Hastings Group Holdings plc
Annual Report 2019

Towards a digital future

Our vision is to be the best and biggest digital insurance provider

Hastings, the technology driven insurance provider, delivers straightforward products and services to 2.85 million car, bike, van and home insurance customers, and employs over 3,300 colleagues across sites in Bexhill, Leicester, London and Gibraltar.

Read more on pages 10–11

Corporate responsibility

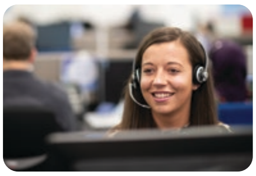
We approach all stakeholders openly, transparently and with a strong sense of commitment and use the 4Cs to measure performance and success as individuals and as a Group.

Read more on page 37

Hastings 4Cs

Our ambitious plans will be delivered through digital leadership, embracing new technology, and investing in our 4Cs way of working – which drives our decision making and continues to guide us as we grow.

Our 4Cs principles are simple: we believe by creating the right culture for our Colleagues, and giving them the right tools to do their job, they will do more for our Customers, enabling us to grow the Company profitably and sustainably and allowing us to invest in the Communities we serve.



Investing in our colleagues

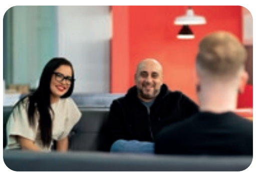
We continually invest in supporting our colleagues and act on their feedback, read more on pages **02–03**

Helping our communities

We take our 4Cs full circle by investing in and playing an active part in our local communities, read more on pages **08–09**

Improving our service and digital proposition

Our digitally focused business is built for the way customers want to buy and manage their insurance, read more on pages **04–05**



Driving our vision and generating value

Our data, technology and digital capability supports our future growth and continued success, read more on pages **06–07**

Colleagues

We believe that engaged colleagues lead to happy customers so we are committed to investing in, developing and listening to our colleagues so they continue to contribute, thrive and be who they are.

Colleagues

Our priorities for 2020/2021

- Continue to maintain a culture where every colleague can contribute to the success of Hastings
- Continue efforts to increase the proportion of female senior leaders from the current level of 31%
- Even more training, personal development and apprenticeships

Live Customer Policies ('LCP') per full time colleague

2019	**965**
2018	936
2017	964

Colleagues that believe Hastings is a place where people from different backgrounds can work together positively %

2019	**92**
2018	82
2017	76

All colleague diversity

Male	48%
Female	52%

30% Club
GROWTH THROUGH DIVERSITY

Development

We actively encourage personal development by offering a range of options to build the capabilities of our teams for the future. In 2019 we launched our digital learning tool, CareerBuilder, with our colleagues having accessed nearly 16,000 online courses and we increased our apprenticeship schemes too.

Read more on page 40

Reward

We believe every colleague can contribute to the success of the business. Accordingly, we recognise the hard work and dedication of our team by linking remuneration to personal performance and objectives aligned to our 4Cs way of working.

Read more on page 39

Wellbeing

Wellbeing is a key part of our role as a responsible employer and we believe it has a positive impact on both our individual colleagues and the productivity and efficiency of our business. Our programme, supported by 77 wellbeing champions, offers an extensive programme to help colleagues feel healthier, happier and stronger.

Read more on page 42

Customers

We're transforming our proposition for a digital future, the channel of choice for our customers to buy and manage their insurance.

Customers

Our priorities for 2020/2021

- Build upon our digital capability to provide customers with more choice and increase digital engagement
- Continue to maintain a culture where customer service and customer experience is a priority
- Continue to provide straightforward products at the best price

Live Customer Policies ('LCP')
Millions

2019	**2.85**
2018	2.71
2017	2.64

5%
Improvement in customer retention rates

18%
2019 reduction in customer service calls per LCP

Digital

Record levels of customers using digital channels to contact us in 2019, with the use of MyAccount, Mobile app and webchat outweighing traditional channels, such as telephony. Our mobile app remains one of the highest rated UK insurance apps and we have seen customer service calls per policy reduce by 18% during 2019.

Read more on page 16

Customer experience

We aim to continually improve our customer service and experience and have seen an improvement in our Net Promoter Scores ('NPS') in 2019. Those customers using our digital propositions have an NPS 11 points higher than the overall score, increasingly the channel of choice for customers.

Read more on page 47

Anti-fraud

Fraud remains prevalent in the UK motor insurance market, with an estimated £1.2 billion* of fraud committed last year. We invest in technology to tackle fraud enabling us to pass on the savings to customers and keep our prices low. Our next generation anti-fraud platform has enabled us to identify 96% more fraud cases in 2019.

Read more on page 32

*Source: Association of British insurers

Company

Pricing discipline remains a priority, and we have increased premiums in challenging market conditions, whilst continuing to invest in our data and digital capability.

Company

Our priorities for 2020/2021

- Continue investment in technology, data and modelling techniques
- Diversify by growing multicar, home, bike and van. Build on the 27% current year growth in home customers and test new products
- Focus on cost management and delivering on our claims initiatives
- Maintain our disciplined pricing strategy

Calendar year loss ratio* %

	%
2019	82.6
2018	75.0
2017	73.0

Adjusted operating profit* £m

	£m
2019	109.7
2018	190.6
2017	184.1

Profit after tax £m

	£m
2019	69.7
2018	130.6
2017	126.7

Solvency II coverage ratio (unaudited) %

	%
2019	151
2018	161
2017	167

Dividend payout ratio %

	%
2019	88.0
2018	58.9
2017	55.5

*See page 18 for definitions of our KPIs and page 183 for reconciliation to appropriate GAAP measures.

Challenging market conditions

Claims inflation has exceeded premium inflation across the industry, and Hastings has continued to increase prices ahead of the market. As a result of the elevated claims inflation, the loss ratio, before the impact of the Ogden rate change, is 81.6%, or 82.6% after the impact of the Ogden rate change, (page 19), and adjusted operating profit has fallen to £109.7m.

Read more on page 23

Investment in future

Investment during the year has focused on renewals, digital capabilities and claims management transformation. Our new repair services are live, providing repairs to a much wider range of vehicles from a choice of more repair locations, including mobile repair locations, and customers are now able to manage their repair services online.

Read more on pages 14–15

Strong capital position

The Group's Underwriting business has maintained a Solvency II coverage ratio of 151% in the middle of our target range of 140%-160%, and our Retail business has generated Retail free cash of £76.0m (2018: £127.7m), allowing the Board to recommend a final dividend of 5.5p per share.

Read more on page 28

Community

We have a straightforward approach to community, focusing our efforts locally so we can see the difference we make today and for the future.

Community

Our priorities for 2020/2021

- Continue to focus on the broad environmental agenda
- Continue our 'Be the Change' mentor programme and work with our charity partners to provide meaningful positive contribution to our local area
- Build on our 30% Club achievements and continue 'Women in business mentoring'

Charity contributions to our partners £k

2019	**50**
2018	54
2017	88

Community hours completed by our colleagues hrs

2019	**9,000**
2018	7,700
2017	6,000

'Be the Change' students mentored

2019	**220**
2018	223
2017	242

CO_2 per FTE
Tonnes

2019	**0.41**
2018	0.55
2017	0.63

Local sponsorship

We have continued our sponsorship of 'Be the Change', an education initiative in Bexhill and Leicester, which aims to raise the aspirations of local 13 to 14 year olds. The programme is designed to provide them with life skills to help shape their future and give them the opportunity to make a difference.

Read more on page 58

Pink Ribbon Foundation

Our insurePink offering donates £10 for every insurance policy purchased to Pink Ribbon Foundation, a breast cancer charity. We are pleased that our customers have now helped us reach the milestone of raising over £1 million for this good cause.

Read more on page 58

Environment

We have drastically reduced the amount of single use plastics available throughout our premises, and instead provided compostable replacements, cutting down the use of nearly one million single use plastic items per year.

Read more on pages 60–62

Our vision: Best and biggest digital insurance provider

Inputs

Our 4Cs

We believe by creating the right culture for our Colleagues, and giving them the right tools to do their job, they will do more for our Customers, enabling us to grow the Company profitably and sustainably and allowing us to invest in the Communities we serve.

Read more on page 37

Hastings

Our brand

We have an established, well known and trusted brand. We invest a modest and targeted amount on TV brand advertising, to ensure we are the brand of choice when customers see our price on the price comparison websites ('PCW').

Discipline, and strong capital position

The Group is underpinned by a strong capital position, with a disciplined approach at the heart of what we do.

Read more on page 22

A differentiated business model

Strategically focused on large markets:

UK Car market

32 million cars

2.5 million
Customers

7.7%
Share

UK Home market

21 million homes

0.2 million
Customers

1.0%
Share

Built for the way the majority of consumers now buy their insurance

We have embraced digital capabilities in order to fully optimise our business to take advantage of the continued growth in price comparison websites.

UK Car market PCW penetration
2009: **45%** | 2014: **66%** | 2019: **75%**

UK Home market PCW penetration
2009: **16%** | 2014: **43%** | 2019: **59%**

Underwriting discipline and separation from Retail

Our business structure is designed to separate Retail and Underwriting activities and decision making, with Retail focused on optimising value, and Underwriting focused on sophisticated risk selection.

Calendar Year loss ratio*
2015: **75.4%** | 2016: **73.7%** | 2017: **73.0%** | 2018: **75.0%** | 2019: **81.6%**

Small team, colleague centric culture

We have a small leadership team with committed colleagues, with a focus on delivery, which means we are agile and can move quickly on execution.

Low cost, efficient operating model

We have a volume variable and low operating cost base with efficiencies to be delivered through the Guidewire platform and digital processes.

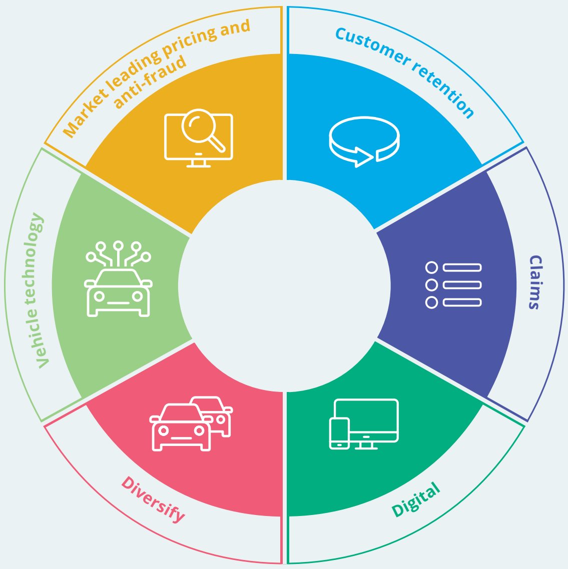
Expense ratio
2015: **15.9%** | 2016: **13.6%** | 2017: **14.0%** | 2018: **14.4%** | 2019: **15.4%**

*Before the impact of changes in the Ogden rate, see page 19.

We have set out ambitious plans to become the 'best' digital insurance provider, which will in turn lead to us becoming one of the 'biggest' and a market leader in the UK insurance sector. Our business model and key differentiators are at the heart of our ability to deliver on our strategy.

Clear on where we want to be the best

Our strategic pillars of investment for 2019:



Drive longer and deeper customer relationships, by investing in pricing, processes and making things straightforward for our customers.

Use new technology to transform claims handling, enabling a faster and more efficient experience for our customers, whilst also reducing claims costs.

Deliver the most complete digital experience to make things straightforward for our customers, and easier for our colleagues.

Diversify by growing multicar, home, bike and van and testing new products.
Home LCP – 2017: 173k, 2018: 164k, 2019: 209k.

Remain focused on the impact of vehicle technology within UK motor insurance.

Enhance data, pricing and anti-fraud systems so we continue to select the best customers and offer them a better price.

Read more on page 15

Delivering value

Colleagues
3,300
colleagues in Bexhill, Leicester, Gibraltar, London and homeworking

Customers
2.85 million
live customer policies

Company
£89.3m
dividents paid during 31 December 2019

Community
9,000
community hours completed by our colleagues

Colleague engagement

We have continued to strengthen Board engagement with our colleagues to ensure that things that matter to them are well understood and taken into consideration when decisions are made.

Engagement with our colleagues has long been part of the Group's 4Cs ways of working which underpins everything we do. Strong two-way interaction between colleagues and senior management has long been a feature of our way of working; this was further endorsed in 2017, during my time as Chief Executive Officer, when the Hastings Colleague Forum ('HCF') was formally re-constituted, having been in place since December 2008. The HCF comprises elected colleagues from across the business, proportionately representative of function and location, and is chaired by a duly elected colleague. It enables communication and consultation with colleagues via an informed representative group and forms part of the wider approach to colleague communications, both formal and informal, which support our open and transparent culture. Mindful of its obligations under the revised UK Corporate Governance Code, and taking into account my previous role in the business, the Board has designated me to represent colleagues' views.

The HCF regularly meets with senior executive management, including Toby van der Meer, Chief Executive Officer, and Carole Jones, Group HR Director. This year Tom Colraine, Senior Independent Director and Chair of the Remuneration and Nomination Committee, joined me at a number of meetings with the HCF; it was helpful for Tom to hear first-hand comments from colleagues. The HCF's inaugural Annual General Meeting was held in London this summer; an all-day event attended by over 40 colleague representatives.

"Strong two-way interaction between colleagues and senior management has long been a feature of our way of working"

The meeting provided an opportunity for all colleague representatives to meet their counterparts across the business and to discuss matters with myself, Tom, Toby and Carole. The meeting covered a number of topics relating to business performance, operational matters, benefits, pensions, colleague wellbeing, childcare, diversity and gender based pay. A number of actions were agreed and these will be considered by management and the Board over the coming months. I keep the Board updated on matters discussed and ensure that they are aware of issues and concerns that affect our colleagues.

In addition to interactions with the HCF, the Board is also provided with updates from the Group's annual colleague engagement survey YourVoice and visits the Group's operating sites to enable all Board members to meet with colleagues directly. Toby, in his role as Chief Executive Officer, also provides regular updates on colleague matters at meetings of the Board. Colleagues are also encouraged to contact me directly should they have any matters that they would like to raise with me outside of formal meetings.

Our colleagues are fundamental to the Group's success, being the primary point of contact with our customers. It is very important for the Board to hear directly from colleagues, either on any issues and concerns they may have or on the positive things that make Hastings a great place to work. On behalf of the Board I would like to express my thanks to all of our colleagues - it is their knowledge, skills and professionalism that make a difference to our customers and other stakeholders and enables us to continue to grow and enhance the Hastings brand and reputation.

Board Composition and UK Corporate Governance Code 2018 ('the Code') Compliance

Richard Hoskins joined the Board as Chief Financial Officer in April 2015 and played a significant role guiding the Group through its IPO in October that year. Over the past four years he helped it deliver sustained profitable growth underpinned by disciplined cost management. After over four years, having made the decision to retire, Richard stepped down in May 2019; I would like to thank him for his contribution to the Group during his time. John Worth joined us on 10 May 2019 from MS Amlin where he was Chief Financial Officer; on behalf of the Board I welcome John.

Due to external commitments, Ian Cormack left the Board on 23 May 2019 having served since September 2015. On behalf of the Board I thank him for his contribution as Non-Executive Director and wish him well for the future. The Nomination Committee reviewed the composition of the Board and made a recommendation that no further Director appointments would be made at this time as it considers the composition of the Board remains appropriate in terms of its size, independence, and diversity. The Board continues to have a majority of independent Non-Executive Directors as well as meeting gender diversity targets with at least 33% of the Board being female. I am pleased to say that the Board has significantly increased its gender diversity since its IPO in 2015, when there were no female Directors; the Board now has four female members: 36% of the Board.

The Company recently responded to the Sir John Parker Review survey on the composition of the Board in relation to the number of Directors with Black, Asian and Minority Ethnic ('BAME') origins. The proportion of Directors who identify themselves as BAME is 18%. Whilst this figure is slightly lower than the overall composition of our colleague population as a whole, in line with the Company's stated policy, the Nomination Committee continues to consider director and senior leadership candidates from diverse ethnic and social backgrounds.

I am pleased to report that we are fully compliant with the Code, which came into force from 1 January 2019, with the continued exception of one provision in relation to me not being considered independent upon appointment as Chair of the Board. Further information on Code compliance is contained later in this Report.

Shareholder value – dividends

The Board remains confident in the Group's long term prospects and is pleased to propose a final dividend of 5.5p per share. This dividend will be paid on 29 May 2020 to shareholders on the register on 17 April 2020 with an ex-dividend date of 16 April 2020. Following the interim dividend of 4.5p per share paid in November 2019, this brings the total dividend for the year to 10.0p per share. This final dividend is subject to shareholder approval at the Annual General Meeting to be held on 21 May 2020.

Gary Hoffman
Chair
26 February 2020

Chief Executive Officer's statement

Towards a digital future

Continued investment to build the best and biggest digital insurance provider.

Looking back over 2019, I am immensely proud of the progress that the Hastings team has made in delivery towards our vision and strategy. It's not been an easy market environment, with lower prices and rising claims costs impacting our financial results for 2019. Through a combination of pricing discipline and strategic investments, we remain well positioned for 2020 and beyond, taking advantage of the evolving market, consumer and technology changes. We also continue to monitor and support the regulatory reforms which are likely to conclude during 2020, including the FCA market pricing study and the whiplash reforms.

Throughout the year, we have continued to invest in our digital capabilities to ensure that we become the best and biggest digital insurance provider in the UK. In addition to the launch of new online functionality, our mobile app remains the number one rated UK insurance app, providing customers with an easy way to manage their insurance, as well as keeping us low cost. 38% of customers now make policy adjustments online and via the app and we've seen an 18% reduction in customer service calls per policy, and happier customers! This continued focus on digital will allow us to remain sustainably low cost and give customers the best prices, with great service.

As a result of some great work from our colleagues, new renewal pricing models and the launch of our new custom built technology loyalty tool, our already strong customer retention rates have improved further. This has supported ongoing growth in our customer base and we finished the year with around 140,000 additional customers; a good result in a competitive market environment.

"Our continued focus on digital will allow us to remain sustainably low cost and give customers the best prices, with great service"

I am also pleased with our progress on claims transformation. During the year we transitioned to our new claims service providers which will enable us to provide an even better customer experience as well as reducing our claims costs through a higher quality and larger network of repair centres, with new mobile repair capability also saving our customers' time and hassle.

There is more to come and we have ambitious plans for 2020 and beyond. Our initiatives aim to further strengthen our existing technology and people capabilities, setting us up to be market leaders in pricing, anti-fraud and digital. This will continue to be underpinned by our focus on remaining low cost and delivering strong returns for shareholders. Consumer switching is set to continue and digital channels, including price comparison websites in particular, continue to grow at the expense of more traditional distribution models. All of this plays to our core strategy of proving good value products in an accessible way for customers, enabled by digital technology.

Fundamental to our success are our colleagues and culture, as framed by our 4Cs approach. Our colleague engagement scores remain high. In fact, in 2019 we achieved the second highest score in the company's history, which is also in the upper quartile when compared to other companies with over 3,000 employees. We have achieved this through further investing in training and career development and actively managing the diversity agenda, including ensuring the progression of women into senior roles. I'm really pleased we hit our 30% Club target a year early and will now focus on this to drive even more leadership diversity in 2020 and beyond. We are also doing more for local charities and the environment, including the removal of single use plastics. I still can't believe the amount of single use plastic we have been able to remove and am proud of how colleagues have embraced this.

Overall, I am very pleased with what our 3,300 colleagues have achieved and it is an honour and privilege to lead such a great team.

Toby van der Meer
Chief Executive Officer
26 February 2020

Our transformational initiatives – our focus for 2020/2021

Customer retention

Through further testing and learning of new renewal pricing approaches and investment in operational processes we aim to further enhance our customer retention rates.

Claims transformation

Using technology, including automation and increased sophistication in data/analytical tools we will enable further optimisation of our claims processes enabling us to better control claims costs.

Digital

Enhancements to our online capability through 'MyAccount' and mobile app will step change the self-serve functionality for our customers, further improving the customer experience.

Diversify

We will continue to diversify by growing multicar, home, bike and van and also testing new products, supporting our vision to be more diversified by 2023.

Vehicle technology

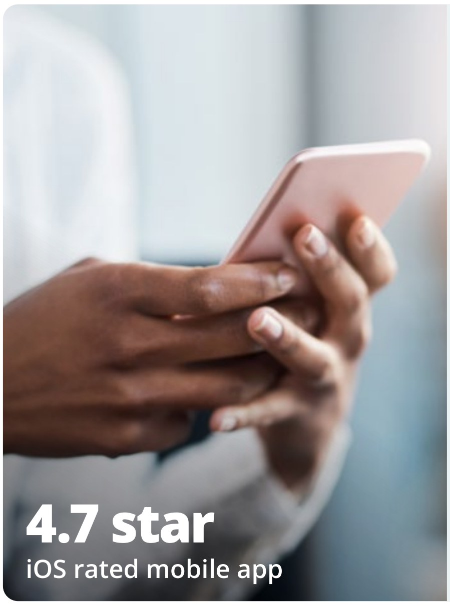
Continued focus on understanding the impact of vehicle technology on claims costs, therefore influencing our underwriting and pricing, and exploring data opportunities.

Market leading pricing and anti-fraud

Continued investment in technology, data and modelling techniques to further increase the volume of targeted price changes and enhanced fraud detection capability so we continue to select the best customers and offer them a better price.

What's shaping our market?

We review the trends and dynamics of our market on an ongoing basis to stay ahead of the curve in terms of competitive positioning. Our industry expertise informs how we develop products, approach industry issues and drive long term growth.



Digitalisation and technology

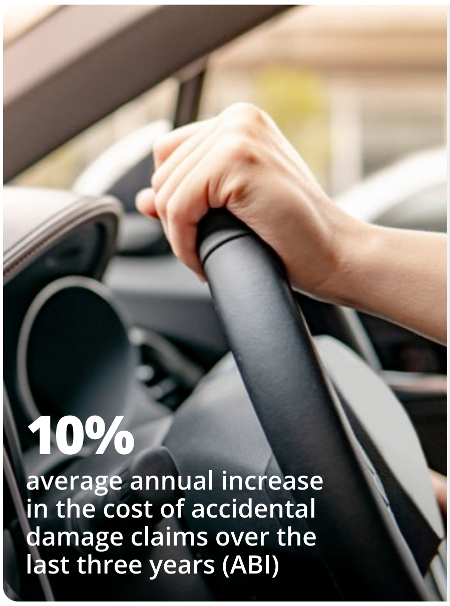
Being at the forefront of digital and technological advancements provides opportunities

The opportunity

- Digital processes continue to change the way our customers want to interact with us
- Technology enables automation and enhanced sophistication, including in advanced modelling techniques

Our approach

- Striving to deliver the most complete digital experience for our customers
- Utilisation of digital channels continues to increase through our MyAccount portal, mobile app and digital claims notification
- Continuing our programme of investment in technology, across pricing, underwriting and, on claims including the introduction of our next generation anti-fraud platform



Market motor premium and claims trends

Market average premiums have started to increase to reflect rising claims costs

The opportunity

- Increasing sophistication in vehicle technology continues to drive up repair costs, whilst third party property damage and credit hire costs also continue to increase
- The frequency of claims has levelled out during 2018 and 2019, and the longer term downward trend is likely to continue due to improved vehicle technology and road safety
- Average premiums have shown signs of improvement since Q2 2019, with increases becoming more sustained towards the end of 2019

Our approach

- During 2019 we have continued to increase our prices ahead of the market
- We are transforming our claims management processes, including the integration of our new repair service provision, which will enable us to further control repair cost inflation
- We continue to invest in capability, including risk selection, pricing and anti-fraud

25,000
serious accidents expected to be prevented by connected and semi-autonomous vehicles by 2030*

Vehicle technology

Changes in vehicle technology gives rise to risks, but also opportunities for the insurance industry

The opportunity

- The increased prevalence of electric and hybrid vehicles, in place of petrol and diesel powered vehicles, is changing the insurance industry
- Automatic braking and vehicle sensors are making new vehicles safer and resulting in fewer accidents
- Fully automated vehicles are many years away, but could change the nature of insurance in the long term

Our approach

- We have an internal working group researching all elements of vehicle technology
- We are investing in data, including the impact of vehicle technology on claims costs, to influence our pricing and risk selection

*source: Society of Motor Manufacturers & Traders

£35
per policy – the amount the Government expects to be saved through whiplash reforms

Regulation

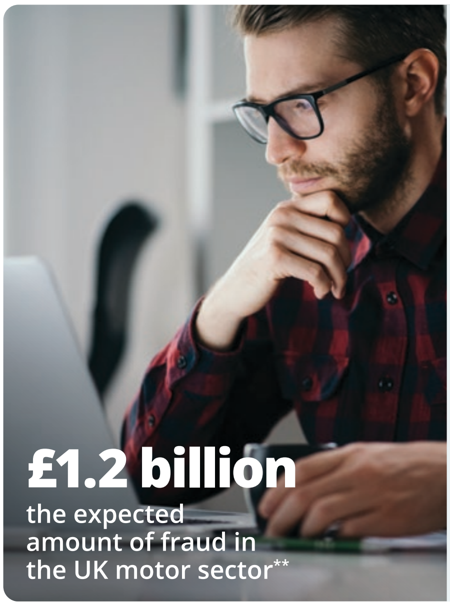
A number of regulatory reviews are likely to conclude during 2020

The opportunity

- Whiplash reforms aiming to reduce the cost of soft tissue claims planned to be effective from April 2020
- The FCA interim report on the review of pricing practices was released in October 2019, with a final report, including proposed remedies expected in the first quarter of 2020

Our approach

- We are supportive of any regulation which reduces fraudulent claims and encourages treating customers fairly
- We maintain an open and transparent relationship with all regulators
- We will continue to monitor developments during 2020, but we consider the Group's agile business model to be well placed to deal with the potential outcomes



£1.2 billion
the expected amount of fraud in the UK motor sector**

Fraud

Fraud continues to become more sophisticated and remains prevalent, to the detriment of honest customers, and continues to drive up claims costs in the industry

The opportunity

- Application fraud is widespread
- Serious organised fraud, such as claims fraud and ghost broking is becoming more sophisticated

Our approach

- A blended approach using advanced technology combined with specialist field agents
- A dedicated team of over 250 colleagues tackling fraud
- Next generation platforms including NetReveal from BAE systems, utilising new data sources and analytics tools to further enhance fraud detection capabilities

**source: Association of British Insurers

Our KPIs

Our key performance indicators ('KPIs') outlined below are used to monitor our overall strategic progress and shareholder value.

Financial KPIs

Measure	Data	Performance
Profit after tax Profit after tax is an IFRS measure representing the Group's performance including interest and taxation expense.	**Profit after tax** £m **2019** **69.7** 2018 130.6 2017 126.7	Profit after tax decreased by 47% to £69.7m as a result of the reduced adjusted operating profit.
Adjusted operating profit Adjusted operating profit is the Group's primary profit measure used to assess operating performance and reflects the results of underlying trading. It is a non-IFRS measure, defined as profit before taxation expense, finance costs, amortisation and depreciation and non-trading costs. Adjusted operating profit is reconciled to IFRS profit before tax on page 185.	**Adjusted operating profit** £m **2019** **109.7** 2018 190.6 2017 184.1	Adjusted operating profit of £109.7m, which has reduced by 42%. This is as a result of the 5.1% increase in live customer policies being more than offset by claims inflation continuing ahead of earned premium inflation, the recognition of a VAT refund in 2018, the impact of the Ogden rate change and increased underwriting levies and higher expenses as the Group invests in its strategic initiatives.
Adjusted operating profit margin Adjusted operating profit margin measures the Group's operational efficiency. It is adjusted operating profit as a percentage of net revenue and is a non-IFRS measure. Adjusted operating profit is reconciled to IFRS profit before tax on page 185.	**Adjusted operating profit margin** % **2019** **14.8** 2018 25.2 2017 25.7	The adjusted operating profit margin has declined from 25.2% to 14.8%. Net income has remained stable in the challenging market, whilst loss ratio has increased due to claims inflation being ahead of premium inflation, and expenses have also increased due to the recognition of a VAT refund in 2018, the impact of the Ogden rate change and increased underwriting levies and strategic initiatives.

Measure	Data	Performance

Calendar year loss ratio

Calendar year loss ratio is an alternative performance measure of underwriting performance, representing net claims incurred, including development of prior years, as a percentage of net earned premiums for the period.

The measure is quoted before and after the impact of the Ogden rate change to enhance comparability. The Ogden rate is set by the UK Government's Lord Chancellor and is used by the Courts to calculate lump sum personal injury compensation payments. The Ministry of Justice undertook a review of the Ogden rate and announced on 15 July 2019 that the conclusion of the review was to increase the Ogden rate from minus 0.75% to minus 0.25% with effect from 5 August 2019. The announced rate is lower than both the rate at which large bodily injury claims have been settling and the original guidance provided by Ministry of Justice of between 0% and 1%. Since the date of the announcement, the Group has reflected the rate change to minus 0.25% in estimating claims liabilities.

Calendar year loss ratio %

The calendar year loss ratio, after the impact of the Ogden rate change is 82.6%.

Before the impact of the Ogden rate change, the loss ratio is 81.6%.

The Group's increased calendar year loss ratio is due to elevated claims inflation experienced in the year, at an underlying rate of 7%-8%, with inflation experienced across third party credit hire costs, repair costs and larger bodily injury costs.

The Group's calendar year loss ratio is outside the full year target range of 75%-79% as claims costs continue to be elevated. The Group continues to monitor claims trends and maintain its pricing discipline to apply price increases.

Expense ratio

Expense ratio is a measure of underwriting operational efficiency, represented as net Underwriting expenses relative to net earned premiums.

Underwriting expenses include the costs of acquiring and operating insurance contracts and are included net of reinsurance cost contributions in this ratio. Reinsurance cost contributions are received through reinsurance commissions, direct cost contributions and other profit share arrangements.

Expense ratio %

The Group's expense ratio increased over the prior year predominantly as the Group incurred an increase in underwriting levies and investment in strategic initiatives.

Financial KPIs continued

Measure	Data	Performance
Combined operating ratio Combined operating ratio is a measure of the Group's overall underwriting performance. It is the sum of the calendar year loss ratio and the expense ratio, as defined above. See page 183 for reconciliation to expenses.	**Combined operating ratio %** **2019** **98.0** 2018 89.4 2017 87.0	The Group's combined operating ratio after the impact of the Ogden rate change is 98.0%. The Group delivered a combined operating ratio of 97.0%, before the impact of the Ogden rate change, reflecting higher claims experienced during the year along with increased underwriting levies.
Solvency II coverage ratio The Group's Underwriting business, Advantage Insurance Company Limited ('AICL'), is subject to the Solvency II ('SII') capital adequacy regime. The unaudited SII coverage ratio is a calculation representing AICL's own funds, as measured under SII, against its capital threshold, in accordance with the Solvency Capital Requirement ('SCR'). This is calculated in accordance with the EIOPA Solvency II Directive and as required by its regulator, the Gibraltar Financial Services Commission ('GFSC').	**Solvency II coverage ratio %** **2019** **151** 2018 161 2017 167	AICL is well capitalised and its Solvency II coverage ratio continues to track the target range of 140%-160%. The Solvency II coverage ratio before deducting the anticipated intercompany dividend from AICL to Hastings Group Holdings plc for the year ended 31 December 2019 was 156% (2018: 194%).
Net debt leverage multiple The net debt leverage multiple measures the Group's net debt relative to its profit generation and reflects the Group's cash generation, level of debt and growth in profitability. It is calculated as the Group's net debt divided by adjusted operating profit. Net debt is calculated as gross debt less Retail free cash and corporate free cash. See page 184 for reconciliation to cash and cash equivalents.	**Net debt leverage multiple** **2019** **2.1x** 2018 1.2x 2017 1.4x	The net debt leverage multiple increased to 2.1x as at 31 December 2019, driven by the decline in adjusted operating profit, during the year. The Group's net debt has remained stable with closing net debt for the year at £232.4m (2018: £230.9m). The Group's debt is provided through £250m of fixed rate Bonds repayable in 2025 and is expected to remain at this amount over the long term.

Non-financial KPIs

Measure	Data	Performance
Live customer policies (LCP) Live customer policies is a key performance indicator for the Group and represents the total number of policies currently in force.	**Live customer policies** '000s **2019** **2,849** 2018 2,710 2017 2,644	The Group achieved a 5.1% year on year growth in policies, to 2.85 million customers as at 31 December 2019, due to the improvement in the Group's strong retention rates. The Group continues to prioritise pricing discipline over volume.
Share of total stock (private car) Share of total stock (private car) is a measure of the Group's share of the total UK private car population as at the end of each year.	**Share of total stock (private car)** % **2019** **7.7** 2018 7.5 2017 7.3	The Group's private car market share has continued to increase, reaching 7.7% as at 31 December 2019.

Disciplined approach to achieving growth

We’ve maintained our focus on pricing discipline and have increased premiums in a competitive market environment, whilst continuing to invest in our strategic initiatives and digital proposition.

Financial highlights

- **Gross written premiums stable at £961.6m** for the year (2018: £958.3m). The Group’s underlying average premiums were up 5% with the increase in prices being offset by a change in the risk mix of business.
- **Growth in live customer policies (‘LCP’) to 2.85 million,** up 5% from last year driven by continued strong retention rates.
- **Further growth in home to 209,000 policies,** a 27% increase year on year, as we continued to enhance the capabilities of the Group’s in-house underwriting team and work with third party panel members.
- **Adjusted operating profit[1] of £109.7m** (2018: £190.6m) or £118.1m before the impact of the Ogden rate change (2018: £176.0m before the one off VAT recovery).
- **Profit after tax for the year of £69.7m** (2018: £130.6m).
- **Calendar year loss ratio[2] before the impact of the Ogden rate change of 81.6% (2018: 75.0%),** or 82.6% after the impact of the Ogden rate change. This has been driven by elevated market claims inflation, with increases in repair and third party credit hire costs, and a small number of larger bodily injury losses.
- **Free cash generation[3] of £141.0m** for the year ended 31 December 2019 (2018: £167.7m).
- **Strong solvency position, with our underwriting subsidiary achieving Solvency II coverage ratio of 151%** (2018: 161%), or 156% before deducting the anticipated dividend due to be paid to the Group entity in the first half of 2020.
- **Final dividend proposed for 2019 of 5.5p per share** (2018: 9.0p per share) which, together with the interim dividend of 4.5p per share, equates to a total dividend payout ratio of 88.0% of adjusted profit after tax[4] (2018: 58.9%).

"We will maintain our pricing discipline and continue to write business targeting the 75%-79% loss ratio"

Conditions in the motor market have remained competitive, with claims inflation exceeding premium inflation across the market. Whilst market premiums started to improve over much of 2019, the average across the year remain lower than in 2018. Furthermore the market is experiencing elevated claims inflation, which is now estimated to be running at 7%-8%, across the industry. This reflects increases in repair and third party credit hire costs, together with a small number of larger bodily injury losses. As a result of the heightened claims experience, the full year loss ratio, before the impact of the Ogden rate change, is 81.6%. This is outside the Group's full year target range of 75%-79% and, as a consequence, adjusted operating profit for the year has decreased to £109.7m. We will maintain our pricing discipline and continue to write business targeting the 75%-79% loss ratio.

The Group has maintained its pricing discipline, with average motor premium prices increasing by 5% during 2019. The impact of this increase on gross written premiums has been offset by a change in the risk mix of business that is aimed at lower risk segments and a reduction in younger drivers. With premium prices increasing ahead of the market, new business competitiveness has reduced. However, this has been more than offset by a sustained improvement in retention rates by 5 percentage points. Together, this means that motor LCP has grown by 3.7% to 2.64 million.

Our strategy with respect to growing our home book has been progressing well with home policies growing 27% year on year to 209,000 thanks to the Group's embedded in-house home underwriting capability and the support of the third party panel members.

The regulatory environment continues to evolve. We remain supportive of the Financial Conduct Authority's Market Pricing Study and have provided input and insight throughout the process. The Study is well progressed and conclusions are expected to be available during the first quarter of 2020. We remain well placed to respond to conclusions which aim to further protect consumers.

Similarly, we are supportive of the Whiplash Reforms outlined in the 2018 Civil Liability Act and are working with the Motor Insurance Bureau, which is currently still aiming to introduce the Reforms on behalf of the Ministry of Justice by April 2020.

Furthermore, we don't expect any material impact on our business following the UK's withdrawal from the EU and, specifically, the UK Government and Government of Gibraltar have committed to ensure the passporting provisions for financial services firms between Gibraltar and the UK remain in place following the end of the transition period.

The Group remains highly cash generative and has generated retail free cash of £76.0m in the year, the reduction since last year being in line with market pressures and expectations. Net debt has remained stable in 2019 with funding secured by the long term fixed rate Bonds issued in 2018. The Group's Underwriting business, AICL, is well capitalised and its Solvency II capital ratio of 151% continues to track the target range of 140%-160%.

We are proposing a final dividend of 5.5p per share (2018: 9.0p per share), which, together with the interim dividend, represents an overall payout ratio of 88.0%, ahead of the Group's payout ratio target range of 65%-75% through the cycle.

John Worth
Chief Financial Officer
26 February 2020

1 Adjusted operating profit is defined as profit before taxation expense, finance costs, amortisation and depreciation and non-trading costs.
2 Calendar year loss ratio is a measure of underwriting performance, representing net claims incurred as a percentage of net earned premiums. Expense ratio is a measure of underwriting operational efficiency, representing the Group's share of incurred operational and acquisition expenses over net earned premiums. The combined operating ratio is a measure of the Group's overall underwriting performance and is the sum of the calendar year loss ratio and the expense ratio. See page 183 for a reconciliation of the calendar year loss ratio, expense ratio and combined operating ratio.
3 Group free cash consists of Retail free cash and Corporate free cash. Retail free cash comprises cash held by the Retail business in excess of the regulatory capital required, and excluding cash held on behalf of insurers. Corporate free cash comprises cash held in Group entities which are not subject to FCA or Solvency regulations. See page 184 for reconciliation of cash and cash equivalents to free cash and Group free cash generated.
4 Adjusted profit after tax for the purposes of the dividend payout ratio is profit after tax adjusted to exclude the post-tax impact of non-trading items and share scheme costs.

Summary consolidated statement of profit or loss

	Year ended					
	31 December 2019			31 December 2018		
	Underlying trading[2] £m	Non-trading items[2] £m	Total £m	Underlying trading[2] £m	Non-trading items[2] £m	Total £m
Gross written premiums	961.6	–	961.6	958.3	–	958.3
Net earned premiums	439.3	–	439.3	440.7	–	440.7
Other revenue	291.6	–	291.6	308.7	–	308.7
Investment and interest income	10.4	–	10.4	7.0	–	7.0
Net revenue	741.3	–	741.3	756.4	–	756.4
Net claims incurred	(362.7)	–	(362.7)	(330.6)	–	(330.6)
Acquisition costs	(76.4)	–	(76.4)	(74.6)	–	(74.6)
Other expenses	(192.5)	–	(192.5)	(160.6)	–	(160.6)
Adjusted operating profit[1]	109.7			190.6		
Impact of Ogden rate change	8.4			–		
VAT refund in respect of prior periods	–			(14.6)		
Adjusted operating profit before specific items	118.1			176.0		
Amortisation and depreciation	(15.8)	(2.0)	(17.8)	(7.5)	(21.5)	(29.0)
Finance costs	(9.6)	(0.2)	(9.8)	(8.5)	(0.2)	(8.7)
Taxation	(12.8)	0.4	(12.4)	(26.1)	3.8	(22.3)
Profit after tax	71.5	(1.8)	69.7	148.5	(17.9)	130.6

Net revenue is down 2%, to £741.3m, reflecting the earn through of lower average premiums, including the impact of the change in risk mix, and lower reinsurance commission. This is partially offset by the growth in customer numbers. Adjusted operating profit decreased by 42% to £109.7m, due to an increase in the calendar year loss ratio, the impact of the Ogden rate change, increased underwriting levies and investment in strategic initiatives, and the recognition of a VAT refund in 2018.

1 Adjusted operating profit is defined as profit before taxation expense, finance costs, amortisation and depreciation and non-trading costs.
2 Non-trading items are defined as expenses or earnings that are not representative of the operating activities of the Group and include Group reorganisation, refinancing and transaction costs and the impact of accounting for business combinations.

Gross written premiums

Gross written premiums by product	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Private car	**924.7**	919.5
Van	**8.9**	13.6
Bike	**18.5**	18.1
Home	**9.5**	7.1
Total gross written premiums	**961.6**	958.3
Total gross earned premiums	**965.0**	949.9

The Group increased gross written premiums by £3.3m, with the 5.1% growth in LCP partially offset by the 3.3% reduction in average motor written premiums. Underlying premium prices increased 5% during the year, with this increase in prices being offset by a change in the risk mix of business that is aimed at lower risk segments and a reduction in younger drivers. The growth in policy numbers is supported by the continued focus on retention rates. The Group's UK car market share increased to 7.7% from 7.5%.

Hastings is an established brand in a market of 32 million cars and 21 million homes. Customers in both of these markets are increasingly using digital channels, primarily PCW, to purchase their insurance. These market dynamics, coupled with the continued programme of investment in digital capabilities, means Hastings is well positioned to drive future growth.

Advantage Insurance Company Limited ('AICL'), the Group's Underwriting business, has continued underwriting home policies and, with the support of the Group's third party home panel insurers who joined in 2018, the Group has increased home LCP for the year by 27%.

Net revenue

Net revenue by type	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Net earned premiums	**439.3**	440.7
Fees and commission	**99.8**	101.2
Ancillary product income	**54.8**	49.6
Premium finance interest	**105.6**	104.0
Reinsurance commissions	**7.7**	35.3
Other income	**23.7**	18.6
Other revenue	**291.6**	308.7
Investment and interest income	**10.4**	7.0
Net revenue	**741.3**	756.4

Net revenue decreased by 2% to £741.3m for the year (31 December 2018: £756.4m) predominantly due to reinsurance commissions having reduced by 78% as a result of a higher loss ratio. Retail income per policy, including fees, ancillaries and premium finance interest, was largely consistent year on year. Investment and interest income increased by 49%.

£961.6m

gross written premium for the year ended 31 December 2019 (2018: £958.3m)

7.7%

private car market share at 31 December 2019 (2018: 7.5%)

Loss ratio, expense ratio and combined operating ratio

Combined operating ratio reconciliation	Year ended 31 December 2019	Year ended 31 December 2018
Accident year loss ratio before the impact of change in Ogden rate	81.8%	76.1%
Prior year development before the impact of change in Ogden rate	(0.2%)	(1.1%)
Calendar year loss ratio before the impact of change in Ogden rate	81.6%	75.0%
Impact of change in Ogden rate on accident year loss ratio	0.1%	–
Impact of change in Ogden rate on prior year development	0.9%	–
Impact of change in Ogden rate on calendar year loss ratio	1.0%	–
Calendar year loss ratio[1]	82.6%	75.0%
Calendar year loss ratio[1]	82.6%	75.0%
Expense ratio[2]	15.4%	14.4%
Combined operating ratio[3]	98.0%	89.4%

The calendar year loss ratio excluding the impact of the Ogden rate change is 81.6%. The year on year increase in loss ratio is due to market wide claims inflation and the Group's lower earned premiums, as well as lower releases from prior periods. Claims inflation remains elevated and ahead of earned premium inflation, reflecting increases in repair and third party credit hire costs, slightly higher winter frequencies than the prior year, and a small number of larger bodily injury losses, which has resulted in a higher calendar year loss ratio.

The calendar year loss ratio after the impact of the Ogden rate change, which increased claims reserves for current period and previous years, is 82.6%.

The expense ratio increased to 15.4% mainly due to the rise in the rate of Motor Insurers' Bureau underwriting levies as well as investment in strategic initiatives.

Taxation

The tax charge for the year was £12.4m (2018: £22.3m), representing an effective tax rate ('ETR') of 15.1% (2018: 14.6%). The tax charge has reduced as a result of a reduction in profit before tax. The ETR has increased due to lower taxable profits earned by Underwriting, which is taxed in Gibraltar, and higher taxable profits earned by Retail, which is taxed in the UK. The Group's future ETR will depend upon the mix of profits taxable in the UK and Gibraltar as well as the prevailing tax rates.

Summary consolidated balance sheet

	As at 31 December 2019 £m	As at 31 December 2018 £m
Assets		
Goodwill	470.0	470.0
Intangible assets	87.7	80.5
Property and equipment	22.6	22.7
Deferred income tax assets	5.6	6.6
Reinsurance assets	1,365.0	1,212.1
Deferred acquisition costs	34.3	34.5
Insurance and other receivables	450.5	452.3
Financial assets at fair value	583.4	558.0
Cash and cash equivalents	160.9	146.0
Total assets	3,180.0	2,982.7
Liabilities		
Loans and borrowings	245.3	244.3
Insurance contract liabilities	2,023.7	1,820.8
Deferred income tax liabilities	8.0	8.5
Current tax liabilities	3.2	14.7
Insurance and other payables	257.7	243.4
Total liabilities	2,537.9	2,331.7
Net assets	642.1	651.0

The Group's net assets decreased from £651.0m to £642.1m as at 31 December 2019. Working capital, insurance contract liabilities and related reinsurance assets have increased as a result of the continued growth of the business and a higher level of claims costs.

Insurance contract liabilities

Total insurance contract liabilities of £2,023.7m at 31 December 2019 (31 December 2018: £1,820.8m) comprise £477.4m (31 December 2018: £480.7m) of unearned premiums, which are deferred and recognised in the Statement of Profit or Loss in subsequent periods, and outstanding claims liabilities of £1,546.3m (31 December 2018: £1,340.1m). Gross outstanding claims liabilities have increased due to the greater exposure from the increase in LCP and the impact of claims inflation.

The Group applies a consistent reserving methodology to calculate an internal actuarial best estimate and an additional risk margin. The Group's reinsurance programme, described below, manages insurance risk and protects against volatile movements typically caused by large bodily injury claims.

1 Calendar year loss ratio is a measure of underwriting performance, representing net claims incurred as a percentage of net earned premiums.
2 Expense ratio is a measure of underwriting operational efficiency, representing the Group's share of incurred operational and acquisition expenses over net earned premiums.
3 The combined operating ratio is a measure of the Group's overall underwriting performance and is the sum of the calendar year loss ratio and the expense ratio. See page 183 for a reconciliation of the calendar year loss ratio, expense ratio and combined operating ratio.

Reinsurance contracts

Reinsurance contract assets by credit rating	As at 31 December 2019 £m	31 December 2018 £m
AA	**1,020.9**	848.5
A	**344.1**	362.4
BBB	**–**	1.2
Total reinsurance assets	**1,365.0**	1,212.1

Reinsurance assets, comprising reinsurers' share of outstanding claims liabilities and unearned premiums, increased to £1,365.0m as at 31 December 2019 (31 December 2018: £1,212.1m).

The Group uses excess of loss and quota share reinsurance arrangements to limit its exposure to claims. The motor excess of loss programme limits the Group's exposure on any individual event to £1.0m and the quota share arrangement provides 50% cover on motor claims incurred, after the excess of loss recoveries. These arrangements reduce the volatility that could otherwise be caused by individual large claims.

The Group's reinsurance programme carefully manages insurance risk by working with a range of high quality, highly regarded and stable reinsurers. The Group has successfully placed its 2020 reinsurance arrangements on largely the same terms as 2019, with an increase in the cost of excess of loss insurance. The Group believes this increase is at the lower end of the range of market increases for 2020.

Cash and net debt

	As at 31 December 2019 £m	31 December 2018 £m
Loans and borrowings	**245.3**	244.3
Add back transaction costs	**4.7**	5.7
Gross debt	**250.0**	250.0
Deduct:		
Retail free cash[1]	**(15.7)**	(15.7)
Corporate free cash[1]	**(1.9)**	(3.4)
Free cash[1]	**(17.6)**	(19.1)
Net debt[2]	**232.4**	230.9
Adjusted operating profit	**109.7**	190.6
Net debt leverage multiple	**2.1x**	1.2x

As at 31 December 2019 the net debt leverage multiple was 2.1x, after the payment of the interim dividend, an increase from 1.2x last year as a result of a lower adjusted operating profit. The Group's net debt remains stable and the Group remains cash generative. The Group remains comfortable with the level and structure of debt which is provided through a long term fixed rate Bond repayable in 2025.

The following table shows the net debt movement for the period:

	Year ended 31 December 2019 £m	31 December 2018 £m
Opening net debt	**230.9**	254.3
Retail free cash generated[1]	**(76.0)**	(127.7)
AICL dividend received	**(65.0)**	(40.0)
Group free cash generated	**(141.0)**	(167.7)
Retail and Corporate taxation paid	**18.1**	20.5
Capital expenditure	**21.6**	20.0
Dividends paid	**89.1**	85.5
Interest, corporate and refinancing costs	**13.7**	16.1
Discount on issue of 3% Bonds	**–**	2.2
Closing net debt	**232.4**	230.9

During the year, the Group generated £141.0m of free cash (31 December 2018: £167.7m) comprising Retail free cash generated of £76.0m and the £65.0m dividend declared and paid by AICL.

Investments

Cash and cash equivalents and investments by credit rating	As at 31 December 2019 £m	31 December 2018 £m
AAA and AA	**323.3**	305.2
A	**254.3**	227.9
BBB	**142.5**	147.4
Less than BBB	**11.9**	12.8
Not rated	**12.3**	10.7
Total cash and cash equivalents and investments	**744.3**	704.0

The Group's conservative investment strategy primarily focuses on capital preservation and seeks to align the duration of the assets with the underlying insurance liabilities. As at 31 December 2019, the Group's percentage of the total portfolio of investments rated A or equivalent and above was 78% (31 December 2018: 76%). The weighted average credit rating of investments and cash and cash equivalents is A+ (31 December 2018: A+).

The Group's investments and cash and cash equivalents primarily comprises investment grade fixed income debt securities, money market funds and investment funds managed by third parties.

1 Free cash consists of Retail free cash and Corporate free cash. Retail free cash comprises cash held by the Retail business in excess of the regulatory capital required, and excluding cash held on behalf of insurers. Corporate free cash comprises cash held in Group entities which are not subject to FCA or Solvency regulations. See page 184 for reconciliation of cash and cash equivalents to free cash and Group free cash generated.
2 Net debt represents gross debt, before the deduction of arrangement fees, less Group free cash. Net debt leverage multiple represents the Group's net debt expressed relative to 12 months trailing adjusted operating profit.

Return on capital employed

	Year ended 31 December 2019 £m	31 December 2018 £m
Average AICL deployed capital[1]	288.4	293.6
Average HISL deployed capital[1]	52.2	40.7
Average corporate free cash[2]	2.6	4.0
Average capital employed	343.2	338.3
Net income[3]	71.5	148.5
Return on capital employed	20.8%	43.9%

Return on capital employed measures the capital efficiency of the Group and reflects net income over average capital employed. The Group's capital position has increased marginally whilst net income has fallen 52% as a result of the increase in calendar year loss ratio.

Dividends

Dividend payout ratio	Year ended 31 December 2019 £m	31 December 2018 £m
Net income	71.5	148.5
Share based payment expense (including social security charges)	3.5	3.1
Tax on share based payment expense	0.2	(0.4)
Adjusted profit after tax[4]	75.2	151.2
Interim dividend paid	29.8	29.6
Final dividend proposed	36.4	59.5
Total dividends in respect of financial year	66.2	89.1
Dividend payout ratio	88.0%	58.9%

The proposed final dividend for the year ended 31 December 2019 is £36.4m (31 December 2018: £59.5m), a payout of 5.5p per share (31 December 2018: 9.0p per share). The increased dividend payout ratio of 88.0% is above the Group's current target payout ratio of 65% to 75% of adjusted profit after tax.

Dividends are satisfied by the Group's free cash, which is derived from cash generated by Retail, and dividends received from AICL. During the year, the Group generated free cash of £141.0m, representing a 16% decrease from £167.7m last year.

Solvency

The table below presents the unaudited Solvency II coverage ratio for AICL, the Group's Underwriting business, on a standard formula basis with undertaking specific parameters applied:

	As at 31 December 2019 £m	31 December 2018 £m
Solvency II:		
Own funds	277.5	270.4
Solvency Capital Requirement	183.8	168.2
Solvency II coverage ratio	151%	161%

The Solvency II coverage ratio at 31 December 2019 is stated after taking into account the anticipated dividend to be paid by AICL, which is expected to be paid to the Group in April 2020. The Solvency II coverage ratio before deducting this anticipated dividend would have been 156% (2018: 194%).

The Solvency Capital Requirement has increased, and Solvency II coverage ratio decreased, due to the increase in exposures and the increase in the loss ratio, including the impact of the Ogden change.

Solvency II sensitivity analysis

The table below shows the impact on the Group's Solvency II coverage ratio in the event of the following scenarios as at 31 December 2019. These sensitivities cover the two most material risk types, insurance risk and market risk, to the Group.

	Solvency II coverage ratio %	Excess own funds £m
Solvency II coverage ratio/excess own funds (pre-dividend) as at 31 December 2019	156	103.6
Scenario		
Interest risk free rate up 1%	157	102.6
100bps increase in credit spreads[5]	150	92.2
Movement in all currencies by 20%	156	103.5
Accident year loss ratio up 3%	140	74.4
New business volumes up 10%	153	99.2

1 The deployed capital of HISL and AICL represents respectively the average of HISL's net tangible assets and the average of AICL's net assets during each year.
2 Corporate free cash comprises cash held in Group entities which are not subject to FCA or Solvency regulations. See page 184 for reconciliation of cash and cash equivalents to free cash and Group free cash generated.
3 Net income is defined as profit after tax excluding the post-tax impact of non-trading items.
4 Adjusted profit after tax for the purposes of the dividend payout ratio is profit after tax adjusted to exclude the post-tax impact of non-trading items and share scheme costs.
5 Credit spread is defined as the difference between the interest paid on bonds that have a low level of risk and the interest paid on those that have a high level of risk.

How we protect our business

The operational management of our business and execution of our strategy is subject to a number of risks. We have a risk management and control framework in place to ensure that we identify, plan for, and react appropriately to, a range of eventualities.

Viability statement

The Directors have assessed the prospects and viability of the Group over a three year period. In accordance with provision 31 of section 4 of the UK Corporate Governance Code, the Directors' assessment has been made with reference to the Group's current financial position and prospects. The period assessed of three years aligns with the Group's medium term strategic planning process (the 'Three Year Plan') which is refreshed annually and reviewed and approved by the Directors. The Three Year Plan is based on the Board's strategy, development programmes, risk appetite, expectations of insurance market pricing cycles and assessment of the principal risks as detailed on page 33, as well as how these are managed. Three years is considered appropriate for assessing the viability of the Group as it strikes a good balance between the need to forecast over a longer period, whilst recognising the pace of change within the industry, uncertainty surrounding insurance market pricing cycles and the risks and opportunities that may emerge.

The Three Year Plan is constructed based on the commercial activities of the Group's Retail and Underwriting businesses. This includes a detailed analysis of income and expenditure, including premium and claims inflation, and the resulting cash generated, supported by explanations of material year on year movements, over the term of the Three Year Plan. There are regular briefings to the Board by senior management, which include the progress of new strategies being implemented and how these are incorporated into the plan. The Three Year Plan assumes there will be no change to the Group's borrowing facilities, which primarily consist of £250m fixed rate senior bonds repayable in 2025 and a £110m committed Revolving Credit Facility ('RCF') which runs to May 2023; that dividends will be paid in accordance with the target payout ratio; that a consistent reserving policy is applied; and that financial services firms in Gibraltar will continue to be able to access the UK market. The UK Government has guaranteed this access on the existing basis until 31 December 2020 and confirmed that it will work closely with the Government of Gibraltar to design a replacement framework to endure beyond this.

