Half-Year Report 2020

RESILIENT OVERALL PERFORMANCE WITH CONTINUED FOCUS ON UNDERWRITING DISCIPLINE

Sabre Insurance Group plc (the "Group", or "Sabre"), one of the UK's leading private motor insurance underwriters, reports its half year results for the six months ended 30 June 2020.

Summary of Results

	6 months to 30 June 2020	6 months to 30 June 2019	Full year to 31 December 2019
Gross written premium	**£86.9m**	£101.2m	£197.0m
Net loss ratio	**45.1%**	48.2%	51.5%
Expense ratio	**26.6%**	23.3%	21.9%
Combined operating ratio	**71.7%**	71.5%	73.4%
Adjusted profit before tax	**£27.8m**	£30.5m	£56.5m
Profit before tax	**£27.8m**	£30.5m	£56.5m
Adjusted profit after tax	**£22.5m**	£24.7m	£45.7m
Profit after tax	**£22.5m**	£24.7m	£45.7m
Ordinary interim dividend per share	**4.3p**	4.7p	4.7p
Additional interim dividend per share	**5.2p**	-	-
Total interim distribution per share	**9.5p**	4.7p	4.7p
Final dividend per share	**N/A**	N/A	8.1p
Return on tangible equity (annualised)	**39.9%**	44.1%	41.6%
Solvency coverage ratio (pre-interim/final dividend)	**218%**	200%	214%
Solvency coverage ratio (post-interim/final dividend)	**178%**	181%	180%

Key Highlights

- Continued focus on our strategy of prioritising underwriting profitability over volume whilst reflecting COVID-19 impacts using a data-driven pricing approach
- Overall trading conditions have improved markedly since the 21 May 2020 AGM trading update. Premium written in June 2020 was approximately 12% higher than in June 2019
- Gross written premium for the 6 months to 30 June 2020 is down approximately 14% year-on-year, impacted by the COVID-19 restrictions in H1
- Strong balance sheet with no debt obligations
- Half-year profit down modestly but in-line with expectations at £22.5m profit after tax (2019 H1: £24.7m)
- Continued strong organic capital generation with a solvency coverage ratio of 178% (post-total interim distribution, as at 30 June 2020) significantly exceeding our preferred range of 140% to 160%
- Having considered our strong capital position, and the continued easing of lockdown, we have declared an ordinary interim dividend of 4.3p per share in accordance with our stated dividend policy and have announced payment of the deferred full year 2019 special dividend of 5.2p per share
- Claims frequency has been below normal levels at times during H1, mainly due to decreased levels of road traffic during lockdown
- Premium outturn for the year continues to be extremely hard to forecast due to the interplay between COVID-19 related rate decreases being unwound as claims frequency returns to normal levels and the wider rating environment
- The full-year 2020 combined operating ratio is expected to be close to our long-term mid-70%'s target

- All colleagues have remained on full salaries throughout the period of lockdown and no government support has been taken
- The full-year premium position remains extremely hard to forecast due to the number of variables, which include:
    - The speed of recovery in car sales, and how sustained the recovery is
    - The number of new motorists coming to the market
    - Competitor pricing actions
    - The impact of potential further national or local lockdowns
- The impact on claims costs as lockdown measures are eased is also uncertain. For example:
    - It remains unclear how body shops and supply chains will fare as claims volumes increase
    - Many drivers have been off the road for a considerable period of time
    - Increased numbers of cyclists could lead to an increase in bodily injury claims
    - Higher repair and hire costs could arise due to increased cleaning requirements
    - We remain concerned about a potential increase in propensity to make exaggerated or fraudulent claims

Geoff Carter, Chief Executive Officer of Sabre, commented:

"As we begin to emerge from the COVID-19 crisis the outstanding commitment of our colleagues and the agility of our business model has allowed Sabre to cope well with the recent turbulence. All of our people have worked highly effectively from home, and we have sought to pass on likely claims savings to new and renewing customers in-line with our analysis of the emerging data.

At the time of AGM trading statement in May we were in the eye of the storm as lockdown continued, with new business volumes having shrunk significantly and with no certainty on the impact on claim costs.

At the half-year mark, we are in a more favourable position. Quotation requests in the market have increased markedly as lockdown restrictions have eased. From a position of being around 25% down at the end of April year on year quote requests now appear to be in line with the previous year. Our written premium for June, on a week on week basis, exceeded that for the same period last year by over 10%, with July likely to deliver a similar increase.

On competitor pricing actions, we believe that our previous observation that some competitors would chase volume with price decreases has proven to be accurate, although some competitors do appear to have responded in line with our more data driven approach.

We do not believe there is any reason to suspect that the underlying drivers of cost and claims inflation have changed during this period, even if 2020 is likely to benefit from reduced frequency which may disguise the true position. It is important at this point that we re-focus on the potential additional costs caused by a disorderly exit from the Brexit transition period – for example possible pressure on care and nursing costs and the cost of replacement parts.

On the regulatory front, we still await the details of the FCA review into "loyalty penalty" pricing, although we do not expect to be adversely impacted by this, and the detail of the whiplash reforms which have now been delayed to 2021.

As lockdown eases we will adjust prices appropriately to ensure we continue to stay within our target combined operating ratio corridor - volume will remain an output, not a target. Depending on the market pricing environment our weekly volumes could be better or worse than the current position.

As the Government's furlough scheme unwinds it is reasonable to anticipate that some customers may struggle to continue to pay premiums. We will continue to treat customers fairly, responsibly and sympathetically. Our premium discounts during recent months have benefitted both new and renewing customers whilst ensuring we worked within cautious assumptions that support our combined operating ratio targets.

Looking forward, whilst it remains difficult to forecast the short-term impacts on volume and claims costs, we are pleased that Sabre's well established and conservative strategy has enabled us to weather the recent challenges whilst supporting our customers, and will continue to do so. We anticipate our combined operating ratio for the full year will fall within the 70% to 80% corridor, although uncertainties as we move into the second half of 2020 make it difficult to project exactly the outcome within this range.

We remain confident of maintaining an attractive dividend for 2020, in our future prospects and that we will be able to continue delivering good financial results, whilst being well positioned for growth at the right time."

Enquiries

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Analyst virtual presentation

Sabre management will host a virtual presentation for analysts today via Zoom. The presentation will start at 9:30am.

To register to access the meeting, please email sabre@tulchangroup.com, and you will receive the dial in details via email.

A replay will be made available on the Sabre website following the conclusion of the presentation.

This announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) No 596/2014.

Forward-Looking Statements Disclaimer

Cautionary statement

This announcement may include statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements may be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "plans", "projects", "anticipates", "expects", "intends", "may", "will" or "should" or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts and involve predictions. Forward-looking statements may and often do differ materially from actual results. Any forward-looking statements reflect Sabre's current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to Sabre's business, results of operations, financial position, prospects, growth or strategies and the industry in which it operates.

Forward-looking statements speak only as of the date they are made and cannot be relied upon as a guide to future performance. Save as required by law or regulation, Sabre disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements in this announcement that may occur due to any change in its expectations or to reflect events or circumstances after the date of this announcement.

The Sabre Insurance Group plc LEI number is 2138006RXRQ8P8VKGV98.

