



2022 Results Update

April 2023

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A disciplined pricing and underwriting strategy and continued strategic progress in a challenging market environment

- **UK Personal Lines Market Update - as expected, 2022 was challenging:**
 - higher motor claims frequency following two years of lower claims amidst Covid
 - weak market pricing
 - introduction of FCA pricing regulations across the market
 - inflation more severe than expected, particularly in relation to vehicle damage costs
- **esure committed to strong pricing and underwriting response on Motor account from late 2021 resulting in total IFPs –9% YoY, limiting the deterioration in loss ratio as a result:**
 - early identification of inflation trends
 - cautious trading approach with Motor new business rates +32.8% by December 2022
 - selection of lower risk profile
- **Home - attritional loss ratio in line with expectation - severe weather pushing 2022 total net loss ratio above long term average**
- **Transformation Programme - significant progress on multi-year programme with full (sales, service, claims, data environment) platform live, 54k new ‘Flex’ product policies written by end 2022, >125k policies written by end of Q1 2023**
 - emerging evidence of strength of new platform on operating costs and customer experience (early NPS 52)
- **Financial Strength - conservative balance sheet with high quality investment portfolio, structured reinsurance programme and strong favourable development of prior year reserves**
 - £30m equity commitment from certain private equity funds advised by Bain Capital Private Equity, LP and it’s affiliates (Bain Capital Funds) in Q2 2023 to support continued development of the business and completion of the Transformation Programme
 - Solvency coverage at 31 December 2022 149%, pro forma coverage 163% including £30m equity commitment and increase in eligible rT1

Focused UK personal lines insurer

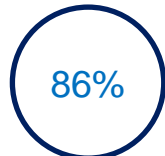
In-force Policies	2.32m	vPY -8.7%
Gross Written Premium	£735m	-8.9%
Trading Profit	£47.9m	-43.5%



% of Group In-force Policies



% of Turnover



Operating under four brands, with latest Flex brand as challenger proposition

esure

Sheilas' Wheels

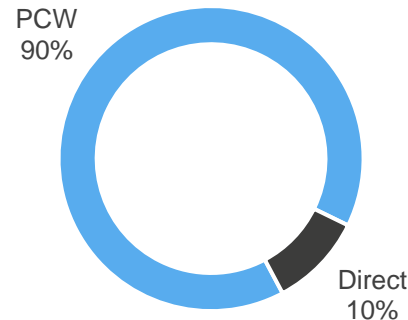
esure FLEX

Personalised digital insurance



Specialists in digital distribution with a focus on the customers' channel of choice

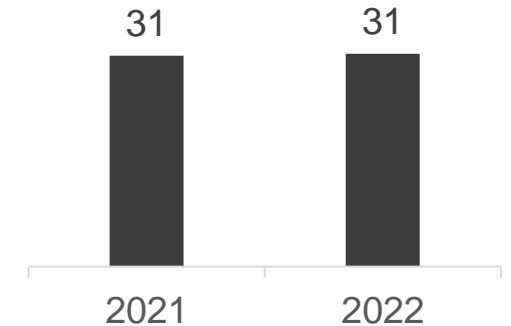
Distribution Split by Channel (%)



PCW share of market distribution **up c.3%** year on year across both lines of business
 - Motor 87%
 - Home 69%

Strong customer proposition

Relational Net Promoter Score



- Strong focus on customer service
- 94% of Flex assisted sales and service journeys start online
- Industry benchmarking indicates a RNPS above 30 is strong

Strategic Pillars

Digital Leadership

Enhancing Value

Exceptional Culture

A Greener and Safer World

Fixing Insurance for Good

Pricing leadership to build scale in Motor PCW

- Advanced data science
- High-velocity retail trading culture
- Mass-market reach, fortified by cautious growth in our underwriting footprint

Differentiation to build customer lifetime economics

- Easy, personalised customer journeys
- Product portfolio that serves a broad set of customer needs and fuels growth
- Compelling innovations to inspire loyalty & drive engagement over policy life

Modern, scalable, cloud native technology

- Leading agility and speed of execution
- Sophisticated data & AI capability
- Modular platform that easily integrates with our partners

Low unit costs

- Highly digital & automated sales, customer & claims process
- Modern, low cost technology architecture
- Leading claims indemnity

Value to Stakeholders

Our Customer
RNPS 31 in 2022

Our Corporate Partners
Top 4 PCW provider

Our Colleagues
Employee engagement net score 7.2 in 2022

Our Investors
RoTE at 12.7%

Our Communities
Fundraising, volunteering & environmental sustainability

Transformation Progress



New operating platform:

- £90.58 unit cost per policy (-2.7%)
- Enhancing every Flex customer touchpoint with the benefit to extend to all customers as the platform is rolled out at scale



End-to-end Claims transformation

- Customer eFNOL now live
- Auto customer assignment to claim handlers
- Straight through processing enabled



Machine Learning in action

- Identifying fraud saving £2m annually
- Data enrichment with c.150 new attributes