The Three Year Plan was then robustly stress tested by applying eight challenging scenarios designed to threaten the viability of the Group. The stresses applied reflect the crystallisation of the principal risks identified, including;

- pricing and reserve risks that arise from insurance activities;
- operational risk, including risk of cyber attack;
- commercial performance risk;
- liquidity, solvency and capital risk;
- a combination of these risks crystallising concurrently; and
- tax and regulatory risk.

The stresses applied were sufficiently severe and targeted to include the potential impacts to the Group of likely Brexit scenarios, including no trade deal at the end of the transition period. The stresses were assessed independently at the level of the Retail and Underwriting businesses respectively before assessing the aggregate impact at the Group level. The minimum requirements for the Group to be considered viable were to maintain throughout each modelled period;

- appropriate liquidity available with sufficient headroom under the RCF to maintain positive free cash held whilst meeting liabilities as they fall due;
- continued compliance with the Revolving Credit Facility financial covenants as required;
- a surplus over the minimum FCA MIPRU resource requirements in Retail; and
- a surplus over the Solvency II solvency capital requirements in Underwriting.

In certain of the most severe scenarios, achievable, short term mitigating actions within the control of the Group and its subsidiaries were required, such as reducing dividend payout ratio and applying cost reductions in non-core spend that would not significantly impact short term service delivery. After the application of these mitigations, the Group maintained positive free cash and surplus over the minimum FCA MIPRU and Solvency II capital requirements throughout the period. On this basis, the Directors confirm that they have a reasonable expectation that the Group will continue to operate and meet its liabilities, as they fall due, for the next three years.

Our approach

The Board is committed to continually developing and embedding a culture of risk management through the identification, measurement, mitigation, monitoring and reporting of risks across the Group, which is reflected in decision making. The Board also sets risk appetite, reviews risks, both existing and emerging, and considers risk when reviewing the Group's strategy and operational delivery.

The Board has ultimate responsibility for the Group's Risk Management Framework and delegates the oversight of this to the Risk Committee. This Committee is a formal sub-committee of the Board with its own terms of reference.

The principal purpose of the Risk Committee is to advise the Board on risk management matters, approve the Group risk limits and risk appetite, and oversee the risk management arrangements of the Company and Group generally. The Committee seeks to ensure that the material risks facing the Group are being identified and that appropriate arrangements are in place to measure, manage, monitor and report those risks effectively; it also seeks to ensure that responsibility for doing so in each of the trading entities has been effectively delegated to the respective company boards. Further information on the work of the Risk Committee can be found in its committee report on pages 94 to 96.

Each trading entity has its own risk management governance arrangements to ensure all risks are reported to, and reviewed by, the appropriate management oversight forum and, ultimately, the respective board risk committee. The development and enhancement of operational risk registers progressively evolve as the business matures and grows. Risk management reporting from the trading entities is consolidated for review by the Risk Committee and Board.

Governance strategy and control

The Group's governance structure, combined with embedded controls, processes and reporting protocols, enables senior management to conduct the affairs of the trading entities in line with expectations of their respective boards and, ultimately, those of the Board. This seeks to ensure that the trading entities adhere to approved strategies and regulatory requirements, regularly monitor outcomes, proactively identify risk and opportunities, and apply appropriate mitigation as required.

Strategy is implemented by suitably experienced and competent people in the trading entities, incentivised appropriately and guided by the Group's strong corporate culture and values. The ability to identify and respond quickly to evolving or emerging risks and issues is supported by a dynamic environment that encourages independent and objective challenge, focused on escalation and resolution. Timely management information is generated to enable appropriate monitoring, reporting, oversight and decision making based on sound proposals and judgement.

The controls in place to support the operations of the Group in the management and mitigation of risk are routinely evaluated, as appropriate, and enhanced to ensure their suitability and effectiveness.

Risk management framework

The Group continues to advance and enrich its Risk Management Framework to ensure there is a consistent and robust approach to risk management across the Group.

The ever evolving Risk Management Framework is dynamic and responsive to changes and developments and seeks to strengthen our disciplined and structured process to reduce the potential impact of internal or external events that may detrimentally affect the Group.

The Risk Management Framework includes risk and control frameworks for the trading entities, as well as risk registers that document risks, controls, key risk indicators, actions related to risk mitigation, resolution and ownership of each risk. The frameworks are continuously developed to include Strategic, business and emerging risks.

Strategic and Business risks are reviewed and challenged by the Risk Committee and respective committee of each of the Group's trading entities. These committees receive timely, up to date reports from the oversight functions on the material movement in risk profiles, whether influenced by external or internal monitoring and audits or events, or by any material shift in business risk that is linked to the successful delivery of the Three Year Plan.

Management committees at an operational level oversee business risks, with departmental risk profiles (risks, controls, key risk indicators and internal or external events) held centrally and regularly reviewed and challenged by the risk management function.

Emerging risks, by their very nature could be strategic or at a business level, and when identified are recorded, assessed and mitigated within the requirements of the Risk Management Framework.

Stress testing and scenario analysis are regularly undertaken and reviewed by the Risk Committee, including the testing that has been carried out to support the Viability Statement on page 29. Financial performance, financial position and cash flows have been stress tested using the principal financial and operational risks listed on pages 33 to 36, including reductions in premium and other income, retention rates and new business volumes, deterioration in loss ratio, possible failure of a reinsurer and adverse impacts of a cyber attack. Focus has also been applied, within the relevant trading entity, to ensure compliance with Solvency II and regulatory requirements.

Internal control framework

The Group has an internal control framework based on the three lines of defence approach, which can be illustrated as:

First line: Functions which own and manage risk	**Business Operations** • has ownership, responsibility and accountability for day to day risk identification, assessment and management activity; • directly owns and operates risk mitigating policies and controls and remedial actions; • seeks to ensure compliance with all regulatory obligations and internal policies; and • provides management assurance by monitoring and reporting risk, control and compliance matters for governance oversight.
Second line: Functions that oversee or manage compliance and risks	**Oversight Functions** • establishes boundaries by proposing Group policies and frameworks for Board approval, and standards to align Group wide practices to defined strategy; • facilitates guidance and direction on effective risk, control and compliance management practices to satisfy Group policies and standards as well as regulatory requirements; and • applies Group wide best practice providing oversight, challenge, monitoring and assurance reporting directly to Board Committees.
Third line: Functions that provide independent assurance	**Independent Assurance** • offers independent challenge and assurance by auditors, internal audit and external actuaries; • provides independent challenge, objective assurance and consulting activities designed to add value and improve the Group's operations; and • bring a systematic, disciplined approach to evaluate and improve the effectiveness of risk management control and governance processes.

All three lines of defence have specific roles within the internal control framework and report via the respective governance committees of the trading entities, to the Audit or Risk Committee and, ultimately, to the Board. The role of these committees is to monitor and provide opinions and recommendations on the effectiveness of the Company's internal controls and management of risk.

During the course of the year a full review of the types of risks to which the Group is exposed has been undertaken, resulting in an expanded risk taxonomy and associated Key Risk Indicators ('KRIs'), risk categories are shown on pages 33 to 36 with associated key risks. The updated risk taxonomy allows for greater transparency of Group, trading entity and aggregated risk and strengthens and enhances our understanding of the changing environment and dynamic nature of the Group's business model; this enables effective risk management decision making.

Ongoing investment in strengthening information security and data protection within the Group remains a priority, executing core elements of its information security road map to reinforce existing measures, and underpinning the Group's commitment to best practice.

Risk identification and assessment

Monitoring and quality control procedures within front line operations, and clearly prescribed breach reporting and escalation processes support the first line of defence. Second line oversight is provided by independent Assurance, Risk, and Compliance functions. Third line oversight is provided by an internal audit function, managed and resourced via a third party relationship with Grant Thornton UK LLP. The effectiveness of the Group's control functions is overseen by the Board and its Committees, and those of each of the trading entities.

Internal audit

The remit of the internal audit function is covered in the Audit Committee report on page 84.

The three lines of defence model seeks to ensure that the standards and appetites, as defined by Group policies, function as planned and support intended outcomes. Under the three lines of defence model, independent assurance testing and evidence gathering on aspects of how the business is managed is undertaken by the internal audit function which reports to the governing body of each trading entity and, ultimately, to the Board via the Audit Committee.

Compliance

The Compliance function within each of the trading entities provides regulatory risk oversight and monitors compliance with the various regulatory and legal obligations of the Group, including those of the UK's Financial Conduct Authority ('FCA') and the Gibraltar Financial Services Commission ('GFSC'). This monitoring, together with regular interaction with business functions, provides input into such areas as training, marketing, and the way the trading entities deal with customers, as part of the continuous improvement approach to meeting regulatory obligations.

Advisory guidance is provided to the business including training and updates on regulatory developments.

The execution of a risk based compliance monitoring plan and framework, delivers independent assurance by monitoring and reporting on whether regulatory adherence and customer conduct obligations are being met.

Fraud detection and prevention

Ongoing investment in fraud detection and prevention initiatives, coupled with Risk Committee focus on developing risks and the ongoing effectiveness of controls, ensures the Group's anti-fraud capability remains strong and continues to protect the Group and its customers against the threat of fraud. The Group's anti-fraud team provides comprehensive profiling guidance to allow Underwriting to more effectively select risk and loss validation services to trading activities. Dedicated anti-fraud experts, combined with market leading fraud detection technology, provide a defence against application fraud, claims fraud and internal fraud. The team comprises specialist investigators, former senior police officers and data scientists. The anti-fraud director is a member of the General Insurance Fraud Committee, within the Insurance Fraud Bureau, and is the Group representative on an industry wide working group to tackle ghost broking.

Policies and procedures

An established Group-wide policy framework provides key Policy Statements which over arch all other policies within the Group and trading entities. Policy Statements are approved by the Board and are adopted by the respective trading entity Boards.

These Policy Statements are part of the Group's overall control and governance structure and cover legal and regulatory requirements, culture and values. They also help to communicate and embed key principles and core commitments of the Board to ensure a consistent approach to governance is effectively maintained throughout the Group. An annual review of Policy Statements is undertaken and the Board approves material changes.

Policy Statements are supported by appropriate policies, procedures and training material, to ensure compliance with legislation and/or regulation affecting the trading entities, support the activities of each of the three lines of defence as part of the overall internal control structure, and to foster a risk management culture.

Senior management is responsible for implementing these supporting policies and procedures, with the oversight functions ensuring operational decisions take into account risk against appetite, and how this can be managed and controlled.

Regulated Individuals Regime ('RIR') and Senior Managers and Certification Regime ('SMCR')

Over the course of the year Underwriting and Retail have implemented, respectively, the enhanced requirements of the GFSC's Regulated Individuals Regime ('RIR') and the FCA's Senior Managers and Certification Regime ('SMCR') designed to improve, culture, governance and accountability within financial services firms by enhancing individual accountability and awareness for senior managers.

Risk assessment

The Board undertakes a regular assessment of the principal risks, grouped by category, facing the Group, following reports from the Risk Committee, including those that may threaten its business model, future performance, solvency or liquidity.

Following a comprehensive review of risks over the course of the year the Group considers its current key risk categories to be as follows:

1. **Insurance Risk:** The risk that total losses (paid and reserved) exceed premiums charged.
2. **Financial Risk:** Various types of risk associated with financing and financial transactions, leading to financial loss and uncertainty as to its extent.
3. **Strategic Risk:** Medium to long term risks affecting the Group's ability to meet strategic objectives and deliver the Three Year Plan.
4. **Conduct Risk:** The risk that the Group's operating model, culture, products, practices or actions result in unfair outcomes for customers.
5. **Data Governance Risk:** The risk that the culture, organisational set up or data management within the Group breeds, incentivises or facilitates data misuse or theft, including cyber related risks.
6. **Operational Risk:** The risk of loss resulting from inadequate or failed policies or controls, people, poor culture and systems.
7. **Legal & Regulation:** The risk of loss as a result of a breach in existing legal or regulatory requirements.

Risk appetite

Risk appetite statements form part of the planning process and express the level of risk that the Group is prepared to accept to achieve strategic objectives. Risk appetites are defined by a set of both quantitative and qualitative measures, which are regularly reviewed and adjusted.

Brexit risk

The UK Government agreed a Brexit deal with the EU, with an exit date of 31 January 2020. Negotiations for new arrangements are underway during an implementation period, which is due to last until 31 December 2020. During the implementation period, EU law will continue to apply. The Government has confirmed that it will work closely with the Government of Gibraltar to design a replacement framework which will exist beyond the implementation period. Whilst considered of remote likelihood, the Board has considered contingency arrangements should financial services firms in Gibraltar no longer be able to access the UK market.

The FCA has stated that it will work hard to ensure that it and the UK financial services sector are prepared for the end of the implementation period. In this respect, it has said that it will continue to engage with the UK Government, other UK regulators, European Supervisory Authorities and national authorities in member states, together with all European policy makers, on shared issues and priorities.

The Group continues to assess and prepare for all eventualities as trade negotiations progress, and believes that, whatever the outcome, it will not have a material adverse impact on business operations, which is focused on the UK market, or negate the need for UK motorists and households to obtain insurance.

The stresses applied to the Three Year Plan include the potential aggregated impact, at the Group level, of severe and targeted Brexit scenarios.

The Group is working closely with regulators, Government agencies and industry bodies to better understand and prepare for the outcome of Brexit at the end of the transition period and minimise any potential disruption to our customers, operations or delivery in accordance with our Three Year Plan.

The Group has a Brexit working group, which ensures that the Group is prepared for the changes and that contingency plans contain an element of flexibility.

Current key risks

Category	Risk	Key monitors and mitigation
Insurance risk	• Inability to manage reserving and pricing risk	• Regular internal and external reserve reviews are reported to the board of Underwriting combined with monthly management reports • Ongoing modelling, including Brexit and Ogden discount rate changes, allows for consideration of a number of possible mitigants to reduce financial impacts identified • Adoption of pricing disciplines, including applying rates in line with claims inflation assumptions seeking to price ahead of the market
Financial risk	• Market risk	• Constant assessment of market conditions and implications for assets under management
	• Counterparty risk	• Regular reviews of reinsurance arrangements and the stability of external partners who provide reinsurance programmes
	• Insufficient capital to service debt arrangements (Group).	• Management of cash flow from trading entities, the free cash position of the Group and sufficiency of the Group's borrowing facilities
	• Insufficient capital to meet Solvency II (Underwriting)	• Management of own funds in accordance with Solvency II regulatory requirements in Underwriting • Monitoring and measurement of risk and capital implications through stress and scenario testing, as captured in Underwriting's Own Risk and Solvency Assessment
	• Insufficient capital to meet regulatory requirements (Retail)	• Annual viability and stress testing against the Group's Three Year Plan
Strategic risk	• Commercial performance does not meet Group expectations or the Three Year Plan	• Trading results are monitored closely to ensure tactical changes are implemented as and when required • Underwriting and pricing agility enables the Group to react to external influences, ensuring that it is able to optimise commercial performance • The transformation of repair and mobility services leading to improved commercial terms, better customer experience and new digital functionality
	• Adverse impact of legal, tax or regulatory changes/challenges	• Ongoing monitoring of changes within the legal and regulatory landscapes together with the maintenance of open and transparent communication with the relevant authorities
	• Uncertainties and potential for developing risks as a result of ongoing Brexit trade negotiations	• Close working relationships with regulators, Government agencies and industry bodies and ongoing monitoring of developments between the UK and Gibraltar. • Supply chain management and review • Established working group to assess the Brexit risk landscape and actions to mitigate

Current key risks

Category	Risk	Key monitors and mitigation
Conduct risk	• Practices or actions inadvertently result in poor outcomes for customers, including failing to protect or meet the diverse needs of our vulnerable customers	• Ongoing monitoring of changes within regulatory landscapes together with the maintenance of open and transparent communication with the relevant authorities • Continued monitoring of the retail pricing strategy and monthly pricing committee to ensure effective governance and controls to mitigate the risk of customer harm • Oversight and challenge of first line practices and actions through various governance committees, and second line reviews
Data governance risk	• Information security breaches or cybercrime	• Constant IT infrastructure monitoring, data assessment and perimeter testing. • Increased investment in information security and cybercrime defences and controls • Ongoing training and a culture of compliance, both in first and second lines, to ensure the Group continues to protect itself from the various and changing cyber threats
	• Adherence to GDPR legislation and our ability to safeguard personal data	• Established data protection team, with technical expertise • Control and governance via policies and strategy • Formalised Data Privacy Impact Assessment process within business operations
Operational risk	• Business interruption events as a result of systems, property or supplier failure	• Regular review of resilience risks, contingent back up capability, system stability and supplier continuity plans
	• Increased exposure to claims fraud leading to increase claims related expenditure	• Dedicated anti-fraud operations team, "Insight", operating an integrated, comprehensive risk profiling review process and loss validation division • Use of market leading anti-fraud detection technology driving benefits through analytics and machine learning
	• Reliance on third party suppliers to provide: i) customer facing services, ii) technology capability, and iii) other operational business services	• Ongoing supplier relationship and performance management, with regular due diligence reviews
	• Failure to deliver large change programmes	• Programme discipline and process controls are supported by an over-arching control framework to underpin effective governance and quality
	• Insufficient resources to support a growing business	• Investment in colleague wellbeing, benefits, career development and flexible working arrangements
Legal & regulation	• Failure to comply with obligations under legal and regulatory systems	• Effective regulatory horizon scanning capability to review the potential implications to the Group and its trading entities • Continued review and oversight by all three lines of defence, including second line compliance and assurance teams

External factors affecting the Group's risk profile

Factor	Impact and mitigation	Outlook
Economic stress Failure to deliver the Group's strategy due to unforeseen economic changes	Uncertainties continue around the impact of Brexit trade negotiations, which could increase the risk to the Group's strategic plans, such as increased repair costs or reduced income from investments. The motor insurance market has remained competitive this year with market premiums lagging claims inflation and the impact of the Ogden rate change. The Group continues to apply pricing discipline applying rates in line with claims inflation assumptions. Growth in the Group's home product and opportunities for diversification, could lead to more of its products being subject to the negative effects of a sustained economic downturn. The Group and trading entity Boards regularly review the investment portfolios managed in the respective trading entities against the economic outlook and the Group's risk appetite. The economic horizon is monitored and assessed against the strategic plan.	The FCA intends to use the implementation period to work with Government, the Bank of England, firms and other regulators to ensure the financial services industry is ready for the end of 2020, advising that it will continue to keep firms and consumers updated on any changes that will impact them. The Government has confirmed that it will work closely with the Government of Gibraltar to design a replacement framework to endure beyond the implementation period. Whilst considered a remote likelihood, the Group has contingency plans in place should financial services firms in Gibraltar no longer be able to access the UK market. Uncertainties remain generally across the market as to whether premium inflation will match claims inflation with the risk of already competitive pricing being pushed down further by new entrants and price comparison websites.
Regulatory changes Changes to the regulatory environment which inhibit income generation in the general insurance industry or capital requirements	A shift in the regulatory landscape could introduce constraints which could increase the risk to income from general insurance and/or lead to an increase in capital requirements. However, changes to the regulatory landscape could also present opportunities for increased income and reduced capital. The Group strategy is based on the current regulatory horizon. Any negative shift in the rules and regulations that apply to general insurance could increase the risk to the Group's commercial plans. The Group has an effective regulatory horizon scanning capability to review the potential implications for the Group, and more importantly, its trading entities. In addition the trading entities continue to foster good working relationships with their respective regulators, and other local authorities, and take the opportunity to embrace change early and, where appropriate, adjust the strategic plans to accommodate that change. Retail is often engaged in consultations with the FCA, providing its views on regulatory reform which gives the Group early insight and opportunity to contribute towards the shape of future regulation. Underwriting continues to work closely with the GFSC. The Ministry of Justice ('MOJ') has confirmed the whiplash reform measures, which were due to come into effect on 1st April 2019, have been delayed until April 2020. The Group continues to monitor developments during 2020, and considers the Group's business model to be effectively placed to deal with potential outcomes.	In their 2019/2020 business plan the FCA reiterated that 'Protecting Consumers from harm is at the core of our work' and holds fairness to markets and value at the forefront. Key priorities being a continuation of existing activities: fairness in pricing and product value, general insurance pricing practices, governance and oversight in the distribution chain and access and exclusion in insurance. The Group continues to support and engage in FCA reviews, believing general insurance pricing practices to be the main development. It is anticipated that the FCA will publish their policy conclusions in the first half of 2020 and there are a range of possible options they may conclude on. The Group considers itself to be well placed to deal with potential options and continues to closely monitor and assess the impacts of developments in this area. Uncertainties continue on how the UK's regulatory regime will evolve after Brexit. The UK has incorporated Solvency II and other EU directives into UK law but the extent to which the UK adopts or aligns proposals after Brexit is unclear. The European Commission has asked the European Insurance & Occupational Pensions Authority ('EIOPA') to provide technical advice for a comprehensive review of the Solvency II Directive in the form of an Opinion on key aspects of the regime. The Group will closely monitor developments as they evolve and assess potential impacts to the Group.

External factors affecting the Group's risk profile continued

Factor	Impact and mitigation	Outlook
Environment, Social and Governance ('ESG'): Failure to embed responsible business practices throughout the organisation: i) Climate change Potential for increased frequency and severity of claims due to climate change that reduces the commercial performance of the Group	The Group's ability to meet its strategic plan, a key risk, could be damaged by failing to achieve good corporate citizenship or in the event of increased claims frequency and or severity. Underwriting adopts a prudent approach to the risks accepted and the pricing strategies used continue to reduce this risk. In addition the industry-wide implications of increased claims as a result of climate change is likely to result in premium inflation across the market. The exposure to this risk increases as the Group's Home portfolio grows, as does the resulting impact of extreme hot and cold weather conditions. However, maintaining the conservative underwriting approach continues to ensure that the Group protects its revenue generation whilst minimising the cost implications for claims. The Group's ongoing commitment to environmental issues provides focus on green initiatives by taking a local stance to a global issue. Introducing programmes to drastically reduce the amount of single use plastic and paper across the Group and promoting greener commuting options for colleagues.	Weather related risks are increasing directly from climate change. These include the frequency, type and severity of extreme events such as: snow, freezing temperatures, storms, floods or wild fires. The critical temperature goal highlighted in the Paris Agreement limiting the global rise as close as possible to 1.5°C and well below 2°C requires a combination of climate action, disaster risk management and sustainable development goals to achieve a net-zero emissions and resilient society by mid-twenty first century. Continued execution of the Group's digital and technology strategy sees an increasing uptake of digitally held policy documentation and claims being settled digitally resulting in a reduction in associated paper usage.
ii) Social & Governance	Good corporate citizenship is achieved by having effective policies and processes in place and promoting the right values and culture throughout the Group. The Group's approach to ESG is based on its 4Cs framework, ensuring ethical conduct and strong governance is integral to meeting the needs of colleagues and customers and running a successful business. The Group continues to develop and enhance its ESG strategy, to include specific metrics and targets across those areas that most impact on the Group's sustainability in the long term.	Increasing expectations from stakeholders and regulators for firms to embed responsible business practices throughout the organisation, strategy and culture.
Vehicle technology and innovation Advances in vehicle technology, such as electric and autonomous vehicles, which may fundamentally change the nature of motor insurance	Accelerated advances or developments for which the Group is not prepared could place the Group at a competitive disadvantage. The Group constantly monitors developments to ensure that it remains informed, embraces innovation and change, and is well positioned to adapt its business model as appropriate.	Interest in vehicle technology is increasing, as the UK Government invests in future mobility solutions. Improvements in technology have made it more expensive to repair vehicle damage; this is expected to be balanced by automatic braking and vehicle sensors making vehicles safer and resulting in fewer accidents.
Adverse market conditions Increased competition in the insurance market and changes in consumer behaviour impact profitability	Increased risk that the Group's market share is impaired resulting in commercial underperformance. The Group constantly monitors the markets in which it operates for pricing and other changes that could impact its commercial objectives. The dynamic nature of the Group's ability to rapidly adjust pricing strategies ensures the Group remains competitive by managing both income generation and policy volumes. During the year the Group undertook a transformation of repair and mobility services, which provide improved commercial terms, better customer experience and new digital functionality, with the appointment of Vizion Network, Enterprise Rent-A-Car and Autoglass BodyRepair as its new claims service partners.	Ongoing challenging market conditions continue with competitive pricing and changing customer behaviour. In addition to increasing customer expectations for instant results from digital platforms, personalisation and positive experiences via well-defined customer journeys, there is regulatory and customer pressure on insurers to provide renewal price transparency ensuring fairness in pricing and product value.

Our 4Cs ways of working

Our belief and approach is based on our 4Cs ways of working: serve and invest in our colleagues, customers, company and communities and be a good neighbour. We approach all stakeholders openly, transparently and with a strong sense of commitment and use the 4Cs to measure performance and success as individuals and as a Group, so we have a clear, consistent and balanced approach to delivering our objectives.

Colleagues

Our 4Cs ways of working starts with colleagues. We believe that engaged colleagues lead to happy customers so we are committed to investing in, developing and listening to our colleagues so they continue to contribute, thrive and be who they are.

Investing in and developing our colleagues

The ability to deliver straightforward insurance comes from a high performing, dedicated and customer focused team. We invest in our colleagues and provide them with an environment in which they feel included, valued, empowered and able to reach their full potential. Attracting, recruiting and retaining talent is vitally important for us as we grow. Our agility, clear identity and 4Cs ways of working is why we stand out and what makes us who we are. Colleagues really like working at Hastings and feel they can truly be themselves and bring their personality to work. They feel supported, that there is a strong sense of team and a focus on getting it right for customers. However, feedback from colleagues tells us that there are always things we could do better; for example, as a result of colleague feedback we've introduced significantly improved pensions, options to buy or sell up to 5 days holiday, more apprenticeships, opportunities to access Graduate programmes and a digital career builder tool that enables colleagues to be able to take ownership of their development at Hastings.

Reward

We believe every colleague can contribute to the success of the business. Accordingly, we recognise the hard work and dedication of our team by linking remuneration to personal performance in a way which does not compromise the impact on customer outcomes - we do not remunerate colleagues through sales incentives. Pay rates for all colleagues across the Group are in excess of statutory minimum requirements and roles are benchmarked to similar roles within financial services firms, using data from an external service provider. This way, we ensure that colleagues are fairly remunerated for their contribution to the success of the Group as a whole. The Group does not operate any zero hours or similar type of contracts for any colleagues. It will also not tolerate slavery and human trafficking within its business and supply chain. The full slavery statement can be found on our website: **www.hastingsplc.com/corporate-responsibility/slavery-statement.**

Core health and lifestyle benefits for all colleagues plan include annual leave, pension, healthcare cash plan, income protection and life cover. Other benefits are available, either at no cost or at a colleague contribution relative to salary, and include access to a digital general practitioner, ability to buy or sell up to five days holiday a year, enhanced health insurance including dental and eye care, health assessments, childcare vouchers, Share Incentive Plan, and discounts and cashback at a large number of high street and online retailers, including Hastings Direct car and home insurance.

"My colleagues are of varying ages, backgrounds and nationalities, which is what initially attracted me to Hastings. I feel confident that I can be myself and look forward to coming to work each day."

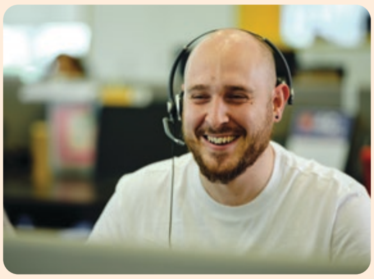
Audrey Young,
Claims Advisor, Leicester

"Thanks for massively improving the company pension. It means a huge amount to many colleagues and is very much appreciated."

Comment received via Sli.do polling platform at our recent Colleague Roadshows.

Development

We actively encourage personal development by offering a range of options to build the capabilities of our teams for the future and encourage the behaviours needed to deliver our digital business strategy. In 2019 we conducted an extensive review of our learning and development offering to make sure it is fit for purpose and reflects our colleagues' needs and those of our digital business. Along with induction, upskilling and on the job training requirements, the review also included looking at other development opportunities such as apprenticeships and digital learning. Colleagues told us that they would like to take ownership of their own learning and career development at Hastings so we launched our digital learning tool, CareerBuilder, giving all our colleagues access to a wealth of learning and development opportunities, anytime, anywhere. We increased our apprenticeship schemes too.



Here are some of our 2019 highlights:

- 1,220 colleagues have logged into our new digital learning tool, CareerBuilder and have accessed nearly 16,000 pieces of eLearning material;
- Customer facing colleagues completed over 37,000 hours of upskill training;
- Over 134,000 hours of induction training was delivered to new customer facing colleagues;
- In our annual engagement survey when asked about careers at Hastings:
  - 76% of our colleagues said that they 'know what skills they need to be successful';
  - 89% of colleagues agreed that they 'understand how their role contributes to Hastings' success as a business'; and
  - 70% of colleagues say they have received the training needed to perform the job they are doing.
- 50 colleagues enrolled on apprenticeship schemes in 2019 and we now have nearly 100 colleagues studying for professional qualifications in a range of subject areas across Finance, Underwriting Services, Retail Operations, Insurer Services, Human Resources, Actuarial and Information Technology.

37,000 hrs

of colleague upskill training completed in 2019

89%

of colleagues understand how their role contributes to Hastings success

"Although starting training in New Business, then Customer Service and lastly Renewals was scary, we were taught all the tools, skills and knowledge required and overall I have never been so prepared for starting a job – can't thank you enough for the solid start you gave me in my career with Hastings."

Lynn Cloute
Customer Service, Bexhill

Listening and acting upon feedback

As we grow, it's important that colleagues share how they feel about life at Hastings. Regular conversations allow us to listen and respond in the best possible way.

We encourage two way feedback through a number of channels, including:

YourVoice

Our annual engagement survey is designed to understand how colleagues feel about life at Hastings and what we do for our 4Cs. We then capture key themes raised by colleagues through company-wide and local action plans that feed through to 4Cs objectives so we can make improvements where necessary and, importantly, we can measure progress through the year. This gives us one view so we also regularly ask for colleagues to share their thoughts, ideas and frustrations through all of our communication channels to make sure we that we focus on things that are front of mind. We also run pulse surveys throughout the year to check in with our colleagues about communication, how they're feeling or to get feedback on key initiatives.

Some of the key changes we have made as a result of colleague feedback include improved learning and development tools, improved pension provision, benefits, career development, annual leave and removing single use plastic across our sites.

Hastings Colleague Forum ('HCF')

Our colleague elected representatives from across the business meet monthly to discuss and consider issues impacting colleagues and the employment experience. They also regularly meet with senior management, and Board representatives to discuss key changes and to provide invaluable feedback and insight from their teams. The Chief Executive Officer, the Chair of the Board, a nominated Non-Executive Director and the Group HR Director make themselves available to attend meetings and enjoy a positive and constructive relationship with the forum. The colleague representatives are free to express themselves and their opinions. As a result of their input we have made some significant changes, ranging from improved benefits to simplified HR policies and processes.

In October 2019 the HCF held its first AGM attended by colleague representatives from our Bexhill and Leicester sites. The agenda for the day included a range of topics including a business update, benefits consultation and an open session with senior leaders.

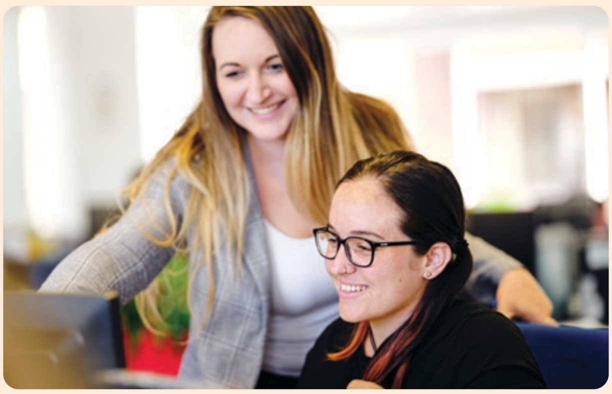
The Group does not officially recognise a trade union preferring to engage with colleagues directly, either through their line manager, the HR function or the HCF. Colleagues are however free to join a union and be represented by a union member, as appropriate, should they choose to do so.

Examples of items discussed at the HCF:

- Benefits consultation – including formal consultation around the significant improvements we made to pension contributions for the majority of our colleagues
- Salary and bonus review consultation
- Business reorganisation consultation
- Colleague policy consultation

"One of my key highlights for 2019 as Chair of the Hastings Colleague Forum was our involvement in the recent formal pension consultation with senior leaders. With the HCF's input we have helped shape a new and improved company pension provision that meets our colleagues' needs and expectations and also makes us stand out as one of the few FTSE companies to harmonise and make pension improvements for the majority of colleagues not just the minority. The feedback from colleagues has been really positive."

Matt Jackson
Hastings Colleague Forum



Our Wellbeing starts with colleagues

Wellbeing
It's about you

Wellbeing is a key part of our role as a responsible employer and we believe it has a positive impact on both our individual colleagues and the productivity and efficiency of our business. That's why we created a comprehensive Wellbeing programme that is now in its third year providing colleagues with free support, education, information, courses, events and practical advice to help them feel healthier, happier and stronger, both inside and outside of the workplace. We also have a fantastic group of committed champions who are the mainstay of our Wellbeing programme, responsible for making sure that our colleagues are up to date on all things wellbeing - including mental health, physical health, environmental health and resilience.

As well as advocating a healthy culture at Hastings, our champions promote mental health and wellbeing messages, education and events across the Group. They also support colleagues who may need wellbeing help and advice, making sure they have access to the right services to meet their needs.

Our aim for 2019 was to build on our strong foundation with an applied focus on mental health so we introduced mental health first aiders across our Bexhill and Leicester sites with the aim of normalising the conversations that our colleagues have about mental health in the workplace.

Our key highlights for 2019 include:

- We provided training to 28 of our Wellbeing champions who act as mental health first aiders at our Bexhill and Leicester sites to support with the Wellbeing programme's mental health strategy. We also had the opportunity to invite various organisations to come and talk with our Wellbeing champions which have included Public Health England and Gamcare, one of the UK's largest gambling charities;
- We won the Acts of Kindness in the Workplace award from LAMP, Leicestershire's mental health charity;
- 39% of all colleagues attended our annual 'Wellfest 2019' event where suppliers and champions showcase what support, information and guidance there is on offer to colleagues. 100% of those who attended said it was a valuable use of their time; and
- In February 2019, we partnered with a new Employee Assistance Programme that colleagues and their dependents can access 24/7 to get advice on all sorts of topics from health to home to financial and legal. We've seen a 151% increase versus the 2018 number of colleagues using the service and 32% of all colleagues have utilised the services since launch.

If you don't ask...

"At the Colleague Roadshows in January, I asked Toby, our Group CEO and Carole Jones, our Group HR Director about development and progression for part-time Colleagues as my availability didn't fit with training schedules and I felt it stunted my development opportunities. Carole met with me shortly after to discuss my thoughts and as a result I was asked to look at the new CareerBuilder digital tool that was being created to help colleagues develop when it suited them. Fast forward six months, and not only did I review the tool but I was invited to be part of the digital learning team presenting it at Wellfest to other colleagues. If I learned one thing from the experience it was to take responsibility and not be afraid to ask about the things that affect you – they may be affecting others as well and look what can be achieved as a result!"

Mariaan Lawson
Customer Service, Bexhill

The Hastings Wellbeing programme includes:

- Confidential support via external service providers for a wide range of matters such as financial advice (loans and credit cards), initial legal advice, bereavement etc. as well as contact details for external charities and other support networks and organisations.
- Sleep awareness, physical, environmental and mental health awareness, migraine awareness, flu jabs, blood pressure and other health checks including diabetes.
- Family friendly workshops - designed to help colleagues and leaders understand the steps they both need to take before, during and after a period of extended leave. These are primarily aimed at colleagues taking maternity leave but also offer useful information for those taking other types of extended leave.
- Subsidised in-house restaurants at our locations in Bexhill and Leicester provide breakfast, lunch and dinner with an ethos of offering freshly made food using local ingredients. Colleague feedback has resulted in improvements to the healthier options on offer including a wider range of salads, proteins and more vegetarian options and we've also significantly reduced single use plastic to introducing vegware cutlery and takeaway boxes.

My mental health matters

"The openness around mental health, as well as highlighting its seriousness is something that makes Hastings stand out for me. Our Wellbeing programme and support offered to Colleagues is what Hastings is about. I know that if I'm in a period of crisis, I'd get the help or information I need from Hastings. I'd have no reservations about speaking to a colleague, from frontline up to senior leader level about any problems I might be facing in the workplace. The same cannot be said of other companies I've worked for previously."

Phil Glew-Deval
Internal Assurance Manager, Bexhill

Recognition

We regularly recognise and reward the hard work and dedication of our colleagues whether it's just by saying thank you, awarding instant reward vouchers or by celebrating with them at our 4Cs Awards events and at other social events. We also use the 4Cs framework to recognise and thank colleagues for going the extra mile on a monthly and annual basis. Our 4Cs Awards programme offers colleagues the chance to nominate their team members for their achievements and in 2019 we had over 3,500 nominations. From those nominations, 112 colleagues made up the teams and individuals who were chosen as our overall winners of the seven categories, receiving their coveted awards at our annual 4Cs Awards black tie event.

Be who they are

Equal opportunities and human rights

We are committed to ensuring that everyone has equal opportunities at all stages of recruitment, selection and throughout their working careers. Shortlisting, interviewing and selection is carried out with neutral regard to disability, gender, gender reassignment, sexual orientation, marital or civil partnership status, colour, race, nationality, ethnic or national origin, religion or belief or age. Our approach to recruitment is to elicit candidates from as many different backgrounds as possible.

The Group has a responsibility to conduct its business in an ethical and transparent way. Accordingly, we adhere to a set of business principles which include a commitment to human rights principles. The Group has policies in place to support these principles which include non-discrimination, health and safety, anti-bribery, anti-human slavery and trafficking and environmental issues. We maintain a zero tolerance approach to bribery, corruption and anti-slavery.

To support and guide our colleagues in the work place the Group has policies in place ranging from discrimination and anti-bullying, diversity and inclusion, to stress management and flexible working practices that drive the right behaviours to recognise and develop all colleagues. These policies are an effective way to ensure that all colleagues understand their rights and to reinforce the appropriate behaviours. Regular training and awareness, not only on policies and work practices, but also wellbeing and health are provided throughout the year.

Mandatory training is required for all colleagues to ensure that they are aware of company policies, the company's values and legislative requirements. Our training courses cover data protection, information security, anti-fraud, anti-money laundering, anti-corruption and bribery, customer experience, complaint handling and vulnerable customers, to name but a few. Training outcomes are monitored and remedial training is provided as appropriate.

Diversity and inclusion

We regularly monitor all aspects of colleague diversity across the business. We consider candidates from all backgrounds as part of any recruitment process and we are committed to attracting and retaining the best talent in the industry. We believe that recruitment, retention and inclusion of individuals with diverse skills, perspectives and backgrounds will bring real strength to Hastings and allow us to deliver our strategic goals. To support our approach we have delivered a digital learning module and action learning workshop on unconscious bias to 324 leaders this year.

The Group is committed to making sure that its workforce and the respective company boards are representative in terms of diversity. Candidates from a wide range of backgrounds, disciplines and experience are considered and we abide by this policy by ensuring that the best candidate is selected. We do not intend to adopt a quota system with prescriptive, quantitative targets. However, it is acknowledged there was an imbalance in the number of senior females within the Group and we have taken steps to address this and continue to make improvements.

Over the past 12 months we've continued to successfully recruit a number of females to senior leadership roles and we're very pleased that we have already achieved the target set by the 30% Club that asks companies to commit to having females represent 30% of senior roles by 2020. We also know there is more we can do so we have signed up again to the 30% Club and to Women in Data supporting the progression of women into senior roles in areas where they have been historically under represented.

To date:

- 31% of our senior leaders are female;
- We continue to drive initiatives with an applied focus on recruitment, induction, talent and other parts of our colleagues' experience, such as new and enhanced ways of working, including increased support to colleagues during and after maternity and other extended periods of leave;
- We have also recently introduced an Inclusion Council that will be made up of 10–12 colleagues from across Hastings led by a dedicated senior leader. The purpose of the group is to gain thoughts from colleagues about things that are most important so that we focus our efforts on setting and delivering relevant objectives in a simple and straightforward way; and
- We have achieved 36% female director representation on the Board during 2019 as part of our commitment to the Hampton-Alexander Review, which aims to ensure that talented women at the top of business are recognised, promoted and rewarded.

Gender diversity across the Group as at 31 December 2019

All Colleagues (full and part time)
Male 48%
Female 52%

Retail Board ('HISL')
Male 50%
Female 50%

Senior leaders
Male 69%
Female 31%

Company Board
Male 64%
Female 36%

Underwriting Board ('AICL')
Male 100%
Female 0%

Hastings, where everyone counts

At Hastings we are committed to creating a company that is at ease with itself and encourages colleagues to be who they are. It's our combined efforts, personalities, culture and commitment to our 4Cs that makes us a success.

Colleagues

3,372

Full and part time colleagues across our sites

Bexhill 1,861
Leicester 1,378
Homeworking 78
Gibraltar 26
London 29

Colleagues gender

Total male **48%**
Total female **52%**

Women make up

36%
of our Company Board and

31%
of our Senior Leadership Team

Our business is made up of

0.01% Traditionalists (born pre-1945)
6% Baby boomers (born 1946-64)
19% Generation X (born 1965-80)
55% Millennials (born 1981-96)
20% Generation Z (born 1997-2000+)

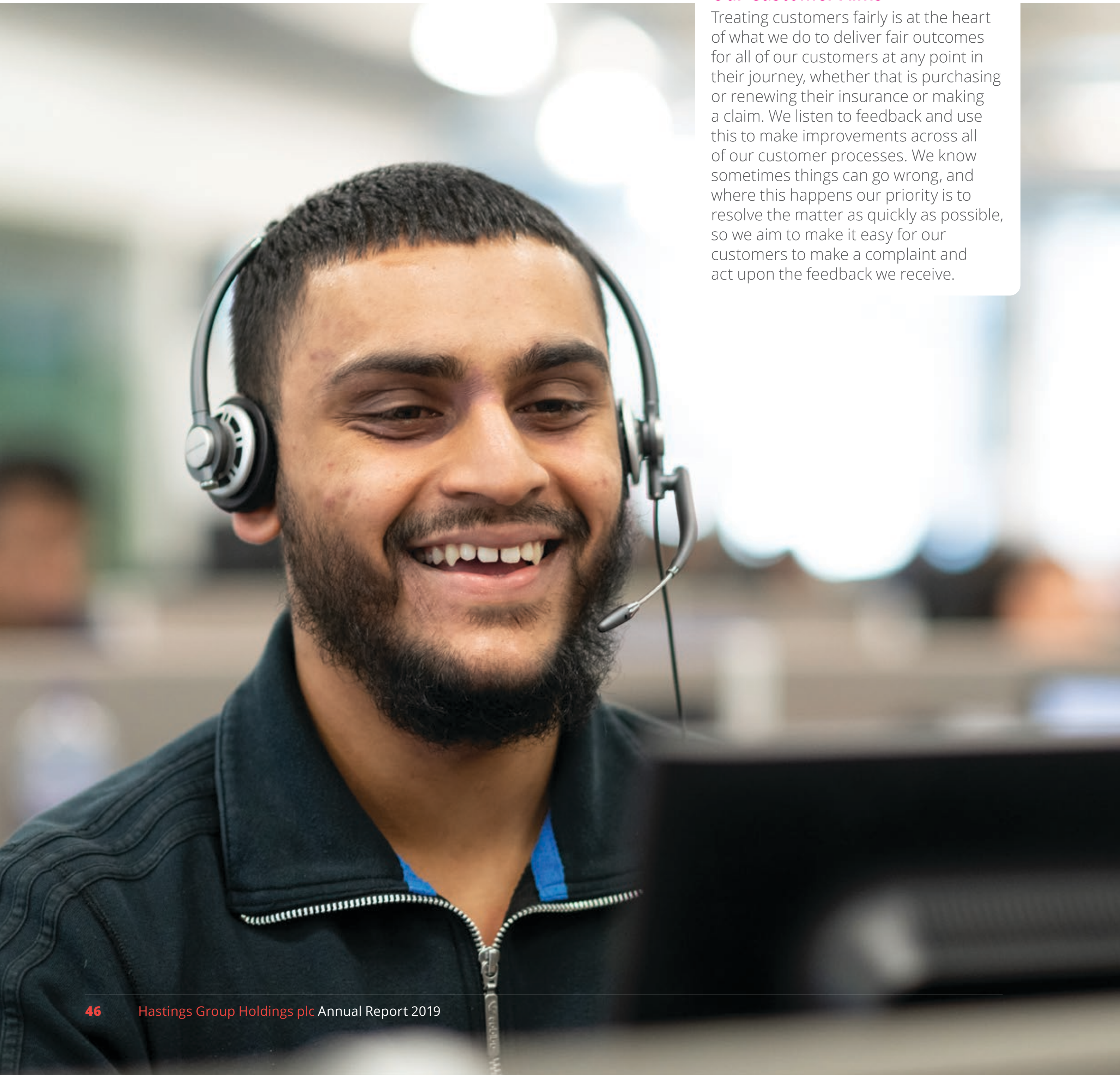
92%
believe Hastings is a place where people from different backgrounds can work together positively
(YourVoice 2019)

91%
feel treated with dignity and respect by their line manager
(YourVoice 2019)

25%
of colleagues identify themselves as BAME

Customers

We have a straightforward approach – to provide car, van, bike and home insurance customers based within the UK with straightforward products at competitive prices, however they choose to interact with us supported by the delivery of service that strives to exceed expectations.



Our Customer Aims

Treating customers fairly is at the heart of what we do to deliver fair outcomes for all of our customers at any point in their journey, whether that is purchasing or renewing their insurance or making a claim. We listen to feedback and use this to make improvements across all of our customer processes. We know sometimes things can go wrong, and where this happens our priority is to resolve the matter as quickly as possible, so we aim to make it easy for our customers to make a complaint and act upon the feedback we receive.

Achievements in 2019

- Delivered growth in customer policies by 5%
- Delivered strong Customer satisfaction, with an improved Net Promoter Score on 2018 ('NPS')
- Continued to use direct customer feedback to drive improvements
- Created a dedicated customer care team to support vulnerable customers
- Provided customers with more opportunity to self-serve digitally, leading to a 18% reduction in calls per policy
- Introduced three new claims service providers, resulting in an improved NPS in our claims department by 6 points

Priorities for 2020

- Build upon our digital capability to provide customers with more choice and increase digital engagement
- Continue to invest in building our capability and maintain a culture where customer service is a priority
- Further improve customer satisfaction, with a particular focus on reducing the overall number of complaints
- Empower colleagues to deliver positive outcomes for all customers
- Continue to provide straightforward products

Customer Feedback

1. Net Promoter Score ('NPS')

Strong and improving customer satisfaction, with an improving NPS in 2019.

We measure customer satisfaction using the industry standard NPS. We also use internal customer feedback and forums, which provide monthly information about customers' experiences and opinions relating to our products and services. We aim to continually improve our customer service, experience and advocacy.

2. Customer Complaints

The complaints we receive help us identify areas in our business where we need to improve, including policies, processes and services we deliver, through to the underlying training given to, and quality of service provided by our colleagues. We ensure fair outcomes for customers by monitoring complaints volumes, the standard and quality of complaints handling processes, analysis of root cause of complaints, and other relevant metrics.

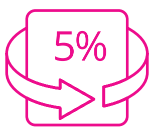
We constantly work to improve our customer service, learning from customer's expressions of dissatisfaction and analysing the root cause of complaints. During 2019 we have observed a reduction in complaints per live customer policy.

3. Voice of the Customer

Our customer-facing colleagues gain invaluable insight from how customers feel about our service and what we could do better. By monitoring and using this immediate feedback through the Voice of the Customer, we strive to better understand the customer's journey, be it purchasing a new policy, renewing an existing policy or making a claim. Dissatisfaction raised by customers, who do not formally complain or wish to do so, is also captured and analysed to help further enhance our service as appropriate.

18%

Reduction in customer service calls per policy.



5%

Improvement in customer retention rates.

Company

Hastings stands out because we focus on getting it right for our 4Cs. It is our belief that ethical conduct is an integral component of running a business successfully and it is an expectation we have of both our colleagues and our suppliers. We continually look at ways to make improvements so we can continue to serve our communities and be a good neighbour.

Environment, Social and Governance ('ESG')

The Company's approach to ESG is based on its 4Cs ways of working: Colleagues, Customers, Company and Community. The 4Cs principles are simple: by creating the right culture for colleagues, and giving them the right tools to do their job, they will do more for customers, enabling the company to grow profitably and sustainably, and allowing it to invest in the communities it serves.

Ethical conduct and strong governance is integral to meeting the needs of colleagues and customers and running a successful business, and a broader focus on the environmental and social impacts of the Company's activities underpins that philosophy.

The Company continues to develop and enhance its ESG strategy, to include specific metrics and targets across those areas that most impact on the Company's sustainability for the long term, with full consideration of the impacts of climate change on and from the Company's operations. Certain factors are already well developed with relevant metrics and targets, for example gender diversity, gender pay-gap reporting, and certain environmental matters.

All of our colleagues are responsible for conducting themselves in a manner that reflects our ESG principles, for example, by embracing our initiatives to:

- invite our customers to receive all their documentation electronically;
- support local businesses by incentivising colleagues with a range of unique offers to encourage and incentivise them to buy from local retailers and suppliers;
- promote a Travel Green scheme that supports our colleagues to make greener journeys to work through car sharing, increased cycle use, and discounted rail travel;
- provide dedicated recycling and confidential waste stations within our offices;
- promote re-usable cups for coffee and tea to reduce the c.20,000 plastic-lined cups previously used every month alongside the use of dedicated coffee cup recycling stations;
- protect the environment, and contribute to measures to combat the adverse effects of climate change, by banning all single use plastic cups from all of our sites in 2019, removing c.350,000 disposable plastic cups from the environment, and introducing compostable packaging and cutlery in our in-house restaurants;
- use reduced energy electric light bulbs and motion sensitive lighting where possible and practical; and
- recycle unwanted furniture and computer equipment by donating it to local charities and organisations.

Conduct

The Group's Conduct Policy provides guidance on the appropriate and responsible conduct of colleagues and the ethical standards they are required to uphold. The Group strives to maintain the highest standards of governance, personal and corporate ethics, and compliance with laws and regulations. It values integrity and honesty in dealings with all stakeholders to ensure that financial and reputational damage is minimised. The policy provides guidance on the Group's expectations in relation to: conduct with customers, anti-corruption and anti-bribery, conflicts of interest, gifts and hospitality, colleague engagement and wellbeing, and the community within which the Group operates. Regular training is provided to colleagues on conduct matters and is monitored through regular assessment and half yearly personal development reviews.

Business ethics risks are reviewed by management and overseen by the individual governance forums on a regular basis. Retail's Conduct Committee provides assurance to the Retail Board that the fair treatment of customers remains at the heart of the business model and monitors all aspects of Retail's operational performance that reflect whether the Company pays due regard to the interests of its customers, treats them fairly and is effectively mitigating conduct risk.

Compliance

The Group has in place risk and compliance functions that oversee and monitor risk and regulatory matters at a Company level and within Retail and Underwriting. A Chief Risk Officer has been appointed by the Group and he is assisted by respective heads of risk and compliance within the Company's trading subsidiaries who have responsibility for risk and compliance matters. Compliance functions monitor their respective company's compliance with local regulation and legislation and provide advice and guidance on all compliance matters.

Compliance assurance monitoring is also undertaken across business operations to ensure the Group's operating subsidiaries comply with their regulatory obligations and that processes and procedures are in place and are adhered to. This monitoring complements the reviews undertaken by the independent internal auditor. Further information on internal controls and risk management can be found within the Managing Our Risks section and the Risk and Audit Committee reports within this report on pages 29, 94 and 84.

Governance

Information on the Board, the Group's governance framework, and compliance with the UK Corporate Governance Code 2018 can be found later in this report on pages 68, 74 and 79.

As the ultimate parent entity, the Company establishes the overarching principles and approach to governance within the Group. As a listed company the Company is required to comply, or explain any non-compliance, with the Code as well as adhere to various other requirements such as the Listing Rules and the Disclosure and Transparency Rules. The Group's trading entities, Retail and Underwriting, are private companies and whilst they are not obliged to apply the Code where practical and appropriate, they adhere to the spirit of the Code; Retail has adopted the Wates Principles as its primary governance code.

The Company and its subsidiaries have unitary boards in common with best practice within the UK. The respective boards of Retail and Underwriting each has a majority of independent non-executive directors. To ensure effective communication with, and oversight by, the Company of the subsidiary companies, each of the subsidiary boards has one independent non-executive director who also serves in that capacity on the Company Board. Retail and Underwriting also comply with other regulatory obligations that apply to financially regulated firms in the UK and Gibraltar, for example the FCA Handbook and Solvency II.

Section 172 Statement

Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. Directors need to have regard, amongst other matters, to the:

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

In discharging section 172 duties the Directors consider the factors set out above as well as other factors which they consider relevant to the decision being made, for example, the interests and views of regulators. The Directors seek to ensure that their decision-making process not only takes into account the Company's purpose, vision and values, together with its strategic priorities, but also reflects, as far as practical and possible, the interests of all stakeholders.

The purpose of the Strategic Report is to guide and inform the Company's members as to how the Directors have performed their duty under section 172, and stakeholders should read this in its entirety to fully understand how the Directors have discharged these duties. Examples of how the Board operates, and the way it reaches decisions, including: the matters discussed and debated during the year; the key stakeholder considerations that were central to those discussions; and the way in which they have had regard to the need to foster the company's business relationships with colleagues, customers, suppliers, the community, shareholders and other stakeholders, can be found within the Strategic Report, as well as the Corporate Governance Statement, as follows:

- Chair, CEO and CFO statements on pages 12, 14 and 22;
- Board activity schedule on page 77;
- Board Committee Reports on pages 84-119; and
- 4Cs section starting on page 37.

Although not an exhaustive list, below are some practical examples of how the Directors have had regard to the matters specifically set out in section 172 when discharging those duties during the period under review, and the effect of that on certain of the decisions taken by them.

Three Year Plan

The Board reviews the Group's Three Year Plan annually, which includes the Group's strategy, commercial and operational performance projections, capital and cash management, and the sensitivities and assumptions applied. As part of the review and subsequent approval of the new Three Year Plan, the Board considered the 4Cs context and the implications for all stakeholders over the short and medium term, including colleagues and their welfare, supply partners, customer outcomes, and the wider community. During the year the Board received reports on business performance in context of the existing Three Year Plan, reflecting commercial and operational matters; strategic initiatives and investment; Environment, Social, and Governance strategy; colleague welfare and engagement; diversity and inclusion; and internal control, risk management, and compliance matters.

Capital allocation – dividends

The Company's dividend policy seeks to distribute excess capital to shareholders, where such capital is surplus and not required for growth, or to ensure subsidiaries satisfy regulatory requirements, or reduce borrowing. The Company routinely monitors the capital position of its two regulated trading subsidiaries, the respective board of which independently manages compliance with regulatory capital requirements.

Every six months, following the financial half-year and year ends, the Board, upon recommendation of the Audit Committee, reviews the Company's, and the Group's, balance sheet and going concern status, taking into account the risks and sensitivities for future performance, the ongoing need for strategic investment in the Group, as well as the expectations of shareholders and any impact to other stakeholders; it then determines the appropriate level of dividend payment.

