustment is made to reclassify the net assets of these undertakings into this line.

The participations are valued in line with SII guidance using the adjusted equity method. They include valuation adjustments for prepayments and intangibles which are not recognised under SII.

Intercompany balances between Group companies treated as participations and Group companies consolidated line-by-line on the balance sheet are reported on a gross basis.

The Group participation holds unquoted investments for which there is no active or similar market from which to obtain a valuation. These are therefore valued through the income approach, by applying a discounted cash flow model. This derives a Best Estimate valuation for the asset. The key assumptions in the valuation model are around the future cash flows from the investment.

The Group participation also holds property, plant and equipment. Note 3 provides details of the valuation principles applied to Property, plant and equipment.

Solo holdings in related undertakings represent eIL's investment in esure Property Limited, which is owned by eIL. The net assets of esure Property Limited primarily comprise land and buildings occupied by the Group. Note 3 provides details on the valuation principles for property. The remainder of esure Property Limited's net assets primarily relate to intercompany balances and cash.

Note 6 – Investments

Investments comprise equity securities, debt securities, derivative financial instruments and deposits with credit institutions. They are valued at fair value under both SII and IFRS using active market information where possible. The criteria used in the assessment of active and non-active markets is consistent with IFRS 13 *Fair Value Measurement*.

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.

When an active market does not exist, fair value measurements are derived from inputs other than quoted prices in active markets. Where possible the inputs required to fair value an instrument are observable such as:

- 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 foreign exchange contracts, the use of observable forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.

Unobservable inputs are 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. There are no valuation differences between IFRS and SII in relation to investments.

Under SII, accrued interest is reclassified from receivables to investments as it is considered to form part of the fair value of the investments.

Cash held in investment portfolios is classified within investments under IFRS but is reclassified to cash under SII.

Note 7 – Insurance and other receivables

Insurance receivables are recognised when contracts are entered into and are measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the income statement.

Receivables include a valuation adjustment made under SII for future cash flows on anticipated but un-incepted business which are not recognised under IFRS.

The difference between SII and IFRS also results from reclassification adjustments relating to insurance receivables for policyholder premiums and salvage and subrogation assets which are included within technical provisions for SII rather than receivables as they relate to future insurance cash flows.

Note 8 – Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks or cash within investment portfolios.

There are no valuation differences for cash between SII and IFRS however, as noted above, cash held in investment portfolios is reclassified to cash under SII.

D.2 Technical provisions

D.2.1 Value of technical provisions Summary of results

Technical provisions under SII consist of a Best Estimate of future insurance cash flows and a risk margin. Future insurance cash flows include all expenses and income in relation to contractually bound policies at the balance sheet date. The risk margin reflects the capital cost that a third party is expected to require in order to take over and meet the insurance and reinsurance obligations.

Overall, the net technical provisions as at 31 December 2022 are £733.9m excluding the risk margin and £764.3m including the risk margin.

As the Solo entity is the only underwriting entity in the Group the technical provisions are the same at a Group and Solo level. The table below details the IFRS insurance related balances and SII technical provisions.

Year ended 31 December 2022 (£m)

Description	IFRS valuation	SII valuation		Note
Assets				
Reinsurance assets	785.7	436.7		8
Liabilities				
Claims/premium provision	1,681.9	1,170.6		8
Net liabilities	**896.2**	**733.9**	*	
Risk margin		30.4		8
SII technical provisions		**764.3**		

* Comprising claims provision of £619.0m and premium provision of £114.9m.

Year ended 31 December 2021 (£m)

Description	IFRS valuation	SII valuation		Note
Assets				
Reinsurance assets	794.8	530.3		8
Liabilities				
Claims/premium provision	1,666.8	1,291.6		8
Net liabilities	**872.0**	**761.3**	*	

Risk margin	35.0	8
SII technical provisions	**796.3**	

* Comprising claims provision of £645.8m and premium provision of £115.5m.

Note 9 – Net technical provisions

The table below outlines the results by SII lines of business ('SII LoB').

Technical provisions by SII LoB

Year ended 31 December 2022 (£m)

SII LoBs	Total	Motor vehicle liability	Other Motor	Fire and other damage to property	Legal expenses	General liability	Misc. financial loss	Non-Life annuities
Gross Best Estimate	1,170.7	1,051.0	(31.2)	87.7	2.2	4.8	1.0	55.3
Reinsurance	436.7	377.1	(0.8)	8.3	0.2	0.1	0.0	51.7
Net Best Estimate	733.9	673.9	(30.6)	79.4	2.0	4.7	0.9	3.6
Risk margin	30.5	24.1	0.8	2.8	0.1	0.1	0.1	2.5
Technical provisions	**764.4**	**698.0**	**(29.6)**	**82.3**	**2.1**	**4.8**	**1.0**	**6.0**

Year ended 31 December 2021 (£m)

SII LoBs	Total	Motor vehicle liability	Other Motor	Fire and other damage to property	Legal expenses	General liability	Misc. financial loss	Non-Life annuities
Gross Best Estimate	1,291.6	1,153.5	(26.7)	70.5	2.7	7.3	0.8	83.5
Reinsurance	530.3	449.4	(1.2)	4.2	0.1	1.8	(0.0)	76.0
Net Best Estimate	761.3	704.1	(25.5)	66.3	2.6	5.5	0.8	7.5
Risk margin	35.0	24.0	1.0	2.6	0.1	0.1	0.1	7.1
Technical provisions	**796.3**	**728.1**	**(24.5)**	**68.9**	**2.7**	**5.6**	**0.9**	**14.6**

The material lines of business are Motor vehicle liability, Other Motor, Fire and other damage to property and Non-life annuities. Motor vehicle liability relates to Motor third party damage or injury claims. Other Motor relates to claims for accidental damage, fire and theft and windscreen. Fire and other damage to property relates to claims for damage and theft on Home policies. Non-life annuities relate to settled PPOs.

Some lines of business have negative provisions because of recoverable amounts on salvage and subrogation which are received after claims are paid. Also, under SII, policyholder debtors are held within the technical provisions which can cause a provision to be negative if it is higher than the provision held for claims and expenses.

Key assumptions

A number of assumptions are made in deriving the ultimate costs of claims, the most material of which relates to Motor vehicle liability claims. For the claims provision it is generally assumed that future claims experience will develop similarly to past claims experience, unless there have been changes in the business or external environment for which adjustments are required. For the premium provision, base claims frequency and severity assumptions underlie the future claims component and the result is sensitive to these assumptions. Inflation is another key assumption which has an impact on ultimate claims and the premium provision, for which separate assumptions are made in regard to inflation of both the number of claims and the cost of each claim.

When valuing PPOs, assumptions are made about future wage inflation, to which each annual payment is linked, and life expectancy. In addition, for claims that are identified as potential PPO awards, assumptions are needed regarding the probability of settling as a PPO, the time of settlement and the monetary basis of settlement.

Methodology used to calculate the technical provisions

The claims provision is derived using common actuarial techniques which rely on using historical claims development patterns to predict the development of claims in the future. This is supported by additional trend analysis and discussions with the Underwriting and Claims functions with regard to emerging trends which may not be fully reflected in the historical data.

An alternative modelling approach is used for known and potential PPOs (those claims identified as likely to settle via PPO) where cash flow projections are carried out in order to estimate the ultimate cost on a gross and net of reinsurance basis. For potential PPOs an allowance is made for the probability that claims settle on a PPO basis.

The premium provision is derived by estimating claims outflows from future events arising from bound policies at the valuation date. The premium provision also allows for cash inflows from future premiums for in-force and bound policies.

Both the claims provision and premium provision include an allowance for all future expenses and cash inflows, as well as outflows associated with servicing claims and policies. Allowance is also made for the possibility of exceptional events occurring which would not be allowed for in projections as such events would not be captured in the existing historical data.

Under SII, all future cash flows must be discounted to the valuation date using the risk-free rate published by the PRA. The risk margin is set in accordance with the SII regulations and is calculated as 6% (as defined by EIOPA) of the SCR for each year of run-off, discounted to the valuation date.

D.2.2 Uncertainties, differences and adjustments

Uncertainty

The ultimate costs of claims and associated expenses for which provisions are held are subject to a number of material uncertainties. Allowance for future claims experience within the premium provision is particularly uncertain and sensitive to the weather as well as driving patterns and repair costs, For both the claims and premium provisions, circumstances can change that may require established provisions to be adjusted either upwards or downwards. Factors such as changes in the legal environment, outcomes from litigation, propensity of personal injury claims, changes in medical and care costs, and inflationary costs of vehicle and home repairs can all substantially impact overall costs of claims and associated expenses, and cause a material divergence from the bases and assumptions on which the provisions were calculated.

Large personal injury claims (excluding PPOs) can be volatile, particularly in the first few years of development. Potential future changes in the Ogden discount rate and the uncertain impact of the Civil Liability Act increases the uncertainty surrounding the ultimate settlement values for claims settling as lump sums.

The Group’s excess of loss reinsurance programme reduces the Group’s exposure to the volatility associated with large loss exposures including the changes in the Ogden discount rate and the cost of claims settling as PPOs.

Material differences to financial reporting basis

The fundamental principle of SII is that the technical provisions should be calculated as the discounted value of all future cash flows.

The SII claims provision is closely aligned to the IFRS best estimate reserves with the main exception being the difference in discounting basis. Under SII, all provisions are discounted. Under IFRS only claims reserves relating to PPOs are discounted, but at a discount rate based on the investment return expected from assets backing these liabilities.