Launch of esure Flex

- Live across all four major PCWs
- >54k policies sold at 2022 end, with >125k policies written at end of Q1 2023
- 52 early life NPS¹

Better Customer Experience



Removing friction

- 82% of MTAs can now be completed online
- Enhanced customer login success rate
- 54% digital contact share² (+12pp)
- Integrated multi-channel service with Amazon Connect



Claims self-service

- 80% of claim types can be self-served
- Improved notification time with eFNOL



Customer excellence

- Claims Customer Care Award
- 31.3 RNPS (+0.3pp)
- Rated 4/5 on Trustpilot on esure and SW

Driving Force for Good



Driving inclusion

- Sponsor: Link Insurance Pride, 50 over Fifty
- Launched Women in Data partnership
- Produced first Ethnicity pay gap report



Reducing carbon emissions

- Carbon neutral at all branded body shops
- 50% YoY reduction in Scope 1&2 emissions
- 130% YoY uplift in ClimateWise score



Supporting safer roads

- Partnership with Brake's Kids Walk
- Sponsor of Safe Drive Stay Alive since 2005

Drivers of market stress

Quote volumes lower for new business following new pricing regulations - particularly in H1

Claims inflation heightened and evident in market loss ratios:

- **Higher energy costs** and general inflation impacting repair networks
- **Supply chain issues** – particularly availability of parts and increased repair times
- **Reduced volumes of new registrations** put pressure on second hand car values, with the second year of record high inflation

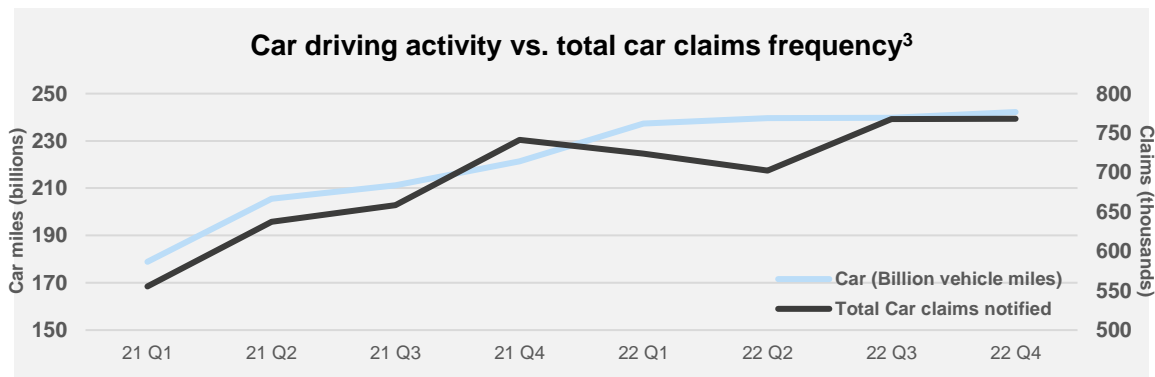
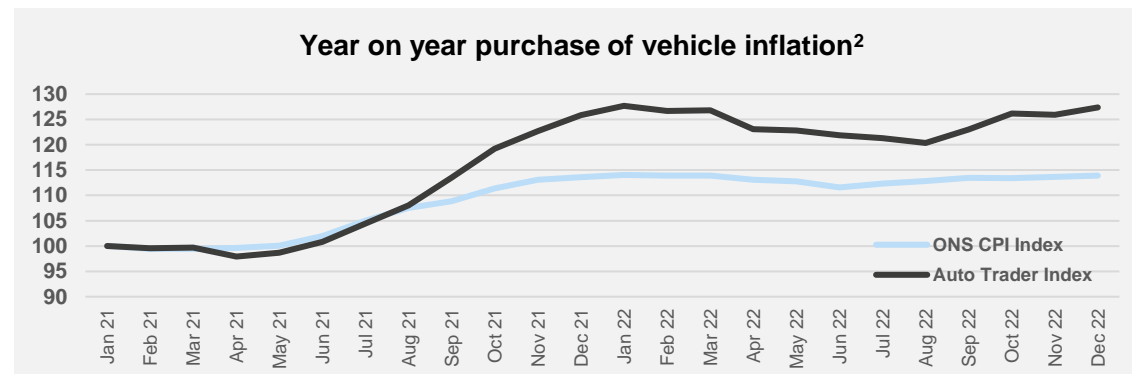
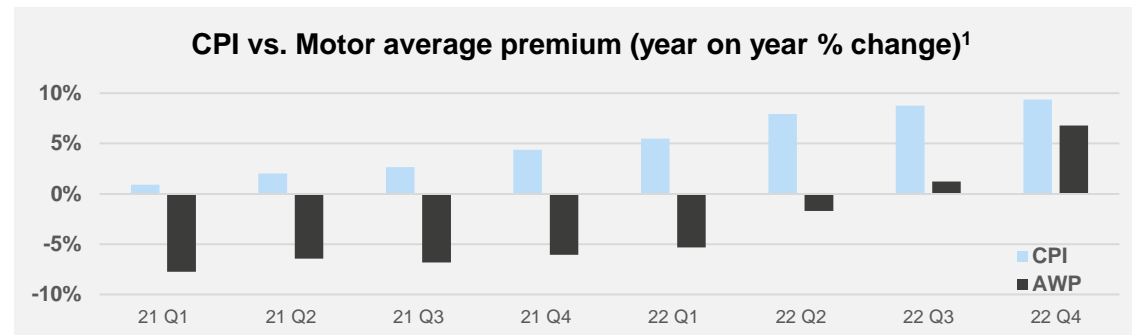
Road traffic returned closer to pre-Covid 19 levels restoring claims frequency towards 2019 levels

