

30 April 2019

## March 2019 Quarterly Review

### Highlights

- Latent Defects insurance – the only insurance of its kind currently in Australia – Lloyd’s capacity secured during the quarter with product to launch in May 2019
- Secured A+ rated capacity for UK Terrorism and Sabotage insurance during the quarter
- UK GWP continues its strong growth, up 245% on the prior comparative period
- Cost saving initiatives continue to deliver benefits, with a 47% reduction in corporate overheads FY YTD on the prior comparative period, enabling further investment to grow the UK business

**Ensurance Limited (ASX: ENA)** (‘Ensurance’ or ‘the Company’) has today released its Appendix 4C and provides an update of its activity for the quarter ended 31 March 2019.

### Operational Overview

#### ***Australian Latent Defects Product to launch in Australia in May 2019***

During the quarter, Ensurance secured capacity provided by Lloyd’s to support the launch of Latent Defects insurance in Australia. Designed to protect policyholders against damage caused by structural defects to their property, policyholders are covered for the rectification of structural defects discovered up to 10 years after construction has been completed.

The product is the first of its kind to provide this level of coverage in Australia and is expected to be met with strong interest and demand from customers once launched in May 2019.

#### ***Existing providers expand capacity to enhance construction product portfolio***

Ensurance AU reached an agreement to expand capacity with existing capacity providers, extending the Company’s range of construction insurance products to include environmental impairment and property owners’ liability. The expansion provides the opportunity to upsell additional insurance products to policyholders in Australia and further supports the Company’s strategy to become the ‘one-stop-shop’ for construction-related insurance products.

#### ***UK Capacity secured for new Terrorism and Sabotage Insurance launch, supported by specialist hires***

Ensurance UK will launch a new Terrorism and Sabotage (S&T) Insurance product. Designed to cover damage caused to a businesses’ buildings, profits and its employees and customers resulting from an act of terrorism or sabotage, the product will include cover for Non-Damage Business Interruption Extension, Denial of Access and Loss of Attraction. The competitively priced product will provide full S&T coverage, and offer extensions that result in wider coverage – both financially for the business and for liability to the businesses’ employees – than that currently offered under Government Pools.

To support this, two specialist underwriters – well-known within the insurance industry for their expertise and experience in selling terrorism and sabotage insurance – have been appointed to the

UK business. The Company also secured A+ rated capacity for this product during the period to support the launch of this new policy in May 2019.

The new product further extends the Company's portfolio of specialist insurance products.

### ***Australian Commercial Marine Risks update***

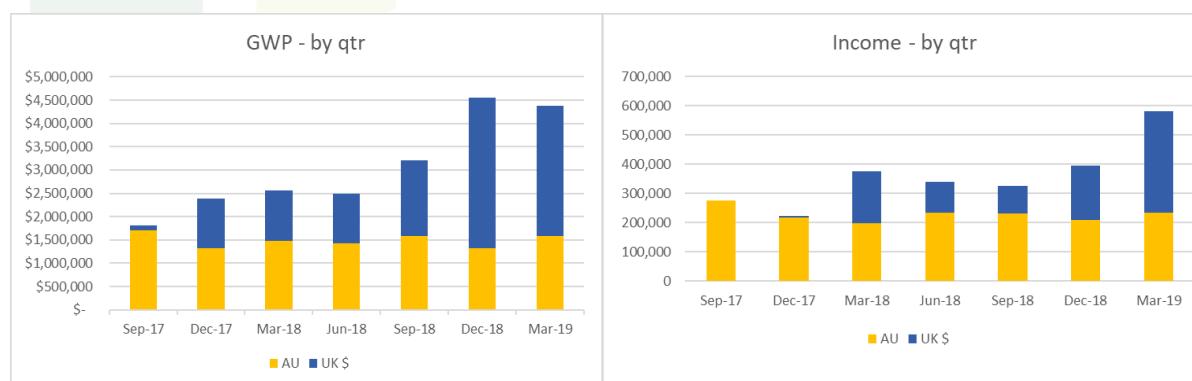
With decreasing market appetite for a Commercial Marine Risk product, and the resulting inability to secure capacity on commercially favourable terms, management decided it would no longer focus on launching a Commercial Marine Risk product for the Australian market. A minimal amount of investment was made into the development of this product over a 3-month period and this investment will now be re-deployed to support the business in other areas of growth.

### **Financial Overview**

For the quarter ended 31 March 2019, customer cash receipts from continuing operations were \$0.63m, up 46% on prior quarter (\$0.43m). Total cash receipts from customers were \$0.63m, down from \$0.66m in the prior quarter, which included \$0.23m of cash receipts from discontinued operations. Discontinued operations relate to the Australian Brokerage business which was disposed on 31 October 2018.

The UK business delivered another strong period of gross written premiums (GWP), with the value of new business written broadly in line with the prior quarter. Total GWP for the period was slightly down on the prior quarter, which is a seasonably strong quarter, due to the positive impact of the business' annual policy renewal cycle.

Gross written premiums (GWP) for the 9-month period ended 31 March 2019 was up 179% on the prior comparative period, reflecting the very strong growth in GWP over the financial year to date. GWP growth directly drives revenue for Ensurance, with commission revenue recognised once an insurance premium is paid<sup>1</sup>. On average, commission revenue is realised in the quarter after a premium is invoiced. The strong GWP experienced in the December 2018 quarter has delivered strong revenue growth in the March 2019 quarter, and this trend is expected to continue into the June 2019 quarter.



The Company continued to recognise significant reductions to corporate overheads, as recent efficiency gains delivered savings of \$1.5m on the prior comparative YTD period, partly offset by investment in the UK business and specialist hires to support the long-term growth of the business.

<sup>1</sup> In the UK, GWP is due 90 days from the date of invoice. In Australia, GWP is due 30 days from the date of invoice.

Cash outgoings for the next quarter include an additional week in the fortnightly payroll cycle in May and increased staff costs relating to additional recent hires.

### **Outlook**

Ensurance's investment in its UK operations, which includes additional strategic hires and the expansion of the Company's specialist insurance product offering, continues to support the Company's strategic plans for strong revenue growth and long-term value creation.

### **ENDS**

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