The premium provision under SII is not directly comparable to the IFRS provision for unearned premiums. Broadly, the valuation on a SII basis leads to earlier recognition of profit from business existing at the valuation date. The potential profit recognised in the premium provision relates to all unearned exposure. This contrasts with the EPIFP metric, which only captures potential profit relating to future premiums and excludes any loss-making tranches of business under Solvency II guidelines.

Under IFRS the Group holds a margin above the IFRS best estimate reserves which is not included in the SII technical provisions. Under SII, a risk margin is held to reflect the cost of capital that a third party would require to take over and meet the insurance and reinsurance obligations. There is no equivalent allowance made under IFRS.

Matching adjustment

No matching adjustment referred to in Article 77b of Directive 2009/138/EC has been applied by the Group.

Volatility adjustment

The volatility adjustment ('VA') dampens the impact on the Solvency II balance sheet of short-term volatility in bond prices as a result of low market liquidity or exceptional widening of credit spreads. The VA reduces Technical Provision liabilities by increasing the discount rate used to value the liabilities. The VA is specified by the regulator.

The PRA has approved use of the VA for discounting liabilities with an expected term of more than four years. The Group has therefore applied the VA to Technical Provisions relating to bodily injury claims including PPOs.

The VA as at 31 December 2022 was 29bps at terms up to 53 years as specified by the PRA for GBP.

The impact of applying the VA is disclosed in QRT S.22.01 and summarised in the tables below.

Volatility adjustment (Group)	**At 31 December 2022**			At 31 December 2021		
	£m	**£m**	**£m**	£m	£m	£m
	Including VA	**Setting VA to zero**	**Impact of removing VA**	Including VA	Setting VA to zero	Impact of removing VA
Technical provisions	1,201.1	1,212.9	11.9	1,326.6	1,337.4	10.8
Basic own funds	414,3	411.3	(3.0)	497.1	494.6	(2.4)
Eligible own funds to meet SCR	389.6	385.0	(4.6)	497.1	494.6	(2.4)
SCR	260.7	261.5	0.8	264.3	265.4	1.1

Volatility adjustment (Solo)	**At 31 December 2022**			At 31 December 2021		
	£m	**£m**	**£m**	£m	£m	£m
	Including VA	**Setting VA to zero**	**Impact of removing VA**	Including VA	Setting VA to zero	Impact of removing VA
Technical provisions	1,201.1	1,212.9	11.9	1,326.6	1,337.4	10.8
Basic own funds	382.8	379.8	(3.0)	468.2	465.8	(2.4)
Eligible own funds to meet SCR	345.0	341.7	(3.3)	463.7	461.2	(2.5)
SCR	255.9	256.7	0.8	259.9	261.0	1.1
Eligible own funds to meet MCR	236.5	239.0	2.5	354.4	356.8	2.4
MCR	97.2	97.5	0.3	103.2	103.4	0.2

Transitional risk-free interest rate

The transitional risk-free interest rate-term structure referred to Article 308c of Directive 2009/138/EC is not applicable to the Group.

Transitional deductions

The transitional deduction referred to in Article 308d of Directive 2009/138/EC is not applicable to the Group.

Recoverables

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 minimises the impact that significant claims costs have on its capital and the underwriting result of each line of business.

The Group has in place 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 each line of business.

The Group continues to use reinsurance arrangements to enhance capital availability. This includes the use of LPT which was put in place in 2019 and remains in place, and annual quota share contracts. Profit commission relating to these contracts within the Technical Provisions amounts to £17.4m (2021: £25.9m).

The Group's reinsurance programmes are reviewed regularly and capital modelling is used to identify the most appropriate structure and risk retention profile, taking into account the Group's business objective of minimising volatility and the prevailing cost and availability of reinsurance in the market.

Material changes

There were no material assumption changes during the year ended 31 December 2022.

D.3 Other liabilities

A comparison of the IFRS Statement of financial position and the SII balance sheet liabilities for the Group and Solo can be seen below with explanatory notes on the valuation of each material class of liabilities, and the key differences between SII and IFRS.

Liabilities (Group)

	At 31 December 2022		
	£m	£m	
Description	**IFRS valuation**	**SII valuation**	**Note**
Liabilities			
Derivative financial liabilities	6.7	6.7	
Insurance and other payables	343.7	101.0	10
Subordinated liabilities	124.6	118.0	11
Liabilities (ex-technical provisions)	**475.1**	**225.8**	

Liabilities (Solo)

	At 31 December 2022		
	£m	£m	
Description	**IFRS valuation**	**SII valuation**	**Note**
Liabilities			
Derivative financial liabilities	6.7	6.7	
Insurance and other payables	304.8	49.3	10
Liabilities (ex-technical provisions)	**311.5**	**56.1**	

Note 10 – Insurance and other payables

Insurance and other payables relate to insurance premium tax, reinsurance premium creditors, accruals, lease liabilities and trade payables. The IFRS value also includes unearned instalment interest (which is not recognised under SII as it does not constitute a future cash outflow), Reinsurance amounts (which are reclassified to Technical Provision) and values relating to subsidiaries (which are reclassified to participations).

Note 11 – Subordinated liabilities

£125m 10-year Subordinated Notes were issued by esure Group plc on 19 December 2014 at the rate of 6.75% per annum, with interest payments made bi-annually.

The nominal £125m Subordinated Notes have a maturity date of 19 December 2024. The Notes are direct, unsecured and subordinated obligations of the Group, ranking pari passu and without preference amongst themselves, and will, in the event of the winding-up of the Group or in the event of an administrator of the Group being appointed and giving notice that it intends to declare and distribute a dividend, be subordinated to the claims of all senior creditors and policyholders of the Group.

Under IFRS, the Notes are valued at amortised cost. A valuation adjustment takes place under SII to revalue the Notes to fair value using a discounted cash flow model.

SII rules require the Notes to be recognised at fair value, but with no adjustment made to the fair value since the initial issue for changes in the Group's own credit standing.

Whilst the Notes are actively traded, the trades are infrequent and movements in the trade prices will include movements due to the Group's perceived credit standing. An alternative valuation method is therefore required.

The income approach has been used by applying a discounted cash flow model. The key assumption in the model is around the discount rate applied to the future cash flows. This is based on the initial spread, but with amendments made to the discount rate for market movements since initial recognition, for example movements in the risk-free rate. The risk-free rate has been determined with reference to UK government gilts with the same duration as the Notes. There is no uncertainty around the timing of the cash flows in relation to the Notes.

The Notes are allowable as Tier 2 capital. This is because they are subordinated, and the capital is available to pay to policyholders before repaying the Notes. This is explained in more detail in section E.1.1.

Contingent liabilities and off-balance sheet risks

There are no contingent liabilities as at 31 December 2022.

Liabilities for employee benefits

There are no liabilities for employee benefits as at 31 December 2022.

D.4 Alternative methods for valuation

Where it is not possible to value assets and liabilities using active market prices, alternative valuation methods have been used. Under SII, undertakings shall use valuation techniques that are consistent with one or more of the following approaches when using alternative valuation methods:

(a) Market – which uses prices and other relevant information generated by market transactions involving identical or similar assets, liabilities or group of assets and liabilities. Valuation techniques consistent with the market approach include matrix pricing; or

(b) Income – which converts future amounts, such as cash flows or income or expenses, to a single current amount. The fair value shall reflect current market expectations about those future amounts. Valuation techniques consistent with the income approach include present value techniques, option pricing models and the multi-period excess earnings method; or

(c) Cost or current replacement cost – the amount that would be required currently to replace the service capacity of an asset. From the perspective of a market participant seller, the price that would be received for the asset is based on the cost to a market participant buyer to acquire or construct a substitute asset of comparable quality adjusted for obsolescence.

The Group applies alternative valuation methods to property, plant and equipment, unlisted investments, and subordinated loan liabilities. These have been documented in the respective valuation notes in sections D.1 and D.3.

The fact that these assets and liabilities are not quoted on active markets creates valuation uncertainty, as it is not certain that they could be traded with an independent third party at the modelled price. It is also not possible to assess the adequacy of the valuation models against experience because the assets and liabilities have not been traded on an active market in the period. Due to the relative uncertainty of alternative valuation methods compared to quoted market prices the valuation approaches will be assessed at least annually to ensure that they continue to be appropriate.

D.5 Any other information

No other material information to disclose.

E. Capital Management

E.1 Own funds

Capital Management Policies

The Board considers the Group's capital requirements and prospective premium growth expectations over a minimum of a three-year planning horizon. The Group maintains a capital structure consistent with the Group's risk profile and the regulatory market requirements of its business. The Group's objectives in managing its capital are:

• To match the profile of its assets and liabilities, taking account of the risk inherent in the business;

• To satisfy the requirements of its policyholders and regulators;

• To maintain financial and capital strength to support growth; and

• To retain financial flexibility by maintaining strong liquidity and access to a range of capital markets.

The Board has considered the Risk Appetite of the Group as part of the ORSA process under SII and aim to maintain solvency coverage within a normal operating range of 140-160%.

The Group's Solvency Coverage and Eligible Own Funds have reduced to 149% and £389.6m at 31 December 2022 (2021: 188% and £497.1m respectively) with the decrease largely driven by the continued investment in the Blueprint programme. The Solvency Capital Requirement has decreased to £260.7m (2021: £264.3m), reflecting the development of the business over the year, including reinsurance arrangements and movement in the investment portfolio.

A capital injection from esure Group plc to esure Insurance Limited has been completed post year-end which has strengthened the Solo solvency coverage. If this capital contribution was in place at December 2022, solvency coverage would have been 142%. This has had no impact on the Group solvency coverage.

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; investment in the business; 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.

