

