Broader macroeconomic uncertainty driving rising interest rates and fuelling UK cost of living crisis

Weak market pricing lagging both inflation and the uplift in claims frequency

Exceptional 2022 weather events deteriorated loss ratios:

- February storms, summer subsidence, December freeze



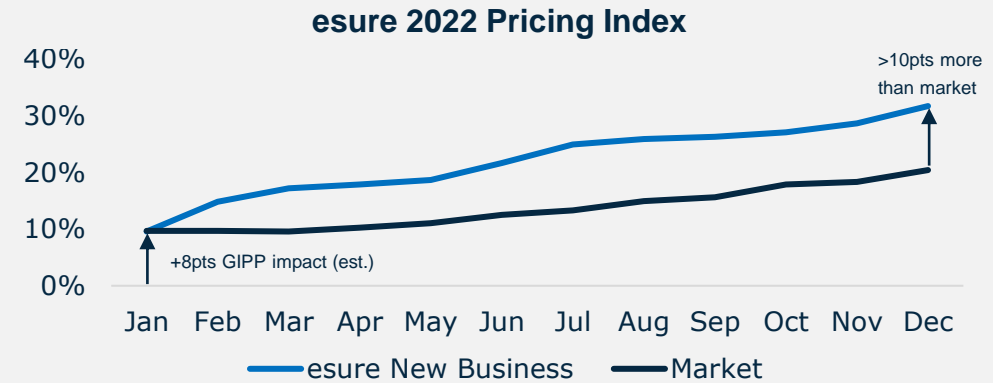
Definitions: AWP = average written premium.

Sources: (1) Office of National Statistics (ONS) inflation; Association of British Insurers (ABI) market pricing. (2) ONS inflation; Auto Trader used car price index. (3) Department for Transport quarterly traffic volume (22 Q4 forecasted); ABI claims

Pricing & Underwriting Discipline



- esure Motor NB rating increased by 32.8% in 2022
- Reduced risk selection through late 2021 and 2022 resulting in lower risk business
- Resultantly, policy count reduced, albeit limiting the deterioration in current year loss ratio



Strong Claims Management & Reserving



- Favourable prior year development with strong year on year prior year reserve releases
- Prudent reserving approach with reserve margin in excess of best estimate
- External benchmarking indicates top quartile claims management performance

Active Capital Management & Risk Transfer



- Solvency in middle of operating range¹ with further £30m equity capital committed
- Maintained comprehensive reinsurance programme with low retention on Motor XoL & Home catastrophe
- Conservative investment management with ongoing de-risking of investment portfolio during the year

Significant Progress on Becoming the UK's Leading Digital Insurer



- 54k esure flex customers on our new platform at 2022 year end, with >125k written policies by end of Q1 2023
- Full end-to-end customer experience (sales through to claims) established
- Early signs of benefit emerging in both customer response and operational metrics

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Financial Performance Highlights



	2022	2021	vPY
IFPs (m)	1.72	1.93	-10.9%
GWP (£m)	639.3	701.5	-8.9%
Turnover (£m)	722.7	788.9	-8.4%



	2022	2021	vPY
IFPs (m)	0.61	0.61	+0.0%
GWP (£m)	96.4	106.1	-9.1%
Turnover (£m)	113.3	118.8	-4.6%

Highlights

- Cautious trading stance with focus on:
 - Strong pricing discipline to prioritise margin in response to heightened inflation and claims frequency
 - Reducing the risk profile through the year across Motor and Home
- esure Flex, 54k policies at year end, with >125k written policies by end of Q1 23
- Pricing optimisation critical, with ML Ops embedded in Motor and a significant number of new rating factors introduced in Home

The Quality of our core operating metrics impacted by market environment but benefitting from pricing discipline and focus on operational efficiency

Financial Performance Highlights



	2022	2021	vPY
Net Loss Ratio	78.5%	73.6%	+4.9pp
- PY releases	11.2%	7.2%	+4.0pp
- CY	89.7%	80.8%	+8.9pp



	2022	2021	vPY
Net Loss Ratio	91.3%	59.0%	+32.3pp
- PY releases	2.2%	12.9%	-10.7pp
- Weather events	-14.6%	1.0%	+15.6pp
- CY attritional LR	78.9%	72.9%	+6.0pp