Commercial contracts

During the year, the Board considered, and approved, the engagement of new providers of motor repair and credit hire services. In accordance with the Board's terms of reference, in light of the significance and materiality of the new engagements, Board approval was required, in addition to that of the Retail board. The Board presentations fully considered all risks, opportunities, and commercial and operational benefits and fully considered the perspective of all stakeholders. All material elements of the new contracts were reviewed and considered, including expected improvements to customer outcomes and service. A thorough and robust tender and procurement protocol was followed, taking into account the impacts on the incumbent and potential new suppliers, ensuring fairness and transparency in the decision-making process.

In certain cases, or where required by its terms of reference, the Board may choose to directly engage with certain stakeholder groups or in relation to certain issues. However, given that Company is a holding company for the Group, with no operational responsibilities, stakeholder engagement generally takes place at an operational level within its subsidiaries.

Supplier due diligence

Strong and productive supplier relationships are key to the Group's continued success. We work closely with our local and national suppliers to communicate our standards, values, principles and sustainability goals to them and ensure they are aligned in helping us offer the best price, product and service solutions to benefit our customers and colleagues.

Suppliers of key services to the Group are subject to a robust due diligence process under a Supplier Relationship Management Framework in order to enhance relationship and risk management. Critical suppliers are subject to ongoing reviews throughout the year at which service levels and adherence to processes and procedures are discussed and improvements made as appropriate.

Whistleblowing, fraud and anti-bribery and corruption

A whistleblowing policy is in force across the Group to enable colleagues to raise potential or actual serious matters of misconduct which they believe would damage the performance or reputation of the Group. A confidential, externally serviced hotline and web reporting tool that is open 24 hours-a-day, every day, is provided for all colleagues to raise matters of potential or actual misconduct. Colleagues are encouraged to disclose, in good faith, the actual or suspected activity where they believe that at least one relevant failure is currently occurring, has taken place in the past, or is likely to happen in the future. Colleagues can make a report anonymously should they so choose. Any colleague that makes a report will be accorded protection under legislation and any colleague who makes a disclosure in good faith will not suffer reprisals, victimisation or discrimination.

An internal framework is in place to process all reports received and ensure that the details of the report remain confidential at all times. The Group's Company Secretary, Chief Risk Officer and Group HR Director are notified by the whistleblowing service provider once a report has been made. They decide if the matter warrants investigation and will appoint an investigator if warranted. No manager is involved in an investigation that relates to his/her own department or where they are the subject of that report. The investigator is instructed not to disseminate any further information than is required to undertake the investigation.

All colleagues are expected to co-operate fully, openly and honestly with all investigations during which colleagues will be appropriately accompanied or represented. Once the investigator has completed his/her report, then the details are reviewed by the Company Secretary, Chief Risk Officer and/or the HR Director who will decide if action is to be taken or the matter is deemed to be closed and no further action required. The colleague who made the initial report will be notified of the outcome via the whistleblowing portal and not contacted directly. The details and outcome of the investigation are saved within the confidential reporting system.

Whistleblowing, fraud and anti-bribery and corruption continued

Financial crime, for example money laundering and/or terrorist financing is a serious matter for all companies and more so for those that operate within the financial services sector. The Group has policies in place in relation to combatting money laundering, terrorist funding, fraud, bribery, corruption and tax evasion. Colleagues are required to undertake regular awareness training on all types of financial crime and must follow policies, procedures and guidelines in relation to all financial operations. Background checks on prospective and existing colleagues are undertaken throughout the year to help combat internal fraud.

The Group also ensures that unethical practices do not take place relating to bribery and/or corruption and it is committed to prohibiting such activities within its operations and dealing with suppliers and service providers. This prohibition also extends to facilitation payments that may be used in certain industries and/or countries where payment of cash or gifts to an official are used to enable transactions to be accelerated, by-passing usual bureaucratic processes. All colleagues are required to disclose gifts or hospitality that may be offered by any external party over £100, either as a single or multiple gifts in a rolling year, whether accepted or declined. Routine audits of expense claims and/or gifts received are undertaken throughout the year. Retail's Money Laundering Reporting Officer is responsible for the application of anti-bribery and anti-corruption measures and reporting, ensuring the business undertakes bribery and corruption risk assessments and that regular training is provided to all colleagues. The Group has zero appetite for bribery and corruption whether offered to, or given by, any colleague and uses the definition of bribery contained within the UK Bribery Act 2010.

Colleagues are made aware of the whistleblowing hotline, and the Group's anti-fraud, anti-bribery and anti-corruption measures via the intranet, mandatory training, and posters displayed in prominent areas.

During the year no significant matters relating to financial crime, either internally or externally, with the exception of external fraudulent claims and ghost broking identified as part of normal business operations, were reported. Also no matters of significant misconduct were raised through the whistleblowing hotline.

Grievance/disciplinary procedures and colleague's freedom of association

The Group promotes a safe, diverse and inclusive environment, free from bullying, harassment and discrimination, within which all colleagues should be treated fairly and with respect. The Group is committed to eradicating all types of discrimination, whether based on disability, religious beliefs, gender, sexual orientation, age, or other factors.

It is hoped that no colleague will need to raise a grievance against the Company and/or one of its colleagues. If a colleague wishes to raise a grievance this is resolved informally and as quickly as is possible. Where it is not possible to resolve a grievance informally a formal procedure is instigated.

Disciplinary procedures against colleagues are used as a last resort where a breach of the standards and/or performance expected from colleagues' falls significantly short or where fraud or other criminal activity is proven. Treating colleagues fairly and consistently is key to maintaining the correct level of conduct. When a colleague fails to meet the required standards expected of them, other than in case of gross misconduct, they are coached and provided with development and training to improve. Referral to counselling or wellbeing services may also be offered. In the event that standards of conduct and/or performance do not improve over a period of time, then disciplinary measures may be required. Acts of gross misconduct by colleagues, such a serious breach of the contractual relationship between the colleague and the company, will usually result in dismissal with or without notice.

Colleagues are free to be appropriately accompanied in relation to a grievance or disciplinary matter. In the event that a grievance is not upheld, or a disciplinary matter is not dealt with to the satisfaction of the colleague, they have the right to appeal. In addition should colleagues feel the need for additional support, the Company provides a colleague assistance programme, free of charge, so that colleagues can obtain free and independent external advice.

The Company does not formally recognise a trade union, preferring to communicate and engage with colleagues directly either through the HCF, the YourVoice colleague survey, via email and intranet, and/or directly with individual colleagues as appropriate. Trade union membership is not, however, prohibited and the Company does not restrict union representation at a grievance or disciplinary meeting should any colleague request such.

Further information on colleagues and colleague engagement and wellbeing can be found within Colleague section of this Report on page 38.

Data and cyber security and privacy rights

The Group takes the protection and integrity of personal data very seriously. Management continually works on developing and enhancing the Group's information security framework which is designed to identify and understand potential threats as well as manage and mitigate potential risks. By investing in IT security and cyber resilience the Group is introducing and refining controls to protect data it retains as well as detect, prevent and respond to cyber-attacks.

Management maintain a focus to ensure customer statutory privacy rights are upheld, including a commitment to process personal data securely by means of appropriate technical and organisational measures. During the year the Group attained Cyber Essentials certification and successfully completed assessments for PCI DSS compliance for both e-commerce and mail order and telephone.

Information security, cyber security and data protection and data privacy policies are in place and sit alongside the technical and procedural controls to combat financial crime, bribery and corruption. Mandatory training on these matters is conducted across the Group for all colleagues and supplementary training is also provided where required.

The Group's cyber, data and privacy governance links security and data activities to the Group's goals and strategy, engages and empowers colleagues who are responsible for making security and data decisions, and promotes effective management of cyber and data risks including building an adequate response to cyber-security threats. This governance framework seeks to address process and human vulnerabilities, reduce the complexity of the Group's technology and data estate, and embed cyber security consideration in all business decision making. Operational measures are in place to monitor and respond to data breaches and cyber-attacks. These measures are routinely and independently validated and tested, through vulnerability assessments and penetration testing.

In May 2018 the General Data Protection Regulations (GDPR) came into force replacing the Data Protection Act 1998. The Group has a dedicated Data Protection Officer in line with the requirements of GDPR and a data protection team that administers colleague and customer subject access requests. A breach management process has been established and colleagues are encouraged to seek advice if in any doubt in relation to data protection. The Group's data, information and security framework is supported by a communications strategy to enhance existing privacy culture and awareness on all aspects of colleague interaction with personal information.

The Group is committed to data subject privacy and protecting all data that it is responsible for and retains. It has implemented a number of measures to ensure that user data is obtained through authorised, lawful and transparent means with the explicit consent of the data subject; that data is collected and processed for limited and stated purposes; and, if transferred to third parties, that these parties have robust policies in place to ensure that data is protected at all times and only processed for the intended and stated purpose. The Group ensures that its approach to the collection, use, sharing and retention of user data is clearly stated and available to all data subjects. A formal data protection policy is in place that applies to all of the Group's operations, whether that data relates to existing or potential customers or colleagues. Should privacy notices and other data policies that apply to data subjects be amended, the Group is committed to notifying those data subjects affected in a timely and appropriate manner.

During the year no significant data, cyber or information security matters were reported.

Good corporate citizen

Responsible investing

The Group believes that sustainable, medium to long term, investing extends beyond the evaluation of quantitative factors and traditional fundamental analysis of financial metrics, and should consider an entity's impact on stakeholders, the environment and society. Furthermore, ESG factors can affect investment performance, expose potential investment risks, and provide an indication of management excellence.

At the financial year end, Underwriting held assets of £698m in cash and within its investment portfolio. During the year, the Underwriting board agreed to incorporate ESG considerations into its investment strategy and decision making, seeking to achieve a high average ESG investment rating, while maintaining its conservative investment strategy that focuses on capital preservation and alignment to underlying insurance liabilities. Underwriting's independent investment advisor and asset manager, both signatories to the UN Principles of Responsible Investment (www.unpri.org/), are providing support and expertise in this area.

£698m

investment portfolio now managed to achieve high ESG rating

Underwriting's independent investment advisor also undertakes evaluations of our third party investment managers' approach to ESG and compliance with industry standards, for example the UK Stewardship Code. The integration of ESG criteria looks beyond the existence of policies and procedures and also investigates underlying ownership and holdings. In addition, a 'comply or explain' approach is taken over a range of ESG factors, when initially screening managers, and on an ongoing basis, providing a framework to evaluate investment manager behaviour. Our advisers continually develop their research process, investment strategy modelling tools and reporting by incorporating innovative thinking on ESG matters.

Tax Strategy

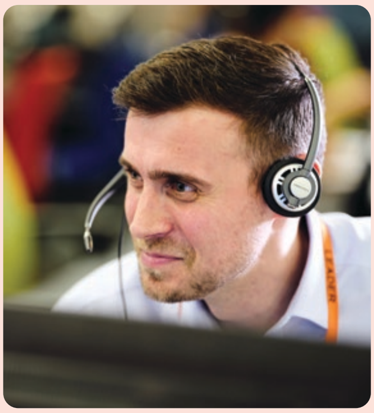
Our aim is to adopt a principled and sustainable tax strategy that underpins the Group's desire to balance the various interests of all its stakeholders, including shareholders, customers, governments, regulators, colleagues, and the community interests which it serves. The Group seeks to ensure that it complies with all legal requirements both in the UK and in all other jurisdictions where it operates, by making all appropriate returns and payments in respect of its own tax liabilities and by collecting taxes on behalf of the relevant tax authorities in accordance with prescribed rules and deadlines.

ESG reports

The following reports are available on the Group's website:

- Tax Strategy;
- Statement on Slavery and Human Trafficking; and
- Gender Pay Gap Report*.

* for Hastings Insurance Services Limited, the main employer and only Group entity with more than 250 employees



Community

With happy colleagues, satisfied customers and a profitable Group we are able to take the 4Cs full circle by taking an active part in serving our communities. We focus our efforts locally so that we play an active role in the communities where we work and live and do this by being a good neighbour, investing in local education initiatives and looking after our environment.

Being a good neighbour

Our Charity Events Committee is made up entirely of colleagues who volunteer to organise fundraising events throughout the year for local charities nominated by Hastings colleagues. The Hastings Community Fund provides a helping hand to local individuals or groups by providing advice, physical support or small grants to help with fundraising. In 2019 we provided support of over £50,000 for local charities and organisations and gave over 9,000 hours of practical or professional advice or support through our community days.

During 2019 our charity partners were Warming Up the Homeless and Edgar's Gift

"From your kind support we have been able to pay for another year of fees for our holiday caravan in Mablethorpe which we offer to patients and their families for free. Other money raised has paid for wishes for young adult cancer patients in the East Midlands, such as iPads, cameras, theatre tickets and holidays away. Thank you for your support and raising awareness of our charity and what we do."

Neil Bradman
Edgar's Gift

"The input from Hastings Direct both in financial terms and practical terms, has allowed the charity to go onto the next level. We are now one of the largest homeless charities in East Sussex, have over 140 active volunteers and many of them are first aid trained. We have grown in terms of expanding into advocacy and now boast a rapid response team, we have two vans, have moved premises and are about to open a shop in Bexhill. We are all grateful to Hastings Direct, it has been great working with you!"

Trudy Hampton
Warming Up the Homeless

Pink Ribbon Foundation

As part of our insurePink product offering, where £10 for every insurance policy purchased is donated to a breast cancer charity (Pink Ribbon Foundation), we are pleased that our customers have now helped us raise over £1 million for the good cause over the last 11 years. Our colleagues support fundraising for the Pink Ribbon Foundation across the year too and in July they raised an additional £4,000 from our company golf day.

£1m

raised for Pink Ribbon Foundation through InsurePink product offering

"The golf day was a great day! It was nice to see so many colleagues come together to support a great cause, along with a bit of healthy competition! I'm very proud to have been part of a day that raised so much and will very much look forward to taking part again next year."

Jamie Wicks
Complaints Performance Manager, Bexhill

Investing in local education initiatives

We have significant interaction with schools, colleges and universities in and around our communities to help develop, attract and nurture home grown talent. In 2019 we continued to sponsor a programme called 'Be the Change' in Bexhill and Leicester which aims to raise the aspirations of local 13 to 14 year olds.

The programme is designed to help remove barriers that may make students disengage from school and in life and provide them with life skills to help shape their future and give them the opportunity to make a difference to their education and career paths. Our colleagues volunteer as business mentors to help support the students with anecdotal and professional advice and guidance.

BE THE CHANGE

"I wasn't sure what to expect. I went on 'Be the Change' because I had heard about it from friends. I thought it was about bullying but it's actually about me. I am looking forward to meeting my mentor again soon."

Student
Bexhill Academy

"This is my third year as a mentor, and I am looking forward to meeting this year's students. I really enjoy the energy of this programme and watching the children transform. They all work at difference paces, some are like sponges soaking everything up, others quietly reflective and for some this is about sowing the seeds for when they are ready to 'Be the Change'."

Karen Taylor
Risk Manager, Bexhill

"This was a great start to the 'Be the Change' programme. We now have students and parents requesting to be part of the 'Be the Change' programme based upon its reputation and testimonials from past students. It really engages not just thinking about what they want their future to be but how they can make it happen."

Trudy Hillman
Teacher, Bexhill Academy, Bexhill

"This was my first experience of 'Be the Change' and I am very impressed. It was great to see a different side of so many students. You pushed them to be more confident, honest and thoughtful to one another. I'm sure they've learned many valuable life skills from the day."

Sam Askham
Teacher, Welland Park, Leicester

"I have worked in business for over 40 years and can honestly say that this experience is amongst the highlights of my working life... Really glad that I volunteered to do this."

Neil Bradman
Team Leader, Leicester

"It amazes me to see the strength that the young children have to stand up and speak about bullying and other issues that they face. 'Be the Change' gives them a safe environment to do this in. I feel very proud to be part of something which empowers children and gives them focus."

Iqram Mamodo Issufo
Team Leader, Leicester

Looking after our environment

The Group's direct operations are purely office based and as such have a relatively low impact on the environment compared to other industries, however, we seek to improve the Group's and our colleagues' footprint as much as possible. We are currently developing a broader sustainability strategy that will come into effect in 2020 and in the meantime, remain committed to making ongoing improvements, however small, to benefit our colleagues and the environment. These include:

- Ongoing improvements to Conquest House, the Group's head office that was built in the 1970s including the replacement of lighting systems with more efficient light sources that need less power;
- Discounted train travel options for colleagues;
- Cycle to work and car share schemes;
- Free charging points for electric vehicles;
- Outdoor green spaces, quiet rooms and breakout areas where colleagues can catch up, have a bite to eat or drink, play games or just to take some time out from their busy days;
- Pulling plastic! In 2019 we launched a new initiative which has proved hugely positive with our colleagues across our sites and involves:
  - Replacing takeaway food containers and cutlery in our staff restaurants in Bexhill and Leicester with compostable alternatives, significantly reducing our single use plastic waste;
  - Removing plastic drinking cups from our water vending machines, encouraging colleagues to reuse water bottles and further reducing single use plastic waste; and
  - Adding a 25p levy to the cost of a hot drink when colleagues don't use a reusable cup when they buy a hot drink in our staff restaurants in Bexhill and Leicester. All proceeds will go to environmental charities.

The Group does not currently operate a green procurement programme but encourages all of its suppliers to be environmentally responsible. Our sites in Gibraltar, Leicester and London are rented and all have good environmental credentials which were key criteria when sourcing the sites.

It is early days and although not ground breaking numbers we are pleased with the progress we've made to date:

Over
£3,500
raised from the Costa cup levy surcharge for the donation to an environment charity partner

250 colleagues
registered car sharers, reducing the number of vehicles our Colleagues use

Unsold fresh packaged food donated to local homeless charity twice a week in Bexhill

Food waste composted from our kitchens avoiding waste to landfill

Over
300,000
plastic cups saved across Bexhill and Leicester

42%
of waste recycled

Greenhouse gas emissions ('GHG')

Tonnes CO_2e	2019	2018	2017	2016
Scope 1	**190**	248	235	277
Scope 2	**597**	710	906	1,064

Total CO^2e footprint

	2019	2018	2017	2016
Total CO^2e footprint	787	958	1,141	1,341
Full time colleagues	1,919	1,730	1,798	2,001
CO^2e per FTE	0.41	0.55	0.63	0.67

Scope 1 – Direct emissions resulting from natural gas & gas oil consumption and refrigerant gas release
Scope 2 – Energy indirect emissions from purchased grid electricity

The Group has followed the methodology laid out in DEFRA's Environmental Reporting Guidelines and calculated the carbon emissions using the relevant carbon conversion factors as issued by DEFRA: **www.ukconversionfactorscarbonsmart.co.uk/.** Emissions have been reported in tonnes of CO^2e (carbon dioxide equivalent) which include CO^2, CH^4 and N^2O. The publication of Gibraltar's CO^2 per kWh of electricity generated ended in 2015. Therefore, we have estimated this year's emissions from this source using the 2015 factor. The Gibraltar electricity consumption accounted for only 1% of the Group's emissions from electricity usage in 2019. The emissions have been calculated and the data validated by an independent energy consultancy – Concept Energy Solutions.

Emissions reported:

Scope 1 – Natural Gas consumption
Scope 1 – Gasoil consumption
Scope 1 – F-gas emissions
Scope 2 – Grid Electricity consumption

GHG emissions primarily arise from the Group's electricity and gas consumption through the operation of their offices. For the second year in a row, there were no refrigerant gas emissions recorded in 2019 and the diesel-powered backup generator at Conquest House, the Group's head office, was not used in 2019, so no emissions have been reported for this. Since the Group moved out of Franklin House, Newmarket in November 2017, there have been no property acquisitions. In January 2019, the Gibraltar office moved locations; invoice data was available for both sites for most of the reporting year, with some requirement for estimating data during the beginning and end of the year, where invoices were unavailable.

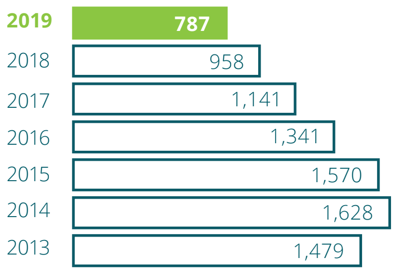
Corporate responsibility continued

Only offices which are solely occupied by the Group or leased offices where accurate data is available have been included in the reporting scope. The leased offices in London and Leicester for which energy data is not available/accurate have therefore been excluded. The Group does not own any vehicles and business travel through private vehicles is limited - the data is not available/accurate. Transport emissions have therefore been excluded from the reporting scope.

Electricity and gas data has been collated through supplier utility invoices and/or half hourly electricity data. Refrigerant gas (F-gas) losses have been based on the F-Gas log of refrigerant re-charged into the AC systems – in 2019 there were no losses reported. There have been no additional diesel deliveries for use in the generator since it was installed in 2016. It is apparent from the tank level readings received that there has been a small amount of usage during this time, assumed to be for testing only, which has been excluded from the figures as considered to be de minimis.

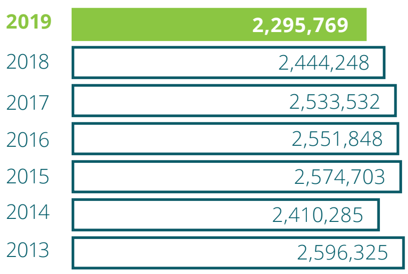
The annual level of greenhouse gas emissions resulting from activities for which the Group is responsible continued to decrease; 2019 emissions were 787 tonnes CO^2e (2018: 958 TCO^2e), a reduction of 18% on the previous year. This equates to 0.41 tonnes (2018: 0.55 tonnes) per employee. The 2019 emissions were 47% below the emissions from the base year (2013) total of 1,479 Tonnes. In 2019 the carbon emissions derived solely from electricity and gas consumption (75% and 25% respectively); there were no emissions from refrigerant gases or diesel generation this year.

GHG emissions
TCO^2e



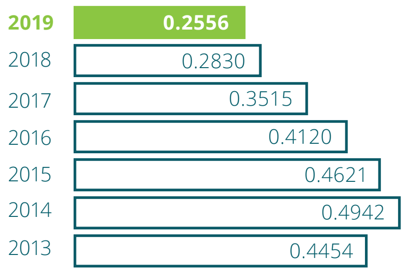
Overall grid electricity consumption was lower in 2019 by 6%. Consumption in Gibraltar was 48% lower than 2018 and electricity consumption at Conquest House decreased by 5% in 2019 compared to the previous year (-130,522 kWh).

Electricity consumption
kWh



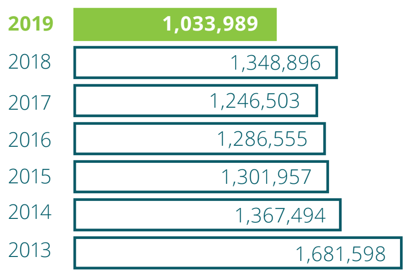
Emissions associated with grid electricity consumption continued to decrease in 2019, with further decarbonisation of the grid; the emission factor was 0.2556 kg CO^2e/kWh in 2019, a decrease of 10% on 2018. The slight decrease in electricity consumption noted in 2014 was due to an increased use of a generator during the year as a result of external electricity supply issues. The variation in consumption between electricity usage and emissions in 2014 is due to generators in use at Conquest House resulting in electricity consumption down by 8% on the prior year.

Grid electricity emission factor
kgCO_2e/kWh



Gas consumption decreased in 2019 compared to the previous year. 2018 saw an increase for the first time since reporting began, but in 2019 the downward trend in usage was restored; consumption was down by 23% compared to 2018 and 17% compared to 2017.

Gas consumption
kWh



The reporting period is in line with the Company's financial year.

Directors' report

The Directors present their Annual Report and the audited Financial Statements for the year ended 31 December 2019.

Statutory information contained elsewhere in this Annual Report

Information required to be part of the Directors' Report can be found elsewhere in this document, as indicated, and is incorporated into this Report by reference:

- results and dividend in the Chair's Statement, page 12 and the Chief Financial Officer's Statement, page 22;
- corporate governance, the Group's financial risk management, internal control objectives and policies in the Corporate Governance Statement on pages 68 to 119 and Managing Our Risks on page 29;
- details of the salaries, bonuses, benefits and share interests of Directors in the Annual Report on Remuneration on pages 97 to 119;
- Directors' Responsibility Statements on page 66;
- how the Board takes into account the views of all stakeholders and promotes the long term success of the Company on page 50 and 82;
- Colleagues and colleague engagement on pages 38 to 45;
- Business relationship reporting on page 46;
- Whistleblowing, anti-fraud, information security and data protection on pages 51 to 54;
- Environmental and Greenhouse Gas reporting in Environmental, Social and Governance on pages 61 to 62; and
- AGM on page 82.

Management Report

The Strategic Report and this Directors' Report, with its inclusions as indicated above, form the Management Report as required by the Disclosure and Transparency Rules (DTR) 4.1.5R.

Directors and Directors' interests

The names of the Directors of the Company and changes to directorships during the reporting period are shown on pages 70 to 73. Biographical details of the current Directors of the Company are shown on pages 70 to 73. Directors' interests in the share capital of the Company are set out in the Directors' Remuneration Report from page 99.

Directors' indemnities and insurance

The Company has made qualifying third party indemnity provisions for the benefit of its Directors which remain in force at the date of this report. In certain circumstances, the Company can indemnify Directors, in accordance with its Articles of Association, against costs incurred in the defence of legal proceedings brought against them by virtue of their office. Directors' and Officers' Liability insurance cover remains in place to protect all Directors and senior managers.

Articles of Association

Any amendment to the Company's Articles of Association may only be made by the passing of a special resolution of the shareholders of the Company.

Substantial shareholdings

As at 27 February 2020 the Company was aware of substantial interests in the Company's shares or had been notified of interests in voting rights under Chapter 5 of the DTR, as follows:

Shareholder	Shareholding	% of issued share capital	Holding
Main Street 1353 Proprietary Limited	196,508,074	29.7	Direct
Goldman Sachs Interests	76,211,478	11.5	Direct
Aberdeen Standard Investments	39,928,198	6.0	Direct
M&G Investment Management	35,925,368	5.4	Direct
Mr Neil Utley	29,322,095	4.4	Direct

Share capital structure, issue and buying back and shareholder rights

The number of Ordinary Shares of 2 pence each issued and fully paid at 31 December 2019 was 661,253,725. All Ordinary Shares have equal rights to dividends and capital and to vote at general meetings of the Company, as set out in the Company's Articles of Association.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

During the year, shareholders Goldman Sachs & Co. and the founder shareholders (collectively Significant Shareholders) had significant direct investment in the Company. Pursuant to a Relationship Agreement (RA1) entered into by the Company, Goldman Sachs & Co. (GS Shareholders) and the founder shareholders are each able to appoint one Director while they (or persons connected to them) continue to hold a direct or indirect interest in at least 5% but less than 20% of the Company's shares. As at the end of the year, the appointee for the GS Shareholders was Sumit Rajpal; (who subsequently stood down on 24 February 2020 and was not immediately replaced); the founder shareholders have not appointed a Director.

Rand Merchant Investment Holdings Limited via its subsidiary Main Street 1353 Proprietary Limited (RMI) maintain a shareholding of 29.7% in the Company. A relationship agreement (RA2) was entered into between the Company and RMI so that, for so long as RMI holds a direct or indirect interest of between 15% and 29.9% in the issued Ordinary Share capital of the Company, RMI is able to nominate a Director for appointment to the Board of the Company. On 31 December 2019 Mr Herman Bosman, Chief Executive Officer of RMI was the appointee for RMI. RA2 contains the same independence provisions as RA1, however the Company confirms that, as at 31 December 2019, RMI was not a controlling shareholder as defined by Listing Rule 9.2.2A.

In accordance with Listing Rule 9.8.4(14)(c) the Company confirms that it complied with the independence provisions included in RA1; that as far as the Company is aware independence provisions included in RA1 were complied with during the period under review by the Significant Shareholders; and that the procurement obligations included in RA1 were complied with during the period under review by the Significant Shareholders.

In accordance with Listing Rule 9.8.4(14)(c) the Company confirms that it complied with the independence provisions included in RA2; that as far as the Company is aware independence provisions included in RA2 were complied with during the period under review by RMI; and that the procurement obligations included in RA2 were complied with during the period under review by RMI.

The appointment and replacement of Directors is governed by the Articles of Association, the UK Corporate Governance Code 2018 (the Code), the Companies Act 2006 and related legislation. In accordance with provision 18 of the Code, all Directors will be subject to annual election by shareholders. Separate resolutions for the election/re-election of each Director will be laid before shareholders at each Annual General Meeting.

Resolutions to provide authorities to Directors to allot shares, to disapply certain pre-emption rights and to make market purchases of the Company's own shares, all subject to appropriate limits, will be put to the Annual General Meeting ('AGM') in 2020. Shareholder resolutions put to the AGM held in May 2019 providing authority for the purchase by the Company of its own shares remained valid as at 31 December 2019. The Company confirms that during the financial year ended 31 December 2019, no shares in the Company were purchased by the Company or acquired by it by forfeiture or surrender in lieu of forfeiture; or were acquired by a Company nominee, or by another with the Company's financial assistance, the Company having a beneficial interest in accordance with section 671 of part 18 of the Companies Act 2016; or were made subject to a lien or other charge taken by the Company. The Company has not held any Ordinary Shares in treasury in the period under review.

Under the Company's Share Incentive Plan (SIP), a trust (SIP Trust) was established for the purpose of holding shares on behalf of SIP participants for a three year service period. The SIP Trust, acting by its Trustees, will vote on, and receive dividends, in accordance with a participant's wishes. A separate trust, The Hastings Group Employee Benefit Trust (EBT) holds shares for the potential future benefit of colleagues under the Long Term Incentive Plan (LTIP). The EBT Trustees have expressed their intention to abstain from voting but receive dividends in line with shareholder rights attaching to its shares. The Group satisfies matching share awards in the SIP and the LTIP as described in Note 29 to the Financial Statements through the acquisition by the SIP Trust and the EBT respectively of the Company's Ordinary Shares in the market. During the three year service period for the SIP matching shares are held by the SIP Trust. The assets of the SIP Trust and the EBT are both consolidated within the Company's Consolidated Financial Statements.

Change of control – significant contracts

There are several commercial agreements that take effect, alter or terminate upon a change of control of the Company; none is considered to be significant in terms of its potential impact on the business of the Group as a whole. The Company does not have agreements with any Director or colleague that would provide compensation for loss of office or employment resulting from a takeover, except that provisions of the Company's share schemes and plans may cause options and awards granted to colleagues under such schemes and plans to vest on a takeover.

Branches

The Company and its subsidiaries do not have any branches in any other country.

Political contributions

There were no political contributions during the year (2018: £nil).

Directors' statements

As required under the Companies Act 2006, the Code and the Disclosure and Transparency Rules, various statements have been made by the Board as set out on page 66 and are incorporated into this Report by reference.

Auditor

KPMG LLP were initially appointed as the Company's External Auditor in December 2015 for the financial year ended 31 December 2015 and their re-appointment was approved by shareholders at the AGM in 2019 for the current financial year. KPMG have confirmed that they are willing to be reappointed as auditor for the financial year ending 31 December 2020. In accordance with section 489 of the Companies Act 2006, a resolution proposing the appointment of a statutory Auditor will be proposed at the AGM.

The Audit Committee report on page 84 provides details on the length of tenure and re-appointment of the Auditor and when a tender for the service was last conducted.

Directors' statement of responsibility for disclosure of information to auditor

As required by section 418 of the Companies Act 2006, each Director serving at the date of approval of the Financial Statements confirms that:

- to the best of his or her knowledge and belief, there is no information relevant to the preparation of this reports of which the Company's auditor is unaware; and
- he/she has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's Auditor is aware of that information.

Words and phrases used in this confirmation should be interpreted in accordance with section 418 of the Companies Act 2006.

Contractual arrangements

The Group considers its co-insurance and reinsurance contracts as well as contracts with PCW, critical software platform providers, data centre service providers, and claims repair service providers to be essential to the running of the Group's business. No other contractual arrangements are considered to be essential.

Financial instruments

The objectives and policies for managing risks in relation to financial instruments held by the Group are set out in Note 26 to the Consolidated Financial Statements.

Going concern

The Directors consider that the Group has adequate financial resources to continue operating for the foreseeable future and that it is therefore appropriate to adopt the going concern basis in preparing the Financial Statements. In considering the appropriateness of this assumption, the Board has reviewed the Group's projections for the next 12 months, including cash flow forecasts and regulatory capital surpluses.

The Strategic Report and the Directors' Report were approved by the Board on 26 February 2020 and are signed on its behalf by:

Anthony S Leppard
Company Secretary
26 February 2020

Statement of Directors' responsibilities

Statement of Directors' responsibilities in respect of the Annual Report.

The Directors are responsible for preparing the Annual Report, which includes the Group and parent Company financial statements, in accordance with applicable law and regulations.

Company law requires the directors to prepare Group and parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS as adopted by the EU) and applicable law and have elected to prepare the parent Company financial statements on the same basis.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of their profit or loss for that period. In preparing each of the Group and parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRS as adopted by the EU;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic Report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement of the directors in respect of the Annual Report

We confirm that to the best of our knowledge:

- the Financial Statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report and Directors' Report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the Annual Report, including the Group and parent Company financial statements, taken as a whole, to be fair, balanced and understandable and provides the information necessary for shareholders to assess the group's position and performance, business model and strategy.

Anthony S Leppard
Company Secretary
26 February 2020

Corporate governance

Chair Introduction

This Corporate Governance Report provides an overview of the Company's governance structure at Board and Committee level and demonstrates how it has complied with the UK Corporate Governance Code 2018 ('the Code') as well as describing the role and activity of the Board and its Committees over the year.

Governance framework

I and my fellow Directors are committed to observing high standards of corporate governance, integrity and professionalism. With diverse backgrounds, skills and experience, the Board sets the 'tone from the top' through the 4Cs by championing a healthy, responsible corporate culture which promotes the long term sustainable success of the Company. Our governance framework is kept under continued review to ensure that it meet the Group's needs and is supported by a prudent system of internal controls and processes for identifying, managing and mitigating key risks. Decisions are made in a way that is most likely to promote the success of the Company for the benefit of its shareholders, taking into account the views and interest of the Group's wider stakeholders. This framework supports environmental, social, financial and operational performance that helps to bolster shareholder confidence and support.

Code compliance

During the consultation on, and following the publication of, the Code published in July 2018, the Board regularly received updates from the Company Secretary on the Company's compliance with the Code and progress on agreed actions towards enhancing such compliance. I am pleased to say that at the beginning of this year, when the Code came into force, the Company was fully compliant with the exception of one provision. A detailed report on Company compliance is contained later in this Governance Report.

"Diverse and inclusive workforces are more likely to attract top talent, have stronger customer orientation, higher colleague satisfaction, be more productive and more willing to adapt to change"

Diversity

A diverse and inclusive Board and workforce is an important aspect of the Group's strategy as it provides a platform whereby every colleague is valued and treated as individual and they feel able to participate and achieve their potential. Diverse and inclusive workforces are more likely to attract top talent, have stronger customer orientation, higher colleague satisfaction, be more productive and more willing to adapt to change. The Board supports this through the Group's 4Cs ways of working by setting the Group's values, overseeing internal controls to protect and promote colleagues and ensuring appropriate levels of resources are in place for colleagues to learn and develop. Board diversity is covered with the Nomination Committee Report and further information on colleagues is provided earlier in this Annual Report.

Remuneration

At the Company's Annual General Meeting held on 23 May 2019, the Group's Remuneration Policy was supported by shareholders, with 98.3% of all votes cast in favour, and is expected to stay in place for the next three years. The policy closely aligns executive reward to the delivery of the Group's strategy by combining an appropriate mix of fixed and variable elements that drives the performance of the Executive Directors. Further detail on how the Remuneration Policy has been implemented during the year and remuneration outcomes is provided in the Remuneration Committee Report on page 97.

Board and Committee Evaluation

At the end of 2018 the Board undertook an externally facilitated evaluation of itself, its Committees and the role of the Company Secretary. A number of actions were agreed and improvements have been made throughout the year as appropriate. The Board undertook an internal evaluation at the end of 2019 overseen by the Company Secretary. The performance of the Chair was led by the Senior Independent Director without the Chair present. The Chair also undertook an evaluation of all Directors in separate one-to-one meetings. No material issues or concerns were raised in these evaluations and further enhancements have been agreed where appropriate.

Gary Hoffman
Chair
26 February 2020

Maintaining effective governance

The Board is committed to maintaining high standards of corporate governance. Our Board structure and governance approach are designed to ensure that we retain our strong focus on value generation and that we operate throughout as a highly ethical and responsible business.

Board structure

Board composition

Chair	1
Exec	2
INED	6
NED	2

Nationality

British	5
American	2
Dutch	1
Belgian	1
South African	1
Malaysian	1

Board gender

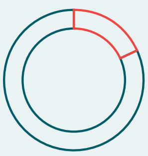
Male	7
Female	4

Age

40–49	3
50–59	5
60–69	3

Experience

Finance/Banking	7
Insurance	9
Technology/Telecoms	1
Legal	1
Consultancy	1



Ethnicity

White	9
BAME	2

Gary Hoffman
Chair

Tobias van der Meer
Chief Executive Officer

John Worth
Chief Financial Officer

Herman Bosman
Non-Executive Director

Pierre Lefèvre
Independent Non-Executive Director

Alison Burns
Independent Non-Executive Director

Sumit Rajpal
Non-Executive Director

Elizabeth Chambers
Independent Non-Executive Director

Teresa Robson-Capps
Independent Non-Executive Director

Thomas Colraine
Senior Independent Director

Selina Sagayam
Independent Non-Executive Director

The Directors who were in office, their biographies and Committee memberships as at 31 December 2019 are as follows:

1 Gary Hoffman
Chair

Appointed: 15 June 2015

Gary was appointed Chair in May 2018 having previously served as Chief Executive Officer of the Group since November 2012. He has extensive experience in the banking and insurance industries. Prior to joining the Group, Gary was Chief Executive Officer of NBNK Investments, an investment vehicle formed in August 2010 to establish personal and business retail banking in the UK. Prior to that, he led the UK Government's turnaround of Northern Rock as its Chief Executive Officer. His previous roles also include Vice-Chair of Barclays PLC, having previously been Chair of UK Banking and Barclaycard at Barclays PLC following five years as Chief Executive Officer of Barclaycard, and Non-Executive Chair of VISA Europe and Non-Executive Director of VISA Inc. He is Non-Executive Chair of the Coventry Building Society and Monzo Bank.

2 Tobias van der Meer
Chief Executive Officer

Appointed: 1 March 2018

Toby has been Chief Executive Officer since 1 March 2018. He joined Hastings in 2011 as Managing Director Retail, where he held responsibility for the profit and loss of the UK retail business, which covered around two thirds of the Group profits. Toby has considerable digital and customer service experience and held responsibility for product, retail pricing, brand, digital and marketing, and customer operations at the Group's UK sites. Before joining Hastings, Toby was a managing director at moneysupermarket.com plc, one of the UK's leading price comparison websites, where he was responsible for the money and broker led business and operations. Before that he spent nearly a decade in senior financial services roles including leading Citigroup UK's retail bank and as a member of the executive team of online bank Egg.

3 John Worth
Chief Financial Officer

Appointed: 10 May 2019

John is a Chartered Accountant with extensive experience in the financial services industry, serving most recently as the Chief Financial Officer of MS Amlin plc, The Co-operative Bank plc, Hiscox plc and Aspen. Prior to this he was Group Financial Controller of Barclays plc and a partner with Ernst & Young LLP. As well as working in Finance, John has been Head of IT and Head of Risk at Prudential plc and Head of Audit at Barclays Capital. He started his career with PwC, where he was based from the London, Tokyo and Grand Cayman offices. Since 2003, John has also worked with the NSPCC and, since 2016, has been a Board Trustee member and the Society's Honorary Treasurer.

4 Herman Bosman
Non-Executive Director

Appointed: 14 March 2017

Herman is the Chief Executive Officer of RMI and its sister company RMB Holdings, having joined the companies in April 2014. Prior to his current role he was Head of Corporate Finance at RMB from 2000 until 2006 and Chief Executive Officer of Deutsche Bank South Africa from 2006 to 2013. Herman is a Non-Executive Director of Discovery Limited, FirstRand Limited and OUTsurance Holdings Limited. He also serves on the Advisory Board of the University of Johannesburg, is Chair of Endeavor South Africa and previously served as a Trustee of the Deutsche Bank South Africa Foundation and a Director of Business and Arts South Africa. He holds a BCom (Law) LLM and is a Chartered Financial Analyst.

5 Alison Burns
Independent Non-Executive Director N Re R

Appointed: 12 July 2016

Alison has held executive and non-executive roles within Aviva plc, including the position of Chief Executive Officer of Aviva Ireland. Alison has extensive financial services experience, gained in senior roles with AXA, Equitable Life, Santander, Bupa and Lloyds TSB. She brings leadership and executive management experience with a focus on developing strong customer relationships in regulated businesses. She also serves as a Non-Executive Director of Equiniti Group plc and the National House Building Council.

6 Elizabeth Chambers
Independent Non-Executive Director N Re

Appointed: 26 September 2018

Libby serves on the boards of Provident Financial Group and Smith & Williamson, and advises fintech and software companies on their growth plans. Her executive career includes C-level strategy, marketing and product roles at Western Union, Barclays, Barclaycard and Bank of America. She also led Barclaycard's co-branded cards and insurance business in the UK. Libby is known for leading digital transformations and rejuvenating brands and has a long track record of building strong customer relationships in regulated businesses. She is also on the non-profit board of the University of Colorado hospitals network and medical school. Previous directorships have included Dollar Financial Group, hibu plc, Home and Savings Bank, and the boards of Barclays' joint ventures with Argos, Thomas Cook, and Littlewoods. Earlier in her career, she was a partner in the Financial Services practice at McKinsey, and started her career as a financial analyst with Morgan Stanley.

Chair
(A) Audit Committee
(N) Nomination Committee
(Re) Remuneration Committee
(R) Risk Committee

7 Thomas Colraine
Senior Independent Director
A N Re

Appointed: 3 September 2015

Tom brings a wealth of experience from the insurance and financial services sector. He was previously Group Chief Financial Officer and Co-Chief Operating Officer at Willis Group Holdings, and Chief Financial Officer at AIG Europe Limited. He is a Chartered Accountant, on the Board of Marsh Limited, and is also Chairman of Cambridge Topco Limited, the holding company for the Compre Group.

8 Pierre Lefèvre
Independent Non-Executive Director
A R

Appointed: 3 September 2015

Pierre serves as a Non-Executive Director on the Board of the Group's subsidiary Advantage Insurance Company Limited, where he is also Chair of the Risk and Reserving Committees and a member of the Audit Committee. He has extensive international experience in the insurance industry and has previously held Chairman and Chief Executive roles at Groupama and Axa and is currently a member of the Supervisory Board of Vivat NV (Netherlands) and a Director of ABBH (Belgium) and Fidea NV.

9 Sumit Rajpal
Non-Executive Director

Appointed: 3 September 2015

Sumit was appointed as Non-Executive Director of the Group by reason of the investment made by Goldman Sachs in the Group in 2014. Sumit Co-Heads the Corporate Private Equity business globally and runs the Americas Corporate Private Equity business in the Merchant Banking Division of Goldman Sachs. He also serves on the boards of K&N Engineering, Boyd Corporation, Financelt, ProSight Specialty Insurance and Safeguard Products. Sumit resigned from the Board on 24 February 2020.

10 Teresa Robson-Capps
Independent Non-Executive Director
A R

Appointed: 12 July 2016

Teresa brings significant experience with international blue chip companies including HSBC, Accenture, BT Mobile, various high street and internet retailers and across the insurance industry. Her functional experience spans customer, information technology, and financial management; she is also a Chartered Management Accountant. Non-Executive Director of CYBG plc/Virgin money plc and FIL Holdings (UK) Limited.

11 Selina Sagayam
Independent Non-Executive Director
Re R

Appointed: 14 August 2017

Selina is the Head of UK Transactional Practice Development of international law firm Gibson, Dunn & Crutcher. She is an English qualified corporate finance lawyer who joined the firm's London office as a partner in 2007 and chairs its Talent and Community Affairs Committees. Her appointment to the Company's Board is in a personal capacity and unconnected to her position with Gibson Dunn. Selina serves as a Non-Executive Director on the Board of the Company's FCA regulated subsidiary entity, Hastings Insurance Services Limited. Selina also sits on the Advisory Board of Diversity UK, chairs the cross industry group NetworkForKnowledge, serves as a board member of the Corporate Finance Faculty of the ICAEW and is a member of the board of trustees of Refuge.

Corporate governance

The Board is the main decision making body of the Company. It provides leadership within a framework of prudent and effective controls enabling risk to be assessed and managed.

The role of the Board

The Board is the main decision making body of the Company. It provides leadership within a framework of prudent and effective controls enabling risk to be assessed and managed. It also carries ultimate responsibility for the effective direction and control of the Group and is accountable to shareholders for financial and operational performance. There is a clear Schedule of Matters Reserved for the Board, together with delegated authorities to Board Committees and management.

Executive and Non-Executive Directors have the same statutory duties but are subject to a clear division of responsibilities. It is the responsibility of the Chair to lead and manage the Board and for Non-Executive Directors to monitor, review and challenge Executive Directors and senior management by acting in the interest of the Company's stakeholders. The overall responsibility for the day to day management of the Group is delegated to the Chief Executive Officer. The Chief Executive Officer is supported in this role by senior executive management responsible for management oversight of the Group and its subsidiaries. The roles and responsibilities of the Chair, Chief Executive Officer and Senior Independent Director are clearly defined and allocated. These responsibilities are set out in writing and are available on the Group's website.

The Senior Independent Director acts as a sounding board for the Chair, serves as an intermediary for other Directors and is available to shareholders should they have any concerns or issues they have been unable to resolve through normal channels. The Senior Independent Director meets with each Director providing the means through which any concerns may be raised, and also reviews the performance of the Chair each year.

All Directors receive an induction on joining the Board which is tailored to the individual needs of each Director; where a Director is joining a Board Committee the induction includes an overview of the operation of that Committee. As part of the induction process, Non-Executive Directors may initially be invited to attend meetings of Committees of which they are not members. This allows Non-Executive Directors to achieve a greater understanding of specific matters considered by those Committees prior to being recommended for Board approval or consideration. On completion of the induction programme, the Director should have sufficient knowledge and understanding of the nature of the business, and the opportunities and challenges for the Group, to enable them to effectively contribute to strategic discussions and effective oversight. Directors regularly update and refresh their skills and knowledge.

The Company Secretary acts as Secretary to the Board and takes the minutes of all meetings. Working in collaboration with the Chair, the Company Secretary is responsible for ensuring good governance and consults Directors to ensure that good information flows exist and that the Board receives the information it requires in order to be effective. All Directors have access to the advice of the Company Secretary throughout the year. The Board and its Committees receive regular updates from the Executive Directors and senior executives of key developments in the business as part of their formal meetings. Directors are able to seek independent and professional advice at Company expense to enable them to fulfil their obligations as a member of the Board.

The respective boards of Directors of the Group's regulated entities are responsible to the UK's Financial Conduct Authority (FCA) and the Gibraltar Financial Services Commission (GFSC) for ensuring compliance with their respective regulatory obligations and that dealings with the FCA and GFSC are handled in a constructive, co-operative and transparent manner.

Board and Committee structure

Board and Committee structure

The Board delegates certain matters to various Committees, each with their own Board approved terms of reference which are reviewed annually. The Board has five Committees, Audit, Disclosure, Nomination, Remuneration, and Risk; all terms of reference were reviewed by the relevant Committee during the year and approved by the Board. Reports from these Committees (with the exception of the Disclosure Committee) describing their principal activities during the year are set out in their respective reports from page 84 to 119. Board and Committee meetings are structured to allow sufficient time for consideration of all items and each Chair encourages constructive debate and challenge. Committees are authorised to obtain outside legal or other independent professional advice if required. The Chair of each Committee reports to the Board on matters considered by each Committee at the subsequent Board meeting as appropriate. All Directors have access to the minutes of each Committee.

The membership of Committees is a matter for the full Board upon recommendation of the Nomination Committee. Each of the Board Committees, with the exception of the Disclosure Committee, comprise solely Non-Executive Directors and is chaired by an Independent Non-Executive Director. The membership of these Committees throughout the year under review can be found on page 76. Executive Directors, members of management and professional advisers also attend meetings of the Committees when required to do so by the chair of the relevant Committee.

The terms of reference for each Committee, excluding the Disclosure Committee, can be found on the Group's website.

The **Board** has overall responsibility for the management of the business and affairs of the Group and the Company, establishes Group strategy and is ultimately accountable for financial and operational performance.

The **Risk Committee** provides oversight and advice to the Board on current and potential future risk exposures and risk strategy of the Group. It reviews the Group's performance on risk appetite and oversees the effectiveness of the Group Risk Management Framework. It also ensures that responsibility for managing and monitoring risk in each of the regulated subsidiaries has been effectively delegated to the respective boards of directors.

The **Audit Committee** assists the Board in discharging its responsibilities for the integrity and disclosure of the financial affairs of the Group. It ensures that the Company complies with accounting policies and financial reporting obligations as well as monitoring the system of internal controls and the Group's processes for internal and external audit.

The **Nomination Committee** assists the Board in the selection and appointment of Directors in line with Group requirements. It reviews the structure, size and composition of the Group's boards and membership and chairship of Committees. It also reviews succession planning at Board and senior executive management levels.

The **Remuneration Committee** assists the Board in, and has oversight of, the Group's policy on remuneration and makes recommendations to the Board on the remuneration of Executive Directors and senior executive management in the Company and its operating subsidiaries.

The **Disclosure Committee** is responsible for monitoring, evaluating and enhancing disclosure controls and procedures in respect of the Group announcements that are required to be made in compliance with the Market Abuse Regulation, including approving public announcements at short notice where it is not possible to convene a formal Board meeting. The Committee comprises the Chief Executive Officer and Chair only, with the Chief Financial Officer and Senior Independent Director acting as their respective deputies.

Board and Committee attendance

Details of the number of meetings of the Company's Board and Committees held during the year and the attendance of each Director (in office between 1 January 2019 and 31 December 2019) at those meetings are set out below. Information on the role, responsibility and activity of each Committee are provided in their respective reports on pages 84 to 119.

Cross Committee memberships as at 31 December 2019

	Audit	Nomination	Remuneration
Risk	2	1	1
Remuneration	1	2	
Nomination	1		

Board and Committee attendance

		Committee			
	Board	Audit	Nom	Rem	Risk
Total meetings held	**10**	**6**	**2**	**4**	**4**
Gary Hoffman	9	–	–	–	–
Tobias van der Meer	10	–	–	–	–
John Worth[1]	7	–	–	–	–
Herman Bosman	7	–	–	–	–
Alison Burns	10	–	2	4	4
Elizabeth Chambers[2]	10	–	1	2	–
Thomas Colraine	10	6	2	4	–
Pierre Lefèvre	9	6	–	–	4
Sumit Rajpal	8	–	–	–	–
Teresa Robson-Capps	10	6	–	–	4
Selina Sagayam	10	–	–	4	4
Ian Cormack[3]	2	2	–	1	–
Richard Hoskins[4]	3	–	–	–	–

1 John Worth became a Director on 10 May 2019.
2 Elizabeth Chambers became a member of the Remuneration. Committee and Nomination Committee on 23 May 2019.
3 Ian Cormack resigned as a Director on 23 May 2019.
4 Richard Hoskins resigned as a Director on 10 May 2019.

Board activity in 2019

At each meeting the Board received updates from the Chief Executive Officer, the Chief Financial Officer and from the respective Chairs following meetings of Board Committees. A schedule of Board activity for the year is provided below.

Board activity in 2019

Matter reserved	Responsibility
Strategy	• Considered the Three Year Plan for 2020–2022 • Received updates on performance and operational matters • Reviewed monthly operational and financial performance of the Group • Received briefings from external advisers on potential M&A and other market opportunities • Reviewed the Group's operational and financial performance for the financial year ended 2019 • Considered objectives for the Company and Chief Executive Officer for 2020 • Received an update on the Group's ESG strategy • Received a presentation on various strategic initiatives within the Group
Structure and Capital	• Reviewed and approved recommendations from the Nomination and Remuneration Committee in relation to appointments of, and changes to, subsidiary Senior Executive management
Financial Reporting and Controls	• Approved the Annual Report, Preliminary Statement and Analysts Presentation for the financial year ended 31 December 2018 upon the recommendation of the Audit Committee • Approved the Financial Statements, Preliminary Statement and Analysts Presentation for the financial half year ended 30 June 2019 upon the recommendation of the Audit Committee • Reviewed and approved Trading Statements for Q1 and Q3 2019 • Received quarterly reports on claims reserving outcomes from the Company's Underwriting subsidiary • Approved the Group's forecasting and budgeting approach • Reviewed and approved final and interim dividends • Approved material unbudgeted or operating capital expenditures
Internal Control and Risk Management	• Received updates from the Audit and Risk Committees in relation to the effectiveness and robustness of the Group's internal controls and risk management framework • Received updates from the Audit Committee in relation to reviews undertaken by the Internal Auditor
Contracts	• Approved capital expenditures in excess of £1m
Communication	• Approved resolutions and documentation for, and met with shareholders at, the AGM • Approved press and non-routine market announcements • Received updates on meetings with investors by Chair and Senior Independent Director • Received an update on investor relations • Reviewed the Gender Pay Gap Report for the Group's UK trading subsidiary • Reviewed the colleague engagement framework
Board membership and other appointments	• Approved the appointment of John Worth as a Director of the Board and Chief Financial Officer upon the recommendation of the Nomination Committee • Approved the appointment of Elizabeth Chambers as a member of the Nomination and Remuneration Committees upon the recommendation of the Nomination Committee • Considered the contribution, time commitment, effectiveness and independence of two Non-Executive Directors (Alison Burns and Teresa Robson-Capps) and approved their re-appointment to the Board for a second three year term • Approved recommendations from the Nomination Committee in relation to Non-Executive Director appointments to external private and public listed company boards • Received updates from the Nomination Committee on Executive Director and senior executive management succession and talent development plans • Considered recommendations from the Nomination Committee and approved the Company's policy on Board and colleague diversity

Board activity in 2019 continued

Board activity in 2019

Matter reserved	Responsibility
Remuneration	• Reviewed and approved the Annual Report on Remuneration contained in the 2018 Annual Report upon the recommendation of the Remuneration Committee
Delegation of Authority	• Received updates on Board Committee activities
Governance	• Reviewed and approved the Board Schedule of Matters Reserved and confirmed the Schedule had been adhered to during 2019 • Reviewed and approved the terms of reference of the Board Committees • Undertook a formal, internally facilitated evaluation of the Board and its Committees and agreed improvement plans • Reviewed progress on actions arising from the externally facilitated Board and Committee evaluation undertaken in 2018 • Reviewed and confirmed the Company's compliance with the UK Corporate Governance Code 2018 • Determined the independence of the Non-Executive Directors upon the recommendation of the Nomination Committee • Reviewed the Company's arrangements for, and received updates on, current corporate governance developments • Approved the Board and Committee meeting calendar for 2020
Policies	• Approved Group Policy Statements • Approved the Group's Statement on Modern Slavery • Approved the Group's Tax Strategy and Policy • Approved the Group's Policy on the Provision of Audit and Non-Audit Services
Other	• Reviewed of the overall level of Directors' and Officers' Liability insurance and indemnification of Directors • Ensured the Company and the Group complied with the terms of any relationship agreements with shareholders

Compliance with the UK Corporate Governance Code 2018 ('the Code')

The Company is subject to the Code and the assessment of its compliance is set out below, by reference to disclosures within this Annual Report. The Board confirms that it fully complied with the Code as at 31 December 2019, with the exception of the independence of the Board Chair upon appointment which was fully explained and justified at the time of appointment. The provisions of the Code are summarised below, please refer to the full provisions in the Code available on the FRC's website www.frc.org.uk/directors/corporate-governance-and-stewardship/uk-corporate-governance-code.