E.1.1 Eligible Own Funds to cover the SCR

Group

The eligible amount of Group Own Funds to cover the SCR, classified by Tiers is shown below.

Eligible own funds to cover the SCR

	Year ended 31 Dec 2022			Year ended 31 Dec 2021		
(£m)	**Total**	**Tier 1**	**Tier 2**	Total	Tier 1	Tier 2
Ordinary shares	0.4	0.4	-	0.4	0.4	-
Share premium account	50.5	50.5	-	49.2	49.2	-
Reconciliation reserve	156.6	156.6	-	248.5	248.5	-
Other own funds	64.2	51.8	12.3	72.8	72.8	-
Subordinated liabilities	118.0	-	118.0	126.2	-	126.2
Total eligible own funds to cover the SCR	**389.6**	**259.2**	**130.3**	497.1	370.9	126.2

Ordinary shares, share premium and the reconciliation reserve are classified as Tier 1 because they are undated and there is no limit to their loss absorbing capacity.

Other own funds Tier 1 as detailed in the table above relates to the £75 million rT1 (less directly attributable costs), this is capped at 20% of the total eligible Tier 1 own funds, £51.8m (2021: £72.8m). The restricted amount at 31 December 2022 is £20.9m (2021: Nil). However £12.3m (2021: Nil) of this is allowable as Tier 2 Own Funds, up to the 50% limit of Tier 2 as described below.

The subordinated liabilities were issued in December 2014 and are classified as Tier 2 because they rank as a creditor after policyholder claims.

The Group's Eligible Own Funds at 31 December 2022 are £389.6m (2021: £497.1m). The decrease is largely driven by the continued investment in the Blueprint programme. There has been no other significant change to the quality of Own Funds in the year.

Reconciliations from Group IFRS equity to the components of Group Own Funds can be seen in the table below:

IFRS to SII Reconciliation Reserve Reconciliation	**Year ended 31-Dec-22 £m**	Year ended 31-Dec-21 £m
IFRS retained earnings, available for sale reserves and capital redemption account	**220.2**	304.8
SII valuation adjustments	**27.1**	18.4
Tier 1 restricted debt	**(72.8)**	(72.8)
Tier 3 restriction	**(16.1)**	-
Foreseeable dividends, distributions and charges	**(1.9)**	(1.9)
SII reconciliation reserve	**156.6**	248.5

Ordinary shares and share premium are the same as IFRS share capital and share premium. The reconciliation reserve is the equivalent of IFRS retained earnings and other reserves, adjusted for all of the valuation differences detailed in the Valuation for Solvency Purposes section of this report and any year end foreseeable dividend which is removed from own funds.

Tier 1 restricted debt relates to the £75 million rT1 (less directly attributable costs), this is shown on a separate line in the own funds.

Tier 3 restriction relates to the £16.1m deferred tax asset which under SII is classed as a lower class of asset. The maximum amount that is eligible is 15% of the total SCR and in addition the sum of the eligible amounts of Tier 2 and Tier 3 shall not exceed 50% of the SCR. As the Tier 2 cap has already been exceeded none of the Tier 3 is eligible (2021: nil Tier 3).

The foreseeable dividends, distributions and charges of £1.9m (2021: £1.9m) relates to the accrued interest on the rT1 which is not recognised under IFRS at 31 December 2022.

Solo

The eligible amount of Solo Own Funds to cover the SCR, classified by Tiers is shown below.

Eligible own funds to cover the SCR

	Year ended 31 Dec 2022			Year ended 31 Dec 2021		
(£m)	**Total**	**Tier 1**	**Tier 2**	Total	Tier 1	Tier 2
Ordinary shares	177.8	177.8	-	177.8	177.8	-
Reconciliation reserve	(4.2)	(4.2)	-	89.2	89.2	-
Other own funds	53.4	43.4	10.0	70.5	66.8	3.7
Subordinated liabilities	118.0	-	118.0	126.2	-	126.2
Total eligible own funds to cover the SCR	**345.0**	**217.0**	**128.0**	463.7	333.8	129.9

Ordinary shares and the reconciliation reserve are classified as Tier 1 because they are undated and there is no limit to their loss absorbing capacity.
Other Own Funds relates to the £75 million rT1 provided by esure Group plc to esure Insurance Limited, by way of an intragroup arrangement entered into by the Issuer and esure Insurance Limited, on terms substantially similar to the Notes. rT1 is capped at 20% of the total eligible Tier 1 Own Funds, £43.4m (2021: £66.8m), the restricted amount at 31 December 2022 therefore is £31.6m (2021: £8.2m). However £10.0m (2021: £3.7m) of this is allowable as Tier 2 Own Funds up to the 50% limit of Tier 2 as

described under Group above.

Subordinated liabilities are classified as Tier 2 because they rank as a creditor after policyholder claims. The Notes are recognised in the Solo's Own Funds as the majority of the Group's profits used to repay the interest on the Notes are generated by the Solo entity. Tier 2 also includes £10.0m (2021: £3.7m) of rT1 as detailed above.

The Solo Own Funds have decreased to £345.0m (2021: £463.7m) primarily due to continued investment in the Blueprint programme. There has been no other significant change to the quality of Own Funds in the year.

Reconciliations from Solo UK GAAP equity to the components of Solo Own Funds can be seen in the table below:

UK GAAP to SII Reconciliation Reserve Reconciliation	**Year ended 31-Dec-22 £m**	Year ended 31-Dec-21 £m
UK GAAP retained earnings, available for sale reserves and capital redemption account	**174.6**	255.5
SII valuation adjustments	**32.2**	36.9
Tier 1 restricted debt	**(75.0)**	(75.0)
Tier 3 restriction	**(16.1)**	-
Foreseeable dividends, distributions and charges	**(1.9)**	(1.9)
Subordinated liabilities	**(118.0)**	(126.2)
SII reconciliation reserve	**(4.2)**	89.2

The reconciliation reserve is the equivalent of UK GAAP retained earnings and other reserves, this is adjusted for all the SII valuation differences detailed in the Valuation for Solvency Purposes section of this report.

Tier 1 restricted debt relates to the £75 million rT1, this is shown on a separate line in the own funds.

Tier 3 restriction relates to the £16.1m deferred tax asset which under SII is classed as a lower class of asset. The maximum amount that is eligible is 15% of the total SCR and in addition the sum of the eligible amounts of Tier 2 and Tier 3 shall not exceed 50% of the SCR. As the Tier 2 cap has already been exceeded none of the Tier 3 is eligible (2021: nil Tier 3).

The foreseeable dividends, distributions and charges of £1.9m (2021: £1.9m) relates to the accrued interest on the rT1 which is not recognised under UK GAAP at 31 December 2022.

Subordinated liabilities relate to the Notes referred to in Note 11 of the Valuation for Solvency Purposes section of this report. The value of the Notes are deducted from the Reconciliation Reserve because the majority of the Group's profits used to repay interest on the Notes are generated by the Solo entity.

E.1.2 Eligible own funds to cover the Minimum Capital Requirement

The eligible amount of basic Own Funds to cover the Minimum Capital Requirement ('MCR'), classified by Tiers is shown below.

Eligible Own Funds to cover the MCR
Group

(£m)	Year ended 31 Dec 2022 Total	Tier 1	Tier 2	Year ended 31 Dec 2021 Total	Tier 1	Tier 2
Ordinary shares	0.4	0.4	-	0.4	0.4	-
Share premium account	50.5	50.5	-	49.2	49.2	-
Reconciliation reserve	156.6	156.6	-	248.5	248.5	-
Other own funds/Subordinated liabilities	71.3	51.8	19.4	93.4	72.8	20.6
Total eligible own funds to cover the MCR	**278.7**	**259.2**	**19.4**	391.5	370.9	20.6

The only difference between the eligible amount of basic Own Funds to cover the SCR and the MCR at the Group level is that the Notes allowable as Tier 2 capital are capped at 20% of the MCR for the MCR coverage instead of 50% of the SCR (2022: £19.4m of £97.2m MCR and 2021: £20.6m of £103.2m MCR).

Solo

(£m)	Year ended 31 Dec 2022 Total	Tier 1	Tier 2	Year ended 31 Dec 2021 Total	Tier 1	Tier 2
Ordinary shares	177.8	177.8	-	177.8	177.8	-
Reconciliation reserve	(4.2)	(4.2)		89.2	89.2	-
Other own funds/Subordinated liabilities	62.9	43.4	19.4	87.4	66.8	20.6
Total eligible own funds to cover the MCR	**236.5**	**217.0**	**19.4**	354.4	333.8	20.6

The only difference between the eligible amount of basic Own Funds to cover the SCR and the MCR at the Solo level is that Tier 2 capital is capped at 20% of the MCR for the MCR coverage instead of 50% of the SCR (2022: £19.4m of £97.2m MCR and 2021: £20.6m of £103.2m MCR). See also Section E.1.1 Eligible Own Funds to cover SCR.

E.1.3 Other information

Transitional arrangements
No Own Fund items are subject to transitional arrangements.

Ancillary funds
At 31 December 2022, the Group did not have ancillary funds (2021: Nil).

Any item deducted from Own Funds
There are no restrictions affecting the availability and transferability of Own Funds at a Group or Solo level.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

E.2.1 Solvency Capital Requirement
The Group adopts the standard formula to calculate its Capital Requirements under SII. The SCR at 31 December 2022 was £260.7m for the Group and £255.9m for Solo (31 December 2021: £264.3m and £259.9m respectively). The Group SCR is calculated using the consolidation method (Method 1 for Solvency Calculation at Group Level). The MCR at 31 December 2022 was £97.2m for Group and £97.2m for Solo (31 December 2021: £103.2m and £103.2m respectively).