FINANCIAL AND BUSINESS REVIEW

Highlights

	6 months to 30 June 2020	6 months to 30 June 2019	Year to 31 December 2019
Gross written premium	**£86.9m**	£101.2m	£197.0m
Net loss ratio	**45.1%**	48.2%	51.5%
Combined operating ratio	**71.7%**	71.5%	73.4%
Adjusted profit after tax	**£22.5m**	£24.7m	£45.7m
Profit after tax	**£22.5m**	£24.7m	£45.7m
Solvency coverage ratio (pre dividend)	**218%**	200%	214%
Solvency coverage ratio (post dividend)	**178%**	181%	180%
Return on opening SCR (annualised)	**75.6%**	80.8%	74.9%
Return on tangible equity (annualised)	**39.9%**	44.1%	41.6%

During a period of unprecedented uncertainty within the insurance market and the wider economic environment, the Group has continued to follow its long-standing strategy. This remains to maintain a strong combined operating ratio while providing value to customers and letting the volume of business fluctuate according to market conditions, whilst ensuring the business can take advantage of growth opportunities at the right time. Because of the pressures on premium, as outlined in the Key Highlights section of this report, the Group has recorded written premium below that for H1 2019. However, maintaining underwriting discipline and somewhat favourable conditions in the claims environment have resulted in a combined operating ratio of 71.7%, which is clearly well within the Group's preferred 70% to 80% corridor. Profit after tax is down a little against the same period in 2019, primarily due to the lower earned premium during the current period.

Solvency coverage remains very high, at 218% before the payment of the interim dividend. Capital has been generated entirely organically through operating profits, along with a slight decrease in the Group's Solvency Capital Requirement during the period, offset by the payment of an ordinary final dividend in respect of 2019.

The Group's return on tangible equity (ROTE) remains a function of the profit after tax earned during the period and the amount of dividend paid during the period. The decrease in ROTE against the comparative period is due to the slightly lower profit earned during the period, and the smaller year-end dividend paid in respect of the previous financial year, with the special dividend having been deferred due to COVID-19 uncertainties.

Revenue

	6 months to 30 June 2020	6 months to 30 June 2019	Year to 31 December 2019
Gross written premium	**£86.9m**	£101.2m	£197.0m
Gross earned premium	**£94.0m**	£102.0m	£203.7m
Net earned premium	**£84.7m**	£91.6m	£183.2m
Other operating income	**£0.9m**	£0.8m	£1.2m
Customer instalment income	**£2.1m**	£1.9m	£4.1m
Interest revenue calculated using the effective interest method	**£0.8m**	n/a	n/a
Total investment return	**£2.4m**	£1.7m	£2.4m

The 14.1% decrease in premium against the comparative period in the prior year is primarily a result of the Group maintaining a disciplined approach to pricing in a market in which speculative discounting may have been taking place, and a reduction in 'churn' of new business in the market, from which the Group generally benefits.

Premium continues to be earned on a straight-line basis across the policy term while net earned premium is reflective of the gross earned premium less the reinsurance charge at the prevailing rate. There was no significant change in the reinsurance rate as compared to H1 2019. The Group's reinsurance programme was renewed on 1 July 2020.

Other operating income remains minimal. Instalment income received is proportionate to the level of business written through the direct book, with no significant change to uptake rates during the period.

From 1 January 2020 the Group applied IFRS 9, which changed the way in which investment returns are recorded in the Group's profit and loss account. This was concurrent with the Group's appointment of an asset manager and move into a slightly more varied, but still conservative, investment portfolio. The result of this is that investments are now classified at fair value through other comprehensive income ('FVOCI'). This means that while the invested assets are held at fair value on the balance sheet, the profit and loss account shows an effective interest rate across the portfolio, with market value movements being taken directly to equity through other comprehensive income. This allows for a much more stable and predictable profit and loss account, effectively representing the overall yield on the investments held.

Operating Expenditure

	6 months to 30 June 2020	6 months to 30 June 2019	Year to 31 December 2019
Net insurance claims*	**£38.1m**	£44.2m	£94.4m
Current-year net loss ratio	**55.4%**	64.3%	62.8%
Financial year net loss ratio	**45.1%**	48.2%	51.5%
Financial year gross loss ratio	**37.7%**	40.3%	50.4%
Net operating expenses	**£22.6m**	£21.4m	£40.1m
Expense ratio	**26.6%**	23.3%	21.9%
Combined ratio	**71.7%**	71.5%	73.4%

**Net insurance claims shown here excludes £4.0m (6 months 2019: £3.6m, 12 months 2019: £7.6m) of claims handling expenses.*

The Group's net insurance claims have performed well relative to the prior half-year and full-year, with a current-year net loss ratio of 55.4% (H1 2019: 64.3%) and a financial year net loss ratio of 45.1% (H1 2019: 48.2%), benefitting from a positive movement on prior-year claims of 10.3% (H1 2019: 16.1%). The relative decrease in the benefit from prior-year movements is as expected, and represents a lower level of "exceptional" releases (being reductions in ultimate claims assumptions beyond the normal run-off of prudence within the reserves), as we have previously suggested would be the case. The relative level of prior-year releases is generally higher at the half-year point due to the disproportionate impact of prior-year movements in the first six months of the year. This is why the level of prior-year movement is greater than the normal, expected annual run-off benefit.

The gross (i.e. before the benefit from reinsurance) loss ratio can be volatile year-on-year. As we insure a relatively small number of vehicles, with c.305k policies in force, single large claims can have a very significant impact on our gross claims incurred. To counter such volatility, the Group operates an excess of loss reinsurance programme, which means that for any claim costing more than £1m, any costs above £1m are taken by the reinsurance market. This reduces volatility in the net profit, at a cost of approximately 10% of our annual gross earned premium. Similarly, where claims are settled below (or above) the amount for which they were reserved at the start of the year, this can lead to significant movements in our gross reserves and our gross claims incurred. As such, these figures are volatile and often the result of movements on a small number of claims. Due to the reinsurance programme in place, such movements do not have a material impact on the Group's profit due to the equal and opposite impact on reinsurers' share of claims incurred. As such, we focus on the net result when comparing year-on-year performance.

Net operating expenses have increased slightly against the comparative period. This primarily represents an increase in industry levies and staff costs. The full-year 2019 expenses benefitted from a one-off accrual release of £3.3m. Adjusted for that, the full-year 2019 net operating expense cost would be £43.4m, with the FY 2019 expense ratio being approximately 23.6%, compared to 26.6% for H1 2020. The increase in expense ratio is driven approximately equally by the increase in fees and other costs, and the decrease in earned premium against the comparative period.

We continue to employee all of our colleagues on their full salaries and have not taken advantage of any of the available Government support.

Earnings per Share

	6 months to 30 June 2020	6 months to 30 June 2019	Year to 31 December 2019
Basic earnings per share	**9.0p**	9.9p	18.3p
Diluted earnings per share	**8.9p**	9.8p	18.2p

Earnings per share for the current and comparative period are calculated on the basis of the current capital structure. Diluted Earnings per share for H1 2020 is 8.9 pence compared to 9.8 pence for the comparative period in 2019, reflecting slightly lower profit after tax reported in H1 2020 than that in the comparative period. The difference between basic and diluted earnings per share reflects the maximum dilution effect of share awards which have been granted but which have not vested.