Code Provisions/Principles

		Page references
Board Leadership and Company Purpose	• A successful company is led by an effective and entrepreneurial board	• Page 70 to 76
	• The board should establish the company's purpose, values and strategy, and satisfy itself that these and its culture are aligned	• Pages 37 to 62
	• The board should ensure that the necessary resources are in place for the company to meet its objectives and measure performance against them	• Pages 18 to 21
	• In order for the company to meet its responsibilities to shareholders and stakeholders, the board should ensure effective engagement with, and encourage participation from, these parties	• Pages 37 to 62, 82 and 83
	• The board should ensure that workforce policies and practices are consistent with the company's values and support its long-term sustainable success	• Pages 37 to 62
	• Assessment of the basis on which the company generates and preserves value over the long-term	• Pages 29 and 94
	• Assessment and monitoring of culture	• Pages 37 to 62
	• Regular engagement with major shareholders	• Pages 82 to 83
	• Actions the board intends to take to consult shareholders in order to understand the reasons behind 20% or more votes cast against a resolution	• Page 82
	• How stakeholders' interests and the matters set out in section 172 of the Companies Act 2006 have been considered in board discussions and decision-making	• Page 50
	• Board workforce engagement model	• Pages 12, 38 to 45
	• Means by which the workforce can raise concerns in confidence and anonymously	• Pages 51 and 52
	• Action to identify and manage conflicts of interest	• Page 81
	• Director concerns should be recorded in the board minutes	• Pages 68 and 74 to 78
Division of Responsibilities	• The chair leads the board and is responsible for its overall effectiveness in directing the company	• Pages 12, 68 and 69
	• The board should include an appropriate combination of executive and non-executive (and, in particular, independent non-executive) directors, such that no one individual or small group of individuals dominates the board's decision-making	• Pages 70 to 73
	• Non-executive directors should have sufficient time to meet their board responsibilities	• Pages 76 and 90 to 93
	• The board, supported by the company secretary, should ensure that it has the policies, processes, Information, time and resources it needs in order to function effectively and efficiently	• Pages 74 to 78
	• The chair should be independent on appointment	• Page 90 to 93
	• Identify in the annual report each non-executive director it considers to be independent	• Page 70 to 73
	• At least half the board, excluding the chair, should be non-executive directors whom the board considers to be independent	• Page 70 to 73
	• The board should appoint one of the independent non-executive directors to be the senior independent director	• Page 70 to 73
	• Non-executive directors should scrutinise and hold to account the performance of management and individual executive directors against agreed performance objectives	• Pages 68 to 119
	• The responsibilities of the chair, chief executive, senior independent director, board and committees should be clear, set out in writing	• Page 74
	• When making new appointments, the board should take into account other demands on directors' time	• Pages 90 to 93
	• All directors should have access to the advice of the company secretary	• Page 74

Code Provisions/Principles continued

		Page references
Composition, Succession and Evaluation	• Appointments to the board should be subject to a formal, rigorous and transparent procedure,and an effective succession plan should be maintained for board and senior management	• Pages 90 to 93
	• The board and its committees should have a combination of skills, experience and knowledge	• Pages 70 to 73
	• Annual evaluation of the board should consider its composition, diversity and how effectively members work together to achieve objectives	• Page 69
	• The board should establish a nomination committee to lead the process for appointments	• Pages 90 to 93
	• All directors should be subject to annual re-election	• Pages 90 to 93
	• The chair should not remain in post beyond nine years from the date of their first appointment to the board	• Pages 70 to 73
	• External search consultancy engaged should be identified in the annual report alongside a statement about any other connection it has with the company or individual directors	• Pages 90 to 93
	• There should be a formal and rigorous annual evaluation of the performance of the board, its committees, the chair and individual directors and be externally facilitated every three years	• Page 69
	• The chair should act on the results of the evaluation by recognising the strengths and addressing any weaknesses of the board	• Page 69
	• The annual report should describe the work of the nomination committee	• Pages 90 to 93
Audit, Risk and Internal Control	• The board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of internal and external audit functions	• Pages 31, 84 to 89 and 94 to 96
	• The board should present a fair, balanced and understandable assessment of the company's position and prospects	• Pages 84 to 89
	• The board should establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the company	• Pages 29 to 36, 84 to 89 and 94 to 96
	• The board should establish an audit committee of independent non-executive directors, with a minimum membership of three	• Pages 84 to 89
	• The main roles and responsibilities of the audit committee	• Pages 84 to 89
	• The annual report should describe the work of the audit committee	• Pages 84 to 89
	• Directors explain in the annual report responsibility for preparing the report and state that they consider it, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the company's position, performance, business model and strategy	• Pages 84 to 89
	• A robust assessment of the company's emerging and principal risks	• Pages 29 to 36 and 94 to 96
	• The board monitor the company's risk management and internal control systems	• Pages 29 to 36, 84 to 89 and 94 to 96
	• Board state whether it considers it appropriate to adopt the going concern basis of accounting	• Pages 65 and 84 to 89
	• Taking account of the company's current position and principal risks, the board should explain in the annual report how it has assessed the prospects of the company, over what period it has done so and why it considers that period to be appropriate	• Page 29 and 84 to 89

Code Provisions/Principles continued

		Page references
Remuneration	• Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success • A formal and transparent procedure for developing policy on executive remuneration and determining director and senior management remuneration should be established • Directors should exercise independent judgement and discretion when authorising remuneration outcomes • The board should establish a remuneration committee of independent non-executive directors, with a minimum membership of three • The remuneration committee should have delegated responsibility for determining the policy for executive director remuneration and setting remuneration for the chair, executive directors and senior management • The remuneration of non-executive directors should be determined in accordance with the Articles of Association or, alternatively, by the board • External remuneration consultancy engaged should be identified in the annual report alongside a statement about any other connection it has with the company or individual directors • Remuneration schemes should promote long-term shareholdings by executive directors that support alignment with long-term shareholder interests • Remuneration schemes and policies should enable the use of discretion to override formulaic outcomes • Only basic salary should be pensionable • Notice or contract periods should be one year or less • When determining executive director remuneration policy and practices, the remuneration committee should address clarity, simplicity, risk, predictability, proportionality and alignment • There should be a description of the work of the remuneration committee in the annual report	• Pages 97 to 119

Directors' conflicts of interest

During the year no Director was involved in any related party transactions nor had any beneficial interest in any contract significant to the Company's business, other than a contract of employment or letter of appointment. In accordance with the Companies Act and the Company's Articles of Association, the Company has procedures in place for managing conflicts of interest and for the Board to authorise potential conflicts of interest and impose any limits on a Director's participation in Board decision making relating to that conflict. A conflicted Director is not involved in the decision to authorise his/her own conflict of interest. This process operated successfully for the year under review.

At the start of each Board meeting each Director reviews and confirms his/her other directorships and advisory roles or trusteeships held. Should a Director become aware that they, or their connected parties, have an interest in an existing or proposed transaction with the Company, they are required to notify the Board in writing or at a Board meeting.

The Company appointed Equiniti Limited ('Equiniti') as its partner for the provision of share registration services in February 2020. It is noted that Alison Burns is a director of Equiniti plc, the ultimate parent company of Equiniti. The Company confirms that Alison was not involved in the decision to appoint Equiniti.

AGM 2020 and 2019 Results

The Company welcomes interaction with shareholders at its AGM and the Chair of the Board and each of its Committees will be available at the AGM. Shareholders are entitled to vote on all resolutions put to the AGM and votes cast will be counted, whether in person or by proxy, by means of a poll on every resolution in the Notice of AGM. The Company engages with proxy voting advisers once the AGM Notice has been published and responds to queries and draft reports from those advisers.

The results of the votes on the resolutions, including the number of votes for and against each resolution and the number of shares for which the vote was directed to be withheld will be published on the Company's website and publicly available by means of formal announcement. Individual Directors offer themselves for election or re-election at each AGM.

The AGM will be held at 11am on 21 May 2020 at Saddlers' Hall, 40 Gutter Lane, London, EC2V 6BR. The Company confirms that it will send the Notice of AGM and related documentation to shareholders at least 20 working days before the meeting, either by post, to those shareholders who prefer a paper copy, or by email to those shareholders who have agreed that the Company can communicate with them electronically. The Notice of AGM and the Proxy form will be available from the Investors section on the Company's website.

All resolutions put to the Company's AGM in May 2019 were passed with a clear majority. However, the Board recognised that two resolutions, relating to the re-election of Gary Hoffman and Herman Bosman as directors of the Company, received votes against of 14.6% and 6.4% respectively of total votes cast. The Code requires a company to explain, when announcing voting results, what actions it intends to take to consult shareholders in order to understand the reasons behind at least 20 per cent or more of votes cast against a board recommended resolution.

Although the results for these two resolutions were below the 20% threshold, the Company Secretary provided an overview of the votes cast and how shareholders voted. The Board understands that the reasons for the votes against for Gary Hoffman, relate to his appointment as Chair, having previously held the role as the Company's Chief Executive Officer. Prior to his appointment as Chair, the Board consulted with all major shareholders at the time. No concerns were raised and the appointment was supported. The Board has provided a clear rationale for Gary's appointment within previous annual reports and, having spoken to major shareholders since last year's AGM, does not believe that the matter warrants further shareholder discussion at this time. In relation to the votes cast against Herman, representative of the Company's largest shareholder, Rand Merchant Investment Holdings Limited ('RMI'), the Board understands that this relates to his absence from four Board meetings during 2018. Whilst the Board expects all Directors to be present at all Board meetings, Herman is non-independent and his unavoidable absence on certain occasions did not compromise Board proceedings.

The results of voting at the 2019 AGM can be found on the RNS page of the Group's website www.hastingsplc.com.

Company website

Shareholders and other interested parties can access further information about the Company at www.hastingsplc.com.

Relations with shareholders

Stakeholder engagement

The Board is committed to promoting effective channels of communication with our shareholders and upholding good corporate governance as a means of building stronger and more engaged relationships with them. Our comprehensive and proactive Investor Relations engagement with the market helps us to understand investor views about Hastings, which are communicated regularly to the Board.

Shareholder engagement

In 2019, our Investor Relations engagement with institutional investors and analysts took place throughout the year. This allowed the opportunity for existing and potential new investors to engage with Hastings regularly, promoting dialogue on longer term strategic developments as well as on the recent financial performance of the Group.

The Directors, in conjunction with the senior executive team and Investor Relations team, participated in various forms of engagement, including investor meetings and conferences across many geographical locations, reflecting the increasingly diverse nature of our institutional ownership.

The management team also presented extensively to investors and analysts, primarily through hosting site visits at our head office in Bexhill, which promotes greater awareness and understanding of our business, our operations and our systems, and provides institutional investors with invaluable insight into what makes Hastings different.

During 2019, discussions with investors were focused on the financial results, and the progress made towards our vision and strategy, which was provided with our 2018 full year results.

The Chairman and Senior Independent Director also held meetings with our top institutional investors during the year with discussions focused on corporate governance, and we held an in person presentation of our 2018 full year results in February 2018, and of our 2019 half year results in August 2019. A webcast of each was made available to replay on our website shortly thereafter.

The Investor Relations section of our website is an important communication channel that enables the effective distribution of information to the market in a clear and consistent manner.

Our AGM

The Board and the management team continue to consider our AGM as a key date in the diary. The AGM provides us with our main opportunity to engage with shareholders, particularly our private shareholders, on the key issues facing the Group and any questions they may have. The Directors, including the Board Chair, were available for informal discussion either before or after the meeting.

Audit Committee

The Committee plays a key role in the governance of the Group's financial reporting and reviewing the robustness of internal controls.

On behalf of the Board, I am pleased to present our Audit Committee report for year ended 31 December 2019.

The report on the work of the Audit Committee for the year under review is detailed in this report confirming how the Committee has discharged its responsibilities under its terms of reference and the requirements of best practice corporate governance. In consultation with the Company Secretary and Chief Financial Officer, I ensure that all matters delegated to the Committee are considered and are reported to the Board as appropriate.

Role

The Audit Committee supports the Board by monitoring and reviewing the integrity of the financial statements, robustness of internal controls and fraud prevention measures and, in conjunction with the Risk Committee, ensuring that robust risk management systems are in place. The Committee also reviews the consistency of, and any changes to, accounting policies and standards, challenges the Viability Statement and going concern conclusion, the effectiveness of external and internal audit and ensures the Company provides clear, complete, fair, balanced and understandable financial reports to shareholders. The Committee is required to report its findings to the Board, making any necessary recommendations for action or improvements.

Membership

The Audit Committee during the year comprised the following Independent Non-Executive Directors and met the requirements of the UK Corporate Governance Code 2018 ('the Code') in that all Committee members are Independent Non-Executive Directors with relevant sector and financial experience and the Committee as a whole has competence relevant to the sector in which the Company operates. The Committee meets at least four times a year as a minimum and at other times as required.

Member	Member since
Teresa Robson-Capps (Chair)	July 2016
Thomas Colraine	September 2015
Pierre Lefèvre	September 2015
Ian Cormack	September 2015 until May 2019

Each member of the Committee has significant experience working with listed entities on matters relating to financial probity and internal control. In accordance with the Code, the Board has determined that the Committee Chair, Teresa Robson-Capps, has recent and relevant financial experience. Biographies of the Committee members are set out on page 72.

The Company Secretary acts as Secretary to the Committee and takes the minutes of all meetings. Although not Committee members, the External Auditor, KPMG LLP ('KPMG'), the Internal Auditor, Grant Thornton UK LLP ('Grant Thornton'), and Chief Financial Officer typically attend all meetings. The Chief Executive Officer is also notified of all meetings and may attend by invitation. At each meeting, the Committee has the opportunity to talk to the External and Internal Auditor without management present. Additionally, Underwriting's Chief Actuary and the independent external actuary, Willis Towers Watson Limited ('WTW'), are invited to attend the February and July Committee meetings to present the results of their biannual claims reserves reviews. The terms of reference for the Committee have been agreed by the Board and are available on the Group's website.

Key financial statement risks

The key financial statement risk relating to this year's financial results, which were reviewed by the Committee, related to the valuation of insurance contract liabilities. The level of reserves, and reasonableness of assumptions made in setting the reserves and required margins, approved by Underwriting's board, were reviewed and challenged by the Committee. The Committee also reviewed and challenged the full actuarial calculation performed by Underwriting's independent external actuary, WTW, of the level of reserves, as well as assumptions around claims development. Insurance contract liabilities are covered by Note 22 to the financial statements and further information on this risk is provided later in my report. The report to the Committee from the Company's External Auditor, KPMG, highlighted further potential audit risks relating to management override of controls, taxation uncertainties, IT controls and recoverability of the cost of investment in subsidiaries; these were fully reviewed and considered by the Committee.

Other potential financial statement risks in relation to revenue recognition, the valuation of goodwill, the valuation of intangible assets and the recoverability of customer receivables were considered by the Committee but were not deemed to be significant. The Committee considered that no indicators of impairment, or any recognition or recoverability issues, were identified as at 31 December 2019. In addition, HMRC continues its enquiries into the Group's business model including transfer pricing arrangements; the Committee considered management's view that the Group has correctly calculated and paid tax due for the years in question and was satisfied that the Group's position was clear and defensible, and appropriately recognised under the relevant accounting standards. The Committee considered and approved the appropriateness of the disclosures in the Financial Statements as both a significant judgement and a contingent liability.

"The Committee has continued its detailed scrutiny of the appropriateness of the Group's system of internal controls, and the robustness and integrity of the Group's financial reporting"

Changes to IFRS

IFRIC 23, Uncertainty over Income Tax Treatments, became effective in January 2019. It provides additional guidance on accounting for uncertain income tax positions. The Committee is satisfied that management's application of IFRIC 23 is appropriate given the ongoing HMRC enquiries.

The Committee received regular updates on the Group's progress towards adoption of new IFRS, including IFRS 17, the new insurance accounting standard, and IFRS 9 Financial Instruments. IFRS 17 is currently expected to apply from January 2022 and the Group has elected to apply the IFRS 9 deferral approach permitted by IFRS 4, with the result that IFRS 9 will be considered alongside IFRS 17. The Audit Committee has received updates on the proposed changes with the Exposure Draft Amendments to IFRS 17 and is considering how these will impact the Group using workshop sessions. While the impact of IFRS 17 has yet to be fully assessed, it is expected that it will have a significant impact on the measurement and disclosure of insurance and reinsurance contracts, with the principal changes expected to include discounting of claims liabilities, recognition of acquisition costs, revisions to the presentation of Consolidated statement of profit or loss and increased disclosures on portfolios of contracts.

Viability Statement

The Committee reviewed and challenged the principles underpinning the statement for 2019 as well as reviewing the Viability Statement itself, disclosed on page 29, along with the supporting forecasts and stress test models prepared by management. The Committee concluded:

- That the three year period covered by the Viability Statement aligns with the Group's internal long term forecasts and is an appropriate period over which to review the Group's viability;
- That the scenarios modelled reflected the crystallisation of the Group's principal risks, and that these were designed to be suitably severe but plausible scenarios;
- That management's assessment of viability was appropriate after consideration of forecast future cash flows, expected debt service requirements and undrawn finance facilities in each scenario; and
- That the disclosures made as to why the assessment period was selected, what qualifications and assumptions were made and how the underlying analysis was performed, was appropriate, clear and consistent with Financial Reporting Council recommendations.

Internal and external audit services

During the year the Committee reviewed the independence and performance of the Internal and External Auditors.

The internal audit function is managed and resourced via a third party relationship with Grant Thornton and brings an independent systematic, disciplined approach to the evaluation and improvement of the effectiveness of risk management control and governance processes. The independence of the internal audit function helps to ensure that accurate reports are provided to the Board, via the Audit and Risk Committees, without undue management influence on the function's activities.

The Company's annual Internal Audit Plan is overseen by the Committee and approved by the Board each year. During the year the Committee received internal audit reports covering Narrative Statutory Reporting, Risk Mitigation, Claims Customer Journey, Modelling Risk, Cyber and Data Security, Reserving and the Group's Business Continuity Plan. The Committee also reviewed reports provided to each of the subsidiary boards in relation to their own respective internal audit plans. No significant issues or concerns were brought to the Committee's attention but action plans to address findings from these reports were also considered.

A review of the performance and independence of the External Auditor, KPMG, was undertaken and no significant issues or concerns were identified and the continued independence of KPMG as External Auditor was confirmed. The Committee noted that KPMG had been the Auditor of the Company since its formation in 2015 and the lead audit partner, Salim Tharani, was appointed for the year ended 31 December 2016. The Committee concluded that KPMG continue to provide an effective external audit of the Group and the Committee recommended to the Board that the reappointment of KPMG be proposed at the forthcoming AGM in May 2020. The Committee does not recommend that the provision of external audit service to the Company be put to tender in the coming year.

As part of the Board effectiveness evaluation conducted at the end of 2019, the Audit Committee was itself subject to an appraisal by its members. The evaluation considered the effectiveness of processes and procedures established by the Committee to fulfil its duties, and the effectiveness of the systems of internal control, financial and regulatory risk management systems and those for monitoring the effectiveness and objectivity of the Internal and External Auditors. The performance of Committee members and the Committee Chair were also reviewed. The Committee has agreed a number of actions for the coming year in relation to the aforementioned areas.

Meetings

The Committee met six times during the year. The following matters were considered and challenged as appropriate by Committee members at these meetings:

Meetings

Area of focus	Matter considered
Financial and narrative reporting	• Reviewed the integrity of Financial Statements for the financial year ended 31 December 2018 and the appropriateness of accounting policies and going concern assumptions • Reviewed material matters in relation to the 2018 Annual Report and preliminary announcement • Reviewed and recommended for Board approval the 2018 Annual Report, Preliminary Statement and Annual Results Presentation • Reviewed and approved the Viability Statement for the 2018 Annual Report in conjunction with the Risk Committee noting the assumptions made and the results of stress testing • Reviewed the approach to claims reserving and reinsurance assets for the Group's Underwriting business • Reviewed and noted that the Committee's Report complied with Financial Reporting Council's guidance and best practice • Reviewed the control procedures in place for the production of the 2018 Annual Report and the condensed Consolidated Financial Statements for the half year ended 30 June 2019 • Confirmed and recommended to the Board that the 2018 Annual Report and Preliminary Announcement was fair, balanced and understandable • Reviewed the integrity of the condensed Consolidated Financial Statements for the half year ended 30 June 2019 and the appropriateness of accounting policies and going concern assumptions • Confirmed and recommended to the Board that the condensed Consolidated Financial Statements for the half year ended 30 June 2019 were fair, balanced and understandable • Reviewed and recommended for Board approval the financial statements, Preliminary Statement and Analyst Presentation in relation to the half year ended 30 June 2019 • Reviewed the impact of the Ogden Rate change announced by the UK Government in July 2019 • Received an update on the adoption of IFRS 15 and IFRS 16 that came into effect from 1 January 2018 and the IASB publication on IFRIC 23 Uncertainty over Income Tax Treatments • Reviewed developments in IFRS and their impacts and key accounting issues particularly in relation to IFRS 9 and IFRS 17 and internal preparations for those developments • Reviewed plans for the production of the Annual Report and Accounts, and Results Presentation for the year ended 31 December 2019
Internal control and compliance	• Received and reviewed reports from the Internal Auditor in relation to the Company's internal audit plan and those of its subsidiaries • Reviewed the internal control framework • Reviewed the Internal Auditor's annual assessment of the overall effectiveness of the Group's governance, risk and control framework • Reviewed the Internal Auditor's performance during 2019 and approved the Internal Audit Plan for 2020 • Reviewed the Group's arrangements for the provision of Internal Audit services
External audit	• Reviewed and considered the Audit Highlights Memorandum and Auditor's report for the 2018 Annual Report • Reviewed the performance and independence of the External Auditor • Reviewed and approved audit/non-audit expenditure incurred by the Company during 2018 and 2019 • Considered qualifications and expertise of the External Auditor and put forward a resolution to re-appoint KPMG LLP at the forthcoming AGM and for the Committee to agree auditors' remuneration • Reviewed and agreed the Company's policy for the tendering of external audit services • Reviewed and approved the audit fee, plan and approach for the financial year ended 2019 • Reviewed and agreed the provision of certain non-audit services by the External Auditor • Reviewed, and approved amendments to the Group's Policy on provision of Audit and Non-Audit Services • Met with the External Auditor without management present
Governance/ other matters	• Reviewed the Committee's terms of reference and confirmed they had been adhered to during 2019 • Conducted an annual review of Committee effectiveness and agreed an action plan to further improve Committee operations • Confirmed compliance with UK Corporate Governance Code 2018 and explanations for any non-compliance in relation to the financial year ended 2019 • Reviewed and recommended for Board approval the Group's Tax Strategy and Policy • Received updates on financial reporting governance developments and best practice

How the Committee addresses significant factors relating to the Financial Statements and matters communicated to the Committee by the Auditor

Financial Reporting and Significant Financial Judgements

Provision for outstanding claims

The provision for outstanding claims is an area of significant judgement as it estimates the cost required to settle all unpaid claims, both reported and incurred but not reported, at the balance sheet date.

The Group's Underwriting business has accumulated significant experience of projecting future claims development and has a detailed understanding of how ultimate liabilities develop over time based on initial notifications, environmental conditions and changes to legislation or reporting processes. This experience is built into the Reserving Policy and the actuarial models used to calculate the year end claims reserves, which are overseen by Underwriting's Reserving Committee. The Reserving Committee is a sub-committee of the Underwriting Board responsible for oversight of the process and recommending the appropriate level of claims reserves. There are controls in place surrounding the data used by the internal actuaries and estimates and assumptions are internally peer reviewed. This approach applies rigour and independence to the calculation of a best estimate. An appropriate margin is applied over the actuarial best estimate to allow for uncertainty and volatility. Underwriting's external actuary prepares an independent projection of claims reserves and the Reserving Committee considers both the internal and external estimates and reviews the differences to aid understanding of the level of uncertainty within the calculations.

Having been recommended by Underwriting's Reserving Committee and approved by the Underwriting board, detailed papers were provided to the Committee explaining the methodology used, how the Reserving Policy has been applied and the judgements applied in the actuarial calculations that support the provisions made. These papers included reports and calculations provided by the external actuary, as well as detail on the assumptions made by peril. The Committee met with management and considered explanations from both the internal and the external actuaries to deliberate over the methodology applied, the best estimate calculations and the external actuary's independent report. Extensive information on reserving levels was provided to support these discussions and to enable the Committee to assess the adequacy of the reserves, level of prudence and appropriateness of the margin held. Any variances between the internal and external best estimates were debated and understood.

The Audit Committee also asked the External Auditor to provide an update on the procedures used to test the reserving process, best estimate and margin calculations in accordance with the applicable accounting and auditing standards.

Having considered all the information presented and having satisfied itself with the enquiries made, the Committee confirmed it was satisfied with the Group's approach and the completeness and reasonableness of the provision for claims outstanding held.

Taxation uncertainties

HMRC ongoing enquiries has created potential for uncertainty in the Group's income tax treatment, particularly the sufficiency of transfer pricing between Hastings Insurance Services Limited and Advantage Insurance Company Limited. The Committee has engaged with management to understand the nature of the enquiries, the probable acceptance of the Group's current tax treatment by the relevant tax authority and the adequacy and completeness of the Group's disclosure in relation to the matter.

Having considered all the relevant information presented and responses from the enquiries it made, the Committee confirmed that it was satisfied that the Group had correctly applied the requirements of IFRIC 23 Uncertainty over Income Tax Treatments and adequately disclosed the judgements involved in the Consolidated Financial Statements (Note 3 Judgements). In addition, the Committee confirmed that it was satisfied with the adequacy and completeness of the disclosures relating to this uncertainty including the Group's contingent liabilities disclosure.

Significant issues related to the Financial Statements

No other significant issues were identified relating to the Financial Statements or raised by the External Auditor during the year and in relation to the 31 December 2019 year end.

Priorities for 2020

In the coming year the Committee will focus on:

- continued monitoring of the Group's reserving process;
- understanding the impacts of the UK Government's independent review of the audit regulator, the Financial Reporting Council ('FRC'), and the statutory audit market investigation conducted by the Competition and Markets Authority;
- assessing the impact of IFRS 17 Insurance Contracts and IFRS 9 Financial Instruments to the Group and reviewing management's implementation plans to ensure the Group is ready to comply with the new standard as it becomes effective;
- ensuring the Group's internal audit function continues its systematic and disciplined approach over key focus areas;
- assessing the impact on internal processes and reporting from changes resulting from corporate governance reforms;
- understanding the implications for the Group of the potential remedies contained in the FCA interim report on General Insurance pricing practices, and reviewing the final report which is expected to be released early in 2020; and
- continue to monitor that the IT controls within business operations are robust and effective.

Policy on the Provision of Audit and Non-Audit Services

Under the provisions of the UK Corporate Governance Code 2018 ('the Code'), the Committee is required to oversee the relationship with the External Auditor and keep the nature and extent of non-audit services under review. The Committee must satisfy itself that the independence and objectivity of the External Auditor are not compromised.

The Committee reviewed and recommended to the Board a fully Code compliant Group Policy on the Provision of Audit and Non-Audit Services in 2018 which was updated to reflect the requirements of the FRC's Ethical Standards for Auditors. The policy was also reviewed during the year and an amendment relating to the time period within which the Company would be prohibited from offering employment to any member of the audit team was amended in line with KPMG's general terms of business to two years.

The policy requires the Committee's approval for certain services such as where the service is not directly related to the annual audit or involves a closer working arrangement between a Group company and the External Auditor that may significantly reduce the Auditor's independence. The policy also prohibits the External Auditor from performing certain services to the Company regardless of Committee approval. A non-exhaustive list of such services includes the design and implementation of internal control, financial, accounting and risk management systems, actuarial or legal services, secondments to management positions, talent searches for executives, directors and/or senior financial managers, tax or payroll services and due diligence for acquisitions or joint ventures. The Group's policy takes account of the requirements of the updated FRC Ethical Standard issued in December 2019. As a result of the Ethical Standard changes that become effective from March 2020, the list of permissible services will be specific. The Group does not expect its policy to materially change as a result of the revised Standards.

Fees payable to the External Auditor for non-audit services in a calendar year should not exceed 70% of the average of the audit fees paid by the Group in the previous three consecutive years. Services required by law or regulation (for example review or audit of regulatory returns) are excluded from the definition of non-audit services to be included in the calculation of the 70% cap. Once the amount of fees payable for non-audit services in any calendar year exceeds 50% of the average of the audit fees paid by the Group in the previous three consecutive years, this shall be reported to the Committee as soon as practicable and regular updates provided thereafter to ensure any potential breach of the 70% cap can be avoided. Prior approval by the full Audit Committee is not required for clearly trivial non-audit services which are defined as any non-audit-related service where fees are expected to be below £25k in aggregate per annum for the Group (although the Chair of the Committee must be consulted before such services are engaged); the service is directly related to the annual audit (where permitted by the Policy) and the service does not involve a closer working arrangement between a Group company and the External Auditor that may significantly reduce the auditor's independence.

In the Committee's assessment of the effectiveness of the external audit process, KPMG was asked to articulate the steps that it had taken to ensure objectivity and independence. The Committee monitors the Auditor's performance, behaviour and effectiveness during the exercise of their duties, which informs the Audit Committee's decision whether to recommend reappointment on an annual basis. The total amount paid for non-audit work during the year was £0.2m (29% of average audit fees for 2019) and was for assurance services connected to KPMG's role as statutory Auditor.

Fair, balanced and understandable

The Board sought advice from the Committee as to whether the information presented in this Annual Report, when taken as a whole, is fair, balanced and understandable and contains the information necessary for shareholders to assess the Group's position and performance, business model and strategy. The steps taken by the Committee, or on its behalf, to provide this advice to the Board included delegating to a group of senior individuals within the Group to draft the Annual Report, with each of these individuals having responsibility for the production of certain sections of the document and/or reviewing its entire content. Following a detailed review of the Annual Report, the Committee concluded that it is fair, balanced and understandable and contains the information necessary for shareholders to assess the Group's position and performance, business model and strategy and advised the Board accordingly.

The Committee also considered the use of alternative performance measures ('APM') as part of the Company's financial reporting. The Committee agreed that the use of APM by the Company was appropriate as they provide beneficial and useful insight into the Group's performance for shareholders and other stakeholders.

Discharge of responsibilities

During the year under review, the Committee has continued its detailed scrutiny of the appropriateness of the Group's system of internal controls, and the robustness and integrity of the Group's financial reporting, along with both the internal and external audit processes. The Committee has devoted significant time to reviewing these areas, which are integral to the Group's core management and financial processes, as well as engaging regularly with management. The Committee has, where necessary, taken the initiative in requesting information in order to provide the constructive challenge appropriate for its role.

Teresa Robson-Capps
Chair of the Audit Committee
26 February 2020

Nomination Committee

I am pleased to present the report on the work of the Nomination Committee for the year ended 31 December 2019.

Role

The Committee is a formal sub-committee of the Board with its own terms of reference. The principal purpose of the Nomination Committee is to review the composition and evaluate the balance of skills, knowledge and experience of the Board. It also leads the process for the appointment of new Executive and Independent Non-Executive Directors to the Board and makes appropriate recommendations to the Board on such matters as skill mix and diversity. It oversees the succession planning process for Executive Directors and senior executives. The Committee meets at least once a year as a minimum and at other times as required.

Membership

Member	Member since
Thomas Colraine (Chair)	September 2015
Alison Burns	April 2018
Elizabeth Chambers	May 2019
Ian Cormack	September 2015 until May 2019

Biographies of the Committee members are set out on page 72. Ian Cormack resigned as a Committee member upon his resignation as a Director and Elizabeth Chambers became a member upon Ian's departure. The terms of reference for the Committee have been agreed by the Board and are available on the Group's website.

The Chief Executive Officer may be invited, from time to time, to attend meetings of the Committee. The Committee obtained information and advice during the period under review from the Group HR Director, the Company Secretary and, where appropriate, the Executive Directors. It also sought advice from any other employees as required. As permitted by its terms of reference, the Committee engaged the advice and support of Russell Reynolds as independent executive search consultants at the expense of the Company to consider executive and non-executive succession options.

Board changes

As announced in January 2019, Richard Hoskins, Chief Financial Officer, expressed his intention to retire and a search for his predecessor was undertaken by the Committee who engaged executive search agents, Russell Reynolds Associates Limited. A suitable pool of candidates from diverse backgrounds was sourced and candidates were selected based on their experience and abilities. After a thorough and robust consideration of all potential candidates, John Worth emerged from a list of high calibre candidates as a suitable successor. John is a Chartered Accountant with extensive experience in the financial services industry, serving most recently as CFO of MS Amlin, The Co-operative Bank plc, Hiscox plc and Aspen. Prior to this he was Group Financial Controller of Barclays plc and a partner in the Retail Banking group of Ernst & Young LLP. The Committee recommended John for appointment due to his breadth of skills and experience within financial services and was seen as a good fit for the Group's culture and ways of working. John's appointment was finally recommended to, and approved by, the Board in January 2019 and he joined as a Director the following May.

In March 2019, Ian Cormack, Independent Non-Executive Director announced that he did not intend to seek re-election at the Company's Annual General Meeting in May 2019. Ian had been appointed on 3 September 2015 and indicated that, due to broader external commitments, he was unable to ensure that he could continue to devote sufficient time and attention to his duties for the Company. The Committee recommended to the Board that it did not intend to seek a replacement Independent Non-Executive Director as it considered the composition of the Board will remain appropriate in terms of its size, independence, and diversity. This position was reconfirmed at the end of the year.

Since the IPO in 2015, there have been a number of changes to the Board. At the time of the IPO Mike Fairey was appointed to help guide the Company through the IPO and its early years as a listed entity, and to establish a strong Board to underpin the Company's future growth and development. Mike resigned at the AGM in 2018 after three years as Chair. Gary Hoffman has been a key individual in the Group's success, not only in the years leading up to the IPO, but in the period since.

The Board therefore regarded retaining Gary's services as Chair as critical to the Group's continued success and this remains the case. Toby van der Meer, who was the Managing Director of the Company's UK trading subsidiary, Hastings Insurance Services Limited from 2011, was appointed to the Board with effect from 1 March 2018 as Chief Executive Officer succeeding Gary. Toby has played, and continues to play, a pivotal role in the significant growth and development of the Group's business. Two Independent Non-Executive Directors have resigned since 2015; the reason for their resignations related to external commitments where they believed that were no longer able to fully commit themselves to their roles with the Company. I am pleased to reiterate that the Company has made great strides in appointing experienced and knowledgeable female Directors to the Board in line with the UK Government's recommendations; over a third of Board members are female.

Following the Board changes in 2018 and 2019, the Committee confirms that the Board continues to have an appropriate number of Independent Non-Executive Directors and that no individual or small group of individuals can dominate the Board's decision taking.

When proposing the appointment of Directors, whether Executive or Non-Executive, the Committee considers the independence, skills, knowledge and experience that a candidate possesses compared to those of the current Board members. Selection of candidates also takes into consideration the breadth of knowledge that the Board has and the need to provide a well-balanced environment which encourages scrutiny and appropriate challenge. The Committee is also committed to ensure that the Board is representative in terms of diversity, and candidates from a wide range of disciplines and experience are considered for all appointments. The Committee abides by the Company's policy to ensure that the best candidate is selected for all positions and the Board does not intend to adopt a quota system with prescriptive, quantitative targets. In conclusion, the Committee believes the Board has an excellent mix of experience, skills and backgrounds.

Board and Committee composition and review

As required by the Code, a listed company's board and its committees should have the appropriate balance of skills, experience, independence and knowledge of the company to enable them to discharge their respective duties and responsibilities effectively. The board and its committees should also meet relevant independence criteria in terms of the number of Independent Non-Executive Directors.

Succession plans and talent development for the Executive Directors and senior executive management were reviewed by the Committee throughout the year and advice was sought from independent, external search agencies in relation to establishing a pipeline of potential successors, either externally or internally. The Committee further considered whether there is a sufficient and continuous supply of suitable, highly qualified internal candidates who will be able to be considered for Board membership or senior executive management. The Committee also reviewed and approved a number of appointments to fill vacancies to support succession plans within the senior management and executive teams as well as the ongoing enhancement of internal controls and oversight.

> "The composition of the Board remains appropriate in terms of its size, independence, and diversity"

Board and Committee changes during 2019

Director	Board or Committee	Appointment	Resignation
Richard Hoskins	Board		10 May 2019
John Worth	Board	10 May 2019	
Ian Cormack	Board Nomination Committee Remuneration Committee		23 May 2019
Elizabeth Chambers	Nomination Committee Remuneration Committee	23 May 2019	

Independent Non-Executive Directors, Teresa Robson-Capps and Alison Burns, reached the end of their first three year term as Board members in July 2019. The Nomination Committee reviewed their contribution, time commitment, effectiveness and independence and made recommendations to the Board. Taking into account the balance of skills, experience, independence and knowledge of the Company of these Directors, the Committee recommended to the Board that they be re-appointed for a further three year term. Neither of these Directors was involved in discussions or approval of their re-appointment at the relevant meetings of the Committee or the Board. All Directors are subject to election or re-election at every AGM.

During the year several changes were considered by this Committee in relation to the membership of all Board Committees. Ian Cormack was a member of the Audit, Remuneration and Nomination Committees and, following his resignation in May, the Committee recommended that Elizabeth Chambers be appointed to the Remuneration and Nomination Committees. The Committee reviewed the composition and experience of the Audit Committee and recommended that no further membership changes be made.

The Committee also considered requests from various Non-Executive Directors seeking consent for appointments with private and public listed entities outside of the Group. The Committee reviewed the time commitment required from each relevant Director in fulfilment of their duties and responsibilities for the Company and other existing external appointments. Having taken these into consideration, during 2019 the Committee recommended Teresa Robson-Capps' appointment as Non-Executive Director of FIL Investment Services (UK) Limited and Alison Burns' appointment to the National House-Building Council.

No Committee member was party to discussions or the recommendation for approval in relation to their own Committee or external Board appointments. As required under Listing Rule 9.6.14, in relation to director appointments to publicly listed boards, the Company was not required to make any announcements.

The Committee recognises all of the Non-Executive Directors as independent with the exception of Sumit Rajpal and Herman Bosman, as they represent major shareholders in the Company, and Gary Hoffman, who was previously the Group's Chief Executive Officer.

Following its review of Board and Committee composition, the Committee confirms that:

- the size and composition of the Board and its Committees is deemed to be appropriate for the Company's circumstances and meets the requirements of the Code's independence criteria;
- the Board is considered to be well diversified across age, gender and ethnicity metrics;
- the Board has an appropriate mix of industry and technical experience, although future consideration may be given to individuals with experience within other, relevant industries; and
- Committee membership is evenly spread across the Independent Non-Executive Directors, with each a member of at least two Committees.

Board diversity

The Board is responsible for setting the Group's values and standards and ensuring that obligations to its shareholders and others are understood and met. The Committee reviewed the composition and diversity of the Board, taking into account a presentation of the Group's approach progress to achieve a further broadening of diversity amongst all colleagues. Following that review, the Committee was satisfied that the Board adequately reflects the diversity of the wider workforce.

Last year the Company achieved the UK government's target of having a minimum of 33% female representation on FTSE 350 boards by 2020. The Company responded to the Sir John Parker Review survey on the composition of the Board in relation to the number of Directors who are from Black, Asian and Minority Ethnic ('BAME') origins. The Committee can confirm that 18% of Directors identify themselves as from BAME origins. The Committee and the Board does not have, nor does it intend to adopt, a quota system.

Meetings

The Committee met twice during the year. The following matters were considered and challenged as appropriate by Committee members at these meetings:

Meetings

Area of focus	Matter considered
Composition of the Board, Committee and senior executive and succession planning	• Recommended the appointment of John Worth as a Director and Chief Financial Officer • Considered the contribution and time commitment of all Directors • Considered the contribution, time commitment, effectiveness and independence of two Non-Executive Directors (Teresa Robson-Capps and Alison Burns) and recommended for Board approval their re-appointment to the Board for a second three-year term • Reviewed the composition and Chairs of the Board Committees and made recommendations to the Board for its approval • Considered requests from Non-Executive Directors for appointments to external private and public listed company Boards and made recommendations to the Board for approval • Reviewed progress on succession planning and talent development for Executive Directors and senior executives • Endorsed proposals for appointments to the board of each of the Company's trading subsidiaries, upon recommendation of those respective boards • Reviewed the composition of the Board evaluating the balance of skills, knowledge and experience • Considered how and if the Board reflected the diversity of the Group and the market within which it operates • Reviewed the Group's objectives, approach and future plans for diversity and inclusion
Governance/ other matters	• Reviewed its terms of reference and confirmed the Committee's adherence to during 2019 • Conducted an annual review of Committee effectiveness and agreed an action plan to further enhance Committee activities

Priorities for 2020

In the coming year the Nomination Committee will focus on:

- enhancing plans for diversity and inclusion;
- succession planning and talent development for senior executives; and
- reviewing the composition of the Board, taking into account the diversity of skills and background.

As part of the Board effectiveness evaluation conducted at the end of this year, the Committee was also subject to an appraisal by its members. The evaluation considered how it discharged its responsibilities as well as the performance of the Committee members. No significant issues were identified and the Committee has agreed a number of actions and priorities for the coming year.

Thomas Colraine
Chair of the Nomination Committee
26 February 2020

Risk Committee

I am pleased to present the report of the Risk Committee for the financial year ended 31 December 2019.

Role

The Board has ultimate responsibility for the Group's risk management framework and delegates the oversight of this to the Risk Committee. The Committee is a formal sub-committee of the Board with its own terms of reference. The principal purpose of the Risk Committee is to advise the Board on risk management matters, recommend the Group framework of risk limits and risk appetite to the Board for approval, and oversee the risk management arrangements of the Company and its regulated trading subsidiaries. The Committee meets four times a year as a minimum and at other times as required.

Membership

Member	Member since
Pierre Lefèvre (Chair)	September 2015
Alison Burns	July 2016
Teresa Robson-Capps	July 2016
Selina Sagayam	June 2018

Biographies of the Committee members are set out on page 72. The Company Secretary acts as Secretary to the Committee and takes the minutes of meetings. The terms of reference for the Committee have been agreed by the Board and are available on the Group's website.

The Committee obtained information and advice during the period under review from the Risk Function, the Company Secretary and, where appropriate, the Executive Directors. It may also seek advice from any other employees as required.

During the year the Committee performed a robust assessment of the Group's principal risks, strengthening and enhancing the Risk Management Framework by restating the types of risks to which the Group is exposed in a remodelled taxonomy, and concluded that overall risk types have not changed significantly since 2018.

The resulting taxonomy allows for a framework aligned to the Group's operating model and ethos and reflects the requirements of individual trading entities, allowing for risk management to become a core competency and integral part of business decision making.

Associated risk appetite statements are being shaped to underpin effective day to day risk management and ensure a consistent approach to risk mitigation and reporting is adopted holistically across the Group. Risk appetite continues to be reflective of the nature and extent of risk that the Group is willing to take and manage in pursuit of its objectives. The Group recognises that it is not possible, or necessarily desirable, to eliminate all risks inherent in its activities. Acceptance of some risk is necessary to promote agility, innovation and efficiencies. Overall the Group has a conservative approach to risk taking.

The taxonomy, together with supporting risk registers, reinforces understanding and creates an open environment for dialogue and challenge.

Extensive investment in information security remains a priority for the Group and the Committee has monitored the execution of core elements of its information security road map to reinforce existing measures; this includes establishing the Group as a valued and proactive member at the FCA sponsored Insurance Sector Cyber Co-Ordination Group. Group commitment to best practice was evidenced during the year with the achievement of UK Government accredited Cyber Essentials certification.

The Committee reviewed plans to further enhance operational resilience, and control discipline, and regulatory compliance whilst retaining agility of thought and action.

The Committee reviewed progress within each of its regulated trading entities towards meeting their respective obligations under new regulatory frameworks; the FCA's Senior Managers and Certification Regime in the UK and Gibraltar's Legislative Reform Program, ensuring plans and actions remained suitable and appropriate. Responses to regulatory initiatives were duly considered and noted. The Group fully supports the FCA's investigation into pricing practices within general insurance and actively works to ensure that the fair treatment of customers remains at the heart of its business operations.

Our commitment is to adopt standards of market conduct in line with regulatory obligations and good practice. Retail, authorised and regulated by the FCA, and Underwriting, authorised and regulated by the GFSC, each foster and maintain open and transparent relationships and communication with their respective regulator.

The potential impact of Brexit on the Group's business continues to remain a focus for the Committee and senior leadership team, the development of our Brexit risk assessment template allows for timely consideration of risks and the appropriateness of actions to mitigate. Ongoing review of Brexit and the political landscape ensures proportionate attention is applied to risks associated with all scenarios as they develop.

Our Viability Statement addresses the adequacy of financial resources to mitigate principal financial risks assessing capital, profit and solvency by testing, severe yet plausible, scenarios aligned to our top ranked risks and ORSA. The stresses applied to the Three Year Plan include the potential aggregated impact, at the Group level, of targeted Brexit scenarios. Underwriting solvency levels are forecast to exceed the predicted Solvency II ('SII') Solvency Capital Requirement throughout the business planning period, whilst Retail maintains sufficient capital resources to meet the regulatory threshold conditions.

As well as my role as a Director of the Company and Chair of its Risk Committee, I am also an Independent Non-Executive Director of Underwriting, and Chair of that company's risk committee. Along with my oversight of risk within Underwriting, I am updated on matters and concerns raised by the Retail risk and compliance committee enabling me to fully discharge my role as Risk Committee Chair. Significant issues from respective risk committee in each of Underwriting and Retail are summarised and included in papers for meetings of the Risk Committee.

"Ongoing development of risk management protocols continues to embed risk awareness and management framework into Group culture"

Meetings

The Committee met four times during the year. The following matters were considered and challenged as appropriate by Committee members at these meetings:

Meetings

Area of focus	Matter considered
Risk Management	• Reviewed and approved the Group's Risk Taxonomy • Defined, assessed and ranked Group risks and examined a number of critical risks in detail • Reviewed and challenged the Group and trading entities risk reports and risk profile • Examined in detail critical risks and risk events • Considered emerging risks across the Group • Reviewed and approved the mapping of Group risks to Principal Risks as reported in the Financial Statements • Reviewed and updated the Group's Risk Appetite Statements and risk indicators • Reviewed the outcome of the Internal Auditor's review of the Group's Risk Management Framework • Initiated a programme of deep dive topics and reviewed outcome reports • Received an update on Underwriting's annual Own Risk Self-Assessment • Reviewed, assessed and challenged the Group's plans for enhanced operational discipline and control whilst maintaining agility • Received updates and challenged the Group's approach to Information Security and Cyber risk • Reviewed regulated trading entities' progress towards compliance with the UK's Senior Managers and Certification Regime and Gibraltar's Legislative Reform Program • Reviewed the results of Retail's stress testing for the Financial Conduct Authority's Threshold Condition 2.4: Appropriate Resources • Received summary updates on the UK and Gibraltar regulatory environments • Reviewed and noted responses to trading entity activities to address regulatory initiatives • Reviewed and considered the Group and trading entity Health and Safety reporting and incident management for the year
Governance/ other matters	• Reviewed and approved the statements in the 2019 Annual Report related to Risk management • Reviewed and approved the Viability Statement for the 2019 Annual Report in conjunction with the Audit Committee • Reviewed its terms of reference and confirmed these had been adhered to • Conducted an annual review of Committee effectiveness and agreed an action plan to further enhance Committee operations • Considered and discussed Environmental, Social and Governance risk factors

Priorities for 2020

In the coming year the Committee will focus on:

- continued monitoring and implementation of FCA initiatives into General Insurance pricing practices and value measures, reducing customer harm, improving operational resilience, customers best interests and embedding a healthy sustainable culture;
- continued monitoring of actions to ensure the fair treatment of vulnerable customers;
- monitoring the Group's risk strategy with regard to pricing and reserving risk;
- continued measures to advance and enrich the risk management framework as the business grows and matures; and
- continued monitoring of the Group's risk management effectiveness via a series of deep dives into specific areas of risk.

As part of the Board effectiveness evaluation conducted at the end of this year, the Risk Committee was also subject to an appraisal by its members. The evaluation considered how it discharged its responsibilities as well as the performance of the Committee members. No significant issues were identified and the Committee has agreed a number of actions and priorities for the coming year.

Pierre Lefèvre
Chair of the Risk Committee
26 February 2020

Remuneration Committee

I am pleased to present the report of the Remuneration Committee for the financial year ended 31 December 2019.

Role

The Committee is a formal sub-Committee of the Board with its own terms of reference. Its primary role is to review and set the remuneration policy for the Executive Directors, within the context of salaries and benefits paid across the Group as a whole. It also makes discretionary performance related awards to Executive Directors and senior management. No Director or manager is involved in any decisions as to their own remuneration. The remuneration of the Chair is a matter for the full Board, whilst the Chair shall determine the remuneration of the Independent Non-Executive Directors within the limits set out in the Articles of Association. The Committee meets at least four times a year as a minimum and at other times as required.

Membership

Member	Member since
Thomas Colraine (Chair)	September 2015 (Chair since May 2018)
Alison Burns	July 2016
Ian Cormack	April 2018 until May 2019
Selina Sagayam	June 2018
Elizabeth Chambers	May 2019

Biographies of the Committee members are set out on page 72. In May 2019, Ian Cormack stepped down from the Board and the Remuneration Committee and Elizabeth Chambers replaced him on the Remuneration Committee. The Company Secretary acts as Secretary to the Committee. The terms of reference for the Committee have been agreed by the Board and can be viewed online at **www.hastingsplc.com/company-information/corporate-governance.**

The Chief Executive Officer may be invited, from time to time, to attend meetings of the Committee. The Committee obtained information and advice during the period under review from the Group HR Director, the Company Secretary and, where appropriate, the Executive Directors. It may also seek advice from any other employees as required. As permitted by its terms of reference, the Committee has engaged the advice and support of Deloitte LLP as independent remuneration consultants, at the expense of the Company.

The policy and approach to executive remuneration continues to reflect corporate governance requirements and best practice, shareholder interests, and context of the wider workforce.

The Committee met four times during the year to assess performance and consider developments in the market along with reviewing external benchmark data.

The activity of the Committee is detailed below and further explanation of these activities is provided in my annual Committee Chair statement on page 99.

Remuneration Report and Policy

The Directors' Remuneration Report ('Report') and Remuneration Policy ('Policy') follow this Committee report.

The Policy was placed before shareholders for approval in a binding vote at the AGM in May 2019, and received 98.3% shareholder support.

The Annual Report on Remuneration for 2019 will be placed before shareholders for an advisory vote at the AGM on 21 May 2020.

The Committee is conscious of the considerable attention executive remuneration continues to attract from institutional shareholders, governments and other stakeholders. This was notable in 2019 as companies responded to the new requirements set out in the revised UK Corporate Governance Code and associated shareholder and proxy agency guidance. Hastings presented a new Directors' Remuneration Policy to shareholders in 2019, which complied with the new Code. The Committee is aware that market practice will continue to evolve this year as a number of companies issue their new policies and will follow developments to ensure the implementation of remuneration policy at Hastings remains in line with good practice, as appropriate.

Meetings

The following matters were considered by the Committee in 2019:

Meetings

Area of focus	Matter considered
Remuneration policy and practice	• Finalised new Directors' Remuneration Policy • Reviewed performance of the CEO, CFO and senior executives in context of bonus plan performance targets and overall colleague bonus pool • Approved changes to remuneration of certain senior executives in context of appointments and role changes endorsed by the Nomination Committee • Reviewed the vesting outcome for the 2016 LTIP • Reviewed performance measure projections for the 2017 and 2018 LTIP • Reviewed proposed performance measures for the 2019 LTIP and approved the award • Considered and approved the package for the new CFO and confirmed the leaver arrangements for the departing CFO • Considered market and other benchmark data for Executive Director remuneration and that of other senior executives • Reviewed remuneration arrangements in place across the wider workforce, including salary bands, benefits, pension and bonus design with due consideration of all diversity dimensions
Narrative reporting	• Reviewed draft mandatory annual Gender Pay Gap report for the Group • Reviewed and approved the Directors' Remuneration Report for the financial year ended 31 December 2018 • Reviewed investor guidance for remuneration reporting for 2019
Remuneration governance and practice developments	• Reviewed new voting guidelines of institutional shareholders and proxy agencies • Received updates from Deloitte LLP on current developments for executive remuneration including companies' responses to the new UK Corporate Governance Code
Governance/ other matters	• Conducted an annual review of Committee effectiveness and agreed an action plan to further enhance Committee activities

Priorities for 2020

In the coming year the Remuneration Committee will focus on:

- in relation to the Chief Executive Officer, Chief Financial Officer and senior executive management within the Group's trading entities:
  - assessment of Group performance against 2020 targets and approval of bonus awards for 2020;
  - approval of bonus performance measures and targets for 2021;
- review of feedback from shareholders in relation to the implementation of the Policy in 2020; and
- development of market practice in relation to the remuneration elements of the new UK Corporate Governance Code;
  - assessment of the ongoing appropriateness of remuneration arrangements and remuneration trends and market practice, including;
  - recommendation for approval by the Board of awards and performance conditions under the Company's Long Term Incentive Plan; and
  - further consideration of performance conditions attaching to future awards under the Company's Long Term Incentive Plan.

"The policy and approach to executive remuneration continues to reflect corporate governance requirements and best practice, shareholder interests, and the context of the wider workforce"

For and on behalf of the Remuneration Committee

Thomas Colraine
Chair of the Remuneration Committee
26 February 2020

Annual statement from the Remuneration Committee Chair

Dear Shareholders

On behalf of the Board, I am pleased to present our Directors' Remuneration Report ('Report') for the year ended 31 December 2019.

A new Directors' Remuneration Policy ('Policy') was subject to a binding shareholder vote at our Annual General Meeting ('AGM') in May 2019. We were pleased that 98.3% of shareholders voted in favour of our Policy, and that 99.7% voted in favour of our 2018 Report, and would like to thank our shareholders for their support.

Our Report for the 2019 financial year is included after this statement and this will be subject to an advisory vote at the AGM in May 2020. The Policy has not been changed this year and therefore there no resolution is proposed. The Policy is included after the Report for information only.

Remuneration in context

In 2019, the Group has operated within challenging market conditions with claims inflation exceeding premium inflation across the industry. This has led to a higher loss ratio outside the full year target range as claims costs continue to be elevated, leading to a below target adjusted operating profit of £109.7m.

In spite of these challenges, we have maintained a strong capital position. The Group's Underwriting business has maintained a Solvency II coverage ratio of 151%, well within our target range of 140% - 160%, and our Retail business has generated retail free cash of £76.0m, allowing the Board to recommend a payment of a 5.5p dividend per share.

The Group continued its focus on investment in our strategic, operational and technology initiatives and made good progress, including on renewals, digital capabilities and claims management transformation. These have delivered a 5% increase in retention rates and we have also gone live with our new fault repair services partners. Our Net Promoter Score is 11 points higher than 2018 and record levels of customers used digital channels to contact us in 2019.