Group

Solvency Capital Requirement – Group

(£m)	Year ended 31 December 2022	2021
Market risk	75.2	89.9
Counterparty default risk	19.8	22.6
Life underwriting risk	0.2	0.6
Non-life underwriting risk	184.7	182.3
Diversification	(52.9)	(60.5)
Basic Solvency Capital Requirement	**227.0**	234.9
Operational risk	33.7	36.6
Loss-absorbing capacity of deferred taxes	-	(7.2)
Solvency Capital Requirement	**260.7**	264.3

The Basic SCR includes Market risk, Counterparty default risk, Underwriting risk and diversification. The SCR is adjusted to reflect Operational risk and the loss-absorbing capacity of deferred taxes.

The SCR has decreased in the year due to a reduction in Market risk taken within the investment portfolio due to uncertainties in the economic environment. The underwriting risk component has increased due to increased net reserves. The combination of these factors has in turn reduced overall diversification benefit with other risk categories.

Solo

Solvency Capital Requirement – Solo

(£m)	Year ended 31 December 2022	2021
Market risk	66.4	83.4
Counterparty default risk	19.8	20.4
Life underwriting risk	0.2	0.6
Non-life underwriting risk	184.7	183.0
Diversification	(48.9)	(56.9)
Basic Solvency Capital Requirement	**222.2**	230.5
Operational risk	33.7	36.6
Loss-absorbing capacity of deferred taxes	-	(7.2)
Solvency Capital Requirement	**255.9**	259.9

The Basic SCR includes Market risk, Counterparty default risk, Underwriting risk, and diversification. The SCR is adjusted to reflect Operational risk and the loss-absorbing capacity of deferred taxes.

The SCR has decreased in the year due to a reduction in Market risk taken within the investment portfolio due to uncertainties in the economic environment. The underwriting risk component has increased due to increased net reserves. The combination of these factors has in turn reduced overall diversification benefit with other risk categories.

Simplified calculations

The Group has not used simplified calculations or undertaking-specific parameters in its standard formula calculations.

Capital add-on and specific parameters

The Group and Solo have no capital add-on or the impact of any specific parameters, as their risk profile does not deviate significantly from the assumptions underpinning the standard formula calibration.

E.2.2 Minimum Capital Requirement

The MCR at 31 December 2022 was £97.2m for the Group and £97.2m for Solo (2021: £103.2m and £103.2m respectively) and has been calculated in accordance with the requirements of SII.

The main inputs to the MCR calculation were the net of reinsurance best estimate of liabilities and the net of reinsurance written premiums in the last 12 months.

The MCR has reduced in the year due to reduced net written premiums.

E.3 Use of the duration-based equity risk sub-module in the calculation of the Solvency Capital Requirement

The duration-based method of calculating the equity risk sub-module has not been used.

E.4 Differences between the standard formula and any internal models used

The standard formula has been used for the calculations.

E.5 Non-compliance with the Minimum Capital Requirement and significant non-compliance with the Solvency Capital Requirement

During the years ended 31 December 2022 and 2021, the Group has not had any non-compliance with the MCR or non-compliance with the SCR.

E.6 Any other information

No other material information to disclose.

F. Quantitative Reporting Templates

The Group is required to disclose the following templates as set out in the Commission Implementing Regulation (EU)2015/2452 of 2 December 2015, laying down implementing technical standards with regard to the procedures, formats and templates of the Solvency & Financial Condition Report in accordance with Directive 2009/138/EC of the European Parliament and of the Council.

Template	Description
Group	
S.32.01.22	Undertakings in the scope of the Group
S.02.01.02	Balance sheet
S.05.01.02	Premiums, claims and expenses by line of business
S.22.01.01	Impact of long-term guarantees measures and transitionals
S.23.01.22	Own funds
S.25.01.22	Solvency Capital Requirement - for groups on Standard Formula
Solo	
S.02.01.02	Balance sheet
S.05.01.02	Premiums, claims and expenses by line of business
S.12.01.02	Life and Health SLT Technical Provisions
S.17.01.02	Non-life technical provisions
S.19.01.21	Non-life insurance claims
S.22.01.01	Impact of long-term guarantees measures and transitionals
S.23.01.01	Own funds
S.25.01.21	Solvency Capital Requirement - for undertakings on Standard Formula
S.28.01.01	Minimum Capital Requirement - only Life or only Non-life insurance or reinsurance activity

F.1 Group QRTs

S.32.01.22

Undertakings in the scope of the Group

Row	Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal name of the undertaking	Type of undertaking	Legal form	Category (mutual/non mutual)	Supervisory Authority
	C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080
1	GB	2138001GRPXTU6EHVF08	LEI	esure Property Limited	Ancillary services undertaking as defined in Article 1 (53) of Delegated Regulation (EU) 2015/35	Company limited by shares	Non-mutual	N/A
2	GB	2138004T6JJWLESVUD49	LEI	esure Finance Limited	Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	Company limited by shares	Non-mutual	N/A
3	GB	213800KOI3F5LM54PT80	LEI	esure Group plc	Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	Company limited by shares	Non-mutual	N/A
4	GB	213800Q7FW7BX6MB4W32	LEI	esure Broker Limited	Other	Company limited by shares	Non-mutual	Financial Conduct Authority (appointed representative of esure Services Limited)
5	GB	213800VBJN2Z6CEW1528	LEI	esure Services Limited	Other	Company limited by shares	Non-mutual	Financial Conduct Authority
6	GB	213800ZQ6UAWY5RBZN88	LEI	esure Holdings Limited	Insurance holding company as defined in Article 212(1) (f) of Directive 2009/138/EC	Company limited by shares	Non-mutual	N/A
7	ES	07064312ES00003	Specific code	esure SL	Other	Company limited by shares	Non-mutual	N/A
8	GB	UTGJGQO3Y93FUQOODB78	LEI	esure Insurance Limited	Non-life insurance undertaking	Company limited by shares	Non-mutual	Prudential Regulatory Authority and Financial Conduct Authority

Criteria of influence						Inclusion in the scope of Group supervision		Group solvency calculation
% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for Group solvency calculation	YES/NO	Date of decision if art. 214 is applied	Method used and under Method 1, treatment of the undertaking
C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
100.00%	100.00%	100.00%	N/A	Dominant	100.00%	Included in the scope		Method 1: Full consolidation
100.00%	100.00%	100.00%	N/A	Dominant	100.00%	Included in the scope		Method 1: Full consolidation
100.00%	100.00%	100.00%	N/A	Dominant	100.00%	Included in the scope		Method 1: Full consolidation
100.00%	100.00%	100.00%	N/A	Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
100.00%	100.00%	100.00%	N/A	Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
100.00%	100.00%	100.00%	N/A	Dominant	100.00%	Included in the scope		Method 1: Full consolidation
100.00%	100.00%	100.00%	N/A	Dominant	100.00%	Included in the scope		Method 1: Adjusted equity method
100.00%	100.00%	100.00%	N/A	Dominant	100.00%	Included in the scope		Method 1: Full consolidation

S.02.01.02

Group Balance Sheet

		£'000
		Solvency II value
	Assets	C0010
R0010	Goodwill	-
R0020	Deferred acquisition costs	-
R0030	Intangible assets	-
R0040	Deferred tax assets	16,057
R0050	Pension benefit surplus	-
R0060	Property, plant and equipment held for own use	38,815
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	1,129,779
R0080	*Property (other than for own use)*	-
R0090	*Holdings in related undertakings, including participations*	37,881
R0100	*Equities*	-
R0110	*Equities - listed*	-
R0120	*Equities - unlisted*	-
R0130	*Bonds*	832,370
R0140	*Government Bonds*	354,174
R0150	*Corporate Bonds*	478,196
R0160	*Structured notes*	-
R0170	*Collateralised securities*	-
R0180	*Collective Investments Undertakings*	255,326
R0190	*Derivatives*	4,202
R0200	*Deposits other than cash equivalents*	-
R0210	*Other investments*	-
R0220	Assets held for index-linked and unit-linked contracts	-
R0230	Loans and mortgages	-
R0240	*Loans on policies*	-
R0250	*Loans and mortgages to individuals*	-
R0260	*Other loans and mortgages*	-
R0270	Reinsurance recoverables from:	436,736
R0280	*Non-life and health similar to Non-life*	385,006
R0290	*Non-life excluding health*	385,006
R0300	*Health similar to Non-life*	-
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	51,730
R0320	*Health similar to life*	-
R0330	*Life excluding health and index-linked and unit-linked*	51,730
R0340	*Life index-linked and unit-linked*	-
R0350	Deposits to cedants	-
R0360	Insurance and intermediaries' receivables	36,537
R0370	Reinsurance receivables	9,579
R0380	Receivables (trade, not insurance)	5,494
R0390	Own shares (held directly)	-
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	-
R0410	Cash and cash equivalents	52,017
R0420	Any other assets, not elsewhere shown	-
R0500	**Total assets**	1,725,015