Cash and Investments

	As at 30 June 2020	As at 31 December 2019
UK Government bonds	**£221.9m**	£263.6m
Corporate bonds	**£27.7m**	£0.0m
Cash and cash equivalents	**£37.3m**	£31.8m

The Group continues to hold a low-risk investment portfolio and sufficient cash to meet its future claims liabilities. From the start of 2020, the Group has revised its investment guidelines to allow a proportion of the portfolio to be invested in investment-grade corporate bonds, in order to increase the return on invested capital while maintaining a low risk portfolio. The size of the overall invested portfolio has remained consistent with the prior reporting period, while the amount of cash held remains high, reflecting the continued importance of maintaining strong liquidity in the current environment.

Insurance Liabilities

	As at 30 June 2020	As at 31 December 2019
Gross insurance liabilities	**£203.2m**	£212.2m
Reinsurers' share of insurance liabilities	**£73.5m**	£83.9.m
Net insurance liabilities	**£129.7m**	£128.3m

The Group's insurance liabilities continue to reflect the underlying profitability and volume of business written. The Group continues to hold excess-of-loss reinsurance contracts across its entire book at an excess of £1.0m.

Leverage

The Group continues to hold no external debt. All of the Group's capital is considered 'Tier 1' under Solvency II. The Directors continue to hold the view that this currently allows the greatest operational flexibility for the Group.

Dividends

Where the Board believes that the Group holds capital which it considers surplus to the Group's requirements, the Group would intend to return such surplus capital to shareholders. This assessment is generally made at year-end, with capital distributed via a special full-year dividend. Under normal circumstances, the Board considers a Solvency II capital coverage ratio within the range of 140% to 160% to be appropriate, and will consider this when determining the potential for special dividends. The Board may revise the Group's dividend policy from time to time as it considers appropriate.

Due to uncertainties related to the COVID-19 pandemic, the Group stated in its 2019 Annual Report and Accounts that it would defer payment of any special dividend in respect of 2019, which would usually have been paid in May 2020.

The Board has declared an interim distribution of 9.5 pence per share (2019: 4.7p), consisting of the ordinary interim dividend of 4.3 pence per share representing one third of the prior-year's full-year ordinary dividend, and the deferred 2019 special dividend of 5.2 pence per share.

IFRS and Regulatory Capital

As at 30 June 2020 the Group's IFRS capital comprised:

	As at 30 June 2020 £'k	As at 31 December 2019 £'k
Equity		
Issued ordinary share capital	**250**	250
Own shares	**(1,061)**	(1,061)
Merger reserve	**48,525**	48,525
Share-based payments reserve	**2,108**	1,362
FVOCI reserve	**1,539**	-
Retained earnings	**220,409**	218,341
Total	**271,770**	267,417

There have been no changes to the Group's capital structure since the last year-end reporting date of 31 December 2019. All of the Group's Solvency II capital remains Tier 1, as described in the Group's Solvency and Financial Condition Report for the year ended 31 December 2019.

The Solvency II position of the Group as at 30 June 2020 is given below:

	As at 30 June 2020 (post-interim dividend) £'k	As at 30 June 2020 (pre-interim dividend) £'k	As at 31 December 2019 (post-final dividend) £'k	As at 31 December 2019 (pre-final dividend) £'k
Total Tier 1 available capital	**104,109**	**127,859**	106,836	127,086
Solvency Capital Requirement (SCR)	**58,624**	**58,624**	59,495	59,495
Excess capital	**45,485**	**69,235**	47,341	67,591
Solvency coverage ratio (%)	**178%**	**218%**	180%	214%

The Group remains well-capitalised, with a Solvency II capital coverage ratio well in excess of its preferred operating range of 140% to 160%.

Audit Tender

In the Group's Annual Report and Accounts we noted that a competitive audit tender process had been initiated. The process was paused following the outbreak of COVID-19 in the UK as, in the opinion of the Board, it was not possible to run an effective tender process while severe restrictions on travel were in place. It is expected that the tender process will resume in Q3 of 2020, with the successful firm appointed to carry out the audit in respect of the year ended 31 December 2022. The Audit Committee has requested that the current audit partner remain in place to carry out EY's final audit in respect of the year ended 31 December 2021. This will be the partner's 5th year as the engagement partner of the Group and 6th year as the engagement partner of the regulated insurance entity, Sabre Insurance Company Ltd ("SICL"). The Audit Committee have carefully considered the impact of extending the tenure of the partner on SICL beyond the usual 5 year period on the overall quality of the audit, and believes that this approach will lead to a higher-quality outcome of both the Group and SICL audits than either running an accelerated tender process or rotating audit partner for a single year.

Financial Calendar – Dividend Dates

Ex-dividend date	6 August 2020
Record date	7 August 2020
Payment date	28 August 2020

The Group's financial calendar can be found at:
https://www.sabreplc.co.uk/investors/financial-calendar/

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Notes	6 months 2020 £'k	6 months 2019 £'k	Full year 2019 £'k
Gross earned premium	4	**94,038**	101,980	203,680
Reinsurance premium ceded	4	**(9,366)**	(10,362)	(20,442)
Net earned premium		**84,672**	91,618	183,238
Investment income calculated using effective interest rate method	5	**768**	-	-
Other interest and similar income	5	**-**	4,495	8,140
Net gains/(losses) on financial assets at fair value through profit and loss	5	**-**	(2,836)	(5,735)
Instalment income		**2,133**	1,907	4,093
Other operating income	6	**905**	835	1,240
Total income		**88,478**	96,019	190,976
Insurance claims	7	**(39,450)**	(44,706)	(110,301)
Insurance claims recoverable from reinsurers	7	**(2,672)**	(3,037)	8,311
Net insurance claims		**(42,122)**	(47,743)	(101,990)
Finance costs		**(7)**	-	(18)
Commission expenses		**(7,318)**	(7,557)	(15,741)
Operating expenses	8	**(11,281)**	(10,247)	(16,748)
Total expenses		**(18,606)**	(17,804)	(32,507)
Profit before tax		**27,750**	30,472	56,479
Tax charge	9	**(5,255)**	(5,809)	(10,768)
Profit for the period attributable to the equity holders of the parent		**22,495**	24,663	45,711
Other comprehensive income				
Items that are or may be reclassified subsequently to profit or loss				
Debt investments at FVOCI – net change in fair value	5	**1,608**	-	-
Tax charge on other comprehensive income	9	**(306)**	-	-
Total other comprehensive income for the year		**1,302**	-	-
Total comprehensive income for the period attributable to the equity holders of the parent		**23,797**	24,663	45,711
Basic earnings per share (pence per share)		**9.03**	9.9	18.35
Diluted earnings per share (pence per share)		**8.94**	9.8	18.22

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2020

	Notes	30 Jun 2020 £'k	31 Dec 2019 £'k
Assets			
Goodwill		**156,279**	156,279
Property, plant and equipment		**4,474**	4,568
Right-of-use asset		**315**	189
Reinsurance assets	11	**73,492**	83,931
Deferred tax assets		**82**	210
Deferred acquisition costs		**15,421**	16,211
Insurance and other receivables		**41,391**	37,785
Prepayments, accrued income and other assets		**1,812**	3,627
Financial investments	12	**249,538**	263,629
Cash and cash equivalents		**37,254**	31,791
Total assets		**580,058**	598,220
Equity			
Issued ordinary share capital		**250**	250
Own shares		**(1,061)**	(1,061)
Merger reserve		**48,525**	48,525
Share-based payment reserve		**2,108**	1,362
FVOCI reserve		**1,539**	-
Retained earnings		**220,409**	218,341
Total Equity		**271,770**	267,417
Liabilities			
Insurance liabilities	13	**203,186**	212,167
Unearned premium reserve	13	**92,777**	99,877
Lease liability		**320**	194
Trade and other payables including insurance payables		**9,739**	12,475
Current tax liabilities		**298**	4,884
Accruals		**1,968**	1,206
Total liabilities		**308,288**	330,803
Total equity and liabilities		**580,058**	598,220