We also made pleasing progress in a number of other areas assessed under our 4Cs way of working. A survey revealed that 92% of colleagues believe that Hastings is a place where people from different backgrounds can work together positively, an increase from previous years, emphasising the progress of our colleague and culture initiatives. Our community efforts continue to make a difference in the local area and we are pleased that our customers have now helped us reach the milestone of raising over £1.0m for good causes over the last eleven years.

The Committee considered Company performance and the shareholder experience throughout the year when determining remuneration outcomes and implementation, and is satisfied that executive pay is appropriate in the context of the Company's performance.

Implementation of the Directors' Remuneration Policy

In 2018, the Committee reviewed the Executive Directors' remuneration arrangements and concluded that some changes should be made. We consulted with our largest shareholders and the proxy voting agencies and were pleased with the overall support shown for the changes. At the AGM in May 2019, shareholders approved the new Remuneration Policy. The Policy included the following changes, which were implemented in 2019 and will apply in 2020:

Annual bonus – opportunity increased from 100% to 150% of salary, with deferral levels increased from 25% to 33% of the award.

Long Term Incentive Plan – reduction in normal maximum opportunity from 225% to 200% of salary, and introduction of a two-year holding period following vesting for all awards granted from 2019.

For 2020, the performance measures for the bonus will remain unchanged. The Committee has reviewed the weightings for the annual bonus and for 2020, the bonus will be based 70% on financial performance and 30% on non-financial performance. Financial performance will again be measured with reference to adjusted operating profit targets. Non-financial performance is also an important part of the overall reward framework at Hastings and, through our 4Cs model, we ensure that a wide range of corporate objectives remain a key area of focus. These objectives include culture and diversity, health and safety, data security, community impact, customer service and retention, delivery of key strategic projects and business planning.

The 2020 Long Term Incentive Plan ('LTIP') will be based 50% on relative total shareholder return ('TSR') and 50% on cumulative earnings per share ('EPS'). The Committee reviewed the performance conditions in the year and, conscious of increased focus on incentivising the delivery of key non-financial objectives considered whether a third measure might be appropriate. A number of potential approaches were discussed but the Committee decided that these needed further development and consideration; it was therefore determined that, for 2020, no changes would be made but that a further review would take place prior to granting LTIP awards in 2021.

The Committee has set cumulative EPS targets of 36p at threshold and 50p at maximum for the 2020 awards. We recognise that these are lower than the targets for the 2019 awards but we consider them appropriate in the context of our stretching long-term plan, consensus forecasts (which reflect current market conditions) and the significant growth that the Executive Directors will be required to deliver over the three years from 1 January 2020.

The Committee considered Hastings' recent share price performance in early 2020, prior to confirming award levels under the 2020 LTIP. The decline in share price performance since the grant of 2019 awards was noted; however, the Committee concluded that, given the 2019 awards were granted at a time when the share price was at its highest for the year, no reduction would be made for this year. We will closely monitor share price performance each year to determine whether future adjustments to award levels are appropriate.

A number of changes were also made in response to the new UK Corporate Governance Code ('the Code'), notably on pension provisions for new executive hires and post-employment shareholding guidelines. Following a review of the Group's pension arrangements in 2019, all employees are now entitled to a maximum company contribution level of 10% of salary, in line with the Executive Directors. Page 102 describes how Hastings complies with the Code.

Remuneration decisions in the year

Executive Director salary levels

In light of business performance throughout the year and a tough external market, the Committee agreed to a salary freeze for 2020 for both the Chief Executive Officer and Chief Financial Officer. This is below the average increase across the company of c. 2.6%.

2019 annual bonus payments

As in prior years, the annual bonus awards are determined by reference to predetermined targets, including adjusted operating profit, as well as overall corporate and individual performance within our 4Cs framework including objectives aligned to colleagues, customers, company and community. This ensures a balanced overall assessment of performance, in line with best practice. Further information on the 4Cs is provided in the Corporate Responsibility report on page 37.

This bonus framework applies to all colleagues on a consistent basis. When considering remuneration outcomes, the Committee carefully considers the distribution of bonuses across the entire business to ensure it is fair and equitable.

As the Company's adjusted operating profit decreased from last year to £109.7m, performance was below the level required for payment at threshold. Therefore, there was no payout on this element of the bonus for 2019.

In recognition of the achievements in relation to the non-financial objectives within the context of the 4Cs framework in the year, the Committee determined that a bonus of 20% of salary be paid to the Chief Executive Officer and Chief Financial Officer. The Committee reviewed the outcome and considered that, while there had been no payment in respect of the financial element, the overall outcome was appropriate in the broader context of company and individual performance. This year we have expanded the level of detail disclosed on the performance assessment for the non-financial element, in response to feedback last year from shareholders and proxy agencies.

The new Chief Financial Officer's bonus was pro-rated to reflect his time in the role. In line with the Policy, 33% of the bonus will be deferred into awards over Company shares.

Details of how the bonus outcomes were calculated are set out on page 104.

Long Term Incentive Plan awards vesting in the year

The 2017 LTIP award had a performance period ending on 31 December 2019. Vesting was based on two performance measures, relative TSR and EPS, weighted equally. Relative TSR performance was below median, and EPS performance was below the level required for threshold vesting, leading to nil vesting. No discretion was used to alter the outcome under the formulaic calculation.

Board changes

In May 2019, Richard Hoskins retired as Chief Financial Officer and John Worth succeeded him. John Worth's remuneration was set in accordance with the Policy and he was entitled to receive a pro-rated bonus for the 2019 year. He also received an award under the LTIP in 2019. Further details of John Worth's remuneration in the year, and the treatment of Richard Hoskins's remuneration on departure, are shown in the Annual Report on Remuneration.

Conclusion

We hope that this Report clearly explains our remuneration approach and that it enables an appreciation of how it links to our strategy. We value the views of our shareholders and we actively welcome any feedback on our Report.

We hope to receive shareholder support for the Report at our AGM on 21 May 2020.

Thomas Colraine
Chair of the Remuneration Committee
26 February 2020

Annual report on remuneration

This section sets out how the Directors' Remuneration Policy ('Policy') of the Company has been applied during the year and details how the Committee intends to apply the Policy going forward. An advisory shareholder resolution to approve this report will be proposed at the AGM in May 2020.

Compliance statement

This is the Company's Directors' Remuneration Report ('Report') which has been produced pursuant to, and in accordance with, the Listing Rules, section 420 of the Companies Act 2006, and Schedule 8 to the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended). The Company also complies with the requirements of the UK Corporate Governance Code ('the Code'). This Report contains both audited and non-audited information.

Overview of Executive Directors' Remuneration Policy and approach for 2020

An overview of the key remuneration elements in place for Executive Directors and details of the implementation of the Policy for 2020 are set out below.

Key remuneration elements for Executive Directors

Key element	Summary of Policy	Details of approach for 2020
Base salary	Salaries are normally reviewed annually, with any increase usually taking effect from March.	Chief Executive Officer salary of £510,000 (no increase from 2019) Chief Financial Officer salary of £475,000 (no increase from 2019)
Pension	The Company operates a defined contribution scheme. The maximum annual contribution for existing Executive Directors is 10% of salary.	Executive Directors continue to receive a contribution of 10% of salary, in line with the wider workforce, and both will receive cash in lieu of pension.
Benefits	Benefits include a car allowance of £8,000 p.a., private medical cover for the Executive Director and family, life assurance, long term disability insurance.	
All employee plans	Executive Directors are eligible to participate in the Company's Share Incentive Plan on the same terms as other employees.	
Annual bonus	Awards are based on financial, operational and individual goals during the year. Under the Policy, at least 70% of the award will be assessed against the Company's financial performance. The remainder of the award will be based on non-financial, personal performance against individual objectives. 75% of salary is payable for on-target performance with an absolute maximum opportunity of 150% of salary. A proportion earned (normally one third) is deferred into Company shares, which vest after at least three years.	In 2020, 70% of the award will be based on adjusted operating profit. The remainder of the award will be based on individual performance, measured against pre-determined 4Cs objectives, aligned to our strategy. This includes financial and non-financial metrics relating to colleagues, customers, company and community, in line with our bonus approach across the organisation. The details of the performance targets for 2020 are commercially sensitive and will therefore be disclosed in next year's report. 33% of any award made will be deferred into shares and will vest after three years.
Long Term Incentive Plan ('LTIP')	Awards granted under the LTIP vest subject to the achievement of performance conditions measured over a three year period. The normal maximum level of awards in respect of any financial year is 200% of salary. In exceptional circumstances the Committee may grant awards of up to 300% of salary. Typically, a holding period of two years will apply post-vesting.	Awards of 200% of salary to both the CEO and CFO • 50% on Total Shareholder Return ('TSR') relative to FTSE 250 (excluding investment trusts), with 25% of this element vesting for achievement of median performance, rising to 100% for upper quartile performance; • 50% on Earnings Per Share ('EPS'), with 25% of this element vesting for achievement of cumulative adjusted EPS of 36p per share, rising to 100% for 50p per share; and • A two year holding period will apply post-vesting.
Shareholding guidelines	The Executive Directors are required to build up and maintain a holding equivalent to twice their base salary. The time period for meeting this requirement will be five years from appointment. Any Executive Director leaving the Company will be required to hold the lesser of their existing shareholding or half of the shareholding requirement (i.e. 100% of salary) for two years.	

UK Corporate Governance Code

In 2018, the Financial Reporting Council ('FRC') published a revised UK Corporate Governance Code ('the Code') which applied from 1 January 2019. Last year, to coincide with the publication of the new Policy, the Committee reviewed the provisions of the new Code and made certain enhancements to the executive remuneration arrangements, as described below.

LTIP holding period	A two-year holding period applies for all Long Term Incentive awards granted to Executive Directors from 2019 onwards.
Post-employment shareholding policy	Post-employment shareholding requirements require a shareholding equivalent to 100% of salary to be held by Executive Directors for two years following departure.
Discretion, malus and clawback	The existing discretion provisions were expanded in the incentive plan rules and the Policy in line with the new Code. Malus and clawback provisions now include corporate failure.
Pensions	Company contribution levels for new Executive Directors will not exceed the company contribution level for the majority of the workforce. Following a review in 2019 of the pension arrangements for the workforce as a whole, all employees can now participate in the pension plan on the same basis as the Executive Directors, meaning all employees are now able to receive the same company contribution level (currently 10% of salary on a 1:1 match basis).

The Committee also considers the themes set out in the new Code when determining executive remuneration arrangements:

Clarity – The executive remuneration framework clearly supports Hastings' financial objectives and strategic priorities. Remuneration practices are reported in a transparent and understandable way.

Simplicity – The policy consists of three main elements: fixed pay (salary, benefits and pension), an annual variable pay award, and a Long Term Incentive award. The annual bonus is based on one key financial measure and a scorecard of non-financial measures relevant to key corporate objectives. The LTIP is based on two measures: relative TSR and EPS, which provide a clear link to the shareholder experience. The Committee reviews the appropriateness and application of these metrics each year.

Risk – Remuneration policies are in line with our risk appetite. A robust malus and clawback policy is in place, and the Committee has the discretion to reduce variable pay outcomes where these are not considered to represent overall company performance or the shareholder experience. The new post-employment shareholding policy ensures Executive Directors are motivated to deliver sustainable performance that extends beyond their departure from the company.

Predictability – The Committee considers the impact of various performance outcomes on incentive levels when determining pay levels. These can be seen in the scenario charts on page 117.

Proportionality – A substantial portion of the package comprises performance-based reward, linked to the delivery of solid company performance and the achievement of key strategic objectives. The Committee uses discretion where required to ensure that performance outcomes are appropriate.

Alignment to culture – A substantial portion of the bonus is focused on our 4Cs principles. These are designed to create the right culture for our Colleagues, and giving them the right tools to do their job, they will do more for our Customers, enabling us to grow the Company profitably and sustainably and allowing us to invest in the Communities we serve.

Remuneration for the wider workforce

The Remuneration Committee regularly receives updates on a number of wider workforce themes, which inform discussions on executive pay. These include pay policies and practices, distribution of pay increases, performance ratings and bonuses across various demographics (as outlined below), share scheme participation and, benefits. In the past year, the Committee reviewed and discussed the following:

- Performance ratings across the organisation, including the split between male and female, full time and part time, grade, ethnicity (where declared), age, length of service and departments. This led to a detailed discussion on underlying factors influencing the data such as turnover levels, diversity initiatives, and issues impacting the gender pay gap;
- Number of employees receiving a pay increase and average increase per band, including analysis by gender and discussion on underlying factors influencing the data;
- Proportion of employees receiving a bonus and average award per band, including analysis by gender and discussion on underlying factors influencing the data;
- Findings from colleague benefit review including feedback from the workforce provided in the 2019 Benefit Survey, The Committee reviewed and discussed the proposed improvements to the benefit package, which included increasing holiday entitlement, extending healthcare benefits, removing the service qualifier for Share Incentive Plan eligibility, and introducing an enhanced Employee Assistance Provision for all colleagues;
- Updated pension policy for the whole workforce, as proposed by management. The Company was committed to refreshing the pension schemes to enhance participation and improve understanding. Effective 1 January 2020, a 1:1 match is available for all colleagues with the maximum company contribution being 10%; and
- Gender pay gap data including additional breakdowns and market comparison data from key competitors. The Committee also discussed with representatives from management the reasons for the gender pay gap, including year-on-year trends and progression in the Group's initiatives designed to close the gap[1].

The arrangements for the wider workforce are consistent throughout the business. All employees participate in the annual bonus on the same basis as the Executive Directors, with performance measured on the same financial targets and a scorecard based on the 4Cs. The financial weighting is higher for more senior grades where individuals have a greater ability to influence corporate performance. At senior levels, employees are eligible to participate in the LTIP, with certain high-performing employees outside this population receiving awards by exception. At lower grades, grant levels are lower and awards may be offered as restricted shares without performance conditions. All employees are encouraged to participate in the Share Incentive Plan, enabling them to become shareholders in the company and to receive matching shares and dividends. As described above, there is now uniformity in the pension approach across the Group (including Executive Directors).

An extensive employee consultation programme is in place at Hastings, enabling employees to share their views on remuneration policies and practices, including executive pay. The Hastings Colleague Forum ('HCF') takes place monthly and enables colleague elected representatives from across the business to consult with senior management and Board representatives on key areas, including pay, pensions and benefits. Representatives from the HCF regularly present feedback to the Board and this feedback provides further context to executive remuneration discussions.

1 The Group's gender pay gap reports can be found at www.hastingsplc.com/corporate-responsibility/diversity.

Annual report on remuneration continued

Single total figure of remuneration – Executive Directors (audited information)

The Directors remuneration in 2019 was awarded in line with the new remuneration Policy which was approved by shareholders at the AGM in May 2019. The remuneration policy operated as intended in 2019.

The following table sets out the audited total remuneration for the Executive Directors:

	Toby van der Meer[1]		John Worth[2]		Richard Hoskins[3]	
£	**2019 (1 January 2019 – 31 December 2019)**	2018 (1 March 2018 – 31 December 2018)	**2019 (10 May 2019 – 31 December 2019)**	2018 (1 January 2018 – 31 December 2018)	**2019 (1 January 2019 – 10 May 2019)**	2018 (1 January 2018 – 31 December 2018)
Salary	**507,958**	407,292	**284,280**	–	**156,881**	342,854
Benefits	**12,284**	9,685	**6,908**	–	**5,296**	11,584
Retirement benefits	**50,833**	41, 667	**28,428**	–	**15,688**	34,417
Total fixed	***571,076***	*458,644*	***319,616***	–	***177,865***	*388,855*
Annual bonus	**102,000**	83,333	**63,333**	–	**–**	70,000
Total variable	***102,000***	*83,333*	***63,333***	–	**–**	*70,000*
Total[4]	**673,076**	541,977	**382,949**	–	**177,865**	458,855

1 Toby van der Meer was appointed to the role of Chief Executive Officer on 1 March 2018. The 2018 figures above relate to the period from this date to 31 December 2018.
2 John Worth was appointed to the role of Chief Financial Officer on 10 May 2019. The 2019 figures above relate to the period from this date to 31 December 2019. His bonus was pro-rated for the time in role (rounded to the nearest month).
3 Richard Hoskins stepped down as Chief Financial Officer on 10 May 2019. The 2019 figures above relate to the period from 1 January 2019 to this date.
4 Total aggregate remuneration for Directors in 2019 (shown in accordance with Schedule 5 of the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008): £1,874,565 (salary, fees, expenses and benefits, bonus), £94,949 (pension) and £0 (long-term incentives).

Additional notes to the table (audited information)

Benefits

The benefits consist of private medical insurance (for the Executive Directors and their families), long term sickness cover, health screening, life assurance and a car allowance. The cost of these benefits are included based on the latest completed returns to HMRC for the year ended 5 April 2019. The costs incurred since that return are not believed to be substantially different to those reported.

Retirement benefits

The amount set out in the table represents the Company contribution to Directors' pension at a rate of 10% of base salary. Toby van der Meer, John Worth and Richard Hoskins received cash in lieu of pension.

Annual bonus

Annual bonus awards are determined based on the Company's performance against pre-determined adjusted operating profit targets and an assessment of overall corporate and individual performance within the Group's 4Cs framework. This approach ensures that annual bonus awards for all colleagues are assessed on a consistent basis and include a balanced assessment of financial and non-financial performance, in line with regulatory best practice.

2019 annual bonus outturn (audited information)

In 2019 the annual bonus was assessed on two measures, being adjusted operating profit (70% of the bonus) and a scorecard of non-financial metrics (30% of the bonus).

The table below provides full disclosure of the operating profit targets set at the start of the year and how the performance achievement in 2019 compares to these targets.

	Performance range				Outcome
	Entry	Target	Maximum	Actual	(% of maximum)
Bonus outcome (% of maximum)	20%	50%	100%		
Adjusted operating profit target	£150m	£177m	£195m	£109.7m	0%
Growth on 2018 achievement on a like for like basis	-21%	-7%	+2%	-42%	

Non-financial performance was assessed against the 4Cs objectives, as described below.

Assessment of corporate performance against 4Cs objectives

Our 4Cs	Key non-financial performance targets:	Corporate performance achievement:
Colleagues Ensuring colleagues are engaged and that Hastings actively promotes a culture where colleagues can contribute and thrive.	• Maintain employee engagement score at 735 or more; • Deliver strong succession plans with majority of key leadership roles covered with emergency successors • Deliver enhanced talent management including championing of diversity (30% Club target); and • Maintain voluntary colleague attrition and absence at target levels (improved on 2018).	• Whilst the employee engagement score was marginally below target, it remained high at 734; the second highest score in the company's history and well above the comparator benchmark; • 11 new leaders were successfully recruited into senior roles below the Executive Committee to create further leadership capability, and succession optionality, in critical areas including data, claims, and digital. Emergency succession for vast majority of roles was in place at the end of the year; • Record number of Colleagues were promoted during the year and new talent management and retention plans were put in place. The 30% Club target was achieved a year ahead of plan, with just over 30% of senior leaders now female; and • Colleague attrition and absence targets were missed, though only by a small amount and well within tolerance. Colleague attrition still marginally improved year on year.
Customers Differentiating us from our competitors through great value pricing and products and the way our customers buy insurance.	• Improve the customer retention rate and reduce cancellations; • Improve service across telephone and live chat channels and achieve email turnaround of under 48 hours; • Achieve pre-agreed customer Net Promoter Scores (improved year on year); • Enhance operational controls; • Improve complaint handling and reduce complaint volumes from 2018; and • Increase brand awareness and social media presence.	• Performance on both retention rate and cancellations exceeded the target and improved year on year. Retention rate was 5% higher than in 2018; • Significant growth in digital adoption achieved. 18% reduction in customer services calls per customer. 550,000 mobile app downloads. All service areas improved performance from 2018. Although retail service performance remained below target at the year end, there was a positive upward trajectory and claims service performance exceeded target; • Net Promoter Score increased from 2018, exceeding targets; • Operational controls were successfully enhanced, including progress on manual processes, enhanced management information and escalation of breaches; • Whilst the targets for time to resolution were not achieved, progress was made on all other main complaints performance indicators; and • Over the year there was an increase in brand awareness, an improvement in social media presence and significant increases in review site scores.
Company Enabling us to grow profitably and sustainably.	• Maintain calendar year loss ratio in target range of 75%-79%, whilst ensuring ongoing rigour in the reserving process; • Improve processes to generate cost efficiencies; • Embed Guidewire in the business; • Continue to deliver business development initiatives; • Maintain claims inflation below the market; and • Put new claims repair partners in place to deliver improved outcomes.	• Target loss ratio not achieved due to elevated market wide claims inflation, but reserving processes further enhanced; • Although cost targets were not met, due to ongoing investment for the future and the impact of increases in industry levies, good progress was made towards improving efficiency and enhancing capability, including digitalisation; • Vast majority of customers and products migrated to Guidewire by year end, laying firm foundations for making better use of the platform for product innovation, customer experience and cost savings; • Good progress on business development including detailed plans for multicar and 2020 product enhancements; • Whilst clams inflation has not been held below the industry average, it is largely in line, despite challenging market conditions. Pricing actions were taken to mitigate the impact, ahead of most others in the market; and • New claims partner arrangements negotiated and deployed on time, set up achieved expected benefit realisation in 2020 and beyond.
Community Taking an active part in serving the Community, by being a good neighbour, nurturing home grown talent and being an ethical member of the financial services community.	• Embed Senior Managers and Certification Regime ('SMCR') across the business; • Establish new capabilities in quality monitoring, risk and compliance resourcing and internal audit resourcing, and keep plans and actions for these functions on track; • Effectively manage health and safety; • Support the communities we serve and build on 'Be the Change'; and • Maintain positive relationship with the FCA and FSC.	• SMCR arrangements implemented on time in accordance with regulatory obligations and significant progress made on embedding SMCR compliant principles and practices across the organisation; • New capabilities are in place in for quality monitoring and risk and compliance resourcing, and enhanced internal audit service provision. New Chief Risk Officer appointed in H2; • Health and safety was managed effectively throughout the year, in line with regulatory standards and internal policies; • 1,453 community days were delivered and 220 students were supported through the 'Be the Change' programme. Significant environmental progress was also made including a significant reduction in single use plastics (by over 300,000 pieces of plastic); and • The Group's regulated entities continued to maintain a positive relationship with both the FCA and FSC.

Bonus outcomes for Executive Directors

In the year, the Executive Directors operated in a tough external environment which ultimately resulted in the decline of operating profit from the prior year. In light of this decline, the element of the bonus plan linked to financial performance was not triggered.

However, there were a number of positive achievements against objectives for non-financial performance measures within the 4Cs framework.

- Toby van der Meer completed his first full year as CEO against a challenging external environment. As has been noted the underlying profit outcome was below expectations but the Committee's view was that the CEO had performed well against the 4Cs metrics. The Committee noted in particular that colleague performance has been strong overall and that the engagement score of 734 was the second highest in the Company's history and remains significantly above the UK comparator benchmark. Similarly, the customer agenda has moved forward significantly with a large improvement in the customer retention rates and feedback (net promoter) scores. The Company has also significantly improved its digital presence including reductions in call volumes and record digital usage, including establishing one of the UK's most heavily downloaded and highest rated insurance apps. Finally, Toby van der Meer has launched and overseen a significant strategic change programme that leaves the company well positioned for future profitable growth, including investment and new leadership capability in data, claims, digital and other key areas. ESG progress has also been notable, including on governance (including the appointment of a new Chief Operating Officer and Chief Risk Officer), diversity (achievement of 30% Club target) and the environment (CO_2 emissions and reduction in single use plastics); and
- John Worth joined the business during 2019 and started well within the role. Despite disappointing profit results given the challenging market circumstances, a number of other financial achievements were noted, including the maintenance of strong cash flow and capital position. Other customer elements performed well with complaint volumes at their lowest for a number of years and an increase in NPS. The Committee also noted that the CFO had built on the continuing strong relationship with external stakeholders and had undertaken significant work on SMCR compliance and embedding SMCR controls.

After due care and consideration, the Committee determined that, given these achievements, a payment of 20% of salary (c. 13% of the maximum overall bonus) in respect of non-financial performance was appropriate for Toby van der Meer and John Worth.

The Committee determined that, given the timing of his departure from the Company early in the financial year, no bonus should be awarded to Richard Hoskins.

The Committee considered whether the above outcome was appropriate in the broader context of company and individual performance and determined that no discretionary adjustments to this outcome were required for the reasons outlined above.

The resulting bonus outcomes were £102,000 (20% of salary) for Toby van der Meer, and £63,333 (20% of salary, and pro-rated for time in role to the nearest month) for John Worth. 33% of these bonus awards will be deferred into shares for three years in line with the Policy.

Long Term Incentives – vesting awards (audited information)

Toby van der Meer and Richard Hoskins were granted awards under the 2017 LTIP, with performance measured over the three years to 31 December 2019. Gary Hoffman also received an award under the 2017 LTIP, which was granted while he was serving as Chief Executive Officer. No LTIP awards were due to vest to John Worth in the year.

Performance was measured on relative total shareholder return and cumulative earnings per share targets. Threshold performance was not achieved for either measure and therefore no part of the awards will vest in 2020. Details of performance against the targets is shown below.

	Weighting	Threshold (25% vesting)	Maximum (100% vesting)	Actual performance	Actual vesting
Relative Total Shareholder Return	50%	Median	Upper quartile	Below median	0%
Cumulative Earnings per Share	50%	63.8p	73.9p	55.5p	0%
Total vesting (% of award)					**0%**

The Committee considered whether the outcome under the formulaic calculation was appropriate in the broader context of company and individual performance and determined that no discretionary adjustments to the vesting levels were required.

Scheme interests awarded to Executive Directors in the year (audited information)

The LTIP awards shown in the table below were granted to Toby van der Meer and John Worth in 2019. These awards may vest in 2022 conditional on performance over a three year period to 31 December 2021. John Worth received a further award in respect of variable pay forfeited on leaving his former employer, which is described in the next section. Richard Hoskins did not receive an LTIP award for 2019.

The deferred bonus awards represent the portion of the 2018 bonus that was deferred into shares, being 25%. Bonuses earned in respect of 2019 will be subject to an increased deferral rate of 33% in line with the new Policy.

	Scheme	Basis of award (maximum)	Face value	Percentage vesting at threshold performance	Performance period end date
Toby van der Meer	LTIP (conditional share award)	200% of salary	£1,020,000	25%	31 December 2021
	Deferred bonus (conditional share award)	25% of 2018 bonus	£25,000	n/a	n/a
John Worth	LTIP (conditional share award)	200% of salary	£950,000	25%	31 December 2021
Richard Hoskins	Deferred bonus (conditional share award)	25% of 2018 bonus	£17,500	n/a	n/a

The Deferred Bonus awards and the LTIP award for Toby van der Meer were granted on 11 April 2019. The number of shares was calculated by dividing the face value by the average share price over the five dealing days from 28 February 2019 to 6 March 2019 of £2.2028.

The LTIP award for John Worth was granted on 16 September 2019. The number of shares was calculated by dividing the face value by the average share price over the five dealing days from 8 August 2019 to 14 August 2019 of £1.8614.

The Committee considered the key long term objectives over the performance period and determined that the LTIP awards should be linked to the value created for shareholders over the period. As a consequence, the awards are equally weighted against relative total shareholder return ('TSR') and adjusted earnings per share ('EPS') performance targets. The EPS target is a cumulative pence per share target over each of the three years. The targets for the LTIP granted in 2019 are summarised below:

EPS	Relative TSR
Vesting is based on the cumulative pence per share target over the three year performance cycle	Vesting is based on TSR performance measured against the constituents of the FTSE 250 (excluding investment trusts)

EPS performance (50% of award)	Proportion Vesting	TSR performance (50% of award)	Proportion vesting
Below Threshold	0%	Below median	0%
Threshold of 63.6p	25%	Median	25%
Stretch of 73.2p	100%	Upper quartile	100%
Straight line vesting between threshold and stretch		Straight line vesting between median and upper quartile	

Buyout award for John Worth (audited information)

John Worth joined Hastings as Chief Financial Officer in May 2019. Upon leaving his former employer, he forfeited an expected on target bonus which had not yet been paid. In addition, he agreed to receive a lower salary than in place at his former employer. The forfeited bonus was due to vest in four equal tranches between March 2020 and March 2023.

In order to better align John Worth's interests with those of Hastings' shareholders, the Committee determined to award him Hastings shares to the same value as his forfeited on target bonus expectation and for these to be released according to a similar timescale.

The awards are shown below:

	Scheme	Basis of award	Tranche	No. of shares granted	Face value	Vesting date
John Worth	LTIP (conditional share award)	Buyout award	Tranche 1	100,943	£187,895	30 March 2020
			Tranche 2	100,943	£187,895	30 March 2021
			Tranche 3	100,943	£187,895	30 March 2022
			Tranche 4	100,943	£187,895	30 March 2023

The buyout award was granted on 18 September 2019. The face value was calculated using the average share price over the five dealing days from 8 August 2019 to 14 August 2019 of £1.8614.

The buyout award is not subject to the satisfaction of performance conditions, but will otherwise be subject to the same terms as awards granted under the LTIP, including the amendment provisions and the requirement for the Company to seek shareholder approval for amendments to John Worth's advantage. The buyout award is not pensionable.

Departure arrangements for Richard Hoskins (audited information)

John Worth succeeded Richard Hoskins as CFO in May 2019. Richard Hoskins received his contractual entitlements (salary, benefits and pension contribution), on a pro-rata basis, up to his departure from the Company on 31 May 2019. He did not receive any additional payment for loss of office.

Richard Hoskins did not receive a bonus payment for 2019.

Richard Hoskins was treated as a good leaver under the LTIP rules and his unvested awards will vest in line with the usual timescales, subject to pro-rating for time and performance. His unvested deferred bonus awards will also vest on their original vesting dates.

Richard Hoskins did not receive an LTIP award in respect of the 2019 year.

Historical arrangements

Capital Appreciation Plan

Toby van der Meer received an award under the Capital Appreciation Plan ('CAP') in 2017, prior to his appointment as Chief Executive Officer. Vesting levels will be determined at the end of the performance period, which runs until 2022. Details of the CAP are set out in the 2018 Directors' Remuneration Report.

External appointments

Executive Directors may hold external directorships if the Board determines that such appointments do not cause any conflict of interest or adversely affect the Director's ability to effectively fulfil his duties for the Company. Where such appointments are approved and held, it is a matter for the Board to agree whether fees paid in respect of the appointment are retained by the individual or paid to the Company.

John Worth currently holds one external appointment, as Trustee Director and Treasurer of NSPCC. This is an honorary appointment, for which he received no fees.

Service Agreements

Director	Date of appointment	Notice period	Unexpired term
Toby van der Meer	01/03/2018	6 months	6 months
John Worth	10/05/2019	6 months	6 months

In line with our Policy, Executive Directors have rolling contracts which may be terminated by either the Company or the Director giving six months' notice.

Single total figure of remuneration – Non-Executive Directors (audited information)

The following table sets out the audited total remuneration for the Non-Executive Directors.

	2019 (1 January 2019 – 31 December 2019)		2018 (1 January 2018 – 31 December 2018)	
	Fees (£)	**Expenses (£)**	Fees (£)	Expenses (£)
Gary Hoffman[1] (appointed 24 May 2018)	**250,000**	**–**	140,399	–
Thomas Colraine	**90,250**	**–**	85,399	–
Ian Cormack[2] (appointment terminated 23 May 2019)	**21,970**	**–**	50,000	–
Pierre Lefèvre[3]	**110,250**	**770**	101,670	5,370
Sumit Rajpal	**–**	**–**	–	–
Alison Burns	**50,250**	**450**	50,000	895
Teresa Robson-Capps	**65,250**	**345**	58,098	4,573
Selina Sagayam[4] (appointed 14 August 2017, appointment terminated 28 June 2018, re-appointed 29 June 2018)	**95,475**	**–**	90,772	628
Herman Bosman	**–**	**–**	–	–
Elizabeth Chambers (appointed 26 September 2018)	**50,250**	**364**	11,111	596

1 The fees paid to Gary Hoffman in 2018 represent the fees payable following his appointment as Chair of the Board on 24 May 2018. He was previously an Executive Director.
2 Ian Cormack stepped down from the Board on 23 May 2019.
3 Pierre Lefèvre is entitled to receive a total annual fee of £111,900, comprising £66,000 for his role as Independent Non-Executive Director, and Chair of the Risk Committee, of the Company and £45,900 for his duties as a Non-Executive Director and chair of the risk committee of Advantage Insurance Company Limited.
4 Selina Sagayam is entitled to receive a total annual fee of £96,900, comprising £51,000 for her duties as Non-Executive Director, of the Company, and £45,900 for her role as Non-Executive Director of Hastings Insurance Services Limited.

Notes to the table

Fees (audited information)

Non-Executive Directors receive fees and reimbursable expenses only; none participate in any form of incentive schemes. Gary Hoffman has retained outstanding deferred bonus and LTIP awards granted to him during his time as an Executive Director, as described on page 87 of the 2017 Directors' Remuneration Report.

The fees shown include additional fees for chairing Board committees where appropriate. In 2018 and 2019, Sumit Rajpal and Herman Bosman waived their fees for their roles as Non-Executive Directors.

Non-Executive Director fees for 2020

Non-Executive Director fees are set out below. During the year the Non-Executive Director basic fee was increased by 2% to £51,000. All other fees are unchanged from 2019.

Role	**Fee per annum (£)**
Chair basic fee	**250,000**
Non-Executive Director basic fee[1]	**51,000**
Additional fees	
Chair of the Nomination Committee	**10,000**
Senior Independent Director	**15,000**
Chair of the Audit Committee	**15,000**
Chair of the Risk Committee	**10,000**
Chair of the Remuneration Committee	**15,000**

1 Effective 1 April 2020, the Non-Executive Director basic fee will be increased to £52,000 per annum.

Letters of Appointment

Non-Executive Directors have an agreement for service for an initial three year term which can be terminated by either party giving three months' notice. The table below sets out these terms for all current Non-Executive Directors of the Board.

Director	Date of Letter of Appointment	Notice period	Unexpired term
Gary Hoffman	24/05/2018	3 months	14 months
Herman Bosman	14/03/2017	3 months	Open
Alison Burns	12/07/2016	3 months	30 months
Elizabeth Chambers	26/09/2018	3 months	20 months
Thomas Colraine	01/08/2018	3 months	19 months
Pierre Lefèvre	03/09/2015	3 months	20 months
Sumit Rajpal[1]	28/09/2015	3 months	Open[1]
Teresa Robson-Capps	12/07/2016	3 months	30 months
Selina Sagayam	29/06/2018	3 months	17 months

1 Sumit Rajpal resigned from the Board with effect from 24 February 2020.

Statement of Directors' shareholding and scheme interests (audited information)

The table below sets out the Directors' shareholdings in the Company as at 31 December 2019.

The Executive Directors are expected to build up and maintain a holding equivalent to twice their base salary. New Executive Directors will be expected to meet the requirement within five years of appointment. If the requirement is not met within the timeframe, the Committee would generally expect Executive Directors to purchase additional shares. Both Toby van der Meer and Richard Hoskins have met this target. John Worth was appointed in 2019 and has five years to build up his shareholding to meet the requirement.

As set out in the Remuneration Policy, from the 2019 AGM, any Executive Director leaving the Company will be required to maintain a shareholding of the equivalent to their base salary or, if lower, their actual shareholding on departure, for a period of two years.

		Scheme interests:		
		Unvested conditional share awards		Unvested nil-cost options
	Number of shares owned	Shares not subject to further performance conditions[1]	LTIP awards[2] (subject to performance conditions)	CAP awards[3] (subject to performance conditions)
Toby van der Meer	**3,534,297**	38,976	1,112,636	567,165
John Worth	**–**	403,772	510,368	–
Richard Hoskins[4]	**871,766**	41,711	362,495	–
Gary Hoffman	**7,948,721**	51,851	452,170	–
Herman Bosman	**–**	–	–	–
Alison Burns	**–**	–	–	–
Elizabeth Chambers	**–**	–	–	–
Thomas Colraine	**76,470**	–	–	–
Ian Cormack[5]	**35,294**	–	–	–
Pierre Lefèvre	**94,351**	–	–	–
Sumit Rajpal	**–**	–	–	–
Teresa Robson-Capps	**–**	–	–	–
Selina Sagayam	**–**	–	–	–

1 Includes deferred bonus awards and the buyout award for John Worth which is not subject to performance conditions (see page 108).
2 Includes 2017 LTIP awards which have subsequently been confirmed to have lapsed (see page 106).
3 Toby van der Meer received an award under the CAP prior to his appointment to the Board. See page 95 of the 2018 Directors' Remuneration Report for more information.
4 Information for Richard Hoskins is current up to the date of his departure from the Group (31 May 2019). His LTIP awards in the table above have been time pro-rated to his leaving date, and will vest in line with the usual timescales.
5 Information for Ian Cormack is current up to the date of his departure from the Group (23 May 2019).

The following changes occurred to the Directors' direct beneficial interests in shares between 31 December 2019 and 20 March 2020 being the last practical date before this Annual Report was provided to shareholders. Toby van der Meer acquired 31,099 Company shares and John Worth's spouse, Sarah Worth, acquired 30,811 Company shares on 28 February 2020. No Director has a non-beneficial interest in the shares of the Company.

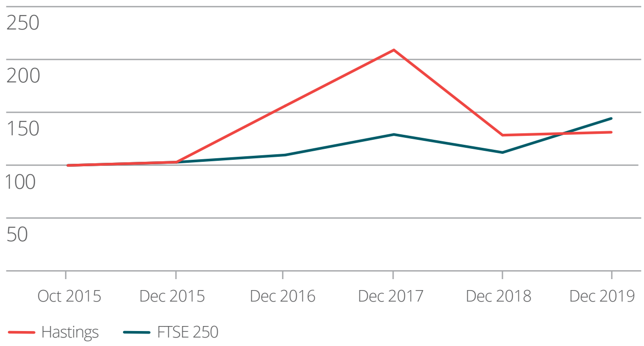
Other information

Payments to former Directors and payments for loss of office (audited information)

Other than the departure arrangements for Richard Hoskins described on page 108, there were no payments to former Directors made in the year.

TSR chart

The graph below shows the TSR of the Company and the UK FTSE 250 Index from the Company's Admission in October 2015 to 31 December 2019. The FTSE 250 Index was selected on the basis that the Company is a member of the FTSE 250.



Historical Chief Executive Officer remuneration

Given that the Company has only been a listed entity since 15 October 2015, the following table sets out information regarding the Chief Executive Officer's historical pay since listing:

		2019 Toby van der Meer 1 January 2019 – 31 December 2019	**2018** Toby van der Meer 1 March 2018 – 31 December 2018	2018 Gary Hoffman 1 January 2018 – 28 February 2018[1]	2017 Gary Hoffman 1 January 2017 – 31 December 2017	2016 Gary Hoffman 1 January 2016 – 31 December 2016	2015 Gary Hoffman 3 September 2015 – 31 December 2015
Single figure of remuneration (£)	Including legacy arrangements	**673,076**	**541,976**	262,778	11,829,466	798,368	1,830,477
	Excluding legacy arrangement	**673,076**	**541,976**	262,778	855,587	798,368	330,477
Annual bonus payout (as a % of maximum opportunity)		**13%**	**20%**	n/a	62%	50%	44%
Long Term Incentive payout (as a % of maximum opportunity)		**0%**	**n/a**	n/a	n/a	n/a	n/a

1 Represents remuneration paid to Gary Hoffman with respect to his role as CEO until 28 February 2018.

Percentage change in Chief Executive Officer remuneration

The table below sets out details of the percentage change in salary, benefits and annual bonus for Chief Executive Officer and for all Company colleagues.

	Change in remuneration from 31 December 2018 to 31 December 2019		
	Change in base salary	Change in benefits	Change in Bonus
Chief Executive Officer[1]	4%[3]	(47%)	22.4%[4]
Employee comparator group[2]	2.1%	3.9%	(9.2%)

1 On 1 March 2018, Toby van der Meer replaced Gary Hoffman as Chief Executive Officer. The above table compares Toby van der Meer's 2019 single figure salary, benefits and bonus to aggregated figures for 2018. The aggregated figures comprise pro-rated data for Toby van der Meer and Gary Hoffman, based on the time they each spent in the role.

2 The employee comparator group comprises all colleagues who were in employment with the Company at 31 December 2018 and still in employment at 31 December 2019. The Executive Directors are excluded from the figures.

3 The CEO received a 2% salary increase at the beginning of 2019 in line with the typical workforce increase. The higher increase shown above reflects that Toby van der Meer was appointed on a higher salary than Gary Hoffman.

4 Gary Hoffman did not receive a bonus in 2018 given his change in role. A pro-rated bonus figure was disclosed for Toby van der Meer in 2018 to reflect his time in the role, while his 2019 bonus represents a full-year value. Under a full-year comparison, this figure increased by 2% from 2018 to 2019.

CEO pay ratio

The table below sets out the ratio of the CEO's pay to the 25th percentile, median and 75th percentile total remuneration of full-time equivalent employees.

Year	Method[2]	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2019	Option A	36:1	32:1	23:1
2018[1]	Option A	36:1	32:1	23:1

The Committee has opted to use Option A for calculating the pay ratio, in line with best practice guidance and consistent with the approach taken in 2018[2]. Data for all employees is effective as at 31 December 2019 and includes bonuses for 2019.

1 2018 data was disclosed on a voluntary basis, prior to the new legislation taking effect.

2 Under Option A, the full-time equivalent total remuneration figures for all employees are calculated for the relevant financial year and the employees at the 25th percentile, median and 75th percentile are then identified.

The total pay and benefits for the individuals used in the calculations for 2019 above are as follows:

Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
Total pay and benefits	£18,858	£21,236	£29,233
Of which salary	£18,586	£20,225	£27,316

The pay ratio for 2019 has not changed since 2018, which is expected given that pay arrangements at Hastings have remained quite consistent across the two years.

The 2018 Chief Executive Officer data is calculated using an aggregated figure based on pro-rated data for each of the two incumbents undertaking that role in the year. The bonus figure disclosed for Toby van der Meer was pro-rated for 2018 to reflect his time in the role and Gary Hoffman did not receive a bonus that year. This resulted in a lower bonus figure for 2018 though in both years, the final bonus paid was equivalent to 20% of salary. This differential is partially offset by a lower benefits figure for 2019. The Chief Executive Officer received a 2% salary increase for 2019 in line with the typical rate for the wider workforce. Overall, the total pay and benefits for the median employee has increased by 4% since 2018, reflecting standard salary increases plus some extraordinary increases for promotion, performance and calibration.

We ensure that colleagues are fairly remunerated for their contribution to the success of the group, more information is provided on page 38. The Remuneration Committee considers it appropriate that the Executive Directors receive a greater proportion of their remuneration in elements tied to performance, which may lead to more volatility in the CEO single figure each year, and is satisfied that the median pay ratio for 2019 is consistent with the pay, reward and progression policies for Hastings colleagues.

Relative importance of spend on pay

The following table illustrates total remuneration for all Company colleagues compared to distributions to shareholders for the financial years ended 31 December 2019 and 31 December 2018.

	Year ended 31 December 2019	Year ended 31 December 2018
Shareholder distributions (dividends and share buy backs)	**£89.1m**	£85.5m
Total Company colleague remuneration	**£101.5m**	£95.6m

Advice and support provided to the Remuneration Committee

Deloitte LLP ('Deloitte') was appointed as advisors to the Remuneration Committee in 2015. During the year Deloitte provided advice as independent remuneration consultants, with the cost of the advice being borne by the Company. Total fees in 2019 for advice and support provided to the Remuneration Committee were £56,250. Deloitte has voluntarily signed up to the Remuneration Consultants' Code of Conduct in relation to executive remuneration consultancy during the year. The Committee is comfortable that the Deloitte engagement partner and team that provides remuneration advice to the Committee do not have connections with the Company that may impair their independence. During the year, Deloitte also provided tax and other unrelated consultancy services to the Group. The Chair of the Board, Chief Executive Officer, HR Director and Head of Reward attended Committee meetings by invitation in order to support the discussion of the agenda items as appropriate. No individual participated in discussions regarding their own remuneration.

Shareholder context

The table below shows the results of the binding vote on the new Policy approved at the 2019 AGM and the advisory vote on the 2018 Directors' Remuneration Report at the 2019 AGM. It is the Committee's policy to consult with major shareholders prior to any major changes to the Policy, and to maintain an ongoing dialogue on executive remuneration matters. The Committee was pleased with the level of support shown at the 2019 AGM and continues to consult regularly with shareholders.

	For	Against	Abstentions
2018 Annual Report on Remuneration (2019 AGM)	525,330,763 99.7%	1,789,760 0.3%	1,908,725
Directors' Remuneration Policy (2019 AGM)	519,370,836 98.3%	8,865,585 1.7%	792,827

for and on behalf of the Remuneration Committee

Thomas Colraine
Chair
26 February 2020

Directors' Remuneration Policy

This section sets out the Remuneration Policy for the Directors of the Company, split between Executive Directors and Non-Executive Directors (the 'Policy'). This Policy was put to a binding shareholder vote and approved at the AGM in May 2019.

It became effective from that date and will be subject to review and approval by shareholders at least every three years, or sooner should the Company choose to amend the Policy. The Committee may make minor amendments to the Policy set out in this report for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation, without obtaining shareholder approval for such amendments.

The Policy can be found in the 2018 Annual Report and Accounts on the Company's website. It is reproduced below for information only.

Summary of changes to policy (approved by shareholders in May 2019)

Many of the features of the previous Policy will continue to apply for 2019 onwards. However, the Committee approved the following material changes for 2019, which are described in more detail in the Directors' Remuneration Report.

Annual bonus and Long Term Incentive Plan ('LTIP') opportunities and time horizons

Summary of changes

- Maximum annual bonus opportunity increased from 100% of salary to 150% of salary.
- Portion typically deferred increased from 25% of bonus to 33% of bonus.
- Normal maximum LTIP opportunity reduced from 225% of salary to 200% of salary.
- A holding period of two years will typically apply post-vesting.

Reasons for changes

Opportunities rebalanced to be more evenly weighted between short term and long term performance, better reflecting the Company's position as a more mature FTSE 250 company and aligning more closely with the market.

Overall increase in variable opportunity of 25%, to reflect the increased size of the business.

Increase in proportion of bonus deferred and introduction of holding period to ensure this increase is made in the context of greater alignment to shareholders' long term interests, and in recognition of evolving market practice.

Discretion and recovery

Summary of changes

- Strengthening provisions on the Committee's discretion to dis-apply the formulaic outcome of the performance conditions applicable to variable pay have been included.
- Malus and clawback provisions extended to include 'material corporate failure'.

Reasons for changes

Following the publication of the new UK Corporate Governance Code ('the Code') and the accompanying Guidance, the Committee reviewed the existing plan documentation and determined that the existing provisions should be strengthened. The Policy has been updated to ensure consistency with these changes.

Share ownership

Summary of changes

- Guideline of 200% of salary, to be built up within five years and maintained.
- On cessation of employment, Executive Directors are expected to maintain an interest in shares equivalent to the lesser of 100% of salary or their shareholding at the time of their departure, typically for a period of two years thereafter.

Reasons for changes

200% of salary guideline was previously applied and was disclosed in the Directors' Remuneration Report. This has now been enshrined in the Policy, together with the post-employment shareholding guideline, in recognition of evolving best practice following the publication of the Code.

Pensions

Summary of changes

- For Executive Directors recruited after the adoption of this Policy, pension contributions will be no more than the percentage company contribution level for the majority of the workforce.
- The maximum for existing Executive Directors is unchanged.

Reasons for changes

This change to the pension policy has been adopted to align with the expectations set out by proxy voting advisory bodies following the publication of the Code.

Directors' Remuneration Policy continued

Executive Directors

Element and link to strategy	Operation	Maximum opportunity	Performance measures
Base salary Fixed remuneration that is appropriate for the role and to secure and retain the talent required by the Company.	The Committee takes into account a number of factors when setting and reviewing salaries, including: • scope and responsibility of the role; • any changes to the scope or size of the role; • the skills and experience of the individual; • salary levels for similar roles within appropriate comparators; and • value of the remuneration package as a whole.	There is no set maximum for salary levels, or salary increases. Account will be taken of increases applied to colleagues as a whole when determining salary increases for the Executive Directors, but the Committee retains the discretion to award higher increases where it considers it appropriate. Salaries are normally reviewed annually, with any increase usually taking effect from March.	None
Pension Fixed remuneration that assists in providing income in retirement.	The Company operates defined contribution group personal pension schemes. Executive Directors may elect to opt out of the pension scheme and receive the equivalent Company contribution as a cash allowance.	The maximum annual company contribution for existing Executive Directors is currently 10% of salary. For Executive Directors recruited after the adoption of this Policy, pension arrangements will be no more than the percentage company contribution level for the majority of the workforce.	None
Benefits Fixed remuneration that provides protection for the individual which is market competitive.	Benefits include, but are not limited to, a car allowance, private medical cover for the Executive Director and family, life assurance, and long term disability insurance. Where an Executive Director is required to relocate, benefits may be provided to support the relocation, including relocation assistance, housing or a housing allowance and reimbursement of travel costs where appropriate and any tax arising as a consequence.	The current car allowance is a fixed amount of £8,000 per annum. The Committee retains the discretion to review this in line with levels in the wider market. The cost of other benefits is dependent on the terms of the relevant provider and the individual's personal circumstances and therefore no monetary maximum has been set.	None
All-employee share plans Aligns colleagues and shareholder interests.	Executive Directors may participate in any all-employee share plans (such as the Company's Share Incentive Plan) on the same terms as all other employees.	Participation in any HMRC-approved all-employee share plan is subject to the maximum permitted by the relevant tax legislation.	None
Annual bonus Variable remuneration that rewards the achievement of annual financial, operational and individual objectives reflective of Company strategy over a one year period.	Objectives are set annually based on the achievement of strategic goals. At the end of the bonus year, the Committee meets to review individual and corporate performance against objectives and determines payout levels. The annual bonus scheme allows the Committee to exercise discretion to adjust the level of bonus to reflect Company and individual performance and any other factors it considers relevant. A portion of bonus will normally be deferred into an award of shares under the Deferred Bonus Plan ('DBP'). Normally, not less than one third of any bonus will be deferred for a period of at least three years.	75% of salary for on-target performance with an absolute maximum opportunity of 150% salary. No bonus linked to financial performance will be paid for failing to achieve target threshold performance.	Awards are based on financial, operational and individual goals during the year. At least 70% of the award will be assessed against the Company's financial performance. The remainder of the award will be based on personal performance against individual and/or strategic objectives. The split between these performance measures will be determined annually by the Committee.

Executive Directors continued

Element and link to strategy	Operation	Maximum opportunity	Performance measures
Long Term Incentive Plan ('LTIP') Variable remuneration designed to incentivise and reward the achievement of long term targets aligned with shareholder interests. The LTIP also assists in the retention of Executive Directors.	Awards granted under the LTIP vest subject to achievement of performance conditions measured over a period of at least three years. Typically a holding period of two years will apply post-vesting. The LTIP rules allow the Committee to retain discretion, in line with the UK Corporate Governance Code, to adjust the level of vesting based on the formulaic outcome of the performance conditions to reflect Company and individual performance and any other factors it considers relevant.	The normal maximum level of awards that may be made in respect of a financial year is 200% of salary (225% for awards granted prior to 2019). In exceptional circumstances the Committee may grant awards of up to 300% of salary.	LTIP performance conditions will be reviewed annually. Conditions and targets will be selected to align with the Company's long term strategy. Currently awards are linked to a measure based on shareholder returns and a measure based on earnings performance. For 2019, 50% of awards are linked to Total Shareholder Return performance and 50% to Earnings Per Share performance. The Committee retains the discretion to vary the weightings and measures in future years. At threshold performance, no more than 25% of the award will vest, rising to 100% for maximum performance.
Share Ownership Enhances Executive Directors' alignment with shareholders' long term interests.	The Executive Directors are expected to build up, over five years, and maintain, ownership of the Company's shares equal to 200% of salary. On cessation of employment, for a period of two years, Executive Directors are expected to maintain share ownership equivalent to the lesser of 100% of salary or their shareholding at the time of their departure, typically for a period of two years.	None	None

Notes to the policy table

Any remuneration payments and payments for loss of office not in line with the Policy detailed above may nevertheless be made where (i) the terms of the payment or award were agreed before (a) the 2016 AGM (when the Company's first directors' remuneration policy came into effect) or (b) this Policy came into effect, provided it was in line with the directors' remuneration policy in force at the time they were agreed, where relevant, and (ii) the individual was not a Director of the Company at the time and in the Committee's opinion was not in consideration for becoming a Director of the Company (including awards under the Capital Appreciation Plan ('CAP')).

The CAP was awarded to certain senior executives who were not Board members (including the Chief Executive Officer prior to his appointment to that role) and further details of the Chief Executive Officer's CAP awards are disclosed in line with the relevant reporting requirements in the Directors' Remuneration Report. For these purposes "payments" includes the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are "agreed" at the time the award is granted.

Performance measures and approach to target setting

Annual Bonus

The performance measures for the annual bonus are designed to provide an appropriate balance between incentivising Executive Directors to meet financial targets for the year and to achieve specific strategic, operational and personal goals without placing undue incentive emphasis on short term success at the expense of long term growth. Personal and corporate objectives are recommend by the Committee to the Board for approval each year to ensure that Executive Directors are focused on the key financial and strategic objectives for the financial year. In doing so, the Committee usually takes into account a number of internal and external reference points, including the Group's business plan, and Group operating profit targets.

LTIP

The Committee believes it is important that the performance conditions applying to LTIP awards support the long term ambitions of the Group and the creation of shareholder value. The Committee currently considers that relative TSR and EPS are the most appropriate measures to assess the underlying performance of the business, while creating alignment with shareholders and rewarding long term value creation. The Committee will keep the measures and weightings under review to ensure that the most appropriate measures to promote the long term success of the Group are used. Performance targets are set taking into account a number of reference points, including the Group's long term business plan, market conditions and consensus forecasts.

Common award terms

Awards under any of the Company's share plans referred to in this Policy may:

a. be granted as conditional share awards or nil-cost options or in such other form that the Committee determines has the same economic effect;

b. have any performance conditions applicable to them amended or substituted by the Committee if the Committee determines an amended or substituted performance condition would be more appropriate and not materially less difficult to satisfy;

c. incorporate the right to receive an amount (in cash or additional shares) equal to the value of dividends which would have been paid on the shares under an award that vest up to the time of vesting (or where an LTIP award is subject to a holding period, the end of that holding period). This amount may not be calculated assuming that the dividends have been reinvested in the Company's shares on a cumulative basis;

d. be settled in cash at the Committee's discretion; and/or

e. be adjusted in the event of any variation of the Company's share capital or any demerger, delisting, special dividend or other event that may affect the Company's share price.

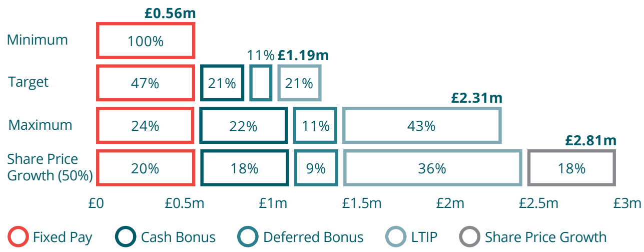
Malus and clawback

The Committee may reduce the size of unvested bonus and LTIP awards if (a) there is a material misstatement of audited results or an error in the assessment of the performance conditions applicable to an award (or it being based on inaccurate or misleading information or assumptions); (b) the Executive Director commits gross misconduct; (c) there is a material corporate failure; or (d) events or the Executive Director's behaviour have a significant detrimental impact on the Group's reputation and the Committee determines the Executive Director is responsible or directly accountable for that damage during a period beginning, in the case of bonus awards, at the start of the bonus year and ending three years after the bonus was determined and, in the case of the LTIP, at the start of the performance period and ending on the sixth anniversary of the grant date. During the same period, the Committee may also require the participant to repay some or all the value of the cash or shares received under an award in the circumstances referred to in (a) to (d).