Group Balance Sheet

		£'000
		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - Non-life	1,143,318
R0520	*Technical provisions - Non-life (excluding health)*	1,143,318
R0530	*TP calculated as a whole*	-
R0540	*Best Estimate*	1,115,335
R0550	*Risk margin*	27,982
R0560	*Technical provisions - health (similar to Non-life)*	-
R0570	*TP calculated as a whole*	-
R0580	*Best Estimate*	-
R0590	*Risk margin*	-
R0600	Technical provisions - life (excluding index-linked and unit-linked)	57,767
R0610	*Technical provisions - health (similar to life)*	-
R0620	*TP calculated as a whole*	-
R0630	*Best Estimate*	-
R0640	*Risk margin*	-
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	57,767
R0660	*TP calculated as a whole*	-
R0670	*Best Estimate*	55,283
R0680	*Risk margin*	2,484
R0690	Technical provisions - index-linked and unit-linked	-
R0700	*TP calculated as a whole*	-
R0710	*Best Estimate*	-
R0720	*Risk margin*	-
R0730	Other technical provisions	-
R0740	Contingent liabilities	-
R0750	Provisions other than technical provisions	-
R0760	Pension benefit obligations	-
R0770	Deposits from reinsurers	-
R0780	Deferred tax liabilities	-
R0790	Derivatives	6,743
R0800	Debts owed to credit institutions	-
R0810	Financial liabilities other than debts owed to credit institutions	-
R0820	Insurance & intermediaries payables	3,663
R0830	Reinsurance payables	3,611
R0840	Payables (trade, not insurance)	93,768
R0850	Subordinated liabilities	118,034
R0860	*Subordinated liabilities not in BOF*	-
R0870	*Subordinated liabilities in BOF*	118,034
R0880	Any other liabilities, not elsewhere shown	-
R0900	**Total liabilities**	1,426,903
R1000	**Excess of assets over liabilities**	298,111

S.05.01.02

Premiums, claims and expenses by line of business

Non-life

		£'000	£'000	£'000	£'000	£'000	£'000	£'000
		Line of Business for: Non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)						**Total**
		Motor vehicle liability insurance	**Other Motor insurance**	**Fire and other damage to property insurance**	**General liability insurance**	**Legal expenses insurance**	**Miscellaneous financial loss**	
		C0040	C0050	C0070	C0080	C0100	C0120	C0200
	Premiums written							
R0110	*Gross - Direct Business*	420,077	199,073	95,106	1,246	16,122	4,085	735,709
R0120	*Gross - Proportional reinsurance accepted*	0	0	0	0	0	0	0
R0130	*Gross - Non-proportional reinsurance accepted*	0	0	0	0	0	0	0
R0140	*Reinsurers' share*	226,503	83,130	46,348	601	6,929	1,663	365,175
R0200	*Net*	193,574	115,943	48,757	645	9,193	2,422	370,534
	Premiums earned							
R0210	*Gross - Direct Business*	436,634	207,600	101,042	1,324	17,305	4,153	768,057
R0220	*Gross - Proportional reinsurance accepted*	0	0	0	0	0	0	0
R0230	*Gross - Non-proportional reinsurance accepted*	0	0	0	0	0	0	0
R0240	*Reinsurers' share*	224,301	83,130	45,896	1,071	6,929	1,663	362,990
R0300	*Net*	212,332	124,470	55,146	253	10,375	2,490	405,067
	Claims incurred							
R0310	*Gross - Direct Business*	338,496	140,808	92,505	-1,540	2,410	250	572,929
R0320	*Gross - Proportional reinsurance accepted*	0	0	0	0	0	0	0
R0330	*Gross - Non-proportional reinsurance accepted*	0	0	0	0	0	0	0
R0340	*Reinsurers' share*	133,860	80,086	37,365	-1,674	1,014	99	250,749
R0400	*Net*	204,637	60,722	55,140	134	1,396	151	322,181
	Changes in other technical provisions							
R0410	*Gross - Direct Business*	0	0	0	0	0	0	0
R0420	*Gross - Proportional reinsurance accepted*							0
R0430	*Gross - Non-proportional reinsurance accepted*							0
R0440	*Reinsurers' share*							0
R0500	*Net*	0	0	0	0	0	0	0
R0550	**Expenses incurred**	84,966	38,546	28,971	271	2,566	593	155,914
R1200	**Other expenses**							
R1300	**Total expenses**							155,914

Note – The performance of the Group's underwriting activities is managed and measured at the aggregate level for Motor and Home business. The premiums, claims and expenses are on an IFRS basis and the SII line of business allocation employs a simplified approach in order to meet the disclosure requirements of the SFCR.

S.05.01.02

Premiums, claims and expenses by line of business
Life

		Line of Business for: life insurance obligations	Life reinsurance obligations	Total
		Annuities stemming from Non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Life reinsurance	
		£'000	£'000	£'000
	Premiums written	C0260	C0280	C0300
R1410	*Gross*			0
R1420	*Reinsurers' share*			0
R1500	*Net*	0	0	0
	Premiums earned			
R1510	*Gross*			0
R1520	*Reinsurers' share*			0
R1600	*Net*	0	0	0
	Claims incurred			
R1610	*Gross*	13,826		13,826
R1620	*Reinsurers' share*	13,739		13,739
R1700	*Net*	86		86
	Changes in other technical provisions			
R1710	*Gross*			0
R1720	*Reinsurers' share*			0
R1800	*Net*	0	0	0
R1900	**Expenses incurred**	0	0	0
R2500	**Other expenses**			
R2600	**Total expenses**			0
R2700	**Total amount of surrenders**			0

Note – The performance of the Group's underwriting activities is managed and measured at the aggregate level for Motor and Home business. The premiums, claims and expenses are on an IFRS basis and the SII line of business allocation employs a simplified approach in order to meet the disclosure requirements of the SFCR.

S.22.01.22

Impact of long-term guarantees measures and transitionals measures (£'000)

		Amount with Long-Term Guarantee measures and transitionals	Impact of the LTG measures and transitionals (Step-by-step approach)			
			Impact of transitional on technical provisions	Impact of transitional on interest rate	Impact of volatility adjustment set to zero	Impact of matching adjustment set to zero
		C0010	C0030	C0050	C0070	C0090
R0010	**Technical provisions**	1,201,084			11,858	
R0020	**Basic own funds**	414,270			-2,987	
R0050	**Eligible own funds to meet Solvency Capital Requirement**	389,582			-4,571	
R0090	**Solvency Capital Requirement**	260,672			814	

S.23.01.22		£'000	£'000	£'000	£'000	£'000
	Group Own Funds	**Total**	**Tier 1 unrestricted**	**Tier 1 restricted**	**Tier 2**	**Tier 3**
	Basic own funds before deduction for participations in other financial sector	C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	355	355		0	
R0020	*Non-available called but not paid in ordinary share capital at Group level*	0				
R0030	Share premium account related to ordinary share capital	50,460	50,460		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0060	*Non-available subordinated mutual member accounts at group level*	0				
R0070	Surplus funds	0	0			
R0080	*Non-available surplus funds at Group level*	0	0			
R0090	Preference shares	0		0	0	0
R0100	*Non-available preference shares at Group level*	0				
R0110	Share premium account related to preference shares	0		0	0	0
R0120	*Non-available share premium account related to preference shares at Group level*	0				
R0130	Reconciliation reserve	156,582	156,582			
R0140	Subordinated liabilities	118,034		0	118,034	0
R0150	*Non-available subordinated liabilities at Group level*	0				
R0160	An amount equal to the value of net deferred tax assets	16,057				16,057
R0170	*The amount equal to the value of net deferred tax assets not available at the Group level*	0				0
R0180	Other items approved by supervisory authority as basic own funds not specified above	72,783	0	72,783	0	0
R0190	*Non available own funds related to other own funds items approved by supervisory authority*	0				
R0200	Minority interests (if not reported as part of a specific own fund item)	0				
R0210	*Non-available minority interests at Group level*	0				
	Own funds from the Financial Statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as SII own funds					
R0220	Own funds from the Financial Statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as SII own funds					
	Deductions					
R0230	Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities	0				
R0240	*whereof deducted according to art 228 of the Directive 2009/138/EC*	0				
R0250	Deductions for participations where there is non-availability of information (Article 229)	0				
R0260	Deduction for participations included by using D&A when a combination of methods is used	0				
R0270	**Total of non-available own fund items**	0	0	0	0	0
R0280	**Total deductions**	0	0	0	0	0
R0290	**Total basic own funds after deductions**	414,270	207,396	72,783	118,034	16,057
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual type undertakings, callable on demand	0				
R0320	Unpaid and uncalled preference shares callable on demand	0				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0370	Supplementary members calls- other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0380	Non available ancillary own funds at Group level	0				
R0390	Other ancillary own funds	0				
R0400	**Total ancillary own funds**	0			0	0

		Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		£'000	£'000	£'000	£'000	£'000
	Own funds of other financial sectors	C0010	C0020	C0030	C0040	C0050
R0410	Credit Institutions, investment firms, financial institutions, alternative investment fund manager, financial institutions	0				
R0420	Institutions for occupational retirement provision	0				
R0430	Nonregulated entities carrying out financial activities	0				
R0440	**Total own funds of other financial sectors**	0	0	0	0	0
	Own funds when using the D&A, exclusively or in combination of method 1					
R0450	Own funds aggregated when using the D&A and combination of method	0				
R0460	Own funds aggregated when using the D&A and combination of method net of IGT	0				
R0520	Total available own funds to meet the consolidated Group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	414,270	207,397	72,783	118,034	16,057
R0530	Total available own funds to meet the minimum consolidated Group SCR	398,213	207,397	72,783	118,034	
R0560	Total eligible own funds to meet the consolidated Group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	389,582	207,397	51,849	130,336	0
R0570	Total eligible own funds to meet the minimum consolidated Group SCR (Group)	278,693	207,397	51,849	19,447	0
R0590	**Consolidated Group SCR**	260,672				
R0610	**Minimum consolidated Group SCR**	97,234				
R0630	**Ratio of Eligible own funds to the consolidated Group SCR (excluding other financial sectors and the undertakings included via D&A)**	149.45%				
R0650	**Ratio of Eligible own funds to Minimum Consolidated Group SCR**	286.62%				
R0660	**Total eligible own funds to meet the Group SCR (including own funds from other financial sector and from the undertakings included via D&A)**	389,582	207,397	51,849	130,336	0
R0670	**SCR for entities included with D&A method**	0				
R0680	**Group SCR**	260,672				
R0690	**Ratio of Eligible own funds to Group SCR including other financial sectors and the undertakings included via D&A**	149.45%				