	2022	2021	vPY
Unit Cost per IFP	90.6	93.1	-2.7%

Highlights

- Maintained strong underwriting & pricing discipline across Motor & Home limiting impact of market environment on loss ratio deterioration
- Motor claims frequency reversal coupled with heightened claims inflation drove increase in current year loss ratio
- Favourable improvement in prior year reserve development reflects cautious reserving despite inflationary environment
- Severe weather events resulted in loss ratio significantly higher than long term expectation – partly offset by conservative reinsurance programme
- Unit costs benefited from strong cost focus and emerging efficiency benefits from new operating platform, that are expected to grow as the platform is used at scale

Financial Performance Highlights

		2022	2021	vPY
	Trading profit/ (loss) (£m)	47.9	84.8	-43.5%
	- Motor	99.4	108.0	-8.0%
	- Home	(6.5)	19.0	-134.2%
	- Central	(45.0)	(42.2)	-6.6%
	(Loss) / Profit After Tax (£m)	(29.1)	7.7	
Underlying RoTE	12.7%	23.7%	-11pp	
Solvency Coverage	149%	188%	-39pp	

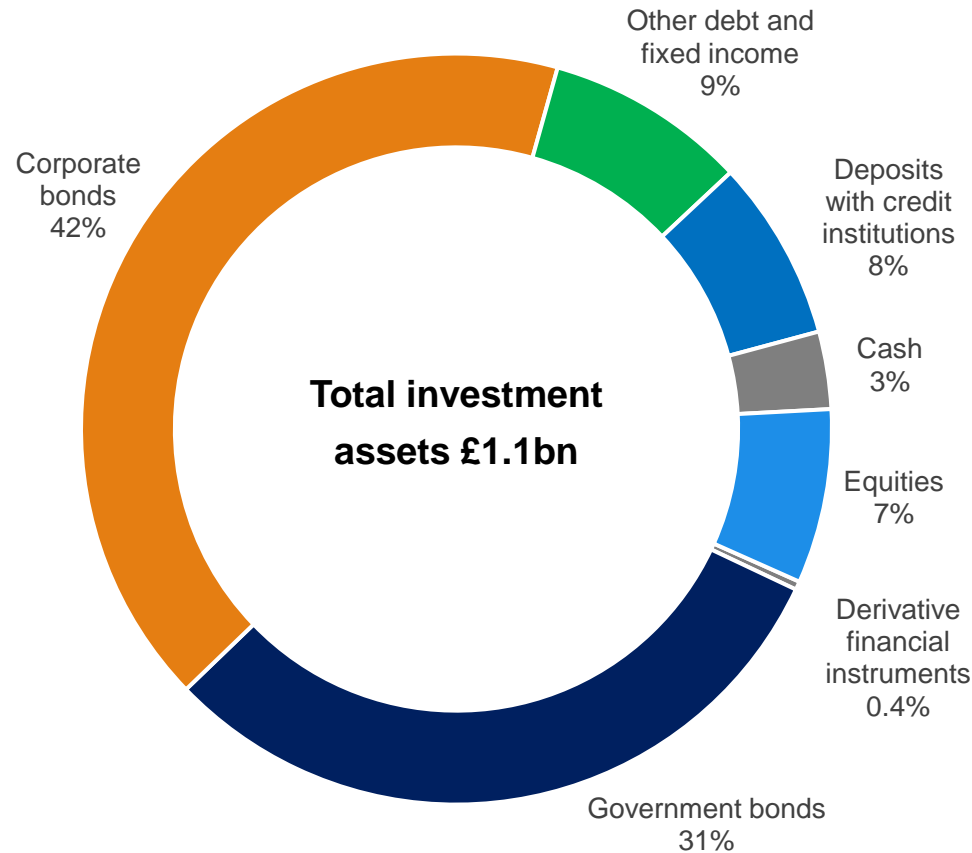
Highlights

- Solvency coverage within target range of 140%–160%
- Equity commitment lifts pro forma solvency coverage to 163% at 31 December 2022, benefitting from increase in eligible Restricted Tier 1 capital and providing further capacity for growth and development of the business
- Planned investment in business transformation drove after tax loss