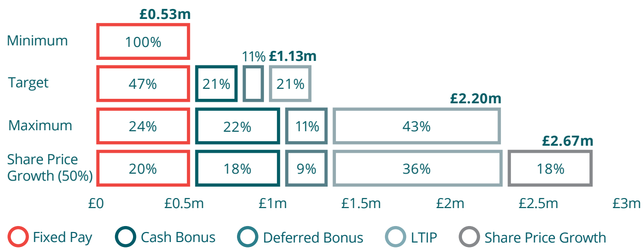
Illustration of the remuneration policy

The remuneration arrangements have been designed to ensure that a significant proportion of pay is dependent on the delivery of stretching short term and long term performance targets aligned with the Group's objectives, and on delivering shareholder value. The Committee considers the level of remuneration that may be received under different performance outcomes to ensure that this is appropriate in the context of the performance delivered and the value added for shareholders. The charts that follow provide illustrative values of the annual remuneration packages for Executive Directors based on four assumed performance scenarios. Minimum reflects fixed remuneration only. Target performance is on-target performance for bonus awards and threshold performance for LTIP (i.e. 25% of maximum). Stretch performance reflects maximum performance under both the bonus and the LTIP. Share Price Growth shows the additional impact of share price appreciation of 50% over the three-year performance period (share price has otherwise not been taken into account in the other scenarios). These charts are for illustrative purposes only and actual outcomes may differ from those shown. These scenarios are based on the Remuneration policy.

Chief Executive Officer – Toby van der Meer



Chief Financial Officer – John Worth



Non-Executive Directors

Approach to fees and link to strategy	Operation	Performance measures
Fixed payment to remunerate Non-Executive Directors. Set at an appropriate level to attract Non-Executive Directors of the required calibre and to reflect the time commitment and responsibility of the position.	• The Chair's fee is determined by the Committee; • The Non-Executive Directors' fees are determined by the Board. (No Director is involved in setting his/her own remuneration); • Fee levels are determined by assessing the skills and experience required along with the likely time commitment and market indicators; • Fees may be paid in cash or company shares; • Non-Executive Directors receive a basic fee and an additional fee for specific Board responsibilities, including membership and chairship of committees or acting as the Senior Independent Director or where the Non-Executive Director is required to commit a materially increased amount of time (beyond what was anticipated at the start of the year) to their duties; • Expenses incurred in the performance of Non-Executive Director duties for the Company are reimbursed or paid for directly by the Company, as appropriate, with the Company bearing the cost of individual tax liability on such payments by grossing up the reimbursement; and • Non-Executive Director fees are subject to a maximum cap of £1,500,000 as stated in the Company's Articles of Association. Any changes in this would be subject to shareholder approval.	None

Directors' service contracts

Executive Directors have rolling service contracts which are terminable on six months' notice on either side. The contracts provide for mitigation of any payment in lieu of notice to the extent that the Executive Director secures alternative employment during what would have been the full notice period. The service contracts for Executive Directors make no provision for termination payments, other than for payment in lieu of salary.

The Executive Directors' service contracts contain provisions relating to salary, car allowance, pension arrangements, salary continuance in the event of extended absence due to illness, holiday and sick pay, life insurance, personal accident, medical insurance, dependents' pensions, and the reimbursement of reasonable out of pocket expenses incurred by the Executive Directors while on Company business.

The service contracts in respect of Executive Directors who were in office during the year are rolling service contracts and therefore have no end date. The date of commencement for the service contract is 1 March 2018 in respect of the Chief Executive Officer and 10 May 2019 in respect of the Chief Financial Officer.

Loss of office payment policy

If the employment of an Executive Director is terminated, any compensation payable will be determined by reference to the terms of the service contract between the Company and the employee, as well as the rules of any awards relating to variable pay. The Committee may structure any compensation payments beyond the notice provisions in the contract in such a way as it deems appropriate taking into account the circumstances of departure.

The Committee reserves the right to make any other payments in connection with a Director's cessation of office or employment where the payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of settlement of any claim arising in connection with the cessation of a Director's office or employment or for any fees for outplacement assistance and/or the Director's legal and/or professional advice fees in connection with his cessation of office or employment.

Payment in lieu of notice

The Company may at its discretion make termination payments in lieu of notice based only on base salary. The notice period for both Executive Directors is six months.

Bonus

There is no contractual entitlement to a bonus in any year. The Committee retains discretion to award bonuses for leavers taking into account the circumstances of departure. Any bonus would normally be subject to performance, and time pro-rating as appropriate and would be paid in such proportions of cash and deferred shares as the Committee considers appropriate.

Deferred bonus

If the Executive Director dies, any outstanding awards will vest at the time of his death.

Awards granted prior to 2019 will not be forfeit on cessation of employment (save for contractual breach or gross misconduct). From 2019, if an Executive Director is designated as a good leaver any outstanding deferred bonus awards will normally vest according to the usual schedule, unless the Committee determines that they should vest earlier. Good leaver circumstances are in cases of injury, disability, ill-health, retirement, the sale of the individual's employing company or businesses out of the Group or for any other reason at the discretion of the Committee. In any other circumstances, any unvested deferred bonus awards will lapse.

Long term incentive plan ('LTIP')

Treatment of LTIP awards is governed by the LTIP rules. If an Executive Director is designated as a good leaver any outstanding LTIP awards will, unless the Committee determines otherwise, be pro-rated to reflect the portion of the performance period that has elapsed at the time the Executive Director leaves and will normally vest based on performance to the end of the original performance period, unless the Committee at its absolute discretion determines an alternative approach should apply. Good leaver circumstances are in cases of injury, disability, ill-health, retirement, the sale of the individual's employing company or businesses out of the Group or for any other reason at the discretion of the Committee. In the event of death, awards will normally vest early taking to account the Committee's assessment of performance against the performance conditions to the date of death and, unless the Committee determines otherwise, the pro-rating as described above. In any other circumstances, any unvested LTIP awards will lapse.

In the event that any Executive Director leaves during a holding period applicable to an award, his award will normally be released as if he had not left unless the Committee determines the holding period should end earlier. However, if the Executive Director is summarily dismissed during the holding period, his award will lapse.

Change of control

In the event of a change of control of the Company, outstanding incentive awards will be treated in line with the provisions of the applicable plan rules. Deferred bonus awards will vest in full and LTIP awards will vest to the extent determined by the Committee, taking into account the extent to which the performance conditions have, in the Committee's opinion, been satisfied and, unless the Committee determines otherwise, the proportion of the performance period elapsed. Any holding periods applicable to LTIP awards will cease to apply.

In the event the Company is wound up or there is a demerger, special dividend or other event which, in the Committee's opinion, may affect the share price, it may allow awards to vest on the same basis as a change of control.

Other payments

Other payments such as legal fees or outplacement costs may be paid if it is considered appropriate.

Recruitment policy

In determining remuneration for new Executive Directors, the Committee will consider all relevant factors, including the requirements of the role, the external market and internal relativities, while aiming not to pay more than is necessary to secure the preferred candidate. The Committee will seek to align the new Executive Director's remuneration package to the Policy set out above.

Normally, benefits including pension will be limited to those outlined in the Policy table above, including relocation assistance where necessary. The maximum level of variable pay (excluding any buyouts) that may be awarded to a new Executive Director will be limited to 450% of base salary, as set out in the Policy table. The Committee believes that the existing incentive plans contain sufficient flexibility to provide any specific awards that may be necessary to secure a particular individual. Within this limit, the Committee may include any element included within the approved policy, or any other element which the Committee considers is appropriate given the particular circumstances.

The Committee may buy out remuneration terms a new hire has had to forfeit on joining the Group. Any such buyout awards will be of comparable commercial value and reflect as closely as practicable the form and structure of the forfeited awards, including time horizons and performance conditions and the probability of those conditions being met. Where appropriate, the Committee retains the discretion to use the provisions provided in the Listing Rules for the purpose of making such an award, or to utilise any other incentive plan operated by the Group.

The service contract for new appointments will be consistent with the Policy set out above for existing Executive Directors.

Where an Executive Director is appointed from within the Group, any legacy arrangements would be honoured in line with the original terms and conditions as long as these do not cause a material conflict with the Policy set out above. If an Executive Director is appointed following an acquisition of, or merger with, another company, legacy terms and conditions that are of higher value than provided in the Policy would normally be honoured.

If a new Chair or Non-Executive Director is appointed, remuneration arrangements will normally be in line with those detailed earlier in the Policy report.

Employee consultation

The Company is committed to the alignment of all employee interests with shareholders, using every opportunity to further evolve and strengthen our position, especially via the Hastings Colleague Forum. This will realise the benefits of improved employee engagement as well as making sure that we comply with the specific requirements of the enhanced UK Corporate Governance Code (the 'Code'). In accordance with the revised Code, the Chair of the Board has been designated the Non-Executive Director responsible for engaging on workforce-related issues.

Other considerations

In making remuneration decisions, the Committee also considers the pay and employment conditions elsewhere in the Group, especially in terms of salary reviews and the application of awards relative to corporate performance. Colleagues within the Group receive base salary, benefits, pension and an annual bonus. The terms and value of these elements will vary based on role seniority. As noted Colleagues are invited to participate in the SIP to align interests with the Company's shareholders, however, in line with market practice only senior executives within the Company are currently eligible to participate in the LTIP.

Since the Company became a publicly listed entity, the Committee has been committed to understanding the views of the Company's shareholders, and carried out a consultation with the largest shareholders prior to finalising this Policy. The Committee is always open to listening to the views of our shareholders and engaging in ongoing dialogue with them on executive remuneration matters. The Committee also takes full account of the guidelines of investor advisory bodies and shareholder views in determining the remuneration arrangements in operation within the Group.

Independent auditor's report

to the members of Hastings Group Holdings plc

KPMG

1. Our opinion is unmodified

We have audited the Financial Statements of Hastings Group Holdings plc ('the Company', or 'Group' or 'Parent') for the year ended 31 December 2019 which comprise the Consolidated Statement of Profit or Loss, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows, Parent Company Balance Sheet, Parent Company Statement of Changes in Equity, Parent Company Statement of Cash Flows and the related Notes, including the accounting policies in note 2.

In our opinion:

- the Financial Statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2019 and of the Group's profit for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the Parent Company Financial Statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Group Financial Statements, Article 4 of the IAS Regulation.

Basis for opinion

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

We were first appointed as auditor by the shareholders on 23 September 2015. The period of total uninterrupted engagement is for the 5 financial years ended 31 December 2019. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview		
Materiality: group financial statements as a whole	£3.9m (2018:£6.3m) 4.8% of profit before tax (2018: 4.1% of profit before tax)	
Coverage	100% (2018:100%) of group profit before tax	
Risks of material misstatement vs 2018		
Recurring risks	Valuation of outstanding claims liabilities	◀▶
	New: Valuation of tax provisions and disclosure of tax uncertainties	▲
	Recoverability of parent company's investment in subsidiaries	◀▶
Event driven	The impact of uncertainties due to the UK exiting the European Union on our audit	◀▶

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

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the Financial Statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the Financial Statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

Key audit matters

The impact of uncertainties due to the UK exiting the European Union on our audit

Refer to page 33 (principal risks), page 29 (viability statement), page 84 (Audit Committee Report), page 134 (Basis of preparation).

The risk

Unprecedented levels of uncertainty

All audits assess and challenge the reasonableness of estimates, in particular as described in valuation of outstanding claims liabilities, valuation of tax provisions and disclosure of tax uncertainties and recoverability of the cost of investment in subsidiaries below. All of these depend on assessments of the future economic environment and the Group's future prospects and performance.

In addition, we are required to consider the other information presented in the Annual Report including the principal risks disclosure and the viability statement and to consider the Directors' statement that the Annual Report and Financial Statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

Brexit is one of the most significant economic events for the UK and its effects are subject to unprecedented levels of uncertainty of consequences, with the full range of possible effects unknown.

Our response

We developed a standardised firm-wide approach to the consideration of the uncertainties arising from Brexit in planning and performing our audits. Our procedures included:

- **Our Brexit knowledge:** We considered the Directors' assessment of Brexit-related sources of risk for the Group's business and financial resources compared with our own understanding of the risks. We considered the Directors' plans to take action to mitigate the risks.
- **Sensitivity analysis:** When addressing recoverability of cost of the investment in subsidiaries and other areas that depend on forecasts, we compared the Directors' analysis to our assessment of the full range of reasonably possible scenarios resulting from Brexit uncertainty and, where forecast cash flows are required to be discounted, considered adjustments to discount rates for the level of remaining uncertainty.
- **Assessing transparency:** As well as assessing individual disclosures as part of our procedures on outstanding claims liabilities, valuation of tax provisions and disclosure of tax uncertainties and recoverability of the cost of investments in subsidiaries, we considered all of the Brexit related disclosures together, including those in the strategic report, comparing the overall picture against our understanding of the risks.

Our result

As reported under valuation of outstanding claims liabilities, valuation of tax provisions and disclosure of tax uncertainties and recoverability of parent company's investment in subsidiaries, we found the resulting estimates and related disclosures of these items to be acceptable. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Key audit matter

Valuation of outstanding claims liabilities (£1,546.3 million; 2018: £1,340.1 million)

Refer to page 84 (Audit Committee Report), page 136 (accounting policy) and page 160 (financial disclosures).

The risk

Subjective valuation:

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

This judgement is applied to a number of key assumptions, such as the frequency and severity of incurred bodily injury, accidental damage and third party property damage losses, the choice of development pattern, and the choice of discount rate ("Ogden") to estimate the present value of large bodily injury claims.

The valuation of claims outstanding depends on complete and accurate data about the volume, amount and pattern of current and historical claims since they are used to form expectations about future claims. If the data used in calculating IBNR, or for forming judgements over key assumptions, is not complete and accurate then material impacts on the valuation of claims outstanding may arise. This is particularly true in establishing the types of claims within IBNR upon which to base actuarial projections given the assumptions and reserving methodology varies considerably by peril.

Margin is added to the actuarial best estimate ("ABE") of insurance liabilities to make allowance for risks and uncertainties that are not specifically allowed for in establishing the ABE. The appropriate margin to recognise is a subjective judgement and estimate taken by the Directors, based on the perceived uncertainty and potential for volatility in the underlying claims.

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

2. Key audit matters: including our assessment of risks of material misstatement continued

Our procedures included:

- **Control design and observation:** tested whether the Group had followed their documented reserving policy in estimating IBNR, whether there are adequate controls over the setting of actuarial assumptions, and whether there are adequate controls over the completeness and accuracy of claims data underlying the actuarial projections used by the internal and external actuaries to set the IBNR reserves. We have tested Group's controls over setting ABE liability and management margin, challenging whether these controls have the level of precision and clarity to detect misstatements in the valuation.
  - **Evaluating the work of independent and internal actuaries:** Analysed and evaluated the results of reserving reports issued by the internal and external actuaries, assessing the competence of both parties and the appropriateness of their methodology and assessed their conclusions;
  - **Data comparisons:** We compared the claims data recorded in the claims administration systems to the data used in the actuarial reserving calculations to assess the integrity of the data used by the internal and external actuaries in the actuarial reserving process. We compared the output of the internal and external actuarial re-projections and we reconciled the output from the internal reprojections to amount recorded in the financial statements;
- **Our actuarial experience:** Using our own actuarial specialists we evaluated the findings of the Group's internal actuary and the independent actuary report. Through critical assessment of these actuarial reports and supporting documentation, and through discussion with both actuaries, we analysed and challenged the differences in reserving methodology applied by both actuaries as well as the key assumptions which varies by peril:
  - Accidental damage ("AD") and small bodily injury ("BI") – claims frequency, claims severity, claims inflation and subrogation.
  - Mid-sized BI, large BI and third party property damage ("TPPD") – claims frequency, claims severity, claims inflation, discount rate and the impact of legislative developments.
- **Benchmarking assumptions:** We evaluated the assumptions through assessment of claims development trends and benchmarking to market data. We challenged whether the frequency assumption, severity assumption and development patterns were comparable to our actuarial benchmarks, market data and the Group's historical experience.
- **Historical comparisons:** We compared prior year reserves to actual outcomes to assess whether the Group has historically set adequate reserves.
- **Margin evaluation:** We evaluated the appropriateness of the Group's margin held at year end. In order to do this, we assessed the Directors' approach, and supporting analysis for margin to be held, having regard to the allowance for uncertainties inherent in the data and assumptions in developing the ABE. We assessed the extent to which the margin between the reserves booked and the actuarial best estimate was determined consistently with prior periods and in line with the reserving methodology.
- **Assessing transparency:** We considered the adequacy of the Group's disclosures about the degree of estimation uncertainty and the sensitivity of recognised amounts to changes in assumptions.

Our result

We found the valuation of the outstanding claims liabilities to be acceptable (2018: acceptable).

Key audit matter

Valuation of tax provisions and disclosure of tax uncertainties (£0; 2018: £0)

Refer to page 144 (accounting policy) and page 174 (financial disclosures).

Dispute outcome

Recent HM Revenue & Customs (HMRC) correspondence received demonstrates continuing challenge of the Group in respect of existing transfer pricing arrangements.

The Group has a number of open periods with HMRC as a result of ongoing enquiries into the interpretation of tax legislation regarding transactions undertaken by the Group in relation to transfer pricing arrangements.

Determining a provision for uncertain tax positions requires the Group to make judgements and estimates in relation to tax issues and exposures. This is a key audit risk due to the time taken for tax matters to be agreed with the tax authorities and complexity of tax legislation.

Our response

Our procedures included:

- **Our tax expertise:** We used our own tax specialists to assist us to assess the Group's open tax positions which included the following procedures:
  - We inspected the latest correspondence between the Group and HMRC regarding open matters. In addition, we read professional advice that the Group had obtained in the period in relation to uncertain tax positions.
  - We analysed and challenged the assumptions used to determine the proposed accounting treatment in relation to uncertain tax positions based on our knowledge and experience of the application of legislation by the relevant authorities and courts.
- **Assessing transparency:** We assessed the adequacy of the Group's disclosures in respect of tax and uncertain tax positions by reference to relevant accounting standards.

Our result

We found the valuation of tax provisions and disclosures of tax uncertainties to be acceptable.

Key audit matter

Recoverability of the parent company's investment in subsidiaries

(£1,277.3 million; 2018: £1,275.7 million)

Refer to page 178 (accounting policy) and page 181 (financial disclosures).

The risk

Low risk, high value

The carrying amount of the parent company's investments in subsidiaries represents 99.97% of the company's total assets as at 31 December 2019.

Their recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the parent company financial statements, this is considered to be the area that had the greatest effect on our overall parent company audit.

Our response

Our procedures included:

- **Tests of detail:** Compared the carrying amount of 100% of investments with the relevant subsidiaries' draft balance sheet to identify whether their net assets, being an approximation of their minimum recoverable amount, were in excess of their carrying amount and assessed whether those subsidiaries have historically been profit-making.
- **Comparing valuations:** Compared the Parent Company investment in subsidiaries value to the recoverable amount which is the sum of the Value in Use ("VIU") for the Group's cash generating units and corroborated that no impairment was required;
- **Historical comparisons:** Assessed the reasonableness of cash flow projections used in VIU calculations against historical performance;
- **Benchmarking assumptions:** Compared the Group's and the Parent Company's assumptions to externally derived data in relation to key inputs such as projected economic growth and discount rates;
- **Sensitivity analysis:** Used our analytical tools to: assess the sensitivity of the headroom between the calculated value in use of the cash generating units and the carrying value of the investments, having regard to reasonably possible changes in key assumptions, both individually and collectively; and to assess and conclude on the appropriateness of the carrying value of the Parent Company's investment in subsidiaries;
- **Assessed subsidiary audits:** Assessed the work performed by the subsidiary audit teams on all of those subsidiaries and considered the results of that work, on those subsidiaries' profits and net assets; and
- **Assessing transparency:** Assessed the adequacy of the parent Company's disclosures in respect of the investment in subsidiaries balances.

Our result

We found the Company's assessment of the recoverability of the investment in subsidiaries to be acceptable (2018: acceptable).

We continue to perform procedures over recoverability of reinsurance assets. However following our considerations around the strength of credit worthiness of the Group's reinsurance assets, we have not assessed this as one of the most significant risks in our current year audit and, therefore, it is not separately identified in our report this year.

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

Materiality for the Group Financial Statements as a whole was set at £3.9m (2018: £6.3m), determined with reference to a benchmark of Group profit before tax, of which it represents 4.8% (2018: 4.1% of Group profit before tax).

Materiality for the Parent Company Financial Statements as a whole was set at £3.1m (2018: £5.0m) determined with reference to a benchmark of Company total assets of which it represents 0.25% (2018: £0.4%).

We reported to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.2m (2018: £0.3m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 8 (2018: 8) reporting components, we subjected 2 (2018: 8) to full scope audits for group purposes and 2 (2018: 0) to specified risk-focused audit procedures over material balances. The components for which we performed work other than audits for group reporting purposes were not individually significant but were included in the scope of our group reporting work in order to provide further coverage over the group's results. We subjected these 2 (2018: 0) components to specified risk-focused audit procedures over secured loan notes (Hastings Group Finance plc) and property and equipment (Conquest House Limited).

The components within the scope of our work accounted for 100% of Group revenue, Group total assets and Group profit before tax. The full scope audit of Advantage Insurance Company Limited ("AICL") was undertaken by an overseas component auditor who reported back to the Group audit team.

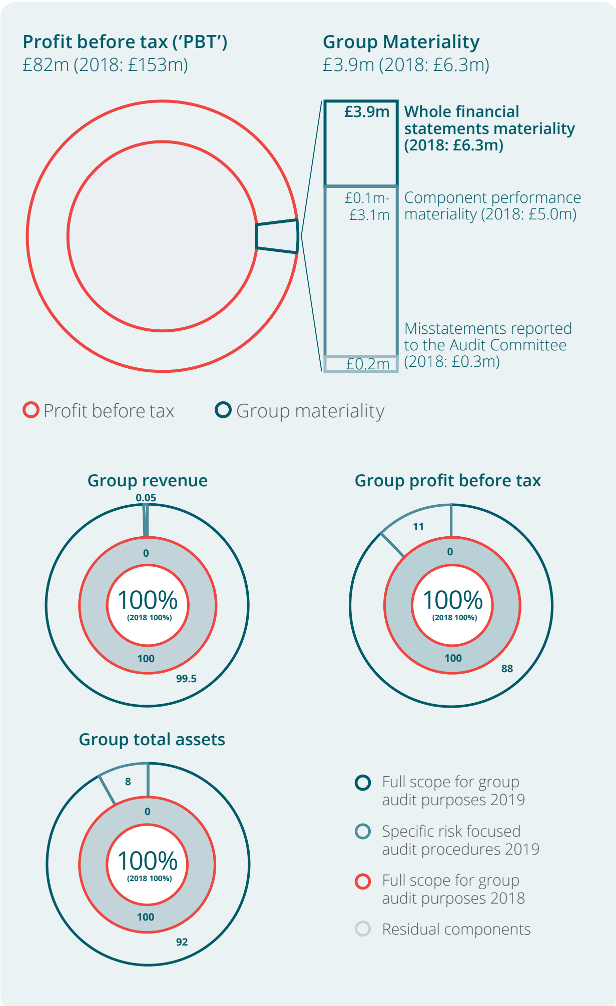
For the residual 4 components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these.

The Group audit team instructed the overseas component auditor, as to the significant areas to be covered, including the relevant risks and the information to be reported back.

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

The Group team approved the component materialities, which ranged from £0.1m to £3.1m (2018: £5.0m), having regard to the mix of size and risk profile of the Group across the components.

The Group team visited the overseas component auditor during 2019 and 2020 to discuss the significant audit risks, findings and also to complete a file review. Telephone conference meetings and regular meetings with the members of the component auditor were also held throughout the year.



4. We have nothing to report on going concern

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

Our responsibility is to conclude on the appropriateness of the Directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group and the Company will continue in operation.

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Group's and Company's business model and analysed how those risks might affect the Group's and Company's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group's and Company's available financial resources over this period were:

- adverse insurance reserves development;
- liabilities arising for uncertain tax positions; and
- a deterioration in the valuation of the Group and Company's investments.

As these were risks that could potentially cast significant doubt on the Group's and the Company's ability to continue as a going concern, we considered sensitivities over the level of available financial resources indicated by the Group's financial forecasts taking account of reasonably possible (but not unrealistic) adverse effects that could arise from these risks individually and collectively and evaluated the achievability of the actions the Directors consider they would take to improve the position should the risks materialise. We also considered less predictable but realistic second order impacts, such as the impact of Brexit and the erosion of customer or supplier confidence, which could result in a rapid reduction of available financial resources.

Based on this work, we are required to report to you if:

- we have anything material to add or draw attention to in relation to the Directors' statement in Note 1 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements; or
- the related statement under the Listing Rules set out on page 79 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects, and we did not identify going concern as a key audit matter.

5. We have nothing to report on the other information in the Annual Report

The Directors are responsible for the other information presented in the Annual Report together with the Financial Statements. Our opinion on the Financial Statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the Financial Statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic Report and Directors' Report

Based solely on our work on the other information:

- we have not identified material misstatements in the Strategic Report and the Directors' Report;
- in our opinion the information given in those reports for the financial year is consistent with the Financial Statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' Remuneration Report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of emerging and principal risks and longer-term viability

Based on the knowledge we acquired during our Financial Statements audit, we have nothing material to add or draw attention to in relation to:

- the Directors' confirmation within the Viability Statement on page 29, that they have carried out a robust assessment of the emerging and principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;
- the Principal Risks disclosures describing these risks and explaining how they are being managed and mitigated; and
- the Directors' explanation in the Viability Statement of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the Viability Statement. We have nothing to report in this respect.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgments that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.

Corporate governance disclosures

We are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the Directors' statement that they consider that the Annual Report and Financial Statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; or
- the section of the Annual Report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

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

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

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company Financial Statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 66, the Directors are responsible for: the preparation of the Financial Statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

Irregularities - ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the Financial Statements from our general commercial and sector experience, through discussion with the Directors and other management (as required by auditing standards) and from inspection of the Group's regulatory and legal correspondence and discussed with the Directors and other management the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. This included communication from the group to component audit teams of relevant laws and regulations identified at group level.

The potential effect of these laws and regulations on the Financial Statements varies considerably.

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

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the Financial Statements, for instance through the imposition of fines or litigation or the loss of the Group's licence to operate. We identified the following areas as those most likely to have such an effect: regulatory capital and regulatory compliance and liquidity and certain aspects of company and corporate tax legislation recognising the financial and regulated nature of the Group's activities authorized and regulated by the Financial Conduct Authority (FCA) and the Gibraltar Financial Services Commission (GFSC). Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and other management and inspection of regulatory and legal correspondence, if any. Through these procedures, we became aware of actual or suspected non-compliance and considered the effect as part of our procedures on the related Financial Statement items. The identified actual or suspected non-compliance was not sufficiently significant to our audit to result in our response being identified as a key audit matter.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the Financial Statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the Financial Statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

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

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

Salim Tharani
(Senior Statutory Auditor)
for and on behalf of KPMG LLP,
Statutory Auditor

Chartered Accountants
15 Canada Square London E14 5GL
26 February 2020

Financial statements

Consolidated statement of profit or loss

for the year ended 31 December 2019

		Year ended					
		31 December 2019			31 December 2018		
	Note	Underlying trading £m	Non-trading items[1] £m	Total £m	Underlying trading £m	Non-trading items[1] £m	Total £m
Gross written premiums	6	**961.6**	**–**	**961.6**	958.3	–	958.3
Gross earned premiums	6	**965.0**	**–**	**965.0**	949.9	–	949.9
Earned premiums ceded to reinsurers	6	**(525.7)**	**–**	**(525.7)**	(509.2)	–	(509.2)
Net earned premiums	6	**439.3**	**–**	**439.3**	440.7	–	440.7
Other revenue	7	**291.6**	**–**	**291.6**	308.7	–	308.7
Investment and interest income	8	**10.4**	**–**	**10.4**	7.0	–	7.0
Net revenue		**741.3**	**–**	**741.3**	756.4	–	756.4
Claims incurred	9	**(875.1)**	**–**	**(875.1)**	(774.6)	–	(774.6)
Reinsurers' share of claims incurred	9	**512.4**	**–**	**512.4**	444.0	–	444.0
Net claims incurred	9	**(362.7)**	**–**	**(362.7)**	(330.6)	–	(330.6)
Acquisition costs		**(76.4)**	**–**	**(76.4)**	(74.6)	–	(74.6)
Other expenses	10	**(192.5)**	**–**	**(192.5)**	(160.6)	–	(160.6)
Adjusted operating profit[2]		**109.7**			190.6		
Amortisation and depreciation	10	**(15.8)**	**(2.0)**	**(17.8)**	(7.5)	(21.5)	(29.0)
Finance costs	14	**(9.6)**	**(0.2)**	**(9.8)**	(8.5)	(0.2)	(8.7)
Profit before tax		**84.3**	**(2.2)**	**82.1**	174.6	(21.7)	152.9
Taxation expense	15	**(12.8)**	**0.4**	**(12.4)**	(26.1)	3.8	(22.3)
Total profit attributable to the equity holders of the parent		**71.5**	**(1.8)**	**69.7**	148.5	(17.9)	130.6
Earnings per share attributable to the equity holders of the parent (expressed in pence per share)							
Basic earnings per share	16			**10.6p**			19.9p
Diluted earnings per share	16			**10.6p**			19.8p

All results arose from continuing operations.

The accompanying Notes form an integral part of these Consolidated Financial Statements.

1 Non-trading items are defined as expenses or earnings that are not representative of the underlying activities of the Group and include reorganisation, refinancing and transaction costs and the impact of accounting for business combinations as described in Note 11.

2 Adjusted operating profit represents profit before taxation expense, finance costs, amortisation and depreciation and non-trading costs. This is a non-IFRS measure used by management to measure the underlying trading of the business and is provided for information.

Consolidated statement of comprehensive income

for the year ended 31 December 2019

	Note	Year ended 31 December 2019 £m	31 December 2018 £m
Total profit attributable to the equity holders of the parent		**69.7**	130.6
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Fair value gain/(loss) on available for sale investments	26	**7.3**	(6.8)
Total items that may be subsequently reclassified to profit or loss		**7.3**	(6.8)
Items that may not be subsequently reclassified to profit or loss			
Revaluation gain/(loss) on property	20	**0.3**	(0.4)
Total items that may not be subsequently reclassified to profit or loss		**0.3**	(0.4)
Total other comprehensive profit/(loss)		**7.6**	(7.2)
Total comprehensive income attributable to the equity holders of the parent		**77.3**	123.4

The accompanying Notes form an integral part of these Consolidated Financial Statements.

Consolidated balance sheet

as at 31 December 2019

	Note	As at 31 December 2019 £m	31 December 2018 £m
Assets			
Goodwill	18	**470.0**	470.0
Intangible assets	19	**87.7**	80.5
Property and equipment	20	**22.6**	22.7
Deferred income tax assets	21	**5.6**	6.6
Reinsurance assets	22, 26	**1,365.0**	1,212.1
Deferred acquisition costs	23	**34.3**	34.5
Prepayments		**8.9**	7.6
Insurance and other receivables	24, 26	**441.6**	444.7
Financial assets at fair value	26	**583.4**	558.0
Cash and cash equivalents	25, 26	**160.9**	146.0
Total assets		**3,180.0**	2,982.7
Liabilities			
Loans and borrowings	26, 27	**245.3**	244.3
Insurance contract liabilities	22	**2,023.7**	1,820.8
Deferred income tax liabilities	21	**8.0**	8.5
Current tax liabilities		**3.2**	14.7
Insurance and other payables	26, 28	**257.7**	243.4
Total liabilities		**2,537.9**	2,331.7
Equity			
Share capital	29	**13.2**	13.2
Share premium		**172.6**	172.6
Merger reserve	29	**(756.0)**	(756.0)
Other reserves	29	**2.3**	(5.0)
Retained earnings		**1,210.0**	1,226.2
Total equity		**642.1**	651.0
Total equity and liabilities		**3,180.0**	**2,982.7**

The accompanying Notes form an integral part of these Consolidated Financial Statements.

These Financial Statements were approved by the Board of Directors on 26 February 2020 and were signed on its behalf by:

Tobias van der Meer
Chief Executive Officer
Hastings Group Holdings plc

Company Number: 09635183

Consolidated statement of changes in equity

for the year ended 31 December 2019

	Note	Share capital £m	Share premium £m	Merger reserve £m	Other reserves £m	Retained earnings £m	Total equity £m
As at 1 January 2018		13.1	172.6	(756.0)	2.5	1,180.7	612.9
Impact of implementing IFRS 15		–	–	–	–	(1.3)	(1.3)
Impact of implementing IFRS 16		–	–	–	–	(0.3)	(0.3)
Tax on opening balance adjustments		–	–	–	–	0.4	0.4
Adjusted as at 1 January 2018		13.1	172.6	(756.0)	2.5	1,179.5	611.7
Total profit attributable to the equity holders of the parent		–	–	–	–	130.6	130.6
Total other comprehensive income		–	–	–	(7.2)	–	(7.2)
Total comprehensive income for the year		–	–	–	(7.2)	130.6	123.4
Transactions with equity holders of the parent							
Share based payments	30	–	–	–	–	2.1	2.1
Tax on share based payments	30	–	–	–	–	(0.4)	(0.4)
Acquisition of own shares	29	–	–	–	(2.2)	–	(2.2)
Issue of shares		0.1	–	–	–	(0.1)	–
Dividends paid	35	–	–	–	–	(85.5)	(85.5)
Capital contribution		–	–	–	1.9	–	1.9
Total transactions with equity holders of the parent		0.1	–	–	(0.3)	(83.9)	(84.1)
As at 31 December 2018 and1 January 2019		13.2	172.6	(756.0)	(5.0)	1,226.2	651.0
Total profit attributable to the equity holders of the parent		**–**	**–**	**–**	**–**	**69.7**	**69.7**
Total other comprehensive income		**–**	**–**	**–**	**7.6**	**–**	**7.6**
Total comprehensive income for the period		**–**	**–**	**–**	**7.6**	**69.7**	**77.3**
Transactions with equity holders of the parent							
Share based payments	30	**–**	**–**	**–**	**–**	**3.2**	**3.2**
Acquisition of own shares		**–**	**–**	**–**	**(0.3)**	**–**	**(0.3)**
Dividends paid	35	**–**	**–**	**–**	**–**	**(89.1)**	**(89.1)**
Total transactions with equity holders of the parent		**–**	**–**	**–**	**(0.3)**	**(85.9)**	**(86.2)**
As at 31 December 2019		**13.2**	**172.6**	**(756.0)**	**2.3**	**1,210.0**	**642.1**

The accompanying Notes form an integral part of these Consolidated Financial Statements.

Consolidated statement of cash flows

for the year ended 31 December 2019

	Note	Year ended 31 December 2019 £m	31 December 2018 £m
Profit after tax		**69.7**	130.6
Adjustments for:			
Depreciation of property and equipment	20, 10	**5.8**	5.0
Amortisation of intangible assets	19, 10	**12.0**	24.0
Net fair value (gains)/losses on financial assets recognised in profit or loss	8	**(1.7)**	1.3
Other interest income	8	**(8.7)**	(8.3)
Loss on disposal of property and equipment		**1.0**	1.3
Finance costs	14	**9.8**	8.7
Taxation expense	15	**12.4**	22.3
Share based payment charge	30	**3.3**	2.1
Change in insurance and other receivables and prepayments		**6.8**	(30.0)
Change in insurance and other payables		**13.4**	(6.5)
Change in reinsurance assets		**(152.6)**	(124.2)
Change in deferred acquisition costs	23	**0.2**	(3.0)
Change in insurance contract liabilities		**202.4**	154.4
Taxation paid		**(27.8)**	(26.3)
Net cash flows from operating activities		**146.0**	151.4
Purchase of property and equipment		**(3.6)**	(3.1)
Acquisition of intangible assets		**(18.8)**	(17.2)
Interest received		**16.4**	17.4
Outlays for acquisition of financial assets at fair value		**(212.8)**	(202.0)
Proceeds from disposal of financial assets at fair value		**188.0**	166.4
Net cash flows from investing activities		**(30.8)**	(38.5)
Purchase of own shares	29	**(0.3)**	(2.2)
Repayment of lease liabilities		**(3.4)**	(1.2)
Proceeds from new loans and borrowings	27	**–**	247.8
Repayment of loans and borrowings	27	**–**	(275.0)
Interest paid on loans and borrowings		**(7.5)**	(6.2)
Other interest and refinancing costs paid		**–**	(1.1)
Capital contribution		**–**	1.9
Dividends paid	35	**(89.1)**	(85.5)
Net cash flows from financing activities		**(100.3)**	(121.5)
Net movement in cash and cash equivalents		**14.9**	(8.6)
Cash and cash equivalents at beginning of year		**146.0**	154.6
Net movement in cash and cash equivalents		**14.9**	(8.6)
Cash and cash equivalents at end of year	25	**160.9**	146.0

The accompanying Notes form an integral part of these Consolidated Financial Statements.

Notes to the consolidated financial statements

1. Basis of preparation

Hastings Group Holdings plc ('the Company', 'Hastings', or 'HGH') has its registered office and principal place of business at Conquest House, Collington Avenue, Bexhill-on-Sea, TN39 3LW, United Kingdom. The Company's registered number is 09635183.

The principal activities of the Group are the broking and underwriting of UK private car, van, bike and home insurance.

The Consolidated Financial Statements comprise the consolidated results of the Company and its subsidiaries ('the Group') for the year ended 31 December 2019 and comparative figures for the year ended 31 December 2018.

The Consolidated Financial Statements have been prepared and approved by the Directors in accordance with the Companies Act 2006 and International Financial Reporting Standards as adopted by the EU ('IFRS') that are in effect at 31 December 2019. IFRS comprise standards and interpretations approved by the International Accounting Standards Board ('IASB') and the International Financial Reporting Interpretations Committee.

Going concern

The financial performance and position of the Group, its cash flows, liquidity position and borrowing facilities are set out in the primary financial statements and the subsequent notes. Further analysis of the Group's operations, capital management strategy, risk management practices and growth strategy can be found in the Strategic Report.

Having considered the foregoing items, the Group's approved budget and cash flow forecasts for the next 12 months and beyond, and after making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Consolidated Financial Statements.

Basis of measurement

The Consolidated Financial Statements are presented in Pounds Sterling. Amounts are rounded to the nearest million with one decimal place (e.g £0.1m) except where otherwise indicated.

The preparation of consolidated financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amounts, events and actions, actual results ultimately may differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to these Consolidated Financial Statements, are disclosed in Note 3.

The Consolidated Financial Statements are prepared on the historical cost basis, except for certain financial assets and property which are measured at their fair value or revalued amounts.

Basis of consolidation

The Consolidated Financial Statements incorporate the financial statements of the Company and all of its subsidiary undertakings for the years ended 31 December 2019 and 31 December 2018.

Accounting policies have been consistently applied throughout the Group.

Subsidiaries are investees controlled by the Group. The Group controls an investee if it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group reassesses whether it has control if there are changes to one or more of the elements of control. Subsidiaries are consolidated from the date on which control commences until the date when control ceases.

Intercompany balances and transactions are eliminated in the Consolidated Financial Statements.

1. Basis of preparation continued

Adoption of new IFRS

Annual Improvements to IFRS Standards 2015-2017 Cycle (issued on 12 December 2017)
On 13 March 2019, the EU endorsed the following amendments, which are effective from 1 January 2019:
- IFRS 3 Business Combinations and IFRS 11 Joint Arrangements: previously held interest in a joint operation
- IAS 12 Income Taxes: income tax consequences of payments on financial instruments classified as equity; and
- IAS 23 Borrowing Cost: borrowing costs eligible for capitalisation

These amendments did not have a material impact on the Group's Consolidated Financial Statements upon adoption on 1 January 2019.

Amendments to IAS 19 Employee Benefits ('IAS 19') – Plan Amendment, Curtailment or Settlement
The amendments require that, when an entity remeasures its net benefit liability or asset after a plan amendment, curtailment or settlement, it uses the updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period. The amendments were effective from 1 January 2019, endorsed by the EU on 13 March 2019. The amendments do not have a significant impact on the Group's Consolidated Financial Statements.

Amendments to IAS 28 Investments in Associates and Joint Ventures ('IAS 28') – Long term Interests in Associates and Joint Ventures
The amendments clarify that an entity applies IFRS 9 Financial Instruments to financial instruments in an associate or joint venture to which the equity method is not applied. These include long term interests that, in substance, form part of the entity's net investment in an associate or joint venture. The amendments were endorsed on 8 February, effective from 1 January 2019. These amendments do not have a significant impact on the Group's Consolidated Financial Statements.

IFRIC 23 Uncertainty over income tax treatments ('IFRIC 23')
On 23 October 2018, the EU endorsed IFRIC 23 Uncertainty over Income Tax Treatments which provides additional guidance on the application of IAS 12 Income Taxes. There has been no material impact on the Group's financial statements upon adoption of this guidance on 1 January 2019.

IFRS developments

The following accounting standards and amendments to IFRS have been issued by the IASB but are not yet effective:

IFRS 17 Insurance Contracts
The IASB issued IFRS 17 Insurance Contracts on 18 May 2017 to replace IFRS 4. IFRS 17 provides a comprehensive framework for accounting for insurance contracts and it is anticipated to impact the treatment and measurement of income, expenses, assets and liabilities arising from insurance contracts. The standard is effective from 1 January 2021, subject to endorsement. In June 2019, the IASB published the Exposure Draft Amendments to IFRS 17. The Exposure Draft Amendments proposed a one year delay to the date of adoption which, if approved, would delay the effective date to 1 January 2022. Industry feedback on the Exposure draft is currently being considered by the IASB, including a proposal to delay the effective date of IFRS 17 by a further year to 1 January 2023 by EFRAG, and the IASB plans to issue revised IFRS 17 in 2020. Management has taken the proposed deferral of the effective date into consideration and expects to apply IFRS 17 for periods beginning on or after 1 January 2022.

Management is in the process of assessing the changes required to current accounting practice, quantifying the accounting implications of IFRS 17 and preparing pro forma financial statements. This has included updating impact assessments for the changes proposed in the current Exposure Draft Amendments. The Group expects to apply the premium allocation approach to its insurance contracts and principal changes to existing practice are likely to include the discounting of claims liabilities, changes to the presentation of the consolidated statement of profit or loss, increased disclosures on portfolios of contracts and deferral of acquisition costs over subsequent renewal periods.

1. Basis of preparation continued

IFRS developments continued

IFRS 9 Financial Instruments ('IFRS 9')

IFRS 9 sets out comprehensive requirements relating to the classification and measurement of financial instruments. The standard was endorsed by the EU on 22 November 2016 and is effective from 1 January 2018 unless the amendments to IFRS 4 that permits entities with a predominance of insurance activities to defer the implementation of IFRS 9 to align with the implementation of IFRS 17 Insurance Contracts are applied. The Group has applied these amendments to IFRS 4 and deferred application of IFRS 9, together with any subsequent amendments, in line with IFRS 17 Insurance Contracts. The Group conducted a high level assessment of the impact of IFRS 9 based on current information and consider that it is likely assets currently categorised as available-for-sale assets will continue to be recognised under fair value through other comprehensive income and movements in financial assets through profit or loss will continue to be recognised through profit or loss. The Group will also recognise an impairment provision on initial recognition of a financial asset, rather than on signs of impairment. This is expected to predominately impact premium finance debtors but is not expected to significantly impact the Group's Consolidated Financial Statements.

Amendments to IAS 1 and IAS 8 – Definition of Material

The amendments clarify the definition of material and align the definitions used across IFRS Standards. The IASB issued the amendments on 31 October 2018, the EU endorsed these amendments on 29 November 2019 and they are effective from 1 January 2020. These amendments do not have a significant impact on the Group's Consolidated Financial Statements.

Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

The amendments provide guidance to address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative interest rate benchmark. The amendments address issues for hedging relationships directly affected by uncertainties arising from the interest rate benchmark reform, including cross-currency interest rate swaps, and provide relief for highly probable and prospective assessments required by IFRS 9 and IAS 39 and retrospective assessments under IAS 39. The IASB issued these amendments on 26 September 2019, which are effective from 1 January 2020. The EU endorsed the amendments on 15 January 2020. Management is currently in the process of assessing the impact of these amendments on the Group's Consolidated Financial Statements.

2. Accounting policies

Revenue recognition

Insurance premiums, reinsurance and profit commission

Premiums related to insurance contracts are recognised as revenue, gross of commissions and net of insurance premium taxes proportionally over the period of cover provided. Premiums with an inception date after the period end are held in the Consolidated Balance Sheet in deferred income. Outstanding premiums from customers at the year end are recognised within insurance receivables.

Premiums ceded to reinsurers are recognised in profit or loss in the same period as the related direct insurance business and in accordance with the terms of each reinsurance contract held.

Under certain reinsurance contracts, profit commission may become receivable or payable in respect of a particular underwriting year dependent on the difference between the ultimate loss ratio and the loss ratio threshold set out in the contract. Profit commission receivable or payable at each reporting date is recognised based on the estimated ultimate loss ratio for that underwriting year at the reporting date. Any movement on the profit commission receivable or payable in the period is recognised in profit or loss within reinsurance commissions.

Other reinsurance commissions are recognised in profit or loss within reinsurance commissions in the period to which they relate.

Revenue from contracts with customers

Revenue from contracts with customers arises primarily from insurance broking activities which consists principally of fees and commissions relating to the arrangement of third party underwritten insurance contracts and ancillary products. The Group's performance obligation under such contracts is to broker contracts between customers and third party underwriters or service providers.

The Group satisfies its performance obligations for these contracts at a point in time; revenue from insurance brokerage activities is recognised at the point of sale to the customer and revenue from other retail income is recognised when the ad hoc service has been completed. Revenue arising from insurance broking activities is measured on an agency basis, net of cost, at the fair value of the income receivable after adjusting for any allowance for expected future cancellation refunds.

The Group may also provide contracts for the provision of other ad hoc, point in time services to customers. Such income is recognised when the performance obligation has been satisfied at the expected value of consideration.

2. Accounting policies continued

Revenue recognition continued

Premium finance interest

Premium finance interest, earned on sales where customers choose to pay in monthly instalments instead of one single, upfront payment, is recognised in profit or loss over the term of the related agreement using an effective interest rate method.

Investment and interest income

Investment and interest income comprises net gains and losses on certain financial assets held at fair value and interest income from financial assets. Interest income for all interest-bearing financial assets, including available for sale financial assets, is recognised in profit or loss within investment and interest income using an effective interest rate method.

Discounts

Premium discounts on policies underwritten by parties external to the Group are deducted from fees and commission within other revenue. Premium discounts for policies underwritten by the Group are deducted from gross written premiums and are recognised proportionally over the period of cover provided.

Other discounts on revenue are deducted from the revenue streams to which they relate.

Insurance contracts and reinsurance assets

Claims liabilities

Gross outstanding claims liabilities are recognised at the value of expected future payments relating to claims incurred at the reporting date. The expected future payments include those in relation to claims reported but not yet paid or not yet paid in full, claims incurred but not reported ('IBNR') and an allowance for future uncertainty. The liabilities are not discounted to present value, except for periodic payment orders ('PPOs'). PPOs are awarded as a result of certain large bodily injury claims made under insurance contracts. Such awards are generally for a fixed instalment over an indeterminate time period. Claims settled, or expected to be settled, by means of a PPO are recognised at the present value of expected future cash flows of the award granted over the expected term of the PPO and are recognised immediately when the award is considered probable. Discounting is implicit within these reserving calculations at each period end for each expected PPO. The Group has settled a small number of claims with a PPO arrangement.

While the Directors consider that the gross outstanding claims liabilities and the related reinsurance assets are fairly stated on the basis of the information currently available to them, the amount that claims liabilities ultimately settle at will vary as a result of subsequent information and events and may result in significant adjustments to the amounts recognised.

Adjustments to the amounts of outstanding claims liabilities established in prior years are reflected in profit or loss for the period in which the adjustments are made. The methods used, and the estimates made, are peer reviewed quarterly and subject to biannual independent reviews.

Reinsurance contracts

Contracts entered into under which the Group is compensated for losses on insurance contracts are classified as reinsurance contracts held.

The benefits to which the Group is entitled under its reinsurance contracts consist of short term balances due from reinsurers, recognised as reinsurance receivables; and longer term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts, recognised as reinsurance assets.

Reinsurance assets are measured consistently with the amounts recognised for the associated reinsured insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance assets are not discounted to present value, except those relating to PPOs, in line with the underlying liabilities.

Reinsurance liabilities are primarily premiums payable to reinsurers under reinsurance contracts held and are recognised when due. Amounts recoverable from or payable to reinsurers are measured in a manner that is consistent with the amounts recognised for the associated provision for insurance contract liabilities and in accordance with the terms of each reinsurance contract held.

The Group assesses its reinsurance assets for impairment on an annual basis. If there is objective evidence that the reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in profit or loss.

Where obligations with reinsurers are commuted, the related reinsurance assets and liabilities are settled in the period in which the commutation agreement is signed, on the basis that the reinsurer is discharged from all obligations relating to the contract. Any gain or loss is recognised in profit or loss in the same period.

2. Accounting policies continued

Insurance contracts and reinsurance assets continued

Co-insurance contracts
Contracts entered into under which the Group shares the risk with a co-insurance partner at inception of the policy are classified as co-insurance contracts held.

Where the Group is the secondary co-insurer, the Group only recognises its share of the premium as an insurance receivable and related claims liability. Where the Group acts as the lead co-insurer, the gross premium is recognised as an insurance receivable, with a related co-insurance payable to the co-insurer.

The Group recognises co-insurance premiums and claims liabilities in the profit or loss in the period to which they relate.

Unearned premiums reserve
Premiums on policies with an inception date before the period end but with unexpired risks after the period end are held in the Consolidated Balance Sheet in the unearned premiums reserve within insurance contract liabilities. The gross unearned premiums reserve and the reserve for unearned premiums ceded to reinsurers are presented separately.

A review of the carrying amount of the unearned premiums reserve is conducted at each reporting date. If current estimates of the present value of the expected future cash flows relating to future claims arising from the rights and obligations under current insurance contracts exceed the unearned premiums reserve less related costs including deferred acquisition costs, then the unearned premiums reserve is deemed to be deficient.

The test is performed at the level of a portfolio of contracts that are subject to broadly similar risks and that are managed together as a single portfolio. If any deficiency arises from the test, first an impairment of deferred acquisition costs is recognised in profit or loss, and then if necessary an unexpired risks reserve and subsequent movements in the reserve are recognised in the Consolidated Balance Sheet, through profit or loss.

Salvage and subrogation recoveries
Certain insurance contracts permit the Group to salvage recoveries through the sale of property acquired in settling a claim. The Group may also have the right to subrogation recoveries, where third parties are pursued for the payment of costs.

Salvage and subrogation recoveries, gross of any amounts which fall under reinsurance contracts held, are included in insurance and other receivables and the corresponding reinsurance amounts arising from reinsurance contracts are included in insurance and other payables. Salvage recoveries are recognised at the amount that can be reasonably recovered from the disposal of the property. Subrogation recoveries are recognised at the amount that can be reasonably expected to be recovered from action against the liable third party.

Deferred acquisition costs
Costs that are directly related to the acquisition of new insurance contracts underwritten by the Group are recognised in the Consolidated Balance Sheet as deferred acquisition costs.

Deferred acquisition costs are subsequently charged to the statement of profit or loss evenly over the 12 month coverage period of the related insurance contract, in line with recognition of the corresponding premiums.

Acquisition costs incurred obtaining customers with an insurance contract underwritten by an external insurer are initially recognised within deferred acquisition costs and are then subsequently charged in the statement of profit or loss at each annual renewal date over the expected life of the customer relationship.

Claims handling expenses
The Group accrues for claims handling expenses incurred in processing and settling all incurred claims that remain outstanding at the reporting date, including those not yet reported. The liability, which is not discounted for the time value of money, is determined based on past claims handling experience and is reported within insurance and other payables in the Consolidated Balance Sheet. Claims handling expenses are recognised in the Consolidated Statement of Profit or Loss within other expenses as the claims are incurred.

2. Accounting policies continued

Employee benefits

Pension contributions

The Group operates a defined contribution pension scheme. The amount charged to profit or loss in respect of pension costs is the amount of contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the Consolidated Balance Sheet. The Group has no obligation to make any further payments to the plans other than the contributions due. Scheme assets are held separately from the Group in an independently administered fund. The cash and shares held by employee benefit trusts are consolidated within these Consolidated Financial Statements.

Share based payments

The Group operates equity settled share based payment schemes under which participants may receive free share awards or nil cost options, depending on the scheme. Awards may have service and performance conditions attached.

The fair value of a share based payment award is determined at grant date and expensed on a straight line basis over the vesting period, with a corresponding increase recognised directly in equity. Expected vesting in respect of both service conditions and non-market performance conditions is reviewed annually and adjustments are made retrospectively to the cumulative expense recognised.

Non-trading items

Non-trading items are expenses or earnings, and the related tax impacts thereof, which the Directors believe are not representative of the underlying activities of the Group and have therefore been presented separately in the Consolidated Statement of Profit or Loss. These include expenses incurred in the course of the Goldman Sachs investment on 8 January 2014.

Finance costs

The Group's finance costs predominantly comprise of interest payable on financial liabilities held by the Group. Interest payable on financial liabilities is recognised using the effective interest method and includes amortisation of directly attributable transaction costs. Interest on lease liability payments, whereby the Group is a lessee, are also included within finance costs.

Taxation

Income tax on the result for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to a business combination, items recognised in other comprehensive income or items recognised directly in equity.

Current taxation expense is the expected income tax payable on the taxable profit for the period, using tax rates applicable and any adjustment to income tax payable in respect of previous financial periods. Deferred taxation expense is the change in deferred income tax assets and liabilities between the reporting periods.

Deferred income tax assets and liabilities are recognised using the balance sheet method for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. A deferred income tax liability is recognised for all taxable temporary differences except when they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates and tax laws that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences and unused tax losses can be utilised.

Goodwill

Goodwill is the difference between the fair value of the consideration transferred in a business combination and the fair value of the identifiable assets and liabilities of the acquired entity at the date of the business combination. Any acquisition costs are expensed as incurred.

Goodwill acquired in a business combination is allocated to cash generating units ('CGUs'). Goodwill is considered to have an indefinite useful economic life and is tested for impairment annually.

2. Accounting policies continued

Intangible assets

Software

Computer software is stated at cost less accumulated amortisation and accumulated impairment losses.

Purchased computer software is initially recognised at cost, being the fair value of consideration transferred plus directly attributable costs incurred in order to prepare the asset for its intended use.

Internally developed computer software is only recognised as an asset when the costs can be measured reliably, completion is technically and financially feasible, future economic benefits are probable and there is intention to use or sell the asset. Other research and development expenditure is recognised in profit or loss as incurred.

Software is derecognised on disposal or when no future economic benefits are expected to arise from the continued use of the asset. On derecognition, any gain or loss arising is calculated as the difference between the net disposal proceeds and the carrying amount of the item. This is recognised in profit or loss in the period of derecognition.

Brands and customer relationships

Brands and customer relationships are recognised on acquisition at fair value and are subsequently measured using the historical cost method (their fair value on acquisition less accumulated amortisation and impairment losses).