	Reconciliation reserve	C0060
R0700	Excess of assets over liabilities	298,111
R0710	Own shares (held directly and indirectly)	
R0720	Foreseeable dividends, distributions and charges	1,875
R0730	Other basic own fund items	139,655
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
R0750	Other non-available own funds	
R0760	**Reconciliation reserve**	156,582
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	
R0780	Expected profits included in future premiums (EPIFP) - Non- life business	55,704
R0790	**Total Expected profits included in future premiums (EPIFP)**	55,704

S.25.01.22

Solvency Capital Requirement – for groups on Standard Formula

		Net Solvency Capital Requirement (£'000)	Gross Solvency Capital Requirement (£'000)	USP (£'000)	Simplifications (£'000)
		C0030	C0040	C0080	C0090
R0010	Market risk	75,246	75,246		
R0020	Counterparty default risk	19,759	19,759		
R0030	Life underwriting risk	210	210		
R0040	Health underwriting risk				
R0050	Non-life underwriting risk	184,686	184,686		
R0060	Diversification	-52,937	-52,937		
R0070	Intangible asset risk				
R0100	**Basic Solvency Capital Requirement**	226,963	226,963		

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	33,709
R0140	Loss-absorbing capacity of technical provisions	0
R0150	Loss-absorbing capacity of deferred taxes	0
R0160	Capital Requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	
R0200	**Solvency Capital Requirement excluding capital add-on**	260,672
R0210	Capital add-ons already set	
R0220	**Solvency Capital Requirement for undertakings under consolidated method**	260,672
	Other information on SCR	
R0400	Capital requirement for duration-based equity risk sub-module	
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	
R0440	Diversification effects due to RFF nSCR aggregation for article 304	
R0470	Minimum consolidated group Solvency Capital Requirement	97,234
	Information on other entities	
R0500	Capital Requirement for other financial sectors (Non-insurance Capital Requirements)	0
R0510	*Credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS management companies*	
R0520	*Institutions for occupational retirement provisions*	
R0530	*Capital Requirement for non- regulated entities carrying out financial activities*	
R0540	Capital Requirement for non-controlled participation requirements	
R0550	Capital Requirement for residual undertakings	
	Overall SCR	
R0560	SCR for undertakings included via D&A	
R0570	**Solvency Capital Requirement**	260,672

F.2 Solo QRTs

	S.02.01.02	£'000
	Solo Balance Sheet	**Solvency II value**
	Assets	C0010
R0010	Goodwill	-
R0020	Deferred acquisition costs	-
R0030	Intangible assets	-
R0040	Deferred tax assets	16,104
R0050	Pension benefit surplus	-
R0060	Property, plant and equipment held for own use	-
R0070	Investments (other than assets held for index-linked and unit-linked contracts)	1,089,958
R0080	*Property (other than for own use)*	-
R0090	*Holdings in related undertakings, including participations*	27,569
R0100	*Equities*	-
R0110	*Equities - listed*	-
R0120	*Equities - unlisted*	-
R0130	*Bonds*	802,861
R0140	*Government Bonds*	354,174
R0150	*Corporate Bonds*	448,687
R0160	*Structured notes*	-
R0170	*Collateralised securities*	-
R0180	*Collective Investments Undertakings*	255,326
R0190	*Derivatives*	4,202
R0200	*Deposits other than cash equivalents*	-
R0210	*Other investments*	-
R0220	Assets held for index-linked and unit-linked contracts	-
R0230	Loans and mortgages	-
R0240	*Loans on policies*	-
R0250	*Loans and mortgages to individuals*	-
R0260	*Other loans and mortgages*	-
R0270	Reinsurance recoverables from:	436,736
R0280	*Non-life and health similar to Non-life*	385,006
R0290	*Non-life excluding health*	385,006
R0300	*Health similar to Non-life*	-
R0310	*Life and health similar to life, excluding index-linked and unit-linked*	51,730
R0320	*Health similar to life*	-
R0330	*Life excluding health and index-linked and unit-linked*	51,730
R0340	*Life index-linked and unit-linked*	-
R0350	Deposits to cedants	-
R0360	Insurance and intermediaries' receivables	36,537
R0370	Reinsurance receivables	9,579
R0380	Receivables (trade, not insurance)	1,818
R0390	Own shares (held directly)	-
R0400	Amounts due in respect of own fund items or initial fund called up but not yet paid in	-
R0410	Cash and cash equivalents	51,066
R0420	Any other assets, not elsewhere shown	-
R0500	**Total assets**	1,641,798

	Solo Balance Sheet	**£'000**
		Solvency II value
	Liabilities	C0010
R0510	Technical provisions - Non-life	1,143,317
R0520	*Technical provisions - Non-life (excluding health)*	1,143,317
R0530	*TP calculated as a whole*	-
R0540	*Best Estimate*	1,115,335
R0550	*Risk margin*	27,982
R0560	*Technical provisions - health (similar to Non-life)*	-
R0570	*TP calculated as a whole*	-
R0580	*Best Estimate*	-
R0590	*Risk margin*	-
R0600	Technical provisions - life (excluding index-linked and unit-linked)	57,767
R0610	*Technical provisions - health (similar to life)*	-
R0620	*TP calculated as a whole*	-
R0630	*Best Estimate*	-
R0640	*Risk margin*	-
R0650	*Technical provisions - life (excluding health and index-linked and unit-linked)*	57,767
R0660	*TP calculated as a whole*	-
R0670	*Best Estimate*	55,283
R0680	*Risk margin*	2,484
R0690	Technical provisions - index-linked and unit-linked	-
R0700	*TP calculated as a whole*	-
R0710	*Best Estimate*	-
R0720	*Risk margin*	-
R0730	Other technical provisions	-
R0740	Contingent liabilities	-
R0750	Provisions other than technical provisions	-
R0760	Pension benefit obligations	-
R0770	Deposits from reinsurers	-
R0780	Deferred tax liabilities	-
R0790	Derivatives	6,743
R0800	Debts owed to credit institutions	-
R0810	Financial liabilities other than debts owed to credit institutions	-
R0820	Insurance & intermediaries payables	3,663
R0830	Reinsurance payables	3,611
R0840	Payables (trade, not insurance)	42,046
R0850	Subordinated liabilities	-
R0860	*Subordinated liabilities not in BOF*	-
R0870	*Subordinated liabilities in BOF*	-
R0880	Any other liabilities, not elsewhere shown	-
R0900	**Total liabilities**	1,257,147
R1000	**Excess of assets over liabilities**	384,651

S.05.01.02

Premiums, claims and expenses by line of business

Non-life

		£'000	£'000	£'000	£'000	£'000	£'000	£'000
		Line of Business for: Non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)						Total
		Motor vehicle liability insurance	Other Motor insurance	Fire and other damage to property insurance	General liability insurance	Legal expenses insurance	Miscellaneous financial loss	
		C0040	C0050	C0070	C0080	C0100	C0120	C0200
	Premiums written							
R0110	*Gross - Direct Business*	420,077	199,073	95,106	1,246	16,122	4,085	735,709
R0120	*Gross - Proportional reinsurance accepted*	0	0	0	0	0	0	0
R0130	*Gross - Non-proportional reinsurance accepted*	0	0	0	0	0	0	0
R0140	*Reinsurers' share*	226,503	83,130	46,348	601	6,929	1,663	365,175
R0200	*Net*	193,574	115,943	48,757	645	9,193	2,422	370,534
	Premiums earned							
R0210	*Gross - Direct Business*	436,634	207,600	101,042	1,324	17,305	4,153	768,057
R0220	*Gross - Proportional reinsurance accepted*	0	0	0	0	0	0	0
R0230	*Gross - Non-proportional reinsurance accepted*	0	0	0	0	0	0	0
R0240	*Reinsurers' share*	224,301	83,130	45,896	1,071	6,929	1,663	362,990
R0300	*Net*	212,332	124,470	55,146	253	10,375	2,490	405,067
	Claims incurred							
R0310	*Gross - Direct Business*	338,496	140,808	92,505	-1,540	2,410	250	572,929
R0320	*Gross - Proportional reinsurance accepted*	0	0	0	0	0	0	0
R0330	*Gross - Non-proportional reinsurance accepted*	0	0	0	0	0	0	0
R0340	*Reinsurers' share*	133,860	80,086	37,365	-1,674	1,014	99	250,749
R0400	*Net*	204,637	60,722	55,140	134	1,396	151	322,181
	Changes in other technical provisions							
R0410	*Gross - Direct Business*	0	0	0	0	0	0	0
R0420	*Gross - Proportional reinsurance accepted*							0
R0430	*Gross - Non-proportional reinsurance accepted*							0
R0440	*Reinsurers' share*							0
R0500	*Net*	0	0	0	0	0	0	0
R0550	**Expenses incurred**	84,966	38,546	28,971	271	2,566	593	155,914
R1200	**Other expenses**							
R1300	**Total expenses**							155,914

Note – The performance of the Group's underwriting activities is managed and measured at the aggregate level for Motor and Home business. The premiums, claims and expenses are on an IFRS basis and the SII line of business allocation employs a simplified approach in order to meet the disclosure requirements of the SFCR.