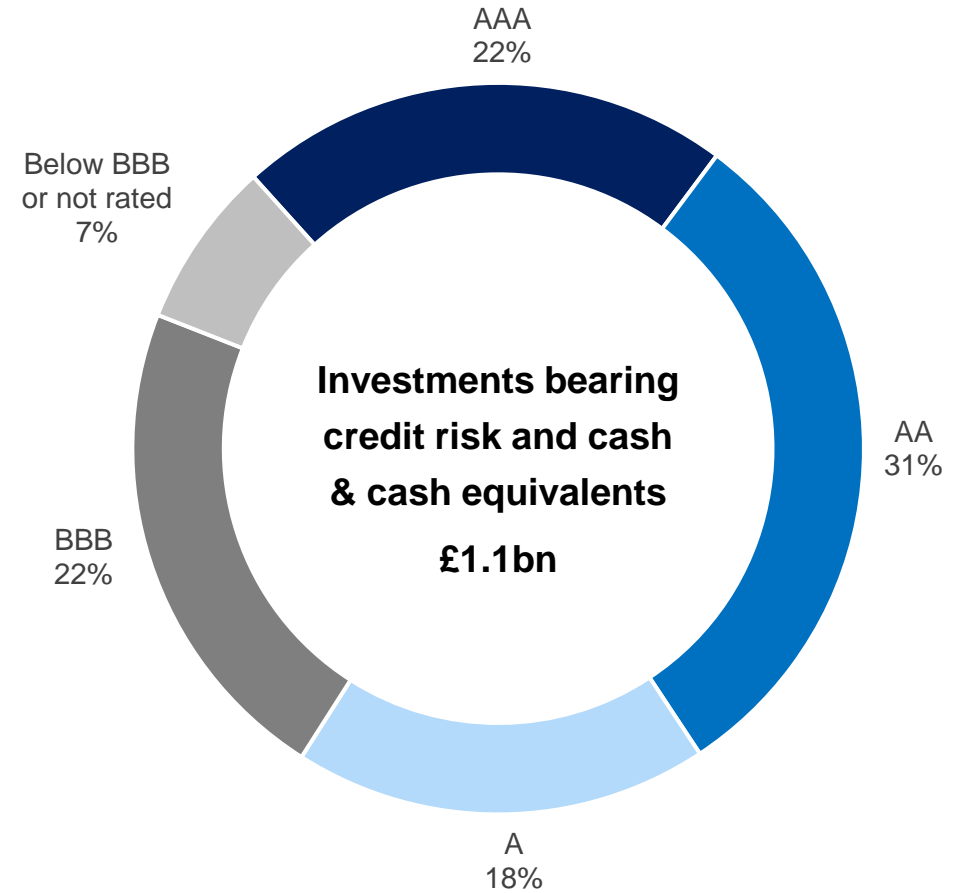
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Conservative approach to asset allocation...



...supplemented by well-managed credit risk



- Significant allocation to liquid asset classes – more than sufficient to meet Group needs, even in a stress scenario
- Majority of the portfolio is allocated to high quality fixed income asset classes

Investment Performance Highlights

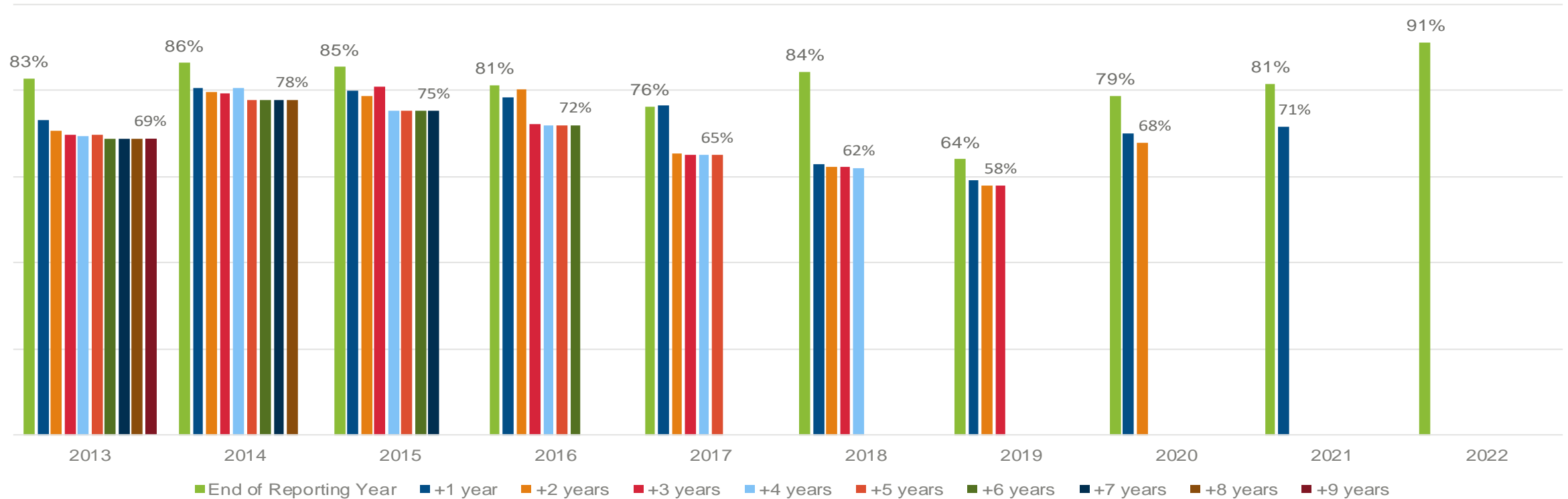
	2022	2021	vPY
Underlying Investment Yield ⁽¹⁾	1.6%	1.5%	+0.1pp
Investment Return in Trading Profit (£m)	19.6	19.1	+0.5
Exceptional Losses in Non-Trading (£m)	-10.6	-1.3	-9.3
Total Investment Return in Income Statement (£m)	9.0	17.8	-8.8
Change in Fair Value Through OCI (£m)	-64.3	-17.4	-46.9