Amortisation

Amortisation is provided on intangible assets at rates calculated to write off the cost of the assets less their estimated residual value over their expected useful lives. Amortisation is calculated using the straight line method and is recognised in profit or loss.

Expected useful economic lives and residual values are reviewed at each period end and, where necessary, changes are accounted for prospectively. The expected useful economic lives of intangible assets are as follows:

- Software 3-10 years
- Brands 8 years
- Customer relationships 5 years

Work in progress

Work in progress includes intangible assets in the course of development which are considered to be eligible for capitalisation but which have not yet reached the state where they are ready for their intended use. As such no amortisation has yet been charged on these assets.

Property and equipment

The Group has chosen to value property using the revaluation model. Properties are initially recognised at cost and subsequent to initial recognition properties are carried at their revalued amount, which is the fair value at the date of revaluation less subsequent depreciation and impairment losses. Property is revalued annually using level 3 inputs as defined in Note 2 Fair values, with independent expert valuations being performed at least every five years.

Revaluation surpluses are recognised in other comprehensive income. Upon disposal of a property, any revaluation surplus is recognised directly in retained earnings and is not reclassified to profit or loss. Revaluations resulting in a reduction to fair value are initially offset against the revaluation surplus and any excess is immediately recognised in profit or loss as an impairment loss.

Equipment, consisting of fixtures, fittings, office equipment, computer equipment and leasehold improvements, is stated at historical cost less accumulated depreciation and impairment losses. Cost is the fair value of consideration provided plus incremental costs incurred to bring an asset to the condition and location necessary for its intended use.

Costs incurred subsequent to the initial production of the asset are capitalised where they are deemed to have improved the original asset.

Depreciation is provided on all property and equipment, at rates calculated to write off the cost, or fair value in the case of property, of the assets less their estimated residual value over their expected useful lives. Depreciation is calculated using the straight line method and is recognised in profit or loss.

2. Accounting policies continued

Property and equipment continued

The expected useful economic lives of property and equipment are as follows:

- Property 50 years
- Property and leasehold improvements 4-10 years
- Computer equipment 2-5 years
- Fixtures, fittings and equipment 3-5 years

Expected useful economic lives and residual values are reviewed at each reporting date and, where necessary, changes are accounted for prospectively.

Property and equipment is derecognised on disposal or when no future economic benefits are expected to arise from the continued use of the asset. On derecognition, any gain or loss arising is calculated as the difference between the net disposal proceeds and the carrying amount of the item. This is recognised in profit or loss in the period of derecognition.

Impairment

Carrying amounts of intangible assets and property and equipment are reviewed at each reporting date to determine if there are indicators of impairment. Where indicators of impairment exist, the asset's recoverable amount is estimated and compared to the carrying amount. The recoverable amount is the higher of the fair value less costs to sell and the asset's value in use.

Fair value is the price that would be received in an arm's length transaction between knowledgeable market participants. Value in use is the present value of expected future pre-tax cash flows attributable to the asset or group of assets.

Goodwill has an indefinite life and is tested annually for impairment. Impairment exists where the recoverable amount of the CGU is lower than the combined carrying amount of net assets and goodwill allocated to the CGU. The recoverable amount of the CGU is the higher of the fair value of the CGU less costs to sell and the CGU's value in use.

Where an asset's or a group of assets' recoverable amount is less than its carrying amount, the difference is recognised as an impairment loss in profit or loss, except in relation to property which is carried at revalued amount where any impairment loss is first allocated against any revaluation surplus in equity and any excess recorded in profit or loss.

Leases

A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. At the commencement of a lease or contract containing a lease, the Group recognises a right of use asset and a lease liability on the balance sheet.

The Group initially measures a right of use asset at cost comprising the corresponding lease liability adjusted for any payments made at or before the commencement date plus any initial direct costs incurred and any dismantling costs, if applicable. Subsequently, from commencement date, a right of use asset is depreciated using the straight line method to profit or loss over the lease term or usage term. Right of use assets are reported in the balance sheet within property and equipment.

A lease liability is initially measured and recognised at the present value of outstanding lease payments at the lease commencement date, using the Group's incremental borrowing rate in most instances; unless the interest rate implicit in the lease can be readily determined, in which case this is used instead. Lease liabilities are reported in insurance and other payables in the balance sheet, with interest on the lease liabilities being recognised within finance costs in the profit or loss statement.

2. Accounting policies continued

Financial assets

The Group's financial assets comprise cash and cash equivalents, financial assets held at fair value and insurance and other receivables. For measurement purposes the Group classifies its financial assets into the following categories: financial assets at fair value through profit or loss; financial assets classified as available for sale; and loans and receivables.

Financial assets at fair value through profit or loss

Financial assets are classified as fair value through profit or loss if they are classified as held for trading or if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Financial assets held at fair value through profit or loss are initially measured at fair value (being the cost of acquisition excluding transaction costs) and are subsequently remeasured to fair value at each reporting date.

Gains or losses arising from changes in the fair value of these financial assets are recognised in profit or loss in the period in which they arise.

Purchases and sales of financial assets at fair value through profit or loss are recognised on a trade date basis, being the date on which a commitment is made to purchase or sell the asset. Transaction costs for purchases and sales are expensed as incurred in profit or loss.

Available for sale financial assets

Non-derivative financial assets are classified as available for sale when they are not classified as either loans and receivables or financial assets at fair value through profit or loss.

Available for sale financial assets are initially measured at fair value plus any directly attributable transaction costs and are subsequently remeasured to fair value at each reporting date, with unrealised gains or losses recognised in other comprehensive income and accumulated in other reserves until the point of disposal, when accumulated gains and losses are recognised in profit or loss.

Interest income or expense calculated using the effective interest rate on available for sale financial assets is recognised in the profit or loss.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognised at fair value plus any directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest method, less accumulated impairment losses.

Insurance and other receivables are classed as loans and receivables. Insurance receivables include amounts not yet due in respect of insurance premiums where the policyholder has elected to pay in instalments over the term of the policy.

Derecognition of financial assets

Financial assets are derecognised when the rights to receive future cash flows from the assets have expired, or have been transferred, and substantially all the risks and rewards of ownership have been transferred. Any residual gains or losses resulting from the derecognition of the asset are recognised in profit or loss in the period of derecognition.

Any unrealised gains or losses on available for sale financial assets previously accumulated in other reserves are reclassified to profit or loss in the period of derecognition.

2. Accounting policies continued

Financial assets continued

Impairment of financial assets

At each reporting date, the Group assesses whether there is objective evidence that a financial asset is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a loss event) and that loss event (or events) has had an impact on the estimated future cash flows of the financial asset. Objective evidence that a financial asset is impaired includes observable data that comes to the attention of the Group about events such as:

- significant financial difficulty of the issuer or debtor;
- a breach of contract, such as a default or delinquency in payments; or
- the probability that the issuer or debtor will enter bankruptcy or other financial reorganisation.

If there is objective evidence that an impairment loss has occurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's effective interest rate. The carrying amount of the asset is reduced and an impairment loss is recognised in profit or loss for the period.

When reductions in the fair value of available for sale financial assets are considered to be impairment losses, losses accumulated in other reserves are reclassified to profit or loss. The amount reclassified is the difference between the value on initial recognition, net of any principal repayment and amortisation, and the current fair value of the asset, less any impairment loss previously recognised in profit or loss.

If in a subsequent period the amount of the impairment loss on financial assets, other than available for sale financial assets, reverses, and the reverse can be related objectively to an event occurring after the impairment was recognised (such as improved profitability of the debtor), the previously recognised impairment loss is reversed through profit or loss in the period.

If the fair value of an impaired available for sale financial asset subsequently increases, the loss is reversed through profit or loss to the extent that it offsets impairment losses previously recognised; otherwise, it is recognised in other comprehensive income.

Financial liabilities

The Group's financial liabilities comprise loans and borrowings and insurance and other payables.

Financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequently, financial liabilities are measured at amortised cost using the effective interest method with interest accrued in the Consolidated Balance Sheet in insurance and other payables.

Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the Consolidated Balance Sheet only when there is a current unconditional and legally enforceable right to offset the recognised amounts in all circumstances (including the default by, insolvency or bankruptcy of the Group and all counterparties), and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Cash and cash equivalents

The Group's cash and cash equivalents consist of cash in hand and in bank, investments in highly liquid money market funds and other short term deposits that are redeemable within 90 days.

Insurance intermediary assets and liabilities

Receivables and payables arising from insurance broking transactions are shown as assets and liabilities in recognition of the fact that the insurance broker has contractual rights to economic inflows from customers and obligations to third party insurers upon placement of insurance products with customers. Receivables are recognised when the Group provides financing to customers for instalment premiums payable to third party insurers. Payables arise where the Group has an obligation to remit premiums received to third party insurers.

Share capital

Shares are classified as equity when there is no obligation to transfer cash or other financial assets, or to exchange financial assets or liabilities under potentially unfavourable conditions. Where such an obligation exists, the share capital is recognised as a liability notwithstanding the legal form.

Incremental costs directly attributable to the issue of equity instruments are recognised, net of tax effect, as a deduction from share premium to the extent that there is sufficient share premium to do so.

2. Accounting policies continued

Dividends

Dividends are recognised directly in equity when approved and payable.

Fair values

Property and financial assets carried at fair value are analysed by their level within the fair value hierarchy based on the observability of inputs into the valuation. Such assets are categorised as follows:

- level 1: unadjusted quoted prices in active markets for identical assets or liabilities. A market is assessed as active if it meets a threshold frequency of completed transactions throughout the period;
- level 2: inputs other than quoted prices included within level 1, that are observable for the asset or liability either directly (ie as prices) or indirectly (ie derived from prices). This includes quoted prices in markets where the frequency and volume of transactions are not deemed sufficient for the market to be considered active, or where such information is not available; and
- level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level in which financial assets carried at fair value have been classified in their entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

Assets are valued by reference to the most recent observable market trade unless there is evidence of impairment.

3. Judgements in applying accounting policies and critical accounting estimates

The preparation of financial statements in accordance with IFRS requires the Directors to make judgements, estimates and assumptions that affect the assets and liabilities recognised as at the reporting date and the income and expense recognised during the reporting period, as well as the content of any disclosures. Although these judgements, estimates and assumptions are based on the Directors' best knowledge of the amounts, events and actions, actual results may differ from these judgements and assumptions.

Judgements

The judgements that have been applied in preparing the Consolidated Financial Statements that could have a significant effect on the amounts recognised are as follows:

Taxation uncertainties

In preparing the Consolidated Financial Statements, judgement is required in assessing the likely outcome, or range of outcomes, of uncertain tax liabilities and contingent liabilities and what could be considered probable or remote, to determine whether assets or liabilities should be recognised under the relevant accounting standards. HMRC continues its enquiry into the attribution of profits for tax purposes in the Group's operating subsidiaries. This enquiry has created potential for uncertainty in the Group's income tax treatment. The Group has considered the requirements of IFRIC 23, which is mandatory for 2019 year ends, including the requirement to consider the likelihood of the tax authorities accepting the basis of the Group's income tax filings. Additional information regarding these judgements is disclosed in Notes 15 and 36.

Critical accounting estimates

The major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Claims liabilities

The estimation of liabilities arising from claims made under insurance contracts and the related reinsurance recoveries are the Group's most critical accounting estimates. Estimates, and the resulting loss ratios, are informed by detailed actuarial analysis and reflect a balanced assessment of risk and probability, resulting in a sufficiently prudent liability to give the Directors confidence that the Group is adequately provisioned to meet its future liabilities.

The outstanding claims liability is measured as the value of expected future payments relating to claims incurred as at the reporting date, which consists of claims incurred and reported and claims incurred but not reported. The actuarial best estimate of outstanding claims includes the estimate of expenses to be incurred in settling claims and a deduction for the expected value of salvage and other recoveries. The Group takes all reasonable steps to ensure that it has appropriate information regarding claims exposure. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original estimated liability. In order to reduce the risk of underestimation of these liabilities, a margin is maintained over and above the Group's internal actuarial best estimate of outstanding claims liabilities.

In calculating the estimated cost of unpaid claims, the Group uses a variety of estimation techniques, including statistical analysis of historic experience, which assumes that the development pattern of the current claims will be consistent with past experience.

3. Judgements in applying accounting policies and critical accounting estimates continued

Critical accounting estimates continued

Claims liabilities continued

A component of these estimation techniques is the estimation of the cost of notified but not paid claims. In estimating the cost of these, the Group has regard to the claim circumstances as reported, information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous years.

In addition, the actuarial team estimates the amount in respect of incurred but not reported ('IBNR') claims amounts, relating to those claims which have been incurred but not yet reported to the Group at the reporting period end, and which compensates for any systematic bias in the reserving for known claims. The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Group, where information about the claim event is available. Standard actuarial projections have been carried out using chain ladder, Bornhuetter-Ferguson, average cost and loss ratio methods. Judgement has then been applied to select the most appropriate method or combination of methods. Data has been checked against internal and external sources and has also been prepared to fit the purpose. The analysis has been carried out at scheme level (private car, bike, commercial vehicle and home) and the information has been split by claim type (third party injury, third party property damage and accidental damage). The sensitivity to ultimate results has then been addressed by providing a range of possible outcomes.

The development of claims from prior periods is set out in Note 22. Given the uncertainty in establishing the outstanding claims liabilities, it is likely that the final outcome will be different from the original liability established.

Classes of business where the IBNR proportion of the total outstanding claims liabilities is high will typically display greater variations between the initial estimates and the final outcomes because of the greater degree of difficulty of estimating those reserves. Classes of business where claims are typically reported relatively quickly after the claim event will tend to display lower levels of volatility.

Allowance is made for changes or uncertainties which may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims, including:

- changes in Group processes which might accelerate the development and/or recording of paid or incurred claims compared with the statistics from previous years;
- changes in the legal environment;
- changes in the mix of business; and
- the impact of large losses and likelihood of periodic payment orders.

Short tail claims, such as straightforward property damage cases, are normally reported soon after the incident and are generally settled within the months following the reported incident. Hence any development on short tail claims is normally limited to the period in which the incident occurred and the following period. For long tail claims, such as the more complicated bodily injury cases, it can be more than one period before a claim is reported and several periods before it is settled, hence the original estimation involves greater uncertainty and it is inherently more likely that there will be a greater disparity between the original and current estimates. It is for these long tail claims that the development of the outstanding claims liability generally occurs over a number of periods.

Large third party injury claims typically involve costs that relate to future periods, such as covering the loss of future earnings or the ongoing cost of care, and will either be settled through a lump sum settlement or through a periodic payment order ('PPO'). Such claims, including PPOs, are generally assessed individually, either being measured on a case by case basis or projected separately in order to reduce the possible distortive effect of the development and incidence. The Group has settled a small number of claims with a PPO arrangement.

Where a claim has been settled through a PPO or it is expected that a PPO will be awarded, the liability is calculated using discounted cash flows and assumptions of mortality and real interest rates over the lifetime of the claimant. Where management assess that a claim will be settled through a lump sum payment, the liability is calculated with reference to the personal injury discount rate (or 'Ogden rate').

The Ogden rate is set by the UK Government's Lord Chancellor and is used by the Courts to calculate lump sum personal injury compensation payments. On 19 March 2019, the Ministry of Justice announced that it was undertaking a review of the Ogden rate. The review concluded on 15 July 2019, with the announcement that the Ogden rate will increase from minus 0.75% to minus 0.25% with effect from 5 August 2019. The announced rate is lower than both the rate at which large bodily injury claims have been settling and the original guidance provided by the Ministry of Justice of between 0% and 1%. The Group has reflected the rate change in its reserving assumption from 0.5% to minus 0.25% in estimating the claims liabilities, the impact of which is disclosed in Note 17.

3. Judgements in applying accounting policies and critical accounting estimates continued

Critical accounting estimates continued

Reserving sensitivities

The following table sets out the impact on profit after tax and total equity that would result from a 1%, 3% and 5% variance in the estimated cost of settling open outstanding claims, due to either a move in frequency or severity, as at end of the reporting period:

	Year ended 31 December 2019					
Change in reserving assumptions	1%	3%	5%	(1%)	(3%)	(5%)
(Adverse) / favourable impact on profit after tax of % change in repair costs (£m)	(1.1)	(3.3)	(5.5)	1.1	3.3	5.5
(Adverse) / favourable impact on profit after tax of % change in personal injury costs (£m)	(5.8)	(17.4)	(29.0)	5.8	17.4	29.0
(Adverse) / favourable impact on profit after tax of % change in total claim costs (£m)	(6.9)	(20.7)	(34.5)	6.9	20.7	34.5

	Year ended 31 December 2018					
Change in reserving assumptions	1%	3%	5%	(1%)	(3%)	(5%)
(Adverse) / favourable impact on profit after tax of % change in repair costs (£m)	(1.0)	(3.0)	(5.0)	1.0	3.0	5.0
(Adverse) / favourable impact on profit after tax of % change in personal injury costs (£m)	(5.0)	(15.0)	(25.0)	5.0	15.0	25.0
(Adverse) / favourable impact on profit after tax of % change in total claim costs (£m)	(6.0)	(18.0)	(30.0)	6.0	18.0	30.0

The above table assumes the loss transfer point for profit commission on quota share contracts has not been reached in any accident year. Once the loss transfer point is reached, the Group's exposure is reduced by 50%.

The following table sets out the impact on profit after tax and total equity that would result from a 1% increase or decrease in the calendar year loss ratio:

	Year ended	
	31 December 2019	31 December 2018
Adverse impact of 1% increase in calendar year loss ratio (£m)	8.1	8.1
Favourable impact of 1% decrease in calendar year loss ratio (£m)	(8.1)	(8.1)

The following table sets out the impact on profit after tax and total equity that would result from an increase and decrease of 0.5% in the Ogden rate at the end of the reporting period:

	Year ended	
	31 December 2019	31 December 2018
Favourable impact of Ogden rate increase by 0.5% (£m)	5.6	4.1
Adverse impact of Ogden rate decrease by 0.5% (£m)	(5.6)	(4.1)

Reinsurance assets

The Group uses both non proportional excess of loss reinsurance and quota share reinsurance arrangements. The calculation of reinsurance recoveries is intrinsically linked to the calculation of outstanding claims liabilities and requires the same estimation processes.

4. Insurance contracts risk management

A key risk from operating in the general insurance industry is the exposure to insurance risk arising from underwriting insurance contracts. Insurance contracts transfer risk to the insurer by indemnifying the customers against adverse effects arising from the occurrence of specified uncertain future events. The risk is that the actual amount of claims to be paid in relation to contracts will be different from the amount estimated at the time the contract was designed and priced, which is before the losses relating to it are known. Hence the insurance business involves inherent uncertainty.

A fundamental part of the Group's overall risk management strategy is the effective governance and management of risks that impact the amount, timing and uncertainty of cash flows arising from insurance contracts.

4. Insurance contracts risk management continued

Risk management objectives and policies for mitigating insurance risk

A disciplined approach to risk management is adopted in accordance with strict protocols. It is believed that this approach provides the greatest long term likelihood of being able to meet the objectives of all stakeholders, including customers, lenders and shareholders. The risk management activities can be broadly separated into underwriting (acceptance and pricing of risk), reinsurance, claims management and investment management. The objective of these risk management functions is to enhance the longer term financial performance of the overall insurance operations.

Acceptance of risk

The Board of Directors of the Group's Underwriting subsidiary, Advantage Insurance Company Limited ('AICL') approves the underwriting and pricing policy, and reviews and monitors the underwriting and pricing standards and strategies. AICL's underwriting strategy is focused on a sophisticated data driven approach to pricing and underwriting through:

- collating and analysing comprehensive data from customers;
- tight control over the pricing guidelines in order to target profitable business lines; and
- fast and flexible response to market trends.

The underwriting of large numbers of uncorrelated individual risks reduces the variability in overall claims experience. Management information systems are maintained that provide up to date, reliable data on the risks to which the business is exposed at any point in time. Efforts are made, including by the use of plain language policy terms, to ensure there is no misalignment between what customers perceive will be paid when a policy is initially entered and what is actually paid when a claim is made.

Pricing

Statistical models are used which combine historical and projected data to calculate premiums and monitor claims patterns. The data used includes historical pricing and claims analysis as well as current conditions and developments in the market.

All data used is subject to rigorous verification and reconciliation processes.

Claims management

Initial claim determination is managed by claims handlers with the requisite degree of experience and competence with the assistance of, where appropriate, a loss adjuster or other party with specialist knowledge.

It is the Group's policy to respond to and settle claims quickly whenever possible and to pay claims fairly, based on customers' full entitlement in line with consumer and regulator expectations.

When PPOs are awarded as a result of claims made under insurance contracts, there is a risk that these may be of a high value and for a long term. As such, management performs detailed reviews of expected PPOs throughout the claims process to identify the expected ultimate value of such claims as early as possible and reserve appropriately.

Reinsurance contracts

Reinsurance contracts are used both to limit exposure to claims pervasively across the business, and specifically to limit exposure to large single claims and the accumulation of claims that arise from the same event or the accumulation of similar events.

The Group uses excess of loss reinsurance arrangements and the effect of such arrangements is that the Group should not suffer net motor insurance losses (before quota share arrangements) in excess of £0.5m on any individual loss event between 1 January 2003 and 31 December 2014 (subject to an aggregate deductible of £5.0m in 2014), and in excess of £1.0m on any individual loss event from 1 January 2015 onwards.

Additionally, the Group has 50% quota share arrangements in place, applicable on all motor insurance policies incepted by AICL since 1 January 2011.

The Group also uses excess of loss reinsurance arrangements for home insurance policies, the effect of which is that the Group does not suffer total net home insurance losses of more than £0.5m up to a cap of £9.3m liability per event on any individual event between 1 January 2016 and 31 March 2018, in excess of £1.0m up to a cap of £19.3m on any individual loss event from 1 April 2018 to 31 March 2019 and in excess of £2.5m up to a cap of £28.7m on any individual loss event from 1 April 2019 onwards.

The use of reinsurance contracts does not discharge AICL's liability as primary insurer. If a reinsurer fails to pay a claim, AICL remains liable for the payment to the policyholder. As part of managing reinsurance contract risk and controlling exposure to reinsurance counterparty default, the creditworthiness of reinsurers is considered on a quarterly basis by reviewing their financial strength. In addition, management assesses the creditworthiness of all reinsurers and intermediaries by reviewing credit grades provided by rating agencies and other publicly available financial information. The recent payment history of reinsurers is also used to update the reinsurance purchasing strategy. The credit ratings of the Group's reinsurers are disclosed in Note 26.

4. Insurance contracts risk management continued

Risk management objectives and policies for mitigating insurance risk continued

Investment management

Assets and liabilities are managed so as to effectively match the expected pattern of claims payments with the assets that are held to back outstanding claims liabilities. The mix of investment between cash and cash equivalents and marketable securities is managed to ensure that the Group has the ability to meet expected and unexpected requirements for cash. See Note 26 for further details.

Terms and conditions of insurance contracts

The terms and conditions attached to insurance contracts affect the level of insurance risk accepted. Insurance contracts written are entered into on a standard form basis. Insurance contracts are entered into on an annual basis and at the time of entering into a contract certain terms and conditions are negotiable or, in the case of renewals, renegotiable. There are no embedded derivatives that are separately recognised from a host insurance contract.

Concentrations of insurance risk

The exposure to concentrations of insurance risk is mitigated by a portfolio which is diversified across many different individual customers living in different parts of the UK. Therefore, the Directors do not believe there are significant concentrations of insurance risk.

5. Segmental reporting

Segments

The Group has two reportable trading segments and a corporate head office, as described below. These segments represent the principal split of business that is regularly reported to the Group's Board.

Underwriting

The Underwriting segment comprises the Underwriting business which is based in Gibraltar. It includes AICL and its investment in Conquest House Limited. The principal activity of AICL is the underwriting of general insurance, predominantly private car insurance in the UK. Since 2015, AICL has underwritten UK home policies under a co-insurance arrangement both as secondary insurer, and from 2017 as lead insurer. Conquest House Limited owns property which is utilised by the Group.

Retail

The principal activity of the Retail segment is the provision of insurance intermediary services to the private car, van, bike and home markets in the UK through the UK trading subsidiary Hastings Insurance Services Limited ('HISL'), much of which is underwritten by the Underwriting segment. Intermediary services are also provided on behalf of a panel of external third party insurers.

Corporate

The Corporate segment comprises the combined results of the Group's head office companies, whose primary activities are as holding and finance companies.

Consolidation adjustments

Consolidation adjustments comprise the adjustments required to consolidate the Group's results under IFRS, including the elimination of intercompany balances, revenue between operating segments and investments in subsidiaries. Transactions between the Group's two reportable segments and corporate head office are recognised in accordance with the Group's accounting policies and are carried out at arm's length.

Adjusted operating profit

Adjusted operating profit, is a non-IFRS measure used by management and represents profit before taxation expense, finance costs, amortisation and depreciation and non-trading costs.

5. Segmental reporting continued

Segment performance

The tables below present the Group's results by reportable segment.

Year ended 31 December 2019	Underwriting £m	Retail £m	Corporate £m	Consolidation adjustments £m	Group £m
Net earned premiums	488.7	–	–	(49.4)	439.3
Other revenue	8.1	330.3	–	(46.8)	291.6
Investment and interest income	10.0	1.1	0.1	(0.8)	10.4
Net revenue	506.8	331.4	0.1	(97.0)	741.3
Net claims incurred	(362.7)	–	–	–	(362.7)
Total expenses	(112.8)	(237.4)	(6.9)	88.2	(268.9)
Adjusted operating profit	31.3	94.0	(6.8)	(8.8)	109.7
Amortisation and depreciation					(17.8)
Finance costs					(9.8)
Profit before tax					82.1

Included within other revenue is £95.3m recognised by the Retail segment arising from transactions with the Underwriting segment. Other revenue recognised by the Underwriting segment includes £0.4m arising from transactions with the Retail segment.

Year ended 31 December 2018	Underwriting £m	Retail £m	Corporate £m	Consolidation adjustments £m	Group £m
Net earned premiums	490.8	–	–	(50.1)	440.7
Other revenue	36.4	331.6	0.4	(59.7)	308.7
Investment and interest income	6.2	1.3	–	(0.5)	7.0
Net revenue	533.4	332.9	0.4	(110.3)	756.4
Net claims incurred	(330.6)	–	–	–	(330.6)
Total expenses	(130.9)	(208.1)	(7.0)	110.8	(235.2)
Adjusted operating profit	71.9	124.8	(6.6)	0.5	190.6
Amortisation and depreciation					(29.0)
Finance costs					(8.7)
Profit before tax					152.9

Included within other revenue is £115.8m recognised by the Retail segment and £0.4m recognised by the Corporate segment, arising from transactions with the Underwriting segment. Other revenue recognised by the Underwriting segment includes £0.4m arising from transactions with the Retail segment.

5. Segmental reporting continued

Segment assets and liabilities

The tables below present the Group's assets and liabilities by reportable segment as at each reporting date.

As at 31 December 2019	Underwriting £m	Retail £m	Corporate £m	Consolidation adjustments £m	Group £m
Goodwill	–	1.9	–	468.1	470.0
Intangible assets	–	84.4	–	3.3	87.7
Investments in subsidiaries	–	–	1,277.4	(1,277.4)	–
Investments	4.2	–	–	(4.2)	–
Property and equipment	1.1	18.1	0.9	2.5	22.6
Deferred income tax assets	–	–	0.1	5.5	5.6
Reinsurance assets	1,363.2	–	–	1.8	1,365.0
Deferred acquisition costs	32.4	49.0	–	(47.1)	34.3
Prepayments	1.9	8.1	0.1	(1.2)	8.9
Insurance and other receivables	413.8	341.6	2.1	(315.9)	441.6
Financial assets at fair value	583.4	–	–	–	583.4
Cash and cash equivalents	114.7	44.3	1.9	–	160.9
Total assets	2,514.7	547.4	1,282.5	(1,164.6)	3,180.0
Loans and borrowings	–	–	245.3	–	245.3
Insurance contract liabilities	2,044.1	–	–	(20.4)	2,023.7
Deferred income tax liabilities	–	2.5	–	5.5	8.0
Current tax liabilities	–	3.1	–	0.1	3.2
Insurance and other payables	196.3	383.2	3.4	(325.2)	257.7
Total liabilities	2,240.4	388.8	248.7	(340.0)	2,537.9
Total equity	274.3	158.6	1,033.8	(824.6)	642.1

As at 31 December 2018	Underwriting £m	Retail £m	Corporate £m	Consolidation adjustments £m	Group £m
Goodwill	–	1.9	–	468.1	470.0
Intangible assets	–	75.2	–	5.3	80.5
Investments in subsidiaries	–	–	1,275.7	(1,275.7)	–
Investments	4.2	–	–	(4.2)	–
Property and equipment	1.2	19.4	–	2.1	22.7
Deferred income tax assets	–	–	0.6	6.0	6.6
Reinsurance assets	1,212.6	–	–	(0.5)	1,212.1
Deferred acquisition costs	30.3	46.8	–	(42.6)	34.5
Prepayments	1.0	7.1	0.1	(0.6)	7.6
Insurance and other receivables	451.2	315.8	(9.3)	(313.0)	444.7
Financial assets at fair value	558.0	–	–	–	558.0
Cash and cash equivalents	86.7	55.9	3.4	–	146.0
Total assets	2,345.2	522.1	1,270.5	(1,155.1)	2,982.7
Loans and borrowings	–	–	244.3	–	244.3
Insurance contract liabilities	1,846.6	–	–	(25.8)	1,820.8
Deferred income tax liabilities	0.1	0.6	–	7.8	8.5
Current tax liabilities	3.2	11.4	–	0.1	14.7
Insurance and other payables	192.6	370.8	2.5	(322.5)	243.4
Total liabilities	2,042.5	382.8	246.8	(340.4)	2,331.7
Total equity	302.7	139.3	1,023.7	(814.7)	651.0

Underwriting's investments consist of a property, Conquest House, located in Bexhill-on-Sea, which is leased to another Group company. This is classified as property and equipment in the Consolidated Balance Sheet.

6. Insurance premiums

	Year ended 31 December 2019			Year ended 31 December 2018		
	Gross £m	Reinsurers' share £m	Net £m	Gross £m	Reinsurers' share £m	Net £m
Written premiums	961.6	(519.3)	442.3	958.3	(522.8)	435.5
Unearned premiums reserve brought forward at start of the period	480.8	(261.0)	219.8	472.3	(247.5)	224.8
Unearned premiums reserve carried forward at end of the period	(477.4)	254.6	(222.8)	(480.7)	261.1	(219.6)
Total earned premiums	965.0	(525.7)	439.3	949.9	(509.2)	440.7

7. Other revenue

	Year ended 31 December 2019 £m	31 December 2018 £m
Fees and commission	99.8	101.2
Ancillary product income	54.8	49.6
Premium finance interest	105.6	104.0
Reinsurance commissions	7.7	35.3
Other retail income	23.7	18.6
Total other revenue	291.6	308.7

Fees and commission on panel providers, ancillary product income and other retail income are recognised as revenue from contracts with customers as defined by IFRS 15.

8. Investment and interest income

	Year ended 31 December 2019 £m	31 December 2018 £m
Net fair value gains / (losses) on financial assets at fair value	1.7	(1.3)
Interest income from debt securities	7.8	7.3
Interest income from loans and receivables	0.9	1.0
Total investment and interest income	10.4	7.0

9. Claims incurred

	Year ended 31 December 2019			Year ended 31 December 2018		
	Gross £m	Reinsurers' share £m	Net £m	Gross £m	Reinsurers' share £m	Net £m
Current period	893.2	(533.4)	359.8	789.1	(453.8)	335.3
Prior periods	(18.1)	21.0	2.9	(14.5)	9.8	(4.7)
Total claims incurred	875.1	(512.4)	362.7	774.6	(444.0)	330.6

Current period claims relate to claim events that occurred in the current year. Prior period claims relate to the reassessment of claim events that occurred in previous years.

10. Expenses

	Year ended 31 December 2019 £m	31 December 2018 £m
Profit before taxation is stated after charging:		
Employee benefits (Note 13)	**101.5**	95.6
VAT refund in respect of prior periods	**–**	(14.6)
Auditor remuneration (Note 12)	**0.7**	0.6
Other administration and distribution costs	**90.3**	79.0
Other expenses	**192.5**	160.6
Amortisation of intangible assets (Note 19)	**12.0**	24.0
Depreciation of property and equipment (Note 20)	**5.8**	5.0
Amortisation and depreciation	**17.8**	29.0

11. Non-trading items

	Year ended 31 December 2019 £m	31 December 2018 £m
Non-operational amortisation of intangibles recognised on acquisition	**2.0**	21.5
Non-trading amortisation	**2.0**	21.5
Non-cash unwind of fair value adjustments arising on business combination	**0.2**	0.2
Non-trading finance costs	**0.2**	0.2
Tax effect of the above non-trading items	**(0.4)**	(3.8)
Total non-trading items	**1.8**	17.9

Non-trading items are defined as expenses or earnings, together with the related tax impacts, that are not representative of the underlying activities of the Group. These include Group reorganisation and transaction expenses, and the impact of the Goldman Sachs investment on 8 January 2014. This was accounted for as a business combination, requiring assets and liabilities to be fair valued. The amortisation of intangibles and the unwind of fair value adjustments are the result of these fair value adjustments.

12. Auditor's remuneration

	Year ended 31 December 2019 £m	31 December 2018 £m
Fees for audit services		
Group	**0.2**	0.1
Subsidiaries	**0.3**	0.3
Total fees for audit services	**0.5**	0.4
Fees for non-audit services		
Audit related assurance services	**0.1**	0.1
Other non-audit services	**0.1**	0.1
Total fees for non-audit services	**0.2**	0.2

The total amount paid for non-audit services during the year was £0.2m (2018: £0.2m) and was for assurance services connected to KPMG's role as Statutory Auditor being the review of the Interim Results for the 6 months ended 30 June 2019 and a reasonable assurance review of Solvency II Quantitative Reporting Templates for Advantage Insurance Company Ltd as at 31 December 2018.

13. Employee benefits

Included in other operating expenses were the following employee benefits:

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Salaries	**87.7**	83.1
Social security charges	**8.1**	7.1
Defined contribution pension plan costs	**2.4**	2.1
Share based payment charge	**3.3**	3.3
Total employee benefits	**101.5**	95.6

Staff numbers (including Directors)

The average number of full-time equivalent staff was as follows:

	Year ended 31 December 2019	Year ended 31 December 2018
Operational staff	**2,778**	2,655
Support staff	**181**	200
Total staff	**2,959**	2,855

Key management personnel

Key management personnel compensation comprised the following:

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Short term employee benefits	**6.2**	4.8
Post employment benefits	**0.3**	0.3
Share based payments	**1.1**	1.3
Total key management personnel compensation	**7.6**	6.4

Key management personnel are considered to be executive directors of HGH plc and its subsidiaries, and members of its Executive Committee.

Directors' emoluments

Information relating to Directors' emoluments is disclosed within the Directors' remuneration report.

14. Finance costs

	Year ended 31 December 2019 £m	31 December 2018 £m
Interest on 3% senior bonds due 2025	7.4	4.6
Interest on Revolving Credit Facility	0.7	2.5
Non-cash amortisation of loans and borrowings	1.1	1.0
Interest on lease liabilities	0.4	0.4
Other interest expense	0.2	0.2
Total interest expense	9.8	8.7

Non-cash amortisation of loans and borrowings comprises amortisation of directly attributable transaction costs and applicable discounts, recognised under the effective interest method.

15. Taxation expense

	Year ended 31 December 2019 £m	31 December 2018 £m
Current tax		
Corporation tax on profits for the year	15.6	30.7
Adjustments for prior years	(3.5)	(0.5)
Current taxation expense	12.1	30.2
Deferred tax		
Deferred taxation movement relating to temporary differences	(2.3)	(7.9)
Impact of change in the UK Corporation tax rate	(0.7)	–
Adjustments for prior years	3.3	–
Deferred taxation expense	0.3	(7.9)
Total taxation expense	12.4	22.3

The Group's tax expense mostly comprises taxation charged on the UK based Retail business profits, which attract a tax rate of 19% (2018: 19%) and the Gibraltar based Underwriting business, the taxable profits of which are taxed at 10% (2018: 10%). The UK corporation tax rate is set to reduce to 17% for the financial year beginning 1 April 2020. The Conservative Party in their General Election campaign stated that they planned not to reduce the UK rate of corporation tax from 19% to 17%. As at 31 December 2019 no legislation to reverse the reduction in the UK corporation tax rate has been substantially enacted and therefore the Group has applied the UK corporation tax rate of 17% from 1 April 2020 onwards. The impact of the UK rate of corporation tax remaining at 19%, would be to increase both the Group's deferred income tax assets by £0.4m from £5.6m to £6.0m and the Group's deferred income tax liabilities by £0.8m from £8.0m to £8.8m, the overall impact would be an increase of £0.4m in the Group's net deferred tax liabilities from £2.4m to £2.8m. The Gibraltar rate of tax has remained at 10% and is expected to remain at this level for the foreseeable future.

Further details in respect of the Group's taxation expense can be found in Note 36 Contingent Liabilities.

Factors affecting total taxation expense are:

	Year ended 31 December 2019 £m	31 December 2018 £m
Profit before tax	82.1	152.9
Applicable tax charge at the statutory tax rate of 19% (2018: 19%):	15.6	29.1
Impact of different tax rate in Gibraltar: 10% (2018: 10%)	(1.5)	(5.6)
Non-taxable income	(1.9)	(1.2)
Adjustment relating to prior periods	(0.2)	(0.5)
Impact of change in the UK corporation tax rate	(0.7)	–
Expenses and provisions not deductible for tax purposes	1.1	0.5
Total taxation expense	12.4	22.3

15. Taxation expense continued

For the year ended 31 December 2019 the UK Corporation tax rate applicable to the Company was 19% (31 December 2018: 19%).

Within the tax reconciliation, the impact of the different tax rate in Gibraltar is the difference between the UK tax rate and the Gibraltar tax rate applied to the Underwriting business' profits.

Non-taxable income comprises investment income arising within the Underwriting business in Gibraltar.

Expenses and provisions not deductible for tax purposes comprises disallowed expenditure such as business entertainment expenses and certain expenditure deemed capital under tax legislation.

16. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the equity holders of the parent by the weighted average number of Ordinary Shares in issue during the period.

Adjusted earnings per share is a non-IFRS measure calculated by dividing net income attributable to the equity holders of the parent by the weighted average number of Ordinary Shares in issue during the period. Net income is profit after tax adjusted for non-trading items including reorganisation and transaction costs, the impact of accounting for business combinations and the related tax effect. The Directors believe this figure provides a better indication of the Group's trading performance.

Diluted earnings per share and adjusted diluted earnings per share are calculated respectively by dividing the profit attributable to the equity holders of the parent, and the net income attributable to the equity holders of the parent, by the weighted average number of Ordinary Shares in issue during the year adjusted for the dilutive impact of unvested shares and contingently issuable shares arising from the share based payment arrangements.

	Year ended	
	31 December 2019	31 December 2018
Profit attributable to the equity holders of the parent (£m)	**69.7**	130.6
Adjusted for non-trading items:		
Non-trading items net of taxation impact (£m)	**1.8**	17.9
Net income (£m)	**71.5**	148.5
Basic weighted average number of Ordinary Shares in issue (m)	**659.1**	656.9
Potential Ordinary Shares and contingently issuable shares (m)	**1.0**	2.2
Weighted average number of shares adjusted for dilutive potential Ordinary Shares (m)	**660.1**	659.1
Basic earnings per share	**10.6p**	19.9p
Non-trading items net of taxation per share	**0.2p**	2.7p
Adjusted earnings per share	**10.8p**	22.6p
Diluted earnings per share	**10.6p**	19.8p
Adjusted diluted earnings per share	**10.8p**	22.5p

17. Ogden discount rate impact

The personal injury discount rate (or 'Ogden rate') is a rate set by the UK Government's Lord Chancellor that is used by the Courts to calculate lump sum personal injury compensation payments. The rate was set at 2.5% in 2001 and was reduced to minus 0.75% on 27 February 2017. During the year, the Ministry of Justice undertook a review of the Ogden rate and announced on 15 July 2019 that the conclusion of its review was to increase the Ogden rate from minus 0.75% to minus 0.25% with effect from 5 August 2019. The announced rate is lower than both the rate at which large bodily injury claims have been settling and the original guidance provided by the Ministry of Justice of between 0% and 1%. Since the date of the announcement, the Group has reflected the rate change in its reserving assumption from 0.5% to minus 0.25% in estimating the claims liabilities and the impact on the results for the year is shown below:

	Year ended 31 December 2019				
	Underlying trading pre-Ogden rate £m	Ogden discount rate impact £m	Underlying trading £m	Non-trading items £m	Total £m
Gross written premiums	961.6	–	961.6	–	961.6
Gross earned premiums	965.0	–	965.0	–	965.0
Earned premiums ceded to reinsurers	(525.7)	–	(525.7)	–	(525.7)
Net earned premiums	439.3	–	439.3	–	439.3
Other revenue	295.7	(4.1)	291.6	–	291.6
Investment and interest income	10.4	–	10.4	–	10.4
Net revenue	745.4	(4.1)	741.3	–	741.3
Claims incurred	(792.5)	(82.6)	(875.1)	–	(875.1)
Reinsurers' share of claims incurred	434.1	78.3	512.4	–	512.4
Net claims incurred	(358.4)	(4.3)	(362.7)	–	(362.7)
Acquisition costs	(76.4)	–	(76.4)	–	(76.4)
Other expenses	(192.5)	–	(192.5)	–	(192.5)
Adjusted operating profit	118.1	(8.4)	109.7		109.7
Amortisation and depreciation	(15.8)	–	(15.8)	(2.0)	(17.8)
Finance costs	(9.6)	–	(9.6)	(0.2)	(9.8)
Profit before tax	92.7	(8.4)	84.3	(2.2)	82.1
Taxation expense	(13.6)	0.8	(12.8)	0.4	(12.4)
Total profit attributable to the equity holders of the parent	79.1	(7.6)	71.5	(1.8)	69.7

Estimating the claims liabilities required using the lower Ogden rate increased claims incurred by £82.6m as a result of the anticipated increase in the value of expected settlements of large personal injury claims. Of the gross amount, £78.3m is expected to be recovered from our reinsurance partners and has therefore increased the reinsurers' share of claims incurred and reinsurance assets. Net claims incurred increased by £4.3m and this subsequently reduced reinsurance profit commission by £4.1m, resulting in a net reduction in adjusted operating profit and profit before tax of £8.4m.

18. Goodwill

The goodwill of £470.0m arose from the acquisition of Hastings Group Limited ('HGL') by Hastings Insurance Group (Holdings) plc ('HIG(H)') on 8 January 2014 and was allocated between the Group's two CGUs, Underwriting and Retail, as follows:

Cost	Underwriting £m	Retail £m	**Total £m**
As at 31 December 2018 and 31 December 2019	95.2	374.8	**470.0**

The recoverable amount of the two CGUs has been determined based on value in use calculations. These calculations use pre-tax cash flow projections based on the most recent three year financial plans approved by the Directors, discounted by the Group's pre-tax discount rate of 7.1% (2018: 7.3%). The Directors determine financial budgets based on past performance and their expectations of market and business development.

Cash flows beyond the three year plan period are extrapolated using growth rates declining to a terminal rate of 2.0%. As the recoverable amount of each CGU is significantly higher than the cumulative total of allocated goodwill and the carrying value of the CGU's assets, the allocated goodwill is not deemed to be impaired. The Group has conducted sensitivity testing to the recoverable amount of each CGU with an increased discount rate of 10% and using a lower terminal growth rate. The result of the sensitivity testing provided additional assurance that goodwill is not deemed to be impaired.

19. Intangible assets

	Customer relationships £m	Brands £m	Software £m	Work in progress £m	Total £m
Cost					
As at 1 January 2018	64.0	13.0	59.5	52.0	188.5
Additions	–	–	0.7	16.4	17.1
Transfers	–	–	62.0	(62.0)	–
Disposals	–	–	(2.5)	–	(2.5)
As at 31 December 2018	64.0	13.0	119.7	6.4	203.1
Accumulated amortisation					
As at 1 January 2018	51.0	6.4	43.7	–	101.1
Disposals	–	–	(2.5)	–	(2.5)
Amortisation for the year	12.8	1.6	9.6	–	24.0
As at 31 December 2018	63.8	8.0	50.8	–	122.6
Net book value as at 31 December 2018	0.2	5.0	68.9	6.4	80.5
Cost					
As at 1 January 2019	**64.0**	**13.0**	**119.7**	**6.4**	**203.1**
Additions	**–**	**–**	**0.9**	**18.3**	**19.2**
Transfers	**–**	**–**	**8.6**	**(8.6)**	**–**
As at 31 December 2019	**64.0**	**13.0**	**129.2**	**16.1**	**222.3**
Accumulated amortisation					
As at 1 January 2019	**63.8**	**8.0**	**50.8**	**–**	**122.6**
Amortisation for the year	**0.2**	**1.6**	**10.2**	**–**	**12.0**
As at 31 December 2019	**64.0**	**9.6**	**61.0**	**–**	**134.6**
Net book value as at 31 December 2019	**–**	**3.4**	**68.2**	**16.1**	**87.7**

Software held as at 31 December 2019 includes internally generated software carried at £64.0m (2018: £65.9m), which primarily consists of the Group's Guidewire platform which was transferred from work in progress to software during 2018. Guidewire is a state of the art, integrated end to end platform for claims, broking and billing. The Guidewire system has an expected useful economic life of 10 years, with 9 years remaining as at 31 December 2019. During the year, amortisation charge relating to internally generated assets was £8.3m (2018: £0.5m).

20. Property and equipment

	Property £m	Property and leasehold improvements £m	Computer equipment £m	Fixtures, fittings and equipment £m	Work in progress £m	Right of use assets £m	Total £m
Cost or valuation							
As at 1 January 2018	5.9	6.0	8.6	2.0	0.1	–	22.6
Opening adjustment	–	–	–	–	–	10.7	10.7
Additions	–	0.7	0.6	0.1	1.7	1.4	4.5
Transfers	–	0.5	–	–	(0.5)	–	–
Disposals	(1.7)	(0.2)	(0.6)	(0.1)	–	–	(2.6)
As at 31 December 2018	4.2	7.0	8.6	2.0	1.3	12.1	35.2
Accumulated depreciation							
As at 1 January 2018	0.2	1.6	5.3	1.3	–	–	8.4
Charge for the year	0.1	0.8	1.5	0.3	–	2.3	5.0
Disposals	–	(0.2)	(0.6)	(0.1)	–	–	(0.9)
As at 31 December 2018	0.3	2.2	6.2	1.5	–	2.3	12.5
Net book value as at 31 December 2018	3.9	4.8	2.4	0.5	1.3	9.8	22.7
Cost or valuation							
As at 1 January 2019	**4.2**	**7.0**	**8.6**	**2.0**	**1.3**	**12.1**	**35.2**
Additions	**–**	**1.2**	**1.3**	**0.1**	**–**	**3.8**	**6.4**
Derecognition	**–**	**–**	**–**	**–**	**(1.0)**	**–**	**(1.0)**
Expiration of right of use asset	**–**	**–**	**–**	**–**	**–**	**(0.5)**	**(0.5)**
Disposals	**–**	**–**	**–**	**(0.1)**	**–**	**–**	**(0.1)**
As at 31 December 2019	**4.2**	**8.2**	**9.9**	**2.0**	**0.3**	**15.4**	**40.0**
Accumulated depreciation							
As at 1 January 2019	**0.3**	**2.2**	**6.2**	**1.5**	**–**	**2.3**	**12.5**
Charge for the year	**0.1**	**0.8**	**1.6**	**0.3**	**–**	**3.0**	**5.8**
Revaluations	**(0.3)**	**–**	**–**	**–**	**–**	**–**	**(0.3)**
Expiration of right of use asset	**–**	**–**	**–**	**–**	**–**	**(0.5)**	**(0.5)**
Disposals	**–**	**–**	**–**	**(0.1)**	**–**	**–**	**(0.1)**
As at 31 December 2019	**0.1**	**3.0**	**7.8**	**1.7**	**–**	**4.8**	**17.4**
Net book value as at 31 December 2019	**4.1**	**5.2**	**2.1**	**0.3**	**0.3**	**10.6**	**22.6**

Property comprises the freehold building at Conquest House, Bexhill-on-Sea, UK. Management's valuation during 2019 is in line with an external valuation carried out by CBRE of Conquest House towards the end of 2018, a real estate service provider, and resulted in an increase to the carrying value of £0.3m. As at 31 December 2019, the accumulated revaluation surplus on property is £0.5m (2018: £0.2m). If carried under cost model, the property's carrying value is £3.2m (2018: £3.2m).

21. Deferred income tax

	As at 1 January 2018 £m	Recognised in retained earnings £m	Recognised in profit or loss £m	As at 31 December 2018 £m
Deferred income tax assets				
Depreciation in excess of capital allowances	1.0	–	0.2	1.2
Insurance provisions	0.1	–	–	0.1
Deferred acquisition costs	3.1	–	(0.1)	3.0
Share based payments	2.2	(0.4)	(0.1)	1.7
Claims handling provision	0.2	–	0.3	0.5
Other	–	–	0.1	0.1
Total deferred income tax assets	6.6	(0.4)	0.4	6.6
Deferred income tax liabilities				
Intangible assets	4.8	–	(3.8)	1.0
Deferred acquisition costs	5.9	–	(4.6)	1.3
Insurance provisions	5.2	–	0.9	6.1
Revaluation of property	0.1	–	–	0.1
Total deferred income tax liabilities	16.0	–	(7.5)	8.5

	As at 1 January 2019 £m	**Recognised in retained earnings £m**	**Recognised in profit or loss £m**	**As at 31 December 2019 £m**
Deferred income tax assets				
Depreciation in excess of capital allowances	**1.2**	**–**	**(0.3)**	**0.9**
Insurance provisions	**0.1**	**–**	**–**	**0.1**
Deferred acquisition costs	**3.0**	**–**	**1.1**	**4.1**
Share based payments	**1.7**	**(0.2)**	**(1.4)**	**0.1**
Claims handling provision	**0.5**	**–**	**(0.2)**	**0.3**
Other	**0.1**	**–**	**–**	**0.1**
Total deferred income tax assets	**6.6**	**(0.2)**	**(0.8)**	**5.6**
Deferred income tax liabilities				
Intangible assets	**1.0**	**–**	**2.0**	**3.0**
Deferred acquisition costs	**1.3**	**–**	**(1.3)**	**–**
Insurance provisions	**6.1**	**–**	**(1.3)**	**4.8**
Revaluation of property	**0.1**	**–**	**–**	**0.1**
Total deferred income tax liabilities	**8.5**	**–**	**(0.5)**	**8.0**

Deferred income tax assets of £1.2m have not been recognised by the Group as at 31 December 2019 in respect of tax losses (2018: £1.2m). These tax losses do not expire under current tax legislation. Deferred income tax assets have not been recognised because it is not probable that future taxable profit will be available against which the Group can utilise these tax losses.

22. Reinsurance assets and insurance contract liabilities

	As at 31 December 2019			As at 31 December 2018		
	Gross £m	Reinsurers' share £m	Net £m	Gross £m	Reinsurers' share £m	Net £m
Claims incurred and reported	1,086.1	(737.9)	348.2	1,000.9	(692.0)	308.9
Claims incurred but not reported	460.2	(372.5)	87.7	339.2	(259.0)	80.2
Outstanding claims liabilities	1,546.3	(1,110.4)	435.9	1,340.1	(951.0)	389.1
Unearned premiums reserve	477.4	(254.6)	222.8	480.7	(261.1)	219.6
Total insurance contract liabilities	2,023.7	(1,365.0)	658.7	1,820.8	(1,212.1)	608.7

	As at 31 December 2019			As at 31 December 2018		
	Gross £m	Reinsurers' share £m	Net £m	Gross £m	Reinsurers' share £m	Net £m
Outstanding claims liabilities brought forward at start of year	1,340.1	(951.0)	389.1	1,193.3	(840.2)	353.1
Claims paid	(689.8)	350.2	(339.6)	(648.0)	329.2	(318.8)
Movement in liabilities	896.0	(509.6)	386.4	794.8	(440.0)	354.8
Outstanding claims liabilities carried forward	1,546.3	(1,110.4)	435.9	1,340.1	(951.0)	389.1
Unearned premiums reserve brought forward at start of year	480.8	(261.1)	219.7	472.3	(247.5)	224.8
Deferral in period	961.6	(519.2)	442.4	958.3	(522.8)	435.5
Release in period	(965.0)	525.7	(439.3)	(949.9)	509.2	(440.7)
Unearned premiums reserve carried forward	477.4	(254.6)	222.8	480.7	(261.1)	219.6
Total insurance contract liabilities	2,023.7	(1,365.0)	658.7	1,820.8	(1,212.1)	608.7

Movement in liabilities comprises changes in outstanding claims liabilities relating to claim events in previous periods and the expected cost of current year claims.

All insurance contracts are annual policies and as such the unearned premiums reserve is released within 12 months from the reporting date.

The expected timing of the settlements for the net and gross claims liabilities are shown in Note 26.

22. Reinsurance assets and insurance contract liabilities continued

Claims development

The following table shows the development of the originally estimated gross ultimate claims liabilities relative to the current estimates of gross ultimate claims liabilities, both gross and net of salvage and subrogation recoveries. Claims development refers to the financial adjustment in the current accounting period relating to claims incurred in previous accounting periods because of new and more up to date information that has become available and to reflect changes in inflation.

The development is presented for each of the most recent nine accident years and all historic periods prior to these from incorporation of the Group's underwriter in 2002 as estimated at each reporting date. The table also shows a reconciliation of the gross outstanding claims liabilities, net of salvage and subrogation recoveries, to the gross outstanding claims liabilities in the Consolidated Balance Sheet as at 31 December 2019.

The reduction in the Ogden rate has had a £82.6m impact on gross claims liabilities and a £4.3m impact on net claims liabilities at the end of the current year.