S.05.01.02
Premiums, claims and expenses by line of business
Life

		Line of Business for: life insurance obligations		Life reinsurance obligations	
		Other life insurance	Annuities stemming from Non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Life reinsurance	Total
		£'000	£'000	£'000	£'000
		C0240	C0260	C0280	C0300
	Premiums written				
R1410	*Gross*				0
R1420	*Reinsurers' share*				0
R1500	*Net*	0	0	0	0
	Premiums earned				
R1510	*Gross*				0
R1520	*Reinsurers' share*				0
R1600	*Net*	0	0	0	0
	Claims incurred				
R1610	*Gross*		13,826		13,826
R1620	*Reinsurers' share*		13,739		13,739
R1700	*Net*	-0	86	0	86
	Changes in other technical provisions				
R1710	*Gross*				0
R1720	*Reinsurers' share*				0
R1800	*Net*	0	0	0	0
R1900	**Expenses incurred**	0	0	0	0
R2500	**Other expenses**				
R2600	**Total expenses**				0
R2700	**Total amount of surrenders**				0

Note – The performance of the underwriting activities is managed and measured at the aggregate level for Motor and Home business. The premiums, claims and expenses are on an IFRS basis and the SII line of business allocation employs a simplified approach in order to meet the disclosure requirements of the SFCR.

S.12.01.02
Life and Health SLT Technical Provisions

		£'000	£'000
		Annuities stemming from Non-life insurance contracts and relating to insurance obligation other than health insurance obligations	**Total (Life other than health insurance, inc. Unit-linked)**
		C0090	C0150
R0010	**Technical provisions calculated as a whole**		0
R0020	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole		0
	Technical provisions calculated as a sum of BE and RM		
	Best estimate		
R0030	**Gross Best Estimate**	55,283	55,283
R0080	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	51,730	51,730
R0090	Best estimate minus recoverables from reinsurance/SPV and Finite Re	3,552	3,552
R0100	**Risk margin**	2,484	2,484
	Amount of the transitional on Technical Provisions		
R0110	Technical Provisions calculated as a whole	0	0
R0120	Best estimate	0	0
R0130	Risk margin	0	0
R0200	**Technical provisions - total**	57,767	57,767
R0210	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**	6,036	6,036
R0220	**Best estimate of products with a surrender option**		

S.17.01.02

Non-Life Technical Provisions

		£'000	£'000	£'000	£'000	£'000	£'000	£'000
		Direct business and accepted proportional reinsurance						**Total Non-Life obligation**
		Motor vehicle liability insurance	**Other Motor insurance**	**Fire and other damage to property insurance**	**General liability insurance**	**Legal expenses insurance**	**Miscellaneous financial loss**	
		C0050	C0060	C0080	C0090	C0110	C0130	C0180
R0010	**Technical provisions calculated as a whole**	0.0	0.0	0.0	0.0	0.0	0.0	0.0
R0050	Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP calculated as a whole							0.0
	Technical provisions calculated as a sum of BE and RM							
	Best estimate							
	Premium provisions							
R0060	**Gross- Total**	96,815	16,513	26,257	520	-2,419	249	137,935
R0140	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	21,947	385	706	61	-4	-1	23,095
R0150	**Net Best Estimate of Premium Provisions**	74,868	16,128	25,551	459	-2,415	248	114,840
	Claims provisions							
R0160	**Gross- Total**	954,199	-47,833	61,416	4,297	4,612	709	977,400
R0240	Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	355,186	-1,152	7,607	64	186	20	361,911
R0250	**Net Best Estimate of Claims Provisions**	599,013	-46,681	53,809	4,233	4,427	689	615,489
R0260	**Total best estimate - gross**	1,051,014	-31,320	87,673	4,818	2,193	957	1,115,335
R0270	**Total best estimate - net**	673,881	-30,553	79,360	4,693	2,012	936	730,330
R0280	**Risk margin**	24,121	815	2,796	103	108	39	27,982
	Amount of the transitional on Technical Provisions							
R0290	TP as a whole							0
R0300	Best estimate							0
R0310	Risk margin							0
R0320	**Technical provisions - total**	1,075,135	-30,505	90,469	4,921	2,301	996	1,143,318
R0330	**Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total**	377,133	-767	8,313	125	181	20	385,006
R0340	**Technical provisions minus recoverables from reinsurance/SPV and Finite Re - total**	698,002	-29,738	82,157	4,796	2,120	976	758,312

S.19.01.21
Non-life insurance claims

Gross Claims Paid (non-cumulative)

		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0160	C0170	C0180
	Year	**Development year**											**In current year**	**Sum of years (cumulative)**
		0	1	2	3	4	5	6	7	8	9	10 & +		
R0100	Prior											-213	-213	-213
R0160	N-9	193,684	87,738	22,890	15,499	10,213	8,666	4,013	763	1,262	333		333	345,061
R0170	N-8	227,885	87,467	28,089	18,247	20,954	12,121	12,126	1,606	385			385	408,880
R0180	N-7	232,717	88,911	21,576	22,481	18,863	16,338	3,641	2,553				2,553	407,080
R0190	N-6	262,358	92,733	28,674	22,377	12,249	24,817	13,955					13,955	457,163
R0200	N-5	291,771	120,487	34,103	29,416	22,199	16,577						16,577	514,553
R0210	N-4	363,275	129,604	35,801	41,726	32,156							32,156	602,562
R0220	N-3	343,747	119,250	35,997	36,601								36,601	535,595
R0230	N-2	249,429	91,148	27,366									27,366	367,943
R0240	N-1	274,258	113,254										113,254	387,512
R0250	N	309,432											309,432	309,432
R0260												**Total**	552,399	4,335,568

Gross undiscounted Best Estimate Claims Provisions

		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0350	C0360
	Year	Development year											Year end (discounted data)
		0	1	2	3	4	5	6	7	8	9	10 & +	
R0100	Prior											13,235	9,783
R0160	N-9				45,769	30,957	17,019	13,133	12,683	10,219	9,076		7,665
R0170	N-8			122,337	76,681	39,077	29,044	4,513	3,177	483			497
R0180	N-7		121,972	80,166	69,536	36,500	20,265	14,227	15,829				14,083
R0190	N-6	235,807	146,973	117,011	101,184	112,719	73,201	42,223					30,017
R0200	N-5	257,948	172,591	133,330	93,502	70,576	21,717						19,631
R0210	N-4	338,538	240,619	214,980	167,905	119,806							98,262
R0220	N-3	317,821	205,569	164,558	105,370								97,759
R0230	N-2	323,867	238,600	199,290									162,505
R0240	N-1	374,760	245,196										210,899
R0250	N	361,248											326,299
R0260												**Total**	977,400

S.22.01.21

Impact of long-term guarantees measures and transitionals measures (£'000)

		Amount with Long-Term Guarantee measures and transitionals	Impact of the LTG measures and transitionals (Step-by-step approach)			
			Impact of transitional on technical provisions	Impact of transitional on interest rate	Impact of volatility adjustment set to zero	Impact of matching adjustment set to zero
		C0010	C0030	C0050	C0070	C0090
R0010	**Technical provisions**	1,201,084			11,858	
R0020	**Basic own funds**	382,776			-2,987	
R0050	**Eligible own funds to meet Solvency Capital Requirement**	344,983			-3,327	
R0090	**Solvency Capital Requirement**	255,871			813	
R0100	**Eligible own funds to meet Minimum Capital Requirement**	236,494			2,488	
R0110	**Minimum Capital Requirement**	97,234			278	

S.23.01.01

Solo Own Funds

	Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35	Total	Tier 1 unrestricted	Tier 1 restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
R0010	Ordinary share capital (gross of own shares)	177,800	177,800		0	
R0030	Share premium account related to ordinary share capital	0	0		0	
R0040	Initial funds, members' contributions or the equivalent basic own-fund item for mutual and mutual-type undertakings	0	0		0	
R0050	Subordinated mutual member accounts	0		0	0	0
R0070	Surplus funds	0	0			
R0090	Preference shares	0		0	0	0
R0110	Share premium account related to preference shares	0		0	0	0
R0130	Reconciliation reserve	-4,162	-4,162			
R0140	Subordinated liabilities	0		0	0	0
R0160	An amount equal to the value of net deferred tax assets	16,104				16,104
R0180	Other own fund items approved by the supervisory authority as basic own funds not specified above	193,034	0	75,000	118,034	0
	Own funds from the Financial Statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds					
R0220	Own funds from the Financial Statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	0				
	Deductions					
R0230	Deductions for participations in financial and credit institutions	0				
R0290	**Total basic own funds after deductions**	382,776	173,638	75,000	118,034	16,104
	Ancillary own funds					
R0300	Unpaid and uncalled ordinary share capital callable on demand	0				
R0310	Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	0				
R0320	Unpaid and uncalled preference shares callable on demand	0				
R0330	A legally binding commitment to subscribe and pay for subordinated liabilities on demand	0				
R0340	Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	0				
R0350	Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	0				
R0360	Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0370	Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	0				
R0390	Other ancillary own funds	0				
R0400	**Total ancillary own funds**	0			0	0
	Available and eligible own funds					
R0500	Total available own funds to meet the SCR	382,776	173,638	75,000	118,034	16,104
R0510	Total available own funds to meet the MCR	366,671	173,638	75,000	118,034	
R0540	Total eligible own funds to meet the SCR	344,983	173,638	43,409	127,935	0
R0550	Total eligible own funds to meet the MCR	236,494	173,638	43,409	19,447	
R0580	**SCR**	255,871				
R0600	**MCR**	97,234				
R0620	**Ratio of Eligible own funds to SCR**	134.83%				
R0640	**Ratio of Eligible own funds to MCR**	243.22%				

