

13th October 2020



SABRE INSURANCE GROUP PLC

Trading Update

Performance in-line with expectations

Continued focus on profitability over premium growth

Sabre Insurance Group plc (the "Group", or "Sabre"), one of the UK's leading private motor insurance underwriters, today provides a trading update for the nine months ending 30th September 2020.

Summary

- Overall performance is consistent with expectations set at the time of the H1 results, which were announced on 28th July 2020
- The Group has continued to perform well throughout the COVID-19 pandemic and related disruption, continuing to execute our strategy of focusing on underwriting profitability over premium volume
- Prices increased to cover underlying claims and other cost inflation of around 10% per year. Temporary COVID-19 lockdown-driven price reductions fully backed out as traffic and claim levels return to near normal
- The Group continues to anticipate delivering a FY2020 combined ratio result close to our long-term mid-70%'s target
- Continuing the positive trends identified at the H1 results, Gross Written Premiums picked up in Q3, resulting in the first nine months of the year ending 9% lower year-on-year at £139.2m⁽¹⁾ (9 months 2019: £152.9m), having been 14% down year-on-year at H1 2020
- Year-on-year Gross Written Premium for 2020 is anticipated to be in-line with guidance provided with the H1 results, with a likely outcome of around 10% lower year-on-year depending on market conditions
- Strong organic capital generation supports the potential for an attractive full year dividend with a solvency coverage ratio of 186%⁽¹⁾ as at the end of September 2020 (September 2019: 198%), well above our 140% to 160% target range
- Strong balance sheet with no debt obligations

Business update

Throughout the COVID-19 pandemic, the health and wellbeing of our customers and employees has remained our primary concern. Sabre has continued to execute its long-term strategy of focusing on underwriting profitability, with premium volume remaining an output rather than a target. As part of this strategy, we have maintained a deliberately cautious approach to potential claims cost development and, therefore, our pricing assumptions.

Following the large fluctuations in premium volume throughout and post lock-down, volume levels appear to have stabilised. This is despite Sabre choosing to implement significant rate increases to ensure claims and cost inflation – currently around 10% – are fully covered.

As lockdown eased through the summer, traffic and claims began to return to normal levels. There is some evidence of COVID-19 related inflationary pressures coming through in third party claims costs. We anticipate that the rate increases already implemented, and planned for the rest of this year, are sufficient to cover these additional costs.

In September the FCA produced its final report from the recent market study into the pricing of home and motor insurance. The FCA is proposing that when a customer renews their home or motor insurance, the premium paid should be no more than if the customer was new to the provider – effectively banning a practice known as ‘price-walking’, where renewal prices are increased over time relative to the equivalent new business price. Sabre does not operate any ‘price-walking’ strategies and does not anticipate any material negative impact from the recommendations from the FCA. We believe that it may offer some further opportunity if competitors’ new business premiums increase when the proposals come into force.

We also remain focused on assisting customers appropriately as COVID-19 continues to affect their insurance needs and income.

Outlook

The performance in the first nine months of the year has been in line with expectations. Policy volumes are currently better than anticipated given the rate increases implemented, with high average premiums being achieved.

Our on-going focus is on ensuring that our prices are appropriate for the life of a policy, not just the next few months, and we could be pricing somewhat ahead of the market. This may provide a growth opportunity in 2021 if some competitors need to “catch up” pricing levels. Alternatively, if data subsequently proves we have been too cautious we will be able to moderate rates whilst delivering a strong profit performance for prior periods.

Despite the continuing uncertainties we remain confident in delivering a combined operating ratio close to our mid-70%’s target. We anticipate paying an attractive dividend for the full-year, underpinned by our current solvency ratio of 186% which is well above our target 140% to 160% range.

Geoff Carter, Chief Executive Officer, commented:

“I’m pleased with how Sabre has continued to navigate the COVID-19 pandemic. The performance of the business is a result of our total commitment to focusing on profitability over premium growth and the outstanding efforts of all my colleagues through some challenging times.

While there remain obvious uncertainties going forward, the Board is confident that it has the strategy and business model to continue to perform well both through the rest of this financial year and in the longer-term.”

(1) Numerical information not subject to audit

Investor enquiries

Sabre Insurance Group plc

Adam Westwood, Chief Financial Officer

adam.westwood@sabre.co.uk

01306 747 272

Media enquiries

Tulchan Communications LLP

James Macey White/David Allchurch/Giles Kernick

sabre@tulchangroup.com

020 7353 4200

LEI code: 2138006RXRQ8P8VKGV98