Highlights

- Continued to pursue a conservative investment strategy
- Stable underlying investment yields; increase in reinvestment yield of c3.4% over the year - will earn through into future performance
- Well matched balance sheet with adverse movement in fair value reserve (primarily a result of rising yields) largely offset in Solvency 2 liabilities
- Unrealised losses on investment grade debt securities will pull to par as bonds approach maturity

Accident Year Ultimate Net Loss Ratio Development Over Time⁽¹⁾

% of Ultimate Accident Year Net Earned Premium



- Our cautious approach to risk is supported by conservative initial reserve assessments and external actuary assessments

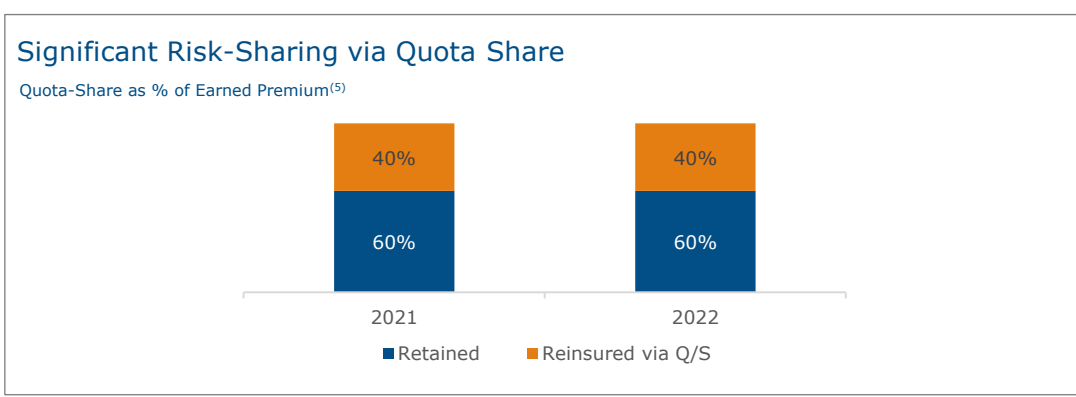
Notes: 1. 2019 NEP adjusted to remove LPT premium of £487.5m, source: 2019 Annual Report and Accounts; 2019, 2020, 2021 ultimate claims costs adjusted to remove the effect of QS commutations in 2021 and 2022 financial years
Source: 2022 Annual Report and Accounts

3 Pillars of Reinsurance Protection:

Ongoing

1
Quota Share⁽¹⁾

- Reduces capital intensity through risk-sharing with reinsurance partner
- Supportive for ROE as esure retains 100% of higher margin non-underwritten revenue streams
- Quota Share agreement also results in Profit Commission income based on profitability of business ceded to reinsurance counterparty
 - Profit Commission receivable stood at £17.4M as at FY22 (FY21: £25.9M)⁽³⁾



2
Excess of Loss Programme

- “Business as usual” excess of loss (XoL) programme protects against downside risk
- Supplements prudent underwriting approach
- Home programme protects against the equivalent of a 1-in-5 year event⁽⁴⁾

Key Terms of 2022 Excess of Loss Programmes⁽⁶⁾

Home		Motor	
Type	Per Event	Type	Per Risk
Deductible	£12.5M	Deductible	£1M ⁽⁷⁾
Limit	£205M	Limit	Unlimited