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
As at 30 June 2020

	Ordinary shareholders' equity £'k	Own shares £'k	Merger reserve £'k	Share-based payments reserve £'k	FVOCI reserve £'k	Retained earnings £'k	Total equity £'k
Balance at 1 January 2019	250	(1)	48,525	1,036	-	215,338	265,148
Profit for the period	-	-	-	-	-	24,663	24,663
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	24,663	24,663
Charge in respect of share-based payments	-	-	-	708	-	-	708
Own shares purchased	-	(419)	-	-	-	-	(419)
Dividends paid	-	-	-	-	-	(31,913)	(31,913)
Balance at 30 June 2019	250	(420)	48,525	1,744	-	208,088	258,187
Profit for the period	-	-	-	-	-	21,048	21,048
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	21,048	21,048
Charge in respect of share-based payments	-	-	-	398	-	-	398
Settlement of shared-based payments	-	-	-	(780)	-	780	-
Own shares purchased	-	(641)	-	-	-	-	(641)
Share scheme transfer to retained earnings	-	-	-	-	-	135	135
Dividends paid	-	-	-	-	-	(11,710)	(11,710)
Balance at 31 December 2019	250	(1,061)	48,525	1,362	-	218,341	267,417
Effect of adoption of IFRS 9	-	-	-	-	237	(237)	-
Adjusted total equity at 1 January 2020	**250**	**(1,061)**	**48,525**	**1,362**	**237**	**218,104**	**267,417**
Profit for the period	-	-	-	-	-	**22,495**	**22,495**
Other comprehensive income	-	-	-	-	**1,302**	-	**1,302**
Total comprehensive income	-	-	-	-	**1,302**	**22,495**	**23,797**
Charge in respect of share-based payments	-	-	-	**746**	-	-	**746**
Settlement of shared-based payments	-	-	-	-	-	-	-
Own shares purchased	-	-	-	-	-	-	-
Share scheme transfer to retained earnings	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	**(20,190)**	**(20,190)**
Balance at 30 June 2020	**250**	**(1,061)**	**48,525**	**2,108**	**1,539**	**220,409**	**271,770**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2020

	6 Months 2020 £'k	6 Months 2019 £'k	Full year 2019 £'k
Net cash generated from operating activities before investment of insurance assets	9,239	17,985	28,208
Cash generated from investment of insurance assets	16,540	10,442	25,919
Net cash generated from operating activities	25,779	28,427	54,127
Cash flows from investing activities			
Purchases of property, plant and equipment	-	(141)	(365)
Net cash used by investing activities	-	(141)	(365)
Cash flows from financing activities			
Payment of principal portion of lease liabilities	(126)	(130)	(246)
Net cash used in acquiring and disposing of own shares	-	(419)	(925)
Dividends paid	(20,190)	(31,913)	(43,623)
Net cash used by financing activities	(20,316)	(32,462)	(44,794)
Net increase/(decrease) in cash and cash equivalents	5,463	(4,176)	8,968
Cash and cash equivalents at the beginning of the year	31,791	22,823	22,823
Cash and cash equivalents at the end of the year	37,254	18,647	31,791

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Corporate information

Sabre Insurance Group plc is a company incorporated in the United Kingdom and registered in England and Wales. The address of the registered office is Sabre House, 150 South Street, Dorking, Surrey, RH4 2YY, England. The nature of the Group's operations is the writing of general insurance for motor vehicles. The Group's parent company's principal activity is that of a holding company.

1. General information

The condensed consolidated interim financial statements comprise the results and balances of the Group for the six month period ended 30 June 2020 and the comparative period for the six months ended 30 June 2019 and the year ended 31 December 2019. The comparative figures for period ended 30 June 2019 do not constitute statutory accounts as defined in s.435 of the Companies Act 2006, but have been abridged from the statutory accounts for that year which have been delivered to the Registrar of Companies. The independent auditor's report on the Group accounts for the year ended 31 December 2019 is unqualified, does not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and does not include a statement under s.498(2) or (3) of the Companies Act 2006.

2. Accounting policies

2.1 Basis of preparation

The condensed consolidated interim financial statements have been prepared and approved by the Directors in accordance with International Accounting Standard 34 ('Interim Financial Reporting') as adopted by the EU. Other than outlined in Note 2.3 below, these interim financial statements have been prepared applying the accounting policies and presentation that were applied in the preparation of the annual financial statements of the Group and have been prepared in accordance and fully comply with International Financial Reporting Standards (IFRSs), as issued by the International Accounting Standards Board (IASB) and adopted by the EU. The annual financial statements were prepared on an historical cost basis, except for investment properties and those financial assets that have been measured at fair value. The condensed consolidated financial statements values are presented in Pounds Sterling (£) rounded to the nearest thousand (£'k), unless otherwise indicated. The Group does not consider it is exposed to material seasonal volatility in its financial results.

2.2 Going concern

The condensed consolidated interim financial statements of Sabre Insurance Group plc have been prepared on a going concern basis. The Directors of the Company, having assessed the principal risks of the Group over the full duration of the planning cycle, consider it appropriate to adopt the going concern basis of accounting in preparing the interim condensed consolidated financial statements. In reaching this conclusion the Directors have considered the following:

Cash and cash equivalents

The Group has £37m of liquid cash available as at 30 June 2020. This is more than sufficient to cover the Group's annual operating expenses in full. In addition, the Group holds short-maturity investments in UK Government bonds of over £100m, which can be used for ongoing liquidity requirements or for reinvestment.

Forward projections on liquidity and Solvency Capital Requirements

In March 2020, when the national lockdown was ordered, the Group ran a number of reasonably foreseeable stress scenarios and some 'extreme' scenarios. At that time, the full impact of the pandemic was unclear. Experience during Q2 has shown that the restrictions on travel and macroeconomic strain have had little impact on the earnings or capital strength of the Group. As the lockdown in the UK has been eased, the Group has seen premium levels return to normal levels and claims frequency, which had been suppressed, increase closer to normal levels. The Group has updated its modelling of reasonably foreseeable and 'extreme' stress scenarios with the known impacts of COVID-19, which continues to support the Group's conclusion that the business will remain profitable and capital generative, or that the Group will remain sufficiently capitalised on a regulatory basis in the event of any reasonably foreseeable capital shock. The scenarios modelled are similar to those carried out in March, and include significant suppression of premium (greater than that which was experienced during Q2) and increases in the cost of settling current and future claims.

The Group continues to hold considerable capital in excess of its preferred operating range of 140% to 160%. In all stressed scenarios, the Group did not breach its Solvency Capital Requirement.

Principle risks and uncertainties

The Group does not believe that COVID-19 represents a separate principle risk, but rather that is has an impact on its existing principle risks and uncertainties (as outlined on pages 20 to 24 of the 31 December 2019 Annual Report and Accounts), specifically with regards to operational, market, counterparty and insurance risk.

