



Half-year update 2023

esure
GROUP

Continued progress on our game-changing transformation journey

Highlights - as at 30th June 2023

- Continued strong pricing discipline in uncertain claims environment.
- Gross Written Premium in H1 was £411.3m, +16% year on year despite reduction in in-force policies (IFPs) to 2.26m, -2.6% since 31 December 2022.
- The claims environment continues to be uncertain with claims inflation remaining at elevated levels and further reversion of Motor claims frequency towards pre-Covid levels.
- Strengthened capital base - £100m Tier 2 Debt successfully refinanced ahead of 2024 maturity date and £47.5m new equity was issued in quarter 2. Solvency coverage at 30 June 2023 remains within the targeted Operating Range of 140%-160%.
- As at 30 June 2023, we had over 300,000 customers on our new industry-first technology platform, unlocking the potential for an enhanced customer experience across multiple touchpoints and lower unit cost.
- esure Flex, our newest product written on our new platform, has continued to scale with over 189,000 IFPs as at 30 June 2023.
- We remain committed to our focus on ESG and making the world more sustainable through in-house decarbonisation initiatives and partnerships.



“Our focus in the first half of 2023 has remained firmly on the delivery of our transformation journey to become the UK’s leading digital insurer. We have seen momentum building as we progress towards migrating all customers to our new platform which will unlock enhanced customer experience and commercial benefits.

The market remains challenging, with continuing claims cost pressures showing no signs of abating. We therefore remain cautious in our trading outlook and will maintain our prudent approach to pricing and underwriting, which should position esure well for when these conditions stabilise.

I want to thank the entire esure team for their continued determination and commitment to our mission to fix insurance for good.”

- David McMillan, Chief Executive Officer



Trading Update

Gross Written Premium	6 months 2023 (£m)	6 months 2022 (£m)	Change
Motor	364.6	307.8	+18.5%
Home	46.7	47.0	-0.6%
Total	411.3	354.8	+15.9%

In-force policies (IFPs)	30 June 2023 (m)	31 December 2022 (m)	Change
Motor	1.66	1.72	-3.5%
Home	0.60	0.61	-1.6%
Total	2.26	2.32	-2.6%

The first half of 2023 has seen a continuation of the pressure on claims costs the market experienced in 2022, driven by both inflation and the continued gradual return towards pre-Covid claims frequency. Whilst the market has started to respond to last year's unsustainably weak pricing, we continue to believe that more will need to be done throughout 2023.

Following our disciplined approach to pricing and underwriting from early 2022, recognising the unsustainably weak pricing that had been pervasive in the market, we have continued to take a front-foot stance to go faster and further in terms of our pricing discipline.

While this has caused IFPs to decrease, -2.6% since the end of 2022, the written profitability of this business is returning towards sustainable levels with the benefit expected to impact the income statement in 2024. As peers react to these continuing cost pressures, we anticipate an improving competitive position.

In the second quarter, the Group strengthened its capital base. £47.5m of new equity was issued to funds advised by Bain Capital Private Equity, LP and its affiliates. This funding was provided in two tranches to support the Group's continuing development and completion of its transformation programme. The Group also completed the refinancing of £100m of Tier 2 debt ahead of the contractual maturity of existing Tier 2 notes in 2024.





Building momentum with our transformation

esure's game-changing transformation journey to become the UK's leading digital insurer has continued at pace in the first half of 2023. This year's focus on migration, moving existing customers off legacy systems and onto the new platform, is on track with over 115,000 policies migrated to end June.

As esure's transformation journey continues and the new digital-first capability is available to more customers, the benefits the new platform unlocks for both customers and colleagues are being realised.

- We're removing friction and pain points for customers, with our new platform making contacting us easy and seamless:
 - 94% customer journeys initiated digitally
 - 84% mid-term adjustments (MTAs) can be self-served online
 - Integrated multi-channel service through Amazon Connect
- We've made our digital claims process simple and transparent for customers to log and track:
 - Customer e-FNOL (First Notification of Loss) now live, with improved notification time
 - 90% of claim types can be initiated digitally
 - Automated customer assignment to claim handlers, improving customer experience by ensuring complex claims are looked after by our best people
 - Straight through processing enabled, with customers able to appoint local repairers and agree settlements online
- Our new Tech and Data platform is now fully implemented at scale and we are confident we have the most modern, scalable and extensible cloud native technology in the UK insurance industry:
 - Real-time analytics across all customer experiences

- Extensive use of Artificial Intelligence and Machine Learning throughout the company, improving risk selection, market pricing, fraud detection, claims assessment, renewal management and workforce planning.
- esure Flex, launched in 2022 and written on the new platform, has continued to scale and is proving popular with customers for the ease and simplicity of managing their policies online:
 - Over 189,000 IFPs as at 30 June, with encouraging early NPS
 - This digital first product is available across all 4 price comparison websites (PCWs) and will continue to grow with further enhancements planned to make the product more customisable

Helping to make the world more sustainable

As part of our ongoing work to reach net zero by 2050, we directly engaged our top 20 most carbon-intensive suppliers, enabling us to work in partnership to drive down supply chain emissions. During H1 we completed our latest full carbon footprint analysis, to truly understand the impact of our business and operations. We continue to champion use of recycled parts within motor claims, using 2,155 recycled parts in the first half of 2023. By end August 2023, we will have transitioned all company cars to electric and hybrid vehicles.

Our work with charity partners has continued, as we support initiatives that promote sustainability and safety:

- For the third successive year we were sponsor of Brake, the Road Safety Charity's Kids Walk, supporting over 110,000 primary school-aged children to demand their right to safer and cleaner journeys.
- We completed our first tree-planting season with The Conservation Volunteers in March, planting 1000 trees in East Sussex as part of the Queen's Green Canopy project.

Outlook

Continued expected claims inflation will require us to maintain our disciplined approach to pricing and underwriting throughout 2023. We will continue to progress the migration of our customer base to our new platform, steadily increasing the proportion of customers benefitting from enhanced experience and digital journeys, whilst driving down unit cost.

Fixing insurance for good remains our driving purpose. esure Group is well prepared for the FCA's Consumer Duty requirements and remains committed to delivering good customer outcomes. We will continue to ensure customer wants, needs, expectations and frustrations inform all we do, building innovative approaches to continually enhance our offering.