3
LPT⁽²⁾

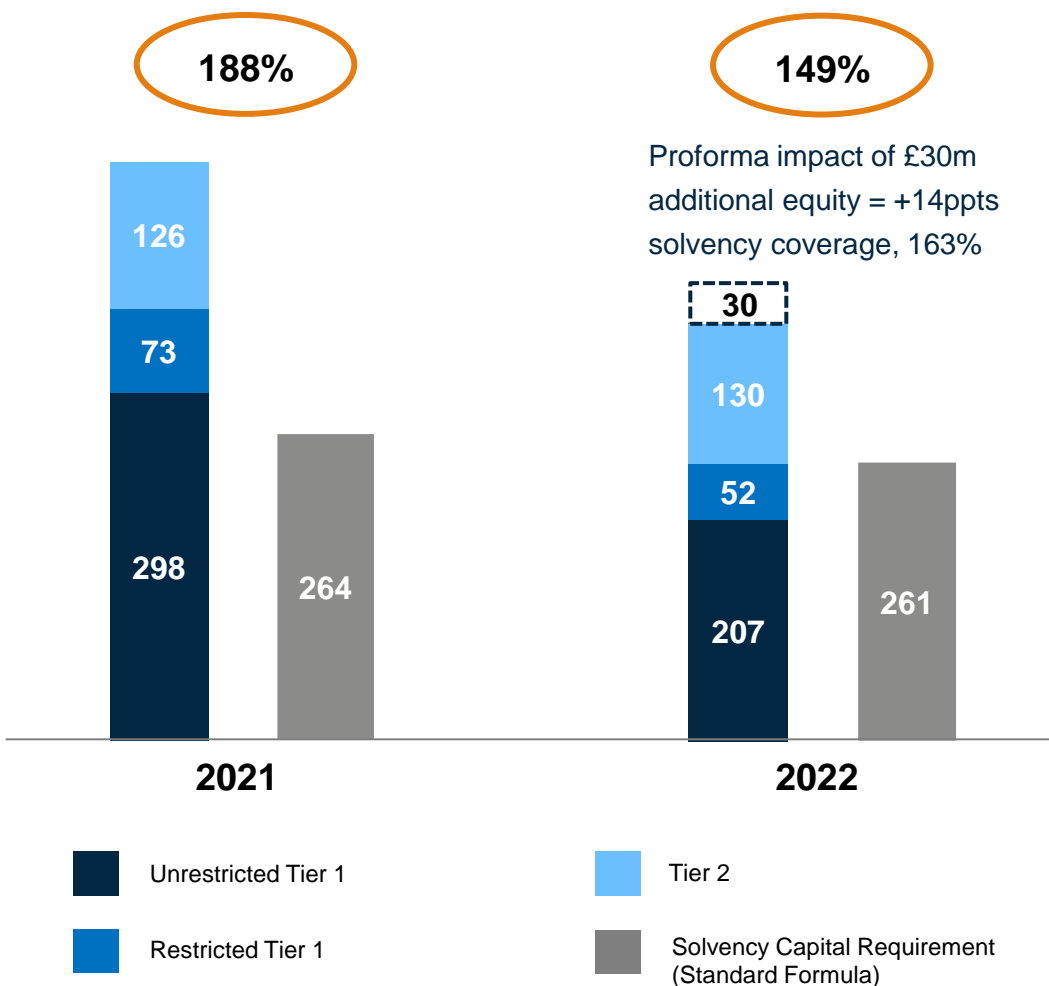
- Provides protection against deterioration on older accident years
- Significantly reduced the group’s overall capital requirement

- 85% reduction in net motor reserves held against business earned up to H1 2019

Notes:

1. Quota Share is a pro-rata reinsurance contract in which the insurer and reinsurer share premiums and losses according to a fixed percentage
 2. The LPT (Loss Portfolio Transfer), and the related Adverse Development Cover (ADC), is a reinsurance contract in which an insurer cedes claims from a defined accident period to a reinsurer and includes reinsurance should any deterioration be seen in the amounts ceded
 3. Profit Commission receivables are shown on a Solvency II valuation basis
 4. Based on internal analysis using climate variability modelling approach
 5. Quota-Share percentage reflects original cession to reinsurance counterparty. Subsequently, esure has the ability to commute (re-assume) a portion of the risk over time
 6. Home: Excess of Loss programme covers losses occurring during the 12-month period from July 2022 to June 2023. Motor: Excess of Loss programme covers risks attaching during the 12-month period from January to December 2022
 7. £1M xs £1M layer 70% placed

Group solvency coverage comfortably within the target range



Capital Management

- Solvency coverage -39ppts versus 2021:
 - Non-Trading and Finance costs, the majority of which relates to spend on the Blueprint transformation programme, absorbed 30ppts of solvency coverage⁽¹⁾
 - RT1 restriction has reduced the availability of capital by 3ppts⁽²⁾
- £30m equity committed in Q2 2023 from Bain Capital Funds to support continued development and growth
- £9m of RT1 ineligible across total capital stack due to allowable capacity; for this reason, expansion in Unrestricted Tier 1 will increase total Group Tier 1 capital by a multiple of ~1.25x until all RT1 is fully eligible
- Ineligible Tier 3 of £16m expected to support capital over time
- The Group actively manages its risk profile and the outlook for solvency coverage with a particular focus on:
 - Underwriting performance, pricing adequacy and rate of growth
 - Market risk held within the asset portfolios
 - The use of reinsurance to transfer risk
- £75m Restricted Tier 1 (RT1) issued on 22/07/21
- £125m Tier 2 subordinated notes remain in place and mature on 19/12/24

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Year ended 31st Dec			
£m	2022	2021	vPY
Gross Written Premium	735.7	807.6	-8.9%
Net Earned Premium	405.1	443.2	-8.6%
Investment Income	19.6	19.1	+2.6%
Instalment Interest Income	50.7	53.9	-5.9%
Other income	71.3	62.7	+13.7%
Net revenue	546.7	578.9	-5.6%
Net incurred claims	(322.3)	(315.2)	+2.2%
Operating expenses	(176.5)	(178.9)	-1.3%
Total expenses	(498.8)	(494.1)	+1.0%
Trading profit	47.9	84.8	-43.5%
Non-trading items	(78.9)	(68.9)	+14.5%
Finance and other costs	(11.2)	(10.7)	+4.7%
Profit/(Loss) before tax	(42.2)	5.2	<-100%
Tax	13.1	2.5	>+100%
Profit/(Loss) after tax	(29.1)	7.7	<-100%