Operational risk

The Group has continued to operate fully effectively during the lockdown, with minimal changes in its processes and controls. Due to the simple governance and Group structure the Group experienced no impact on the usual flows of management information or in the monitoring of controls. All staff members continued to work highly effectively from home throughout the lockdown, with no changes in team structures and reporting lines. As lockdown in the UK has started to ease, more staff members have returned to the office and the Group will continue to monitor the impact of this gradual return on its processes and controls.

Market risk

The Group's investment approach to hold a portfolio of low-risk, highly rated assets has resulted in the recent macro-economic shock having a minimal impact on the capital or liquidity of the Group. As at 30 June, the Group holds 89% of its invested assets in UK Government Gilts and 11% in high quality, investment grade Corporate bonds. The Group continues to monitor any potential deterioration in the credit ratings of its corporate bonds and will consider taking action where there are indications of potential downgrades.

Counterparty risk

The Group continues to monitor the stability and performance of brokers, and has not noted any deterioration in the recoverability of broker debt as an impact of COVID-19. The Group has not seen a significant increase in the default risk on its direct instalment policies. Where a specific need was identified in relation to vulnerable customers during the lockdown, the Group has put in place specific measures to assist these customers and minimise the risk of them defaulting.

Insurance risk

The Group's combined operating ratio has shown some benefit from a reduced claims frequency during the lockdown. However, the Group does not believe that the underlying drivers of cost and claims inflation have changed during this period and continues to adjusts prices appropriately to stay within its long term mid-70%'s combined operating ratio target. As the UK eases its lockdown, it remains uncertain exactly as to the medium-term impacts on claims costs. As such the Group has modelled the impact of increasing costs, and has sufficient margin and capital headroom to cope with any such strain.

The Directors are mindful of the risks associated with COVID-19 but have no reason to believe it will impact the going concern of the group.

2.3 IFRS 9 – Financial Instruments

The Group has previously elected to defer the implementation of IFRS 9 'Financial Instruments', but has made a decision to implement IFRS 9 from 1 January 2020. Other than the implementation of IFRS 9, the same accounting policies, presentation and methods of computation are followed in the condensed consolidated interim financial statements as applied in the Group's consolidated financial statements for the year ended 31 December 2019. While there are amendments to existing standards and interpretations that are mandatory for the first time for financial periods beginning 1 January 2020, these are not currently relevant for the Group and do not impact the annual consolidated financial statements of the Group or the condensed interim consolidated financial statements of the Group.

During 2019 the Group has revisited its investment guidelines allowing for investment in corporate bonds while maintaining a high level of conservatism in the portfolio and appointed an asset manager in January 2020. As part of the new investment guidelines, a decision was taken to waive the deferral of the implementation of IFRS 9 in line with IFRS 4. As a result, the Group has adopted IFRS 9 effective from 1 January 2020. The new investment guidelines do not change the Group's business model with regards to long term investments, which are held to back insurance liabilities and to collect contractual cash flows.

The Group has adjusted its opening retained earnings to reflect the application of the requirements of IFRS 9. In accordance with the transition requirements, comparative periods are not restated. The comparative periods in 2019 are reported under the requirements of IAS 39 and are not comparable to the information presented in 2020.

The policies for financial assets and impairments of financial assets have changed from 1 January 2020 following the adoptions of IFRS 9. The revised policies are set out below.

2.3 IFRS 9 – Financial Instruments (continued…)

Classification and measurement of financial assets and financial liabilities – From 1 January 2020

I. Recognition and initial measurement

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at fair value through the profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition.

II. Classification and subsequent measurement

On initial recognition a financial asset is classified as measured at:

- amortised cost
- fair value through other comprehensive income (FVOCI) debt instrument
- fair value through other comprehensive income (FVOCI) equity investment
- fair value through profit or loss (FVTPL)

The classification of financial assets depends on (i) the purpose for which they were acquired, (ii) the business model in which a financial asset is managed, and (iii) its contractual cash flow characteristics. This classification determines the subsequent measurement basis.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

<u>Amortised cost</u>

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest ('SPPI') on the principal amount outstanding on specified dates.

For the purposes of this assessment, principal is defined as the fair value of the financial asset on initial recognition. Interest is defined as consideration of the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

<u>Financial assets at FVOCI</u>

Debt investments

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise to cash flows that are SPPI on the principal amount outstanding on specified dates.

The Group has previously elected to designated debt instruments as FVTPL on initial recognition, as was allowed under IAS 39 and the previous investment guidelines. On transition to IFRS 9 and the change in investment manager, the Group has considered the classification of assets held within its investment portfolio as at the date of transition. All debit instruments primary are held within a business model whose objective is achieved primarily through collecting contractual cash flows of principle and interest and by selling securities where appropriate.

Equity investments

The Group holds no equity investments.

<u>Financial assets: Business model assessment</u>

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

The investment portfolio is held primarily to back the Group's insurance liabilities. The Group's aim is to hold a low-risk investment portfolio, with limited exposure to default and market fluctuations**,** and to earn a steady stream of income. The primary focus of the Group is on underwriting performance and not investment return. Taking increased market risk in order to achieve far higher investment returns would risk the ability of the Group to make steady dividend payments and as such, receiving a steady income stream from its investment portfolio best supports its business objectives.

2.3 IFRS 9 – Financial Instruments (continued…)

Management is not compensated based on investment return, but on the overall performance of the Group. The Group's strategy is to deliver consistent and reliable returns by achieving market-leading underwriting performance. Investment return is not a key performance measure for the Group. Management information primary focusses on the underwriting result of the Group.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets: Assessment whether contractual cash flows are solely payments of principal and interest

For the purpose of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of the contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- Contingent events that would change the amount or timing of cash flows
- Terms that may adjust the contractual coupon rate, including variable rate features
- Prepayments and extension features
- Terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features)

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principle and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset, acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant from initial recognition.

Financial assets: Subsequent measurement and gains and losses

Measurement basis	**Accounting policies**
Amortised cost	These financial assets are subsequently measured at amortised cost using the effective interest rate method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on de-recognition is recognised in profit or loss.
Debt investments at FVOCI	These financial assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On de-recognition, gains and losses accumulated in OCI are reclassified to profit or loss.

III. Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

2.3 IFRS 9 – Financial Instruments (continued…)

IV. Derivative financial instruments and hedge accounting

The Group holds no derivative financial instruments and does not apply hedge accounting.

V. Impairment of financial assets

At each reporting date, the Group assesses financial assets measured at amortised cost and debt investments at FVOCI for impairment Under IFRS 9 a 'three-stage' model for calculated Expected Credit Losses (ECL) is used, and is based on changes in credit quality since initial recognition as summarised below:

Performing financial assets

- Stage 1: From initial recognition of a financial asset to the date on which an asset has experienced a significant increase in credit risk relative to its initial recognition, a stage 1 loss allowance is recognised equal to the credit losses expected to result from its default occurring over the earlier of the next 12 months or its maturity date ('12-month ECL').
- Stage 2: Following a significant increase in credit risk relative to the initial recognition of the financial asset, a stage 2 loss allowance is recognised equal to the credit losses expected from all possible default events over the remaining lifetime of the asset ('Lifetime ECL'). The assessment of whether there has been a significant increase in credit risk requires considerable judgement, based on the lifetime probability of default ('PD'). Stage 1 and 2 allowances are held against performing loans; the main difference between stage 1 and stage 2 allowances is the time horizon. Stage 1 allowances are estimated using the PD with a maximum period of 12 months, while stage 2 allowances are estimated using the PD over the remaining lifetime of the asset.