	Year ended										
	Prior periods £m	31 December 2011 £m	31 December 2012 £m	31 December 2013 £m	31 December 2014 £m	31 December 2015 £m	31 December 2016 £m	31 December 2017 £m	31 December 2018 £m	31 December 2019 £m	**Total £m**
Development											
At end of current year	768.8	167.0	266.7	320.6	392.7	493.9	668.7	711.7	777.2	893.2	**5,460.5**
One year earlier	770.0	172.1	267.0	326.4	409.5	496.2	649.8	705.3	789.1	–	**4,585.4**
Two years earlier	765.7	159.8	257.6	317.1	386.9	500.7	673.4	749.5	–	–	**3,810.7**
Three years earlier	761.8	163.0	252.6	326.4	384.3	491.0	644.8	–	–	–	**3,023.9**
Four years earlier	765.2	170.6	243.2	312.0	369.4	451.7	–	–	–	–	**2,312.1**
Five years earlier	762.8	168.5	247.6	304.5	368.6	–	–	–	–	–	**1,852.0**
Six years earlier	753.4	177.1	254.0	306.4	–	–	–	–	–	–	**1,490.9**
Seven years earlier	750.6	174.4	240.4	–	–	–	–	–	–	–	**1,165.4**
Eight years earlier	740.3	167.2	–	–	–	–	–	–	–	–	**907.5**
Payments to date	(740.3)	(163.5)	(225.8)	(282.9)	(360.6)	(409.0)	(473.3)	(480.8)	(481.5)	(342.3)	**(3,960.0)**
Gross outstanding claims liabilities, net of salvage and subrogation recoveries	28.5	3.5	40.9	37.7	32.1	84.9	195.4	230.9	295.7	550.9	**1,500.5**
Reconciliation to gross outstanding claims liabilities											
Anticipated salvage and subrogation recoveries											**45.8**
Gross outstanding claims liabilities											**1,546.3**

22. Reinsurance assets and insurance contract liabilities continued

Claims development continued

The following table shows the development of the outstanding claims liabilities net of both reinsurance assets and salvage and subrogation recoveries, together with a reconciliation of these to the net outstanding claims liabilities as at 31 December 2019:

	Year ended										
	Prior periods £m	31 December 2011 £m	31 December 2012 £m	31 December 2013 £m	31 December 2014 £m	31 December 2015 £m	31 December 2016 £m	31 December 2017 £m	31 December 2018 £m	31 December 2019 £m	**Total £m**
Development											
At end of current year	639.5	93.1	104.3	125.3	173.8	207.4	263.3	292.0	326.0	359.8	**2,584.5**
One year earlier	638.3	93.0	104.3	124.9	173.7	208.0	256.9	287.5	335.3	–	**2,221.9**
Two years earlier	638.3	92.9	104.1	124.7	171.3	204.3	253.2	302.6	–	–	**1,891.4**
Three years earlier	638.7	93.5	105.4	125.3	169.1	203.4	256.4	–	–	–	**1,591.8**
Four years earlier	641.1	94.4	104.9	125.2	165.5	200.6	–	–	–	–	**1,331.7**
Five years earlier	640.9	95.0	108.8	130.8	163.4	–	–	–	–	–	**1,138.9**
Six years earlier	637.8	97.4	114.6	136.4	–	–	–	–	–	–	**986.2**
Seven years earlier	642.3	98.4	117.1	–	–	–	–	–	–	–	**857.8**
Eight years earlier	644.4	97.4	–	–	–	–	–	–	–	–	**741.8**
Payments to date	(635.8)	(93.0)	(104.2)	(124.8)	(168.5)	(196.3)	(227.9)	(232.1)	(229.4)	(159.7)	**(2,171.7)**
Net outstanding claims liabilities, net of salvage and subrogation recoveries	3.7	0.1	0.1	0.5	5.3	11.1	35.4	59.9	96.6	200.1	**412.8**
Reconciliation to net outstanding claims liabilities											
Anticipated salvage and subrogation recoveries											**45.8**
Reinsurers' share of salvage and subrogation recoveries claims liabilities											**(22.7)**
Net outstanding claims liabilities											**435.9**

Conditions and trends that have affected the development of the liabilities in the past may or may not occur in the future, and accordingly, conclusions about future results cannot necessarily be derived from the information presented in the tables above.

23. Deferred acquisition costs

	Year ended	
	31 December 2019 £m	31 December 2018 £m
Deferred acquisition costs brought forward at start of year	**34.5**	31.1
Additions	**71.6**	72.2
Recognition of acquisition costs in profit or loss	**(71.8)**	(68.8)
Deferred acquisition costs carried forward at end of year	**34.3**	34.5

24. Insurance and other receivables

	As at 31 December 2019 £m	As at 31 December 2018 £m
Insurance receivables	**331.1**	309.8
Salvage and subrogation recoveries	**46.6**	53.1
Reinsurance receivables	**26.1**	51.0
Interest receivable	**7.7**	7.1
Other receivables	**30.1**	23.7
Total insurance and other receivables	**441.6**	444.7

The table below analyses insurance and other receivables between current and overdue and also analyses any provisions held. The current portion comprises balances that are normally settled within 12 months. Overdue amounts comprise all amounts which remain uncollected after the date by which they were contractually due to be paid in full.

Financial assets held by the Group are exposed to financial risk, the main components of this risk being credit risk, market risk and liquidity risk. Further information can be found in Note 26.

	Insurance and other receivables £m	Provision for impairment £m	Net insurance and other receivables £m
As at 31 December 2019			
Current	**442.3**	**(1.2)**	**441.1**
Overdue	**4.7**	**(4.2)**	**0.5**
Total	**447.0**	**(5.4)**	**441.6**
As at 31 December 2018			
Current	445.3	(0.8)	444.5
Overdue	8.2	(8.0)	0.2
Total	453.5	(8.8)	444.7

Movements on the Group's provision for impairment are as follows:

	As at 31 December 2019 £m	As at 31 December 2018 £m
Provision for impairment brought forward at start of year	**8.8**	7.5
Utilised during the year	**(9.1)**	(4.5)
Impairments recognised during the year	**5.7**	5.8
Total provision for impairment carried forward at end of year	**5.4**	8.8

25. Cash and cash equivalents

	As at 31 December 2019 £m	As at 31 December 2018 £m
Cash at bank and in hand	**45.0**	55.4
Money market funds	**110.7**	75.9
Short term deposits	**5.2**	14.7
Total cash and cash equivalents	**160.9**	146.0

Cash and cash equivalents include balances of £7.3m (31 December 2018: £10.6m) relating to cash and cash equivalents held on behalf of other insurers on an agency basis.

26. Financial instruments, capital management and related disclosures

a) Financial assets and liabilities

The Group's financial instruments can be analysed as follows:

At amortised cost

The carrying values of all financial instruments carried at amortised cost are considered to be an approximation of fair value and the table below analyses these by balance sheet classification:

	As at 31 December 2019 £m	As at 31 December 2018 £m
Financial assets		
Insurance and other receivables (excluding salvage and subrogation assets)	395.0	391.6
Total financial assets at amortised cost	395.0	391.6
Financial liabilities		
Loans and borrowings	245.3	244.3
Insurance and other payables (excluding salvage and subrogation payables and deferred income)	218.4	204.5
Total financial liabilities at amortised cost	463.7	448.8

At fair value

The table below analyses financial assets carried at fair value by level within the fair value hierarchy. Debt securities and investment funds are valued by reference to the most recent observable market trade unless there is evidence of impairment. Where such trades are not sufficiently regular for the sales to be classified as an open market, these are classified as level 2.

	As at 31 December 2019			As at 31 December 2018		
	Level 1 £m	Level 2 £m	Total £m	Level 1 £m	Level 2 £m	Total £m
Fair value through profit or loss						
Investment funds	35.1	10.1	45.2	–	59.0	59.0
Total financial assets at fair value through profit or loss	35.1	10.1	45.2	–	59.0	59.0
Available for sale						
Debt securities	49.6	488.6	538.2	–	499.0	499.0
Total available for sale financial assets	49.6	488.6	538.2	–	499.0	499.0
Total financial assets at fair value	84.7	498.7	583.4	–	558.0	558.0

The table below analyses the movement in financial assets carried at fair value:

	Investment funds £m	Debt securities £m	Total £m
As at 1 January 2018	65.7	473.9	539.6
Net (decreases)/increases to the fair value of assets held recognised in profit or loss	(1.5)	0.2	(1.3)
Net decreases to the fair value of assets held recognised in other comprehensive income	–	(6.8)	(6.8)
Net (disposals)/additions to assets held	(5.2)	31.7	26.5
As at 31 December 2018 and 1 January 2019	59.0	499.0	558.0
Net increases to the fair value of assets held recognised in profit or loss	1.3	0.4	1.7
Net increases to the fair value of assets held recognised in other comprehensive income	–	7.3	7.3
Net (disposals)/additions to assets held	(15.1)	31.5	16.4
As at 31 December 2019	45.2	538.2	583.4

Investment funds comprise funds with investments in debt securities, equities, derivatives and cash and cash equivalents. The Group's investment in available for sale financial assets mainly comprises of fixed income debt securities.

26. Financial instruments, capital management and related disclosures continued

a) Financial assets and liabilities continued

Cash and cash equivalents with a fair value of £160.9m, and debt securities with a fair value of £538.2m at 31 December 2019 are considered to give rise to cash flows that are solely for payments of principal and interest. During the year to 31 December 2019, fair value gains of £7.3m were recognised on these assets (31 December 2018: £6.8m losses). Of these assets, none are considered to not have a low credit risk (31 December 2018: £1.7m).

Investment funds of £45.2m at 31 December 2019 designated under IAS 39 as at fair value through profit or loss are expected to be mandatorily measured at fair value through profit or loss under IFRS 9. Fair value gains of £1.7m were recognised on these assets during the year (31 December 2018: £1.3m losses).

Insurance and other receivable assets with a fair value of £23.5m at 31 December 2019 will be within the scope of IFRS 9 (31 December 2018: £21.1m). All of these assets are considered to give rise to cash flows that are solely for payments of principal and interest. Of these assets, £0.1m are considered not to have a low credit risk (31 December 2018: £0.8m).

b) Objectives, policies and procedures for managing financial risks

The Group is exposed to financial risk through its financial assets and liabilities. The most important components of financial risk for the Group are credit risk, market risk and liquidity risk.

Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full as they fall due. The Group is exposed to credit risk through reinsurance assets, financial assets and cash and cash equivalents.

The Group manages its exposure to credit risk on high liquidity investments by pursuing a strategy whereby all investments in money market funds have credit ratings of AA or above. The credit ratings of the Group's banks are monitored on a regular basis and, where there is adverse movement, appropriate action would be determined by the Board's Risk Committee.

Investment funds and debt securities are assessed by management to ensure that the level of credit risk is acceptable, credit ratings are sufficiently strong and the investment is in line with the Group's investment policy.

The credit ratings of the underlying assets within investment funds, debt security counterparty and banks with which the Group has significant credit risk, in relation to its investments in cash and cash equivalents and financial assets at fair value, were as follows:

	Debt securities £m	Investment funds £m	Cash and cash equivalents £m	Total £m
As at 31 December 2019				
AAA	**47.7**	**4.0**	**112.1**	**163.8**
AA	**157.1**	**2.4**	**–**	**159.5**
A	**198.5**	**7.0**	**48.8**	**254.3**
BBB	**134.9**	**7.6**	**–**	**142.5**
Less than BBB	**–**	**11.9**	**–**	**11.9**
Not rated	**–**	**12.3**	**–**	**12.3**
Total	**538.2**	**45.2**	**160.9**	**744.3**
As at 31 December 2018				
AAA	62.7	6.3	76.1	145.1
AA	149.0	11.1	–	160.1
A	145.5	12.5	69.9	227.9
BBB	140.1	7.3	–	147.4
Less than BBB	1.7	11.1	–	12.8
Not rated	–	10.7	–	10.7
Total	499.0	59.0	146.0	704.0

26. Financial instruments, capital management and related disclosures continued

b) Objectives, policies and procedures for managing financial risks continued

The Group's exposure to reinsurers is analysed below by the credit rating of each reinsurer:

	As at	
	31 December 2019 £m	31 December 2018 £m
AA	**1,020.9**	848.5
A	**344.1**	362.4
BBB	**–**	1.2
Total reinsurance assets	**1,365.0**	1,212.1

The Group has investment guidelines that restrict the amount of the investment portfolio that can be placed with a single counterparty.

The Group's maximum exposure to credit risk at 31 December 2019 is the carrying value of financial assets at fair value and at amortised cost, reinsurance assets and cash and cash equivalents.

The Group's insurance receivables are an aggregation of individually immaterial customer receivables and amounts due from reinsurers. The Group uses multiple reinsurance providers to limit the concentrations of credit risk. Insurance receivables are monitored closely with a view to minimising the collection period of those items. Since other assets such as cash and cash equivalents and financial assets at fair value are well diversified, the Directors believe that the Group does not hold any significant concentrations of risk.

Market risk
The only significant market risk which the Group is exposed to is interest rate risk.

Interest rate risk is defined by the Group as the impact of unfavourable movements in market interest rates which could adversely affect the values of financial assets and liabilities, or reduce future cash flows arising from them.

Cash and cash equivalents are held in current accounts or in short term money market instruments. These are generally less than 60 days in duration, considerably reducing sensitivity to significant movements in interest rates compared to longer duration assets. The Directors consider that the exposure to interest rate risk of cash and cash equivalents balances is immaterial for the purposes of sensitivity analysis.

The carrying values of the Group's financial assets at fair value, being predominantly fixed rate debt securities, are susceptible to movements in interest rates but has minimal impact on the Group Statement of Profit or Loss.

The Group's £250.0m senior unsecured bonds with a 3% fixed coupon rate are not exposed to interest rate risk.

A 1% increase in interest rates would be expected to have the impact shown below on profit after tax and equity:

	As at	
	31 December 2019 £m	31 December 2018 £m
Equity	**(11.2)**	(10.9)
Profit after tax	**0.6**	(0.1)

Liquidity risk
Liquidity risk is the risk that cash may not be available to meet obligations as they fall due. The Group maintains significant holdings in liquid funds to mitigate this risk. The Group makes use of regular forecasts to monitor and control its cash flow and working capital requirements.

Financial liabilities are settled in line with agreed payment terms and managed in accordance with cash availability and inflow expectations. All financial liabilities except loans and borrowings and an amount due to a reinsurer within insurance and other payables (see Note 28) are due within 12 months.

Loans and borrowings consist of the seven year £250m 3% fixed rate senior bonds, due for redemption in May 2025, with interest payable semi-annually.

The Revolving Credit Facility ('RCF') has a commitment of £110.0m. Any outstanding balances drawn on the RCF are due for repayment at the end of the term in May 2023. As at 31 December 2019, the balance drawn down on the RCF was nil.

26. Financial instruments, capital management and related disclosures continued

b) Objectives, policies and procedures for managing financial risks continued

The assets backing insurance contracts and other short term liabilities held by the Group are considered to be more liquid than the related liabilities, and the Group is in a net current asset position.

The following table indicates the expected timing of net cash outflows resulting from insurance contract liabilities and reinsurance assets at the year end:

	0-1 year £m	1-2 years £m	Over 2 years £m	Total £m
As at 31 December 2019				
Gross claims liabilities	**670.1**	**406.7**	**859.8**	**1,936.6**
Less reinsurance assets	**(400.9)**	**(252.0)**	**(683.5)**	**(1,336.4)**
Net cash outflows	**269.2**	**154.7**	**176.3**	**600.2**
As at 31 December 2018				
Gross claims liabilities	614.8	375.4	740.2	1,730.4
Less reinsurance assets	(360.5)	(230.7)	(584.4)	(1,175.6)
Net cash outflows	254.3	144.7	155.8	554.8

The expected contractual undiscounted cash flows of loans and borrowings, including interest payments fall due as follows:

	0-1 year £m	1-2 years £m	2-5 years £m	Over 5 years £m	Total £m
As at 31 December 2019					
Senior bonds	**7.5**	**7.5**	**22.5**	**253.7**	**291.2**
As at 31 December 2018					
Senior bonds	7.5	7.5	22.5	261.2	298.7

Actual cash flows of loans and borrowings are not expected to vary significantly as the senior bond interest is fixed at 3%.

c) Objectives, policies and procedures for managing capital

The Group's capital is made up of total equity of £642.1m (2018: £651.0m) and loans and borrowings of £245.3m (2018: £244.3m). The Group's dividend policy seeks to distribute excess capital to shareholders, where such capital is surplus and not required for growth, to meet regulatory requirements, or to reduce borrowing. The Group monitors and reviews the capital position of its two regulated trading subsidiaries, HISL and AICL, which are independently managed and required to comply with their respective external regulatory capital requirements.

AICL's objectives for managing capital are to comply with the Solvency II capital requirements; to safeguard its ability to continue as a going concern; and to provide an adequate return by pricing insurance contracts commensurately with the level of risk. AICL, as an insurance company, is subject to the provisions of the Solvency II regulations set by the European Parliament and European Union Commission and implemented by the Gibraltar Financial Services Commission. AICL seeks to maintain a prudent threshold above the Solvency II solvency capital requirement at all times and has maintained its capital above the solvency capital requirement throughout the year.

HISL, as an insurance intermediary in the UK, is subject to a capital resources requirement under Financial Conduct Authority rules; it exceeded that minimum capital requirement at all times during the year. HISL regularly reviews and monitors its capital position and seeks to maintain a prudent threshold above the capital resource requirement at all times.

27. Loans and borrowings

	As at 31 December 2019 £m	As at 31 December 2018 £m
3% senior bonds due 2025	**250.0**	250.0
Arrangement fees and discounts	**(4.7)**	(5.7)
Total loans and borrowings	**245.3**	244.3
Non-current	**245.3**	244.3
Total loans and borrowings	**245.3**	244.3

Loans and borrowings consist of £250.0m of seven year fixed rate investment grade senior unsecured bonds (the 'senior bonds') rated BBB which were issued on 24 May 2018. The senior bonds have a 3% coupon rate, payable six monthly in arrear. The Revolving Credit Facility ('RCF') has a commitment of £110.0m and the term of the RCF ends in May 2023. At 31 December 2019, the RCF remained undrawn (31 December 2018: nil).

The table below reconciles the movement in the Group's loans and borrowings.

	As at 31 December 2019 £m	As at 31 December 2018 £m
As at 1 January	**244.3**	272.0
Cash movement		
Repayment of Revolving Credit Facility	**–**	(275.0)
Issue of senior bonds at discount	**–**	247.8
Arrangement and amendment fees incurred	**–**	(1.5)
Non-cash movement		
Amortisation of fees incurred on loans and borrowings	**1.0**	1.0
As at 31 December	**245.3**	244.3

28. Insurance and other payables

	As at 31 December 2019 £m	As at 31 December 2018 £m
Amounts owed to reinsurers	**109.8**	97.5
Reinsurers' share of salvage and subrogation recoveries	**23.2**	26.3
Insurance premium tax	**26.1**	27.8
Accrued expenses	**52.5**	50.3
Deferred income	**16.1**	12.6
Lease liabilities (Note 31)	**10.7**	9.8
Other payables	**19.3**	19.1
Total insurance and other payables	**257.7**	243.4
Current	**248.3**	233.0
Non-current	**9.4**	10.4
Total insurance and other payables	**257.7**	243.4

29. Share capital and reserves

Share capital

Share capital recognised as equity comprises Ordinary Shares authorised, issued and fully paid up as follows:

	Year ended			
	31 December 2019		31 December 2018	
	Number of Shares	**£m**	Number of Shares	£m
Authorised, issued and fully paid up Ordinary Shares of 2p each				
Opening Ordinary Shares	**657,701,128**	**13.2**	657,217,641	13.1
Shares Issued	**3,552,597**	**–**	483,487	0.1
Closing Ordinary Shares	**661,253,725**	**13.2**	657,701,128	13.2

Issued shares

During 2019, the Company issued 3,552,597 Ordinary Shares (2018: 483,487 Ordinary Shares) to an employee benefit trust to satisfy employee share schemes.

Merger reserve

During 2015, the Company acquired the entire issued share capital of Hastings Insurance Group (Holdings) plc ('HIG(H)'), the ultimate parent company of AICL and HISL. Both the Company and HIG(H) were under common control before and after the reorganisation and, as a consequence, the Consolidated Financial Statements have been prepared under the principles of predecessor accounting. Under this method, the difference on consolidation between consideration paid and the book value of the underlying net assets acquired on the date of the reorganisation is included within the merger reserve in the Consolidated Financial Statements.

Other reserves

Unrealised fair value movements on available for sale financial assets (Note 26) and property held at revalued amounts (Note 20) are recognised in other comprehensive income and accumulated within other reserves.

Company shares acquired and held for the purposes of funding the share based payment plans as described in Note 30 are recorded as 'own shares' within other reserves. These shares are held by employee benefit trusts that are consolidated within these Consolidated Financial Statements.

At 31 December 2019, the employee benefit trusts held 2.3 million shares (2018: 1.8 million) acquired at a cost of £4.6m (2018: £3.6m).

30. Share based payments

The total charge for the share based payments recognised in the profit and loss during 2019 was £3.3m (2018: £3.3m) and there was no impact on the balance sheet at 31 December 2019 (2018: £nil).

Admission awards

On 15 October 2015, certain key management personnel were granted share awards conditional upon the Company listing on the London Stock Exchange. The awards were for a fixed value of £5.9m, payable in Ordinary Shares in two tranches, the first on 31 December 2017 and the second on 31 December 2018. The awards were subject to a service condition that the members remain in employment by the Group until vesting date.

The awards are classified as equity settled share based payments and had a fair value of £4.9m at grant date. On 31 December 2017, the first tranche of £3.0m vested and was net settled by issue of 468,469 Ordinary Shares of the Company on 16 January 2018 and payment by the Group of £1.2m employee taxes arising. The second tranche of £3.0m vested on 31 December 2018 and was net settled by issue of 769,180 Ordinary Shares of the Company on 4 January 2019 and payment by the Group of £1.3m employee taxes arising. All share awards granted have been vested and settled.

Long Term Incentive Plan

Certain management personnel are eligible to participate in the Hastings Long Term Incentive Plan ('LTIP') giving them an option to acquire shares in the Company at an exercise price of £nil. Vesting is subject to a three year service period and the achievement of certain performance conditions in respect of total shareholder return and adjusted earnings per share over a three year period. For awards to certain individuals, considered key management personnel, there is an additional holding period of two years ('Executive grant').

30. Share based payments continued

Long Term Incentive Plan continued

During 2019, 5 million options were granted, with a fair value of £9.7m (2018: 3.5 million options with a fair value of £7.2m), of which 1.0 million were Executive grants with a fair value of £1.5m (2018: nil and £nil).

Awards subject to a market condition have been valued using the Monte Carlo pricing model and those not subject to a market condition have been valued using the Black Scholes model. The model inputs are as follows:

	2019 Executive grant	2019 LTIP grant	2018 LTIP grant
Share price at grant date	218p	218p	272p
Exercise price	0p	0p	0p
Volatility	26%	26%	25%
Average comparator volatility	31%	31%	29%
Dividend yield	n/a	n/a	n/a
Risk free rate	0.81%	0.81%	0.88%
Expected life	5 years	3 years	3 years

The expected life is the contractual life of the option adjusted to reflect management's best estimate of holder behaviour. Volatility was determined by reference to insurance companies within the FTSE 350.

The following table details the outstanding number of options under the LTIP:

	Year ended	
	31 December 2019 (million)	31 December 2018 (million)
Number of share options		
Outstanding at 1 January	9.7	6.3
Granted during the year	5.0	3.6
Exercised during the year	(2.1)	–
Forfeited during the year	(1.2)	(0.2)
Outstanding at 31 December	11.4	9.7
Exercisable at 31 December	–	–

Capital Appreciation Plan

On 21 December 2017, certain key management personnel were invited to participate in the Group's Capital Appreciation Plan ('CAP'), under which they may be awarded up to five free shares in the Company for every share that they place into trust. During 2019 an additional 0.6m awards were granted with a fair value of 318p each. The awards are conditional upon total shareholder return over a five year period to 31 December 2022, with the number of awards dependent upon the level of return. There is also a cap on the number of shares which may be placed in the trust by each individual. Total entitlement to shares at the end of the performance period shall be released in three tranches; one third at the end of the performance period, a further third twelve months later, and the final third twelve months after that.

The awards were valued using the Monte Carlo pricing model with inputs as follows:

	As at 2017 CAP Grant
Share price at grant date	318p
Exercise price	0p
Volatility	24%
Dividend yield	n/a
Risk free rate	0.8%
Expected life	5 years

30. Share based payments continued

Capital Appreciation Plan continued

	Year ended 31 December 2019 (million)	Year ended 31 December 2018 (million)
Number of share awards		
Outstanding at 1 January	**2.0**	2.3
Granted during the year	**0.6**	–
Exercised during the year	**–**	–
Forfeited during the year	**(0.4)**	(0.3)
Outstanding at 31 December	**2.2**	2.0
Exercisable at 31 December	**–**	–

Share Incentive Plan

The Group runs an employee Share Incentive Plan ('SIP') under which employees are entitled to purchase each month, through a trust, shares in the Company worth up to £150. The Group matches employee contributions up to £30 a month through free share awards, subject to a three year service period before the matching shares are awarded. Dividends are paid on shares, including matching shares, held in the trust by means of dividend shares. The fair value of such awards is estimated to be the market value of the awards on grant date.

In the year ended 31 December 2019, 239,628 matching shares (2018: 144,617) were granted to employees, with an estimated fair value of £0.4m (2018: £0.4m). The average unexpired life of SIP awards is 2 years (2018: 2 years).

As at 31 December 2019, 600,985 (2018: 361,357) matching shares were held on behalf of employees with a carrying value of £1.3m (2018: £0.9m) within the SIP scheme.

Deferred Bonus

On 11 April 2019 certain key management personnel in lieu of a bonus were awarded 47,936 free shares in the Company (2018: 125,267) with a fair value of £0.1m (2018: £0.3m) to be deferred for three years. These are not subject to performance conditions.

Restricted Stock Awards

On 15 August 2019, certain key management personnel were granted 403,772 share awards conditional upon continued employment with the Group. The awards were for a fixed number of shares with a value of £0.8m, payable in Ordinary Shares in four equal tranches, the first on 30 March 2020 and annually on the 30 March for the three years following. The awards are subject to members remaining in employment by the Group until vesting date.

The awards are equity settled share based payments and had a fair value of £0.8m at grant date.

31. Leases

Information about leases for which the Group is a lessee under IFRS 16 are presented below.

Right of use assets

The movement in the Group's right of use assets, by asset class, are shown below:

	Property £m	Hardware £m	Total £m
Cost			
As at 1 January 2018	–	–	–
Opening adjustment	8.1	2.6	10.7
Additions	1.4	–	1.4
Expiration of right of use asset	–	–	–
As at 31 December 2018	9.5	2.6	12.1
Accumulated depreciation			
As at 1 January 2018	–	–	–
Charge for the year	1.5	0.8	2.3
Expiration of right of use asset	–	–	–
As at 31 December 2018	1.5	0.8	2.3
Net book value as at 31 December 2018	8.0	1.8	9.8
Cost			
As at 1 January 2019	**9.5**	**2.6**	**12.1**
Additions	**1.4**	**2.4**	**3.8**
Expiration of right of use asset	**(0.5)**	**–**	**(0.5)**
As at 31 December 2019	**10.4**	**5.0**	**15.4**
Accumulated depreciation			
As at 1 January 2019	**1.5**	**0.8**	**2.3**
Charge for the year	**1.5**	**1.5**	**3.0**
Expiration of right of use asset	**(0.5)**	**–**	**(0.5)**
As at 31 December 2019	**2.5**	**2.3**	**4.8**
Net book value as at 31 December 2019	**7.9**	**2.7**	**10.6**

Lease liabilities

A movement reconciliation for the lease liabilities is shown below:

	As at	
	31 December 2019 £m	31 December 2018 £m
Opening lease liability	**9.8**	11.0
New leases during the year	**3.9**	1.1
Payments on lease liabilities	**(3.4)**	(2.6)
Interest on lease liability recognised in profit and loss	**0.4**	0.4
Closing lease liability	**10.7**	9.8

A maturity analysis table for the contractual undiscounted cash flows for the lease liabilities is shown below:

	As at	
	31 December 2019 £m	31 December 2018 £m
Within one year	**3.7**	3.1
Within two to five years	**7.6**	7.4
Over five years	**2.1**	3.7
Total undiscounted lease liabilities	**13.4**	14.2

32. Financial commitments

The Group is committed to making the following payments in future years under other contracts in place as at the end of reporting period:

	As at	
	31 December 2019 £m	31 December 2018 £m
IT transaction and support costs		
Within one year	**10.5**	7.1
Within two to five years	**11.6**	3.5
IT software development costs		
Within one year	**0.4**	1.0
Within two to five years	**–**	1.0
Computer hardware costs		
Within two to five years	**–**	0.3
Total other financial commitments	**22.5**	12.9

33. Subsidiaries

The Company's subsidiaries are as follows:

Subsidiary	Registered office	Class of shares held	% ownership	Principal activity
Hastings Insurance Group (Holdings) Limited	a	Ordinary	100%	Dormant
Hastings Insurance Group (Investment) Limited*	a	Ordinary	100%	Dormant
Hastings Insurance Group (Layer Three) Limited*	a	Ordinary	100%	Dormant
Hastings Insurance Group (Layer Two) Limited*	a	Ordinary	100%	Dormant
Hastings Group (Finance) plc	a	Ordinary	100%	Holding
Hastings Group Limited*	a	Ordinary	100%	Holding
Advantage Global Holdings Limited*	b	Ordinary	100%	Holding
Advantage Insurance Company Limited*	c	Ordinary	100%	Underwriting
Conquest House Limited*	d	Ordinary	100%	Leasing of property
Hastings (Holdings) Limited*	d	Ordinary	100%	Holding
Hastings (UK) Limited*	d	Ordinary	100%	Holding
Hastings Insurance Services Limited*	d	Ordinary	100%	Broking
Renew Insurance Services Limited*	d	Ordinary	100%	Dormant
1066 Direct Limited*	d	Ordinary	100%	Dormant
Advantage Insurance Services Limited*	d	Ordinary	100%	Dormant
Hastings Direct Limited*	d	Ordinary	100%	Dormant
Hastings Direct Accident Management Limited*	d	Ordinary	100%	Dormant
People's Choice (Europe) Limited*	d	Ordinary	100%	Dormant

*Held indirectly

The registered offices of the Company's subsidiaries are as follows:

a. 47 Esplanade, St Helier, Jersey, JE1 0BD

b. Ritter House, Wickhams Cay II, Road Town, Tortola VG1110, British Virgin Islands

c. Suite 23, Portland House, Glacis Road, Gibraltar

d. Conquest House, 32-34 Collington Avenue, Bexhill-on-Sea, East Sussex, TN39 3LW, UK

The Company holds 100% of the voting rights of both its directly and indirectly owned subsidiaries. The Company does not have any other significant holdings.

34. Related party transactions

The Group undertakes transactions with related parties in the normal course of business and all transactions with related parties are made on normal, arm's length, commercial terms.

During the year ended 31 December 2019, the Group entered into the following related party transactions:

- the Group was charged £0.6m in fees by Goldman Sachs Asset Management International, a subsidiary of a company with significant influence (31 December 2018: £0.6m). At 31 December 2019, £0.2m was outstanding (31 December 2018: £0.2m); and
- the Group was charged £9.8m by OUTsurance Shared Services Limited, a subsidiary of a company with significant influence, for the provision of insurance intermediary support services (31 December 2018: £2.7m). There was an outstanding balance of £1.3m as at 31 December 2019 (31 December 2018: £nil).

On 4 December 2019, the Group made a loan of £228,975 to an employee who is a key management person of the Group, at an interest rate of 2.5%. The purpose of the loan is to allow the employee to participate in the Group's Capital Appreciation Plan (Note 30). At 31 December 2019, £229,399 remains receivable from the employee, of which £423 is interest accrued on the loan. The loan is to be repaid upon the date which the shares are transferred or disposed of, or the borrower's share award vests or lapses, whichever is earlier.

35. Dividends

A final dividend in respect of the year ended 31 December 2018 amounting to £59.5m or 9.0p per share was paid on 31 May 2019 (2018: £55.9m).

On 7 August 2019, the Board declared an interim dividend in respect of the year ended 31 December 2019 of 4.5p per share, or £29.8m which was paid on 8 November 2019.

On 26 February 2020, the Board proposed a final dividend in respect of the year ended 31 December 2019 of 5.5p per share, amounting to £36.4m, which equates to a payout ratio of 88.0% (31 December 2018: 58.9%). The final dividend is payable subject to shareholder approval at the following Annual General Meeting.

36. Contingent liabilities

The Group's legal entities are subject to review and enquiries by tax authorities in the UK and Gibraltar. The Group commenced discussion with HMRC in December 2016 regarding aspects of its business model and the allocation of certain elements of its profit between the Group's operating subsidiaries, HISL in the UK and AICL in Gibraltar. During the year, management has engaged in correspondence and meetings with HMRC. Management has reviewed current and previous tax filings, and considered the nature of the ongoing enquiries, and does not consider it appropriate to provide for any additional tax due. The Group provides for potential tax liabilities that may arise on the basis of the amounts expected to be paid to the tax authorities having taken into consideration any ongoing enquiries or reviews and based on guidance from professional firms. The final amounts paid may differ from the amounts provided depending on the ultimate resolution of such matters, and any changes to estimates or amounts payable in respect of prior periods are reported through adjustments relating to prior periods. In the event that the tax authorities do not ultimately accept the filed tax position, it is possible that the Group will have an additional tax liability. However, the ongoing nature of the enquiries means that it is inherently difficult to predict a range of potential outcomes with certainty. Based on the information received from HMRC to date, management does not believe that it is probable that any additional amounts will ultimately become payable. Further information in respect of the enquiries has therefore not been provided in accordance with IAS 37 on the grounds it is not practicable to do so.

Parent company balance sheet

As at 31 December 2019

	Note	Year ended 31 December 2019 £m	31 December 2018 £m
Assets			
Property and equipment	5	**0.9**	–
Investment in subsidiaries	6	**1,277.4**	1,275.7
Deferred income tax assets		**0.1**	0.6
Prepayments		**–**	0.2
Receivables		**0.1**	0.4
Cash and cash equivalents	7	**0.1**	1.3
Total assets		**1,278.6**	1,278.2
Liabilities			
Current liabilities	8	**2.5**	1.5
Total liabilities		**2.5**	1.5
Equity			
Share capital	10	**13.2**	13.2
Share premium		**172.6**	172.6
Retained earnings	10	**1,090.3**	1,090.9
Total equity		**1,276.1**	1,276.7
Total equity and liabilities		**1,278.6**	1,278.2

The accompanying Notes form an integral part of these Financial Statements.

These Financial Statements were approved by the Board of Directors on 26 February 2020 and were signed on its behalf by:

Tobias van der Meer
Chief Executive Officer
Hastings Group Holdings plc

Company Number: 09635183

Parent company statement of changes in equity

For the year ended 31 December 2019

	Note	Share capital £m	Share premium £m	Retained earnings £m	Total equity £m
As at 1 January 2018		13.1	172.6	1,088.6	1,274.3
Total profit for the year attributable to equity holders		–	–	85.8	85.8
Transactions with equity holders					
Share based payments	9	–	–	2.0	2.0
Issue of shares	10	0.1	–	–	0.1
Dividends paid		–	–	(85.5)	(85.5)
Total transactions with equity holders		0.1	–	(83.5)	(83.4)
As at 31 December 2018 and 1 January 2019		13.2	172.6	1,090.9	1,276.7
Total profit for the year attributable to equity holders		**–**	**–**	**85.8**	**85.8**
Transactions with equity holders					
Share based payments	9	**–**	**–**	**2.9**	**2.9**
Dividends paid		**–**	**–**	**(89.3)**	**(89.3)**
Total transactions with equity holders		**–**	**–**	**(86.4)**	**(86.4)**
As at 31 December 2019		**13.2**	**172.6**	**1,090.3**	**1,276.1**

The accompanying Notes form an integral part of these Financial Statements.

Parent company statement of cash flows

For the year ended 31 December 2019

	Note	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Profit after tax		**85.8**	85.8
Adjustments for:			
Depreciation of property and equipment		**0.5**	0.5
Share based payments	9	**1.4**	1.0
Taxation expense		**(1.3)**	(1.0)
Change in other receivables		**2.1**	0.9
Change in current liabilities		**0.1**	(0.7)
Net cash flows from operating activities		**88.6**	86.5
Proceeds from issue of ordinary share capital	10	**–**	0.1
Repayment of lease liabilities		**(0.5)**	–
Dividends paid		**(89.3)**	(85.5)
Net cash flows from financing activities		**(89.8)**	(85.4)
Net decrease in cash and cash equivalents		**(1.2)**	1.1
Cash and cash equivalents at beginning of year		**1.3**	0.2
Cash and cash equivalents outflow for the year		**(1.2)**	1.1
Cash and cash equivalents at end of year	7	**0.1**	1.3

The accompanying Notes form an integral part of these Financial Statements.

Notes to the parent company financial statements

1. Basis of preparation

Hastings Group Holdings plc ('the Company', 'HGH'), was incorporated on 11 June 2015. The principal activity of the Company is that of a holding company and its registered office and principal place of business is at Conquest House, Collington Avenue, Bexhill-on-Sea, TN39 3LW, United Kingdom. The Company's registered number is 09635183.

The Financial Statements comprise the results of the Company for the year ended 31 December 2019 and comparative figures for the year ended 31 December 2018. The Company made a profit after tax for the year ended 31 December 2019 of £85.8m (2018: £85.8m) and has elected not to present a Parent Company Statement of Profit or Loss as permitted by section 408 of the Companies Act 2006.

The Parent Company Financial Statements have been prepared and approved by the Directors in accordance with the Companies Act 2006 and International Financial Reporting Standards as adopted by the EU ('IFRS') that are in effect as at 31 December 2019. IFRS comprise standards and interpretations approved by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee.

The accounting policies used in the preparation of these Parent Financial Statements are consistent with the accounting policies used in the preparation of the Consolidated Financial Statements for HGH.

Going concern

Having considered the financial performance and financial position of the Company, its cash flows and the dividend capacity of its trading subsidiaries over the next 12 months, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Parent Company Financial Statements.

Basis of measurement

The functional currency is Pounds Sterling and the Financial Statements are presented in Pounds Sterling. Amounts are rounded to the nearest million with one decimal place (e.g £0.1m) except where otherwise indicated.

The Financial Statements are prepared on the historical cost basis.

Application of IFRS

The accounting policies developed in accordance with the standards effective under IFRS as at 31 December 2019, have been applied consistently to these Financial Statements.

2. Accounting policies

Employee benefits

The Company operates a defined contribution pension scheme. The amount charged to profit or loss in respect of pension costs is the amount of contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the Parent Company Balance Sheet. The Company has no legal or constructive obligation to make any payments to the scheme other than the contributions due.

Share based payments

The Company operates share based payment schemes under which participants may receive free share awards or nil cost options, depending on the scheme. Awards may have service and performance conditions attached.

The fair value of a share based payment award is determined at grant date and expensed on a straight line basis over the vesting period. Expected vesting in respect of service and non-market performance conditions is reviewed annually and adjustments are made retrospectively to the cumulative expense.

The expense for employees of the Company is recognised in the Parent Company Profit or Loss with a corresponding amount recognised within equity. Where shares are awarded to employees of subsidiary companies, this results in an increase in the cost of investment in the subsidiary, with a corresponding amount recognised within equity.

Property and equipment

Property and equipment is made up of the Company's property lease, which is recognised as a right of use asset.

2. Accounting policies continued

Leases

A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. At the commencement of a lease or contract containing a lease, the Company recognises a right of use asset and a lease liability on the balance sheet.

The Company initially measures a right of use asset at cost comprising the corresponding lease liability adjusted for any payments made at or before the commencement date plus any initial direct costs incurred and any dismantling costs, if applicable. Subsequently, from commencement date, a right of use asset is depreciated using the straight line method to profit or loss over the lease term or usage term. Right of use assets are reported in the balance sheet within property and equipment.

A lease liability is initially measured and recognised at the present value of outstanding lease payments at the lease commencement date, using the Company's incremental borrowing rate in most instances; unless the interest rate implicit in the lease can be readily determined, in which case this is used instead. Lease liabilities are reported in insurance and other payables in the balance sheet, with interest on the lease liabilities being recognised within finance costs in the profit or loss statement.

Investment in subsidiary

The investment in subsidiary is reported in the Parent Company Balance Sheet at cost less any impairment and is tested for impairment annually.

Cash and cash equivalents

The Company's cash and cash equivalents consist of cash in hand and in bank, investments in highly liquid money market funds and other short term deposits that are redeemable within 90 days.

Financial liabilities

Financial liabilities comprise intercompany payables and other payables. Financial liabilities are initially measured at fair value less any directly attributable transaction costs. Subsequently, financial liabilities are measured at amortised cost using the effective interest method.

Share capital

Shares are classified as equity when there is no obligation to transfer cash or other financial assets, or to exchange financial assets or liabilities under potentially unfavourable conditions. Incremental costs directly attributable to the issue of equity instruments are recognised as a deduction from share premium to the extent that there is sufficient share premium to do so, net of tax effects.

Dividends

Dividends are recognised directly in equity when approved and payable.

3. Auditor remuneration

For the year ended 31 December 2019, auditor remuneration for audit services in respect of these Financial Statements amounted to £0.2m (2018: £0.1m).

4. Employee benefits

Included in other operating expenses were the following employee benefits:

	Year ended	
	31 December 2019 £m	31 December 2018 £m
Salaries	**3.3**	3.0
Social security charges	**0.6**	0.3
Defined contribution pension plan costs	**0.1**	0.1
Share based payment charge	**1.4**	1.0
Total employee benefits	**5.4**	4.4

Directors' emoluments are disclosed in the Directors' Remuneration Report on page 101.

4. Employee benefits continued

Key management personnel compensation is as follows:

	Year ended	
	31 December 2019 £m	31 December 2018 £m
Short term employee benefits	**2.6**	2.3
Post employment benefits	**0.1**	0.1
Share based payments	**1.4**	1.0
Total key management personnel compensation and Directors' emoluments	**4.1**	3.4

During the year, the average number of full time equivalent support staff employed by the Company was four (2018: four).

5. Leases

Information about leases for which the Company is a lessee under IFRS 16 are presented below.

Right of use assets

The movement in the Company's right of use assets, by asset class, are shown below:

	Property £m	Total £m
Cost		
As at 1 January 2018	–	–
Opening adjustment	0.5	0.5
Additions	–	–
As at 31 December 2018	0.5	0.5
Accumulated depreciation		
As at 1 January 2018	–	–
Charge for the year	0.5	0.5
As at 31 December 2018	0.5	0.5
Net book value as at 31 December 2018	–	–
Cost		
As at 1 January 2019	**0.5**	0.5
Additions	**1.4**	1.4
Expiration of right of use asset	**(0.5)**	(0.5)
As at 31 December 2019	**1.4**	1.4
Accumulated depreciation		
As at 1 January 2019	**0.5**	0.5
Charge for the year	**0.5**	0.5
Expiration of right of use asset	**(0.5)**	(0.5)
As at 31 December 2019	**0.5**	0.5
Net book value as at 31 December 2019	**0.9**	0.9

5. Leases continued

Lease liabilities

A maturity analysis table for the contractual undiscounted cash flows for the lease liabilities is shown below:

	As at	
	31 December 2019 £m	31 December 2018 £m
Within one year	**0.6**	0.2
Within two to five years	**0.4**	–
Total undiscounted lease liabilities	**1.0**	0.2

The interest on the lease liabilities recognised in the profit or loss statement as at 31 December 2019 was £0.2m (31 December 2018: £nil). Cash outflows from lease liabilities are disclosed in the Parent Statement of Cash Flows.

6. Investment in subsidiary

	As at	
	31 December 2019 £m	31 December 2018 £m
As at 1 January	**1,275.7**	1,274.3
Share based payment charge	**1.9**	2.1
Subsidiary contribution to share based payment	**(0.2)**	(0.7)
As at 31 December	**1,277.4**	1,275.7

The increase in investment in subsidiary in the year comprises £1.7m (2018: £1.4m) relating to equity settled share based payments for certain employees of subsidiaries indirectly owned through Hastings Insurance Group (Holdings) plc (subsidiary undertakings).

Investment in subsidiary is tested for impairment annually, the recoverable amount of the subsidiaries is determined by value in use calculations. These calculations use pre-tax cash flow projections based on the most recent three year financial plans approved by the Directors, discounted by the pre-tax discount rate of 7.1% (2018: 7.3%). Cash flows beyond the three year plan period are extrapolated using growth rates declining to a terminal rate of 2.0%. As the value in use of the subsidiaries is significantly higher than the investment in subsidiaries, the investment in subsidiaries is not deemed to be impaired. Sensitivity testing on the recoverable amount of subsidiaries has been performed by increasing the discount rate to 10% and using a lower terminal growth rate. The result of the sensitivity testing indicated that there is significant headroom on the recoverable amount, and therefore provides additional assurance that there is no impairment.

7. Cash and cash equivalents

	As at 31 December 2019 £m	31 December 2018 £m
Cash at bank and in hand	**0.1**	1.3
Total cash and cash equivalents	**0.1**	1.3

8. Current liabilities

	As at 31 December 2019 £m	31 December 2018 £m
Accrued expenses	**0.6**	0.8
Lease liabilities	**0.9**	–
Intercompany payables	**1.0**	0.7
Total current liabilities	**2.5**	1.5

Accrued expenses and intercompany payables are unsecured, non-interest bearing and are normally settled within 12 months. Lease liabilities of £ 0.9m are repayable in 12 to 24 months.

9. Share based payments

For detailed disclosures of share based payments granted to employees refer to Note 30 of the Group financial statements.

10. Share capital

	As at 31 December 2019 £m	31 December 2018 £m
Authorised, issued and fully paid up Ordinary Share capital		
661,253,725 Ordinary Shares of 2p (2018: 657,701,128)	**13.2**	13.2
Total	**13.2**	13.2

Retained earnings

The Company's retained earnings of £1,090.3m (2018: £1,090.9m) represent the Company's distributable reserves.

11. Related party transactions

The Company undertakes transactions with related parties in the normal course of business and all transactions with related parties are made on normal arm's length commercial terms.

The Company has a balance payable to Hastings Insurance Services Limited of £1.1m relating to payments made on its behalf (2018: receivable of £0.7m).

12. Dividends

Full details of the dividends declared during the year are included in the Consolidated Financial Statements of HGH above in Note 35.

KPIs and reconciliations

Combined operating ratio reconciliation

The following tables reconcile the Group's acquisition costs and other expenses to the combined costs and operating expenses used to calculate the combined operating ratio and its two component measures: expense ratio and loss ratio. The combined operating ratio is the primary indicator used to measure overall performance of the Underwriting business and shows the amount of each premium spent on either indemnity costs (the loss ratio) or underwriting operating expenses (the expense ratio). The combined operating ratio is therefore a measure of underwriting profitability.

	Year ended	
	31 December 2019 £m	31 December 2018 £m
Reconciliation of Acquisition costs and Other expenses to the Group's share of underwriting operating expenses.		
Acquisition costs	**76.4**	74.6
Other expenses	**192.5**	160.6
Less: Retail and other operating expenses	**(133.3)**	(108.0)
Less: Reinsurers' share of underwriting operating expenses	**(67.8)**	(63.6)
Group's share of underwriting operating expenses	**67.8**	63.6
Calculation of loss ratio, expense ratio and combined operating ratio:		
Loss ratio		
Net claims incurred	**362.7**	330.6
Net earned premiums	**439.3**	440.7
Loss ratio (%)	**82.6%**	75.0%
Expense ratio		
Group's share of underwriting operating expenses	**67.8**	63.6
Net earned premiums	**439.3**	440.7
Expense ratio (%)	**15.4%**	14.4%
Combined operating ratio		
Net claims incurred	**362.7**	330.6
Group's share of underwriting operating expenses	**67.8**	63.6
Combined claims costs and operating expenses	**430.5**	394.2
Net earned premiums	**439.3**	440.7
Combined operating ratio (%)	**98.0%**	89.4%

Retail and other operating expenses are those costs incurred by the Retail business and Corporate in the provision of broking and administration services, and therefore do not include acquisition costs incurred in the sale of insurance contracts, claims handling costs and insurer service costs, which are recharged to the Underwriting business.

Reinsurers' share of underwriting operating expenses represents costs borne by reinsurance partners through commission, direct cost contributions or other profit share arrangements.

KPIs and reconciliations continued

Free cash reconciliation

The following tables reconcile the Group's cash and cash equivalents per the Consolidated Financial Statements to the free cash reported in the Financial Review, and the increase in cash and cash equivalents to the Retail cash generated during the year ended 31 December 2019.

Free cash is considered the more appropriate measure for use within the net debt calculation as it is not subject to Solvency II or other regulatory restrictions and Retail cash generated is the most accurate representation of the cash inflows available for unrestricted use.

Free cash reconciliation	As at 31 December 2019 £m	As at 31 December 2018 £m
Total cash and cash equivalents	160.9	146.0
Deduct restricted cash:		
Underwriting cash and cash equivalents	114.7	86.7
HISL cash held as agent on behalf of AICL and third party insurers	23.7	34.9
HISL regulatory cash requirement	4.9	5.3
Restricted cash held in regulated entities or on behalf of third parties	143.3	126.9
Closing free cash	17.6	19.1

Free cash generated reconciliation	As at 31 December 2019 £m	As at 31 December 2018 £m
Net increase/(decrease) in cash and cash equivalents	14.9	(8.6)
Adjust for: net (increase)/decrease in restricted cash	(16.4)	7.0
Net decrease in free cash	(1.5)	(1.6)
Add back:		
Retail and Corporate taxation paid	18.1	20.5
Capital expenditure	21.6	20.0
Dividends paid	89.1	85.5
Repayment of Revolving Credit Facility	–	275.0
Proceeds from issuance of 3% senior bonds	–	(247.8)
Interest, corporate and refinancing costs	13.7	16.1
Group free cash generated	141.0	167.7
Deduct:		
AICL dividend received	(65.0)	(40.0)
Retail free cash generated	76.0	127.7

The HISL regulatory cash requirement is the amount of capital that is required to be held as cash and cash equivalents to meet FCA regulations under Threshold Condition 2.4 (TC2.4).

Operating profit reconciliation

The following table reconciles profit after tax per the Consolidated Financial Statements to the adjusted operating profit reported in the financial review.

	Year ended 31 December 2019 £m	Year ended 31 December 2018 £m
Underwriting adjusted operating profit	**31.3**	71.9
Retail adjusted operating profit	**94.0**	124.8
Net impact of corporate and consolidation adjustments	**(15.6)**	(6.1)
Adjusted operating profit	**109.7**	190.6
Underlying amortisation and depreciation	**(15.8)**	(7.5)
Underlying finance costs	**(9.6)**	(8.5)
Tax on underlying trading	**(12.8)**	(26.1)
Net income	**71.5**	148.5
Non-trading expenses, net of tax	**(1.8)**	(17.9)
Profit after tax	**69.7**	130.6

Glossary

4Cs
Colleagues, customers, company and community. The Group's cultural approach that shapes decision making processes and performance.

Accident year loss ratio
Accident year loss ratio is defined as net claims incurred in the period divided by net earned premiums.

Calendar year loss ratio
Calendar year loss ratio is the accident year loss ratio adjusted to include the impact of prior year development of claims and PPO reserves.

Claims reserves
The Group's technical claims reserves represent the estimated ultimate cost of its exposure to claims and expenses against business which was previously underwritten.

Co-insurance
An agreement between more than one insurer to underwrite an insurance contract. Each co-insurer receives a pre-determined portion of the benefit and risk from the underwritten contract.

Combined operating ratio
Combined operating ratio is the sum of the calendar year loss ratio and expense ratio.

DRIP
Dividend reinvestment plan.

EFRAG
European Financial Reporting Advisory Group.

Expense ratio
Expense ratio is a measure of net Underwriting expenses relative to net earned premiums. Underwriting expenses include the costs of acquiring and operating insurance contracts and are included net of reinsurance cost contributions in this ratio. Reinsurance cost contributions are received through reinsurance commissions, direct cost contributions and other profit share arrangements.

Group
The combined operations of Hastings Group Holdings plc and its subsidiaries.

Gross earned premiums
Gross written premiums in the current and prior periods recognised over the life of the underlying insurance contracts.

Gross written premiums
Total premiums the Group expects to receive over the life of insurance contracts underwritten by Underwriting. This is before ceding to the Group's reinsurers' their share of premiums and includes the Group's portion of premiums under co-insurance agreements.

IASB
International Accounting Standards Board.

IFRIC
International Financial Reporting Interpretations Committee.

Key management personnel
Key management personnel are considered to be executive directors of HGH plc and its subsidiaries, and members of its Executive Committee.

LCP
Live customer policies; ie the number of active policies.

Net claims incurred
Net claims incurred represents claims expensed in the period less the portion of claims covered by the Group's reinsurers.

Net earned premiums
Net earned premiums represents gross earned premiums after deducting earned premiums ceded to reinsurers.

Net written premiums
Gross written premiums less the portion of written premiums ceded to the Group's panel of reinsurers.

Ogden rate
The Ogden rate is a discount rate set by the Lord Chancellor and used by UK courts in the calculation of lump sum settlement awards.

PCW
Price comparison websites.

PPOs
Periodic Payment Orders; these are a type of compensation award, in existence in the UK since 2005, in respect of catastrophic personal injury claims. Instead of paying a claimant a single lump sum, PPOs involve making a series of regular payments to pay for the individual's care costs for the rest of his or her life.

Profit commission
Performance based payments from reinsurers based on contractual performance targets.

Reinsurance
Agreement with a panel of insurers whereby the Group mitigates its risk of losses from claims by transmitting a portion of risk in exchange for a portion of premium. The Group utilises reinsurance on a quota share basis (a percentage share of premiums, claims and expenses) and excess of loss basis (full reinsurance for claims over an agreed value).

Retail
The Group's retail business, Hastings Insurance Services Limited ('HISL'), trading as Hastings Direct, based in Bexhill-on-Sea, UK.

Underwriting
The Group's underwriting business, Advantage Insurance Company Limited ('AICL'), based in Gibraltar.

Company information

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Bankers

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Shareholder information

Registered office

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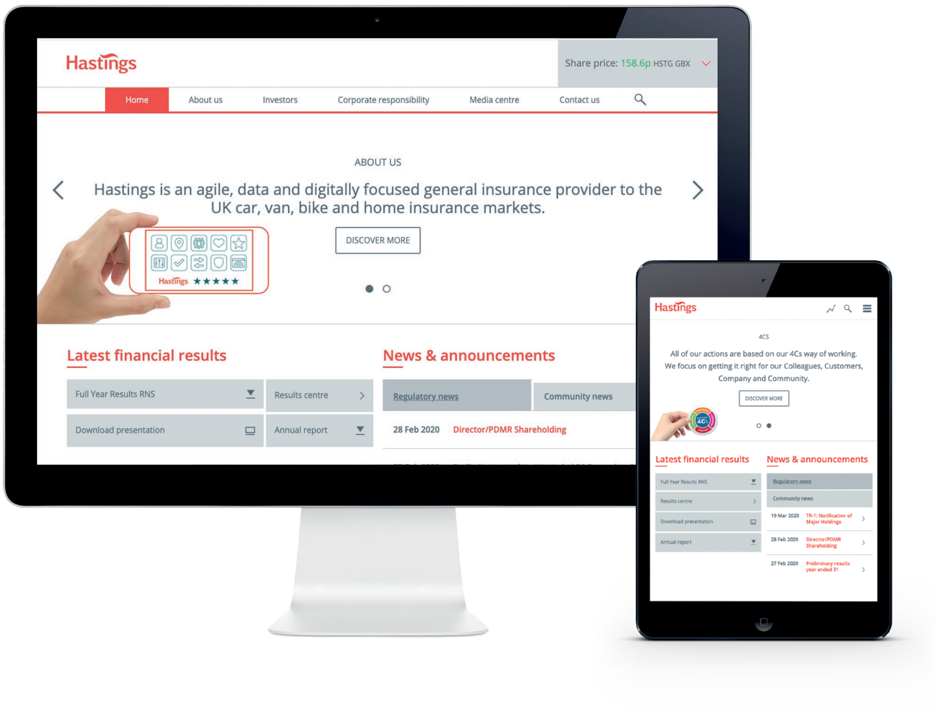
TN39 3LW

Corporate website

The Company's corporate website is **www.hastingsplc.com** where information about the Company and the Group is provided. The website also features the Group's financial reports and press releases as well as information about corporate responsibility and governance.

Financial calendar

16 April 2020	Ex-dividend date
17 April 2020	Final dividend record date
29 April 2020	First quarter trading update
6 May 2020	Dividend reinvestment plan election date
21 May 2020	Annual General Meeting
29 May 2020	Dividend payment date (subject to shareholder approval of Final dividend at the AGM)
5 August 2020	Interim results announcement



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hastingsplc.com

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