Alternative performance measures			
Loss ratio (%)	80.4	71.8	+8.6pp
Expense ratio (%)	31.5	29.3	+2.2pp
Combined Operating Ratio (%)	111.9	101.1	+10.8pp

- Gross Written Premium 9% lower YoY reflecting conservative trading stance and policy reduction
- Instalment interest income and other income contributed £122m to total income
- 40% quota share cession active from 2021 resulting in broadly proportional Net Earned Premium and Net Incurred Claims
- Other expenses decreased as the Group begins to materialise operational efficiency benefits from the Blueprint Transformation programme
- Non-trading items largely reflects the Group's investment in transformation activities under the Game Changer strategy, on initiatives including the end to end digital insurance platform and enhanced data science capabilities. Exceptional investment losses are also reflected under this heading.

Source: 2022 Annual Report & Accounts. Alternative Performance Measures are calculated gross of quota share reinsurance to give a better year-on-year comparison of underlying performance.

Please note, operating expenses include claims handling costs, insurance expenses and other operating expenses

Year ended 31st Dec			
£m	2022	2021	vPY
Goodwill and intangible assets	21.9	28.7	-23.7%
Deferred acquisition costs	50.6	56.0	-9.6%
Property, plant and equipment	26.1	31.1	-16.1%
Financial investments	1,112.7	1,214.7	-8.4%
Reinsurance assets	785.7	794.8	-1.1%
Deferred tax assets	30.7	3.6	>+100%
Insurance and other receivables	357.8	320.7	+11.6%
Current tax assets	4.0	1.7	>+100%
Cash and cash equivalents	38.4	94.1	-59.2%
Total assets	2,427.9	2,545.4	-4.6%
Insurance contract liabilities	1,681.8	1,666.8	+0.9%
Borrowings	124.6	124.3	+0.2%
Insurance and other payables	343.7	398.2	-13.7%
Derivative financial liabilities	6.7	1.6	>+100%
Total liabilities	2,156.8	2,190.9	-1.6%
Share capital	0.4	0.4	+0.0%
Share premium	48.2	48.2	+0.0%
Capital redemptions reserves	44.9	44.9	+0.0%
Restricted tier 1 capital	72.8	72.8	+0.0%
Other reserves	(48.9)	(1.1)	>+100%
Retained earnings	153.7	189.3	-18.8%
Total equity	271.1	354.5	-23.5%

- Borrowings relate to £125m 10-year subordinated notes that were issued by the Group on 19 December 2014 at the rate of 6.75% per annum
- On 22 July 2021, the Group issued £75m of Fixed Rate Reset Perpetual Restricted Tier 1 Contingent Convertible Notes at a coupon of 6%
- Reduction in other reserves primarily related to fair value movements as a result of rising yields on bonds held within Available for Sale portfolio

In-force Policies	the number of live insurance policies at any point in time is a key measure of the scale of the Group's engagement with customers.
Turnover	includes gross written premiums, income from instalments, and other income net of the reinsurance profit share. This measure is used by management to show the underwriting scale of the Group.
Net Revenue	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.
Trading Profit	is the Group's measure of underlying, long term profitability. It excludes the impact of costs relating to one-off activity, the categories of which are reviewed by the Audit Committee and approved by the Board. The Group holds a significant investment portfolio over the medium to long term and therefore the movements seen in a very volatile investment market do not reflect this underlying performance - the Group has therefore disclosed the trading profit before the effect of investment volatility directly resulting from market rate movement in the year.
Net Loss Ratio	is total losses as a percentage of net earned premium. The loss ratio gross of quota share is used to give a better year-on-year comparison of underlying underwriting performance as the size of the quota share programme has changed materially over the last four years. This is a key measure of the underwriting performance of the Group.
Expense Ratio	is insurance expenses as a percentage of net earned premium. The expense ratio gross of quota share contribution is used to give a better year-on-year comparison of underlying underwriting performance as the size of these quota share programme has changed materially over the last four years.
Combined Operating Ratio	is net loss ratio plus the expense ratio and is a traditional general insurance measure of the profitability of an insurance business.
Unit Cost	is used to monitor the efficiency of the Group's operations. The impact of quota share is removed to better assess underlying performance. The measure takes insurance expenses, claims handling costs, other trading operating costs less the quota share contribution and divides this cost by the average number of In-force Policies in the year.
Underlying RoTE	is a measure of the Group's return on shareholder investment. Return on equity is a widely understood market measure of capital efficiency, and returns to shareholders, and has been adjusted for non-trading items and to exclude rT1 capital from equity with related coupon treated as a financing cost.
Solvency Coverage	the measure of available qualifying regulatory capital as a percentage of the capital the Group is required to hold under Solvency II regulations. This is a key measure of balance sheet strength.
Relational NPS	is a measure of overall customer sentiment and engagement with the Group. It is calculated by asking a random, representative sample of our customers how likely they are to recommend the Group to others on a scale of 0-10. A decision to move from Transactional NPS to Relational NPS took place for 2021.

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