Impaired financial assets

- Stage 3: When a financial asset is considered to be credit-impaired, the allowance for credit losses ('ACL') continues to represent lifetime expected credit losses, however, interest income is calculated based on the amortised cost of the asset, net of the loss allowance, rather than its gross carrying amount.

Application of the new impairment model

The Group applies IFRS 9's new ECL model to two main types of financial assets that are measured at amortised cost or FVOCI:

- Other receivables, to which the simplified approach prescribed by IFRS 9 is applied. This approach requires the recognition of a Lifetime ECL allowance on day one.
- Debt securities, to which the general three stage model (described above) is applied, whereby a 12 month ECL is recognised initially and the balance is monitored for significant increases in credit risk which triggers the recognition of a Lifetime ECL allowance.

ECLs are a probability-weighted estimate of credit losses. The probability is determined by the estimated risk of default which is applied to the cash flow estimates. On a significant increase in credit risk, from investment grade to non-investment grade, allowances are recognised without a change in the expected cash flows (although typically expected cash flows do also change) and expected credit losses are rebased from 12 month to lifetime expectations.

The measurement of ECLs considers information about past events and current conditions, as well as supportable information about future events and economic conditions.

Presentation of impairment
Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is recognised in the profit and loss account and accounted for as a transfer from OCI to profit and loss, instead of reducing the carrying amount of the asset.

Write-offs
Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of the amount being recovered. This is generally the case when the Group concludes that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Transitional disclosures

Assessments have been carried out on the basis of the facts and circumstances that existed at the date of initial application to determine the business model within which a financial asset is held and to establish the designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except that, in accordance with the transitional provisions in IFRS 9, comparative information for prior periods has not been restated. Accordingly, all comparative period information is presented in accordance with the Group's previous accounting policies, as described in the 2019 Annual Report and Accounts. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings as at 1 January 2020.

2.3 IFRS 9 – Financial Instruments (continued…)

I. Classification and measurement

The following table shows the original measurement categories in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Group's financial assets and financial liabilities as at 1 January 2020.

	Notes	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 as at 31 Dec 2019 (Audited) £'k	New carrying amount under IFRS 9 as at 1 January 2020 (Unaudited) £'k
Financial assets					
Other receivables	(a)	Loans and receivables	Amortised cost	31	**31**
Financial investments – Debt securities	(b)	FVTPL (designated)	FVOCI – Debt instrument	263,629	**266,074**
Cash and cash equivalents		Loans and receivables	Amortised cost	31,791	**31,791**
Total financial assets				295,451	**297,896**

Financial Liabilities					
Trade and other payables		Amortised cost	Amortised cost	12,475	**12,475**
Total financial liabilities				12,475	**12,475**

(a) Other receivables does not include receivables relating to insurance contracts, which are out of scope for IFRS 9. There was no increase in the allowance for credit losses over these other receivables on transition to IFRS 9.

(b) During 2019 the Group carried out a review of its investment portfolio, which resulted in the adoption of updated investment guidelines and the appointment of an investment manager in January 2020. As part of this review, the Board considered the timing of the Group's implementation of IFRS 9 "Financial Instruments", which had been previously delayed under an exemption for insurance companies. The Board elected to dis-apply the delayed implementation of IFRS 9, in order to bring in the new standard concurrently with the application of the revised investment guidelines and the appointment of a new investment manager.

These investments comprise debt instruments that the Group has previously elected to designated as FVTPL on initial recognition, as was allowed under IAS 39 and the previous investment guidelines. On transition to IFRS 9 and the change in investment manager, the Group has considered the classification of assets held within its investment portfolio as at the date of transition. All debt instruments are primarily held within a business model whose objective is achieved primarily through collecting contractual cash flows of principle and interest and by selling securities where appropriate. The corporate and Government debt securities mature in 0.1 to 7.1 years and the contractual terms of these financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These assets have therefore been classified as financial assets at FVOCI under IFRS 9, which is in line with the Group's business model. On transition to IFRS 9, an expected credit loss of £27k was recognised as a decrease in opening retaining earnings and an increase in fair value reserves at 1 January 2020.

2.3 IFRS 9 – Financial Instruments (continued…)

The following table reconciles the carrying amounts of the financial assets under IAS 39 to the carrying amounts under IFRS 9 on transition to IFRS 9 on 1 January 2020.

	IAS 39 carrying amount at 31 December 2019 £'k	Reclassify £'k	Remeasure £'k	IFRS 9 carrying amount at 1 January 2020 £'k
Assets				
Goodwill	156,279	-	-	**156,279**
Property, plant and equipment	4,568	-	-	**4,568**
Right-of-use asset	189	-	-	**189**
Reinsurance assets	83,931	-	-	**83,931**
Deferred tax assets	210	-	-	**210**
Deferred acquisition costs	16,211	-	-	**16,211**
Insurance and other receivables	37,785	-	-	**37,785**
Prepayments, accrued income and other assets	3,627	-	(2,445)	**1,182**
Financial investments - FVTPL	263,629	(263,629)	-	**-**
Financial investments - FVOCI	-	263,629	2,445	**266,074**
Cash and cash equivalents	31,791	-	-	**31,791**
Total assets	598,220	-	-	**598,220**
Equity				
Issued ordinary share capital	250	-	-	**250**
Own shares	(1,061)	-	-	**(1,061)**
Merger reserve	48,525	-	-	**48,525**
Share-based payment reserve	1,362	-	-	**1,362**
FVOCI reserve	-	237	-	**237**
Retained earnings	218,341	(237)	-	**218,104**
Total Equity	267,417	-	-	**267,417**
Liabilities				
Insurance liabilities	212,167	-	-	**212,167**
Unearned premium reserve	99,877	-	-	**99,877**
Lease Liability	194	-	-	**194**
Trade and other payables including insurance payables	12,475	-	-	**12,475**
Current tax liabilities	4,884	-	-	**4,884**
Accruals	1,206	-	-	**1,206**
Total liabilities	330,803	-	-	**330,803**
Total equity and liabilities	598,220	-	-	**598,220**

II. Classification and measurement

The Group has determined that the application of IFRS 9's impairment requirements at 1 January 2020 results in an additional expected credit loss as follows.

	£'k
Loss allowance as at 31 December 2019 under IAS 39	-
Additional expected credit loss recognised at 1 January 2020 on:	
Other receivables	-
Debt securities at FVOCI	27
Expected credit loss allowance at 1 January 2020 under IFRS 9	**27**

3. Critical accounting estimates and judgements

Other than the measurement of Expected Credit Losses ('ECLs') discussed below, there have been no significant changes to the principles, estimates and judgements used in applying the Group's accounting policies during the period. Full details of these critical estimates and judgements are disclosed in page 86 of the Group's Annual Report and Accounts 2019.

Expected credit losses on financial assets

The measurement of ECLs prescribed by the requirements of IFRS 9 requires a number of significant judgements. Specifically, judgements and estimation uncertainties relate to assessment of whether the credit risk on the financial asset has increased significantly since initial recognition, incorporation of forward-looking information in the measurement of ECLs and key assumptions used in estimating recoverable cash flows. These estimates are driven by a number of factors that are subject to change which may result in different levels of ECL allowances.