	Reconciliation reserve	C0060
R0700	Excess of assets over liabilities	384,651
R0710	Own shares (held directly and indirectly)	0
R0720	Foreseeable dividends, distributions and charges	1,875
R0730	Other basic own fund items	386,938
R0740	Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	0
R0760	**Reconciliation reserve**	-4,162
	Expected profits	
R0770	Expected profits included in future premiums (EPIFP) - Life business	
R0780	Expected profits included in future premiums (EPIFP) - Non-life business	55,704
R0790	**Total Expected profits included in future premiums (EPIFP)**	55,704

S.25.01.21
Solvency Capital Requirement - for undertakings on Standard Formula

		Net Solvency Capital Requirement	Gross Solvency Capital Requirement	USP	Simplifications
		£'000	£'000	£'000	£'000
		C0030	C0040	C0080	C0090
R0010	Market risk	66,358	66,358		
R0020	Counterparty default risk	19,758	19,758		
R0030	Life underwriting risk	210	210		
R0040	Health underwriting risk				
R0050	Non-life underwriting risk	184,714	184,714		
R0060	Diversification	-48,878	-48,878		
R0070	Intangible asset risk				
R0100	**Basic Solvency Capital Requirement**	222,162	222,162		

	Calculation of Solvency Capital Requirement	C0100
R0130	Operational risk	33,709
R0140	Loss-absorbing capacity of technical provisions	
R0150	Loss-absorbing capacity of deferred taxes	
R0160	Capital Requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	
R0200	**Solvency Capital Requirement excluding capital add-on**	255,871
R0210	Capital add-ons already set	
R0220	**Solvency Capital Requirement**	255,871
	Other information on SCR	
R0400	Capital Requirement for duration-based equity risk sub-module	
R0410	Total amount of Notional Solvency Capital Requirements for remaining part	
R0420	Total amount of Notional Solvency Capital Requirements for ring fenced funds	
R0430	Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	No Adjustment
R0440	Diversification effects due to RFF nSCR aggregation for article 304	

S.28.01.01
Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

Linear formula component for Non-life insurance and reinsurance obligations

		£'000
		C0010
R0010	MCR_{NL} Result	97,160

		£'000	£'000
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	**Net (of reinsurance) written premiums in the last 12 months**
		C0020	C0030
R0020	Medical expense insurance and proportional reinsurance		
R0030	Income protection insurance and proportional reinsurance		
R0040	Workers' compensation insurance and proportional reinsurance		
R0050	Motor vehicle liability insurance and proportional reinsurance	673,881	193,574
R0060	Other Motor insurance and proportional reinsurance	0	115,943
R0070	Marine, aviation and transport insurance and proportional reinsurance		
R0080	Fire and other damage to property insurance and proportional reinsurance	79,360	48,757
R0090	General liability insurance and proportional reinsurance	4,693	645
R0100	Credit and suretyship insurance and proportional reinsurance		
R0110	Legal expenses insurance and proportional reinsurance	2,012	9,193
R0120	Assistance and proportional reinsurance		
R0130	Miscellaneous financial loss insurance and proportional reinsurance	937	2,422
R0140	Non-proportional health reinsurance		
R0150	Non-proportional casualty reinsurance		
R0160	Non-proportional marine, aviation and transport reinsurance		
R0170	Non-proportional property reinsurance		

Linear formula component for Life insurance and reinsurance obligations

		£'000
		C0040
R0200	MCR_{L} Result	75

		£'000	£'000
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	**Net (of reinsurance/SPV) total capital at risk**
		C0050	C0060
R0210	Obligations with profit participation - guaranteed benefits		
R0220	Obligations with profit participation - future discretionary benefits		
R0230	Index-linked and unit-linked insurance obligations		
R0240	Other Life (re)insurance and health (re)insurance obligations	3,552	
R0250	Total capital at risk for all life (re)insurance obligations		0

		£'000
	Overall MCR calculation	C0070
R0300	Linear MCR	97,234
R0310	SCR	255,871
R0320	MCR cap	115,142
R0330	MCR floor	63,968
R0340	Combined MCR	97,234
R0350	Absolute floor of the MCR	3,186
R0400	**Minimum Capital Requirement**	97,234

G. Glossary of Terms

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

‘Best Estimate’		is the probability-weighted average of all future claims and cost scenarios, which is calculated using historical data, actuarial methods and judgements.
‘Board’		means the Board of Directors of esure Group plc or esure Insurance Limited, as applicable.
‘Business’		means the business of the Group.
‘Blueprint’		is the programme of transformation that seeks to build the pre-eminent pure-play digital insurer in the UK market.
‘Civil Liability Act’		Is the Civil Liability Act 2018 which made changes to the personal injury compensation system in England and Wales. These requirements came into effect on 31 May 2021.
‘Claims incurred, net of reinsurance’		is the cost of claims incurred in the period, less any recoveries from re-insurers. It includes claims payments and movements in claims reserves.
‘Claims reserves’		are the Group’s estimate of the final cost of claims and related expenses less claims paid to date which the Group will need to pay for claims relating to earned business.
‘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.
‘General Insurance Pricing Practices (‘GIPP’)’		are the FCA rules introduced to ensure that renewing home and motor insurance consumers are quoted prices that are no more than they would be quoted as a new customer through the same channel. These requirements came into effect on 1 January 2022
‘Group’ or ‘esure Group’		Means esure Group plc and its subsidiaries
‘Group Executive ('GE')’		comprises the Chief Executive Officer, Chief Financial Offer, Chief Risk Officer, Chief Technology Officer, Chief Customer Officer, Chief Strategy and Transformation Officer, Chief People Officer, Chief Claims Officer, and the General Counsel and Company Secretary.
‘Gross earned premium’		is the total premium earned during the period on premiums underwritten in the current and previous underwriting years.
‘Gross written premiums’		are the total premiums relating to policies which began during the period.
‘IFRS’		means International Financial Reporting Standards.
‘In-force policies (‘IFPs’)’		means the number of live insurance policies at any point in time.
‘Loss Portfolio Transfer combined with adverse development cover ('LPT')’		is a reinsurance contract or agreement in which an insurer cedes policies to a reinsurer and includes reinsurance should any deterioration be seen in the amounts ceded. In an LPT, a reinsurer assumes and accepts an insurer’s existing open and future claim liabilities.
‘Net Revenue’		includes net earned premiums, income from instalments, net investment return and other income. This measure shows the total income retained by the Group having ceded premium to reinsurance partners.
‘Ogden Rate’		is the discount rate set by the Lord Chancellor and used by UK courts to calculate lump sum settlements.
‘Ordinary shares’		means the ordinary shares in the capital of esure Group plc or esure Insurance Limited, as applicable.
‘ORSA’		refers to the Own Risk and Solvency Assessment and aims to assess the overall solvency needs of an insurance company.
‘Periodic Payment Orders (‘PPOs’)’		are claims payments used to settle large personal injury claims. In addition to providing a lump sum, PPOs provide regular index-linked payments for some or all of the future financial loss suffered.

‘Profit Margin’		is the Group's trading profit as a percentage of net revenue. This ratio gives a measure of the underlying profitability of the Group. Given the Group’s multiple income streams, this is deemed to be a more relevant measure of trading performance than tradition underwriting metrics such as combined ratio.
‘Prudent Person Principle’		is a Solvency II rule requiring insurers to only make investments that a ‘prudent person’ would make. It does not require that those charged with governance should always makes correct decisions; but requires them to make decisions that will be generally accepted as sound by an average person and such decisions should be made as if they were managing their own affairs.
‘Quota share ('QS')’		is a pro-rata reinsurance contract in which the insurer and reinsurer share premiums and losses according to a fixed percentage.
‘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.
‘Senior Leadership Team ('SLT')’		comprises the team of esure colleagues responsible for the day-to-day management of the Group.
‘Restricted Tier 1 (‘rT1’)’		means the £75 million 6.00% perpetual ‘no call for 5 years’ (“NC5”) Restricted Tier 1 (‘rT1’) notes issued by esure Group plc on 29 July 2021.
‘Solvency II’		is an EU legislative programme implemented in all 28 Member States on 1 January 2016. Primarily it concerns the amount of capital that EU insurance companies must hold to reduce the risk of insolvency.
‘SFCR’		means Solvency and Financial Condition Report.
‘Turnover’		includes gross written premiums, income from instalments, and other income net of the reinsurance profit share. This measure is used by management to show the underwriting scale of the Group.
‘The Notes’		means the £125m 6.75% 10-year Tier 2 Subordinated Notes issued on 19 December 2014.
‘Trading Profit’		is the Group’s measure of underlying, long-term profitability. It excludes the impact of costs relating to one-off activity, the categories of which are reviewed by the Audit Committee and approved by the Board. 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 with and without mark to market losses.
‘Underwriting’		is the receipt of premium in return for the provision of insurance to a policyholder. The underwriting year refers to the financial year in which the policy begins.

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 the Group uses, both for internal performance analysis and also for users of the Annual Report and Accounts to better understand the Group’s performance and position in comparison to previous periods and the Group’s competitors.

Further information on the definition of these metrics and the reconciliation to IFRS (where appropriate) is provided in the Glossary of Terms and within the Group’s ARA. The table below defines those present in this document.

‘In-force policies’	is 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.
‘Net Loss ratio’	is defined as total losses as a percentage of net earned premium. The loss ratio gross of quota share is used to give a better year-on-year comparison of underlying underwriting performance as the size of the quota

	share programme has changed materially over the last four years. This is a key measure of the underwriting performance of the Group.