4. Net earned premium

	6 months 2020 £'k	6 months 2019 £'k	12 months 2019 £'k
Gross earned premium			
Gross written premium	**86,938**	101,174	197,040
Movement in unearned premium reserve	**7,100**	806	6,640
	94,038	101,980	203,680
Reinsurance premium ceded			
Premium payable	**(1,796)**	(2,130)	(19,780)
Movement in unearned premium reserve	**(7,570)**	(8,232)	(662)
	(9,366)	(10,362)	(20,442)
Total	**84,672**	91,618	183,238

Information is reported to the chief operating decision makers and the Board on an aggregated basis. Strategic and financial management decisions are determined centrally by the Board. The Group provides only one product to clients, which is motor insurance, which is written solely in the UK. The Group has no other lines of business, nor does it operate outside of the UK. The Group does not have a single client which accounts for more than 10% of revenue.

5. Investment return

	6 months 2020 £'k	6 months 2019 £'k	12 months 2019 £'k
Amounts recognised in profit and loss			
Investment income calculated using effective interest rate method			
Interest income from debt securities	**879**	-	-
Investment fees	**(165)**	-	-
Interest income from cash and cash equivalents	**54**		
	768	-	-
Other interest and similar income			
Interest income from debt securities	-	4,502	8,163
Investment fees	-	(44)	(87)
Interest income from cash and cash equivalents	-	37	64
	-	4,495	8,140
Net gains/(losses) on financial assets at fair value through profit and loss			
Realised gains/(losses) on debt securities at fair value through profit and loss	-	(4,951)	(8,403)
Unrealised gains/(losses) on debt securities at fair value through profit and loss	-	2,115	2,668
	-	(2,836)	(5,735)
Total – Profit and Loss	**768**	1,659	2,405
Other Comprehensive Income			
Net change in fair value of debt investments	**1,608**	-	-
Total – Other Comprehensive Income	**1,608**	-	-
Total investment return	**2,376**	1,659	2,405

6. Other operating income

	6 months 2020 £'k	6 months 2019 £'k	12 months 2019 £'k
Marketing fees	**406**	515	1,061
Fee income from the sale of auxiliary products and services	**53**	59	123
Administration fees	**446**	261	56
Total	**905**	835	1,240

7. Net insurance claims

	6 months 2020			6 months 2019		
	Gross £'k	**Reinsurance £'k**	**Net £'k**	Gross £'k	Reinsurance £'k	Net £'k
Current accident year claims paid	**17,736**	**-**	**17,736**	22,509	-	22,509
Prior accident year claims paid	**30,695**	**(197)**	**30,498**	35,113	(5,195)	29,918
Movement in insurance liabilities	**(8,981)**	**2,869**	**(6,112)**	(12,916)	8,232	(4,684)
Total	**39,450**	**2,672**	**42,122**	44,706	3,037	47,743

Claims handling expenses for the 6 months ended 30 June 2020 of £3,977k (HY 2019: £3,592k) have been included in the above.

	12 months 2019		
	Gross £'k	Reinsurance £'k	Net £'k
Current accident year claims paid	61,839	-	61,839
Prior accident year claims paid	52,052	(6,153)	45,899
Movement in insurance liabilities	(3,590)	(2,158)	(5,748)
Total	110,301	(8,311)	101,990

Claims handling expenses for the 12 months ended 31 December 2019 of £7,558k have been included in the above.

8. Operating expenses

	6 months 2020 £'k	6 months 2019 £'k	12 months 2019 £'k
Staff costs	**3,726**	4,083	5,979
Property costs	**91**	65	154
IT expense including IT depreciation	**2,225**	2,370	4,898
Other depreciation	**23**	22	45
Industry levies	**2,914**	1,654	1,812
Policy servicing costs	**1,410**	1,325	2,334
Other operating expenses	**854**	728	1,526
Expected credit loss on financial assets	**38**	-	-
Total	**11,281**	10,247	16,748

Claims handling expenses for the 6 months ended 30 June 2020 of £3,977k (HY 2019: £3,592k) have been reclassified from operating expenses to net insurance claims. See Note 7.

9. Tax charge

	6 months 2020 £'k	6 months 2019 £'k	12 months 2019 £'k
Current taxation			
Charge for the period	**5,432**	5,919	10,761
	5,432	5,919	10,761
Deferred taxation			
Origination and reversal of temporary differences	**(177)**	(110)	7
	(177)	(110)	7
Current taxation	**5,432**	5,919	10,761
Deferred taxation	**(177)**	(110)	7
Tax charge for the period	**5,255**	5,809	10,768

Tax recorded in Other Comprehensive Income is as follow:

	6 months 2020 £'k	6 months 2019 £'k	12 months 2019 £'k
Deferred taxation	**306**	-	-
Tax charge for the period	**306**	-	-

10. Dividends

	6 months 2020		6 months 2019		12 months 2019	
	p per share	£'k	p per share	£'k	p per share	£'k
Amounts recognised as distributions to equity holders in the period						
Interim dividend in respect of the current year	**-**	**-**	-	-	4.7	11,710
Final dividend in respect of the prior year	**8.1**	**20,190**	12.8	31,913	12.8	31,913
	8.1	**20,190**	12.8	31,913	17.5	43,623
Proposed dividends						
Interim dividend in respect of the current year (1)	**9.5**	**23,750**	4.7	11,710	-	-

The dividend per share calculation is based on the number of equity shares registered on the ex-dividend date

(1) Subsequent to 30 June 2020, the Directors declared an interim dividend for 2020 of 9.5 pence per ordinary share. This dividend will be paid on 28 August 2020. The dividend will be accounted for as an appropriation of retained earnings in the year ended 31 December 2020 and is not included as a liability in the Condensed Statement of Financial Position as at 30 June 2020.

The trustees of the employee share trusts waived their entitlement to dividends on shares held in the trusts to meet obligations arising on share incentive schemes, which reduced the dividends paid for the period ended 30 June 2020 by £60k (30 June 2019: £40k and 31 December 2019: £127k).

11. Reinsurance assets

	30 June 2020 £'k	31 December 2019 £'k
Reinsurers' share of general insurance liabilities	**73,492**	76,361
Reinsurers' share of UPR	**-**	7,570
Total	**73,492**	83,931

12. Financial investments

	30 June 2020 £'k	31 December 2019 £'k
Debt securities held at fair value through the profit and loss account		
Corporate	-	-
Sovereign	-	263,629
Total debt securities held at fair value through the profit and loss account	-	263,629
Debt securities held at fair value through other comprehensive income		
Corporate	27,650	-
Sovereign	221,888	-
Total debt securities held at fair value through other comprehensive income	249,538	-
Total debt securities	249,538	263,629

All financial investments are classified as Level 1 under the fair value hierarchy and there has been no transfer between classes during the period.

Fair value measurement

The carrying value of financial assets is in all cases equal to their fair value. All financial investments are classified as Level 1 under the IFRS hierarchy. Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities which can be accessed at the measurement date. As such market value has been determined with reference to a reliable third-party valuation.

13. Insurance liabilities, unearned premium reserve

	30 June 2020 £'k	31 December 2019 £'k
Insurance liabilities		
Gross insurance liabilities (including unearned premium reserve)		
Gross insurance liabilities	203,186	212,167
Unearned premium reserve	92,777	99,877
Total	295,963	312,044
Reinsurers' share of insurance liabilities (including unearned premium reserve)		
Reinsurers' share of insurance liabilities	(73,492)	(76,361)
Unearned premium reserve	-	(7,570)
Total	(73,492)	(83,931)
Net insurance liabilities (including unearned premium reserve)		
Net insurance liabilities	129,694	135,806
Unearned premium reserve	92,777	92,307
Total	222,471	228,113

Movements in insurance liabilities and reinsurance assets

	Gross £'k	Reinsurance £'k	Net £'k
At 1 January 2019	215,757	(74,203)	141,554
Cash paid for claims during the year	(106,268)	6,153	(100,115)
Increase/(decrease) in liabilities:			
Arising from current-year claims	129,155	(11,970)	117,185
Arising from prior-year claims	(26,477)	3,659	(22,818)
At 31 December 2019	212,167	(76,361)	135,806
Claims reported	290,964	(97,789)	193,175
Incurred but not reported	(82,566)	21,428	(61,138)
Claims handling provision	3,769	-	3,769
At 31 December 2019	212,167	(76,361)	135,806
Cash paid for claims during the year	**(44,432)**	**196**	**(44,236)**
Increase/(decrease) in liabilities:			
Arising from current-year claims	**50,974**	**(4,031)**	**46,943**
Arising from prior-year claims	**(15,523)**	**6,704**	**(8,819)**
At 30 June 2020	**203,186**	**(73,492)**	**129,694**
Claims reported	**289,381**	**(105,395)**	**183,986**
Incurred but not reported	**(89,998)**	**31,903**	**(58,095)**
Claims handling provision	**3,803**	**-**	**3,803**
At 30 June 2020	**203,186**	**(73,492)**	**129,694**

14. Related parties

There has been no change in any of the relationships as disclosed in Note 29 of the 31 December 2019 Annual Report and Accounts.

15. Post-balance sheet events

On 27 July 2020 the Company declared an ordinary interim dividend of 9.5p per share.

DIRECTORS' RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

The condensed consolidated financial statements for the six months ended 30 June 2020 have been prepared in accordance with International Accounting Standard 34 ("IAS 34") as adopted by the EU.

The interim management report includes a fair review of the information as required by:

- DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of the important events that have occurred during the first six months of the current financial year and their impact on the condensed set of consolidated financial statements and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially impacted the financial position or performance of the Group during the period; and any changes in the related party transactions from the Group's consolidated financial statements for the year ended 31 December 2019 that could do so.

Signed on behalf of the Board

Geoff Carter
Chief Executive Officer
27 July 2020

Adam Westwood
Chief Financial Officer
27 July 2020

INDEPENDENT REVIEW REPORT TO SABRE INSURANCE GROUP PLC

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2020 which comprises the condensed consolidated statement of comprehensive income, condensed consolidated statement of financial position, condensed consolidated statement of changes in equity, condensed consolidated cash flow statement and the related notes 1 to 15. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.
This report is made solely to the company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Directors' Responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.
As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2020 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Ernst & Young LLP
London
27 July 2020

APPENDIX – FINANCIAL RECONCILIATIONS

Adjusted Profit Before Tax

	30 June 2020 £'k	30 June 2019 £'k	31 December 2019 £'k
Profit before tax	**27,750**	30,472	56,479
Add:			
Amortisation of Intangible assets	-	-	-
Exceptional items	-	-	-
Adjusted profit before tax	**27,750**	30,472	56,479

Adjusted Profit After Tax

	30 June 2020 £'k	30 June 2019 £'k	31 December 2019 £'k
Profit after tax	**22,495**	24,663	45,711
Add:			
Amortisation of Intangible assets	-	-	-
Exceptional items	-	-	-
Tax on exceptional items	-	-	-
Adjusted profit after tax	**22,495**	24,663	45,711

Net Loss Ratio

	30 June 2020 £'k	30 June 2019 £'k	31 December 2019 £'k
Net insurance claims	**42,122**	47,743	101,990
Less: Claims handling expenses	**(3,977)**	(3,592)	(7,558)
Net claims incurred	**38,145**	44,151	94,432
Net earned premium	**84,672**	91,618	183,238
Net loss ratio	**45.1%**	48.2%	51.5%

Expense Ratio

	30 June 2020 £'k	30 June 2019 £'k	31 December 2019 £'k
Total expenses	**18,606**	17,804	32,507
Plus: Claims handling expenses	**3,977**	3,592	7,558
Net operating expenses	**22,583**	21,396	40,065
Net earned premium	**84,672**	91,618	183,238
Expense ratio	**26.6%**	23.4%	21.9%

Combined Operating Ratio

	30 June 2020 £'k	30 June 2019 £'k	31 December 2019 £'k
Total expenses	**18,606**	17,804	32,507
Net insurance claims	**42,122**	47,743	101,990
	60,728	65,547	134,497
Net earned premium	**84,672**	91,618	183,238
Combined operating ratio	**71.7%**	71.5%	73.4%

Solvency Coverage Ratio – Pre Dividend

	30 June 2020 £'k	30 June 2019 £'k	31 December 2019 £'k
Solvency II net assets	**127,859**	119,813	127,086
Solvency capital requirement	**58,624**	59,839	59,495
Solvency coverage ratio	**218.1%**	200.2%	213.6%

Solvency Coverage Ratio – Post Dividend

	30 June 2020 £'k	30 June 2019 £'k	31 December 2019 £'k
Solvency II net assets	**127,859**	119,813	127,086
Less: Dividend declared	**(23,750)**	(11,750)	(20,250)
Solvency II net assets (post dividend)	**104,109**	108,063	106,836
Solvency capital requirement	**58,624**	59,839	59,495
Solvency coverage ration – post dividend	**177.6%**	180.6%	179.6%

Return on Tangible Equity

	30 June 2020 £'k	30 June 2019 £'k	31 December 2019 £'k
IFRS net assets at period end	**271,770**	258,187	267,417
Less:			
Intangible assets at period end	**-**	-	-
Goodwill at period end	**(156,279)**	(156,279)	(156,279)
Closing tangible equity	**115,491**	101,908	111,138
Annualised closing tangible equity *	**114,236**	114,821	111,138
Opening tangible equity	**111,138**	108,869	108,869
Average tangible equity	**112,687**	111,845	110,004
Annualised adjusted profit after tax **	**44,990**	49,326	45,711
Annualised return on tangible equity **	**39.9%**	44.1%	41.6%

Return on Opening SCR

	30 June 2020 £'k	30 June 2019 £'k	31 December 2019 £'k
Opening SCR	**59,495**	60,995	60,995
Annualised adjusted profit after tax	**44,990**	49,326	45,711
Return on SCR	**75.6%**	80.9%	74.9%

** Annualised closing tangible equity is a proxy of the expected closing IFRS tangible equity as at 31 December 2020. This is equal to the closing tangible equity as at 30 June 2020, plus the profit after tax for the 6 months to 30 June 2020, less the interim dividend paid of £ 23,750 k (2019: £11,750k). No adjustment to the 31 December 2019 closing tangible equity has been made.*

*** Half year adjusted profit after tax for 30 June 2020 and 30 June 2019 annualised. No adjustments to the full year adjusted profit for the period 31 December 2019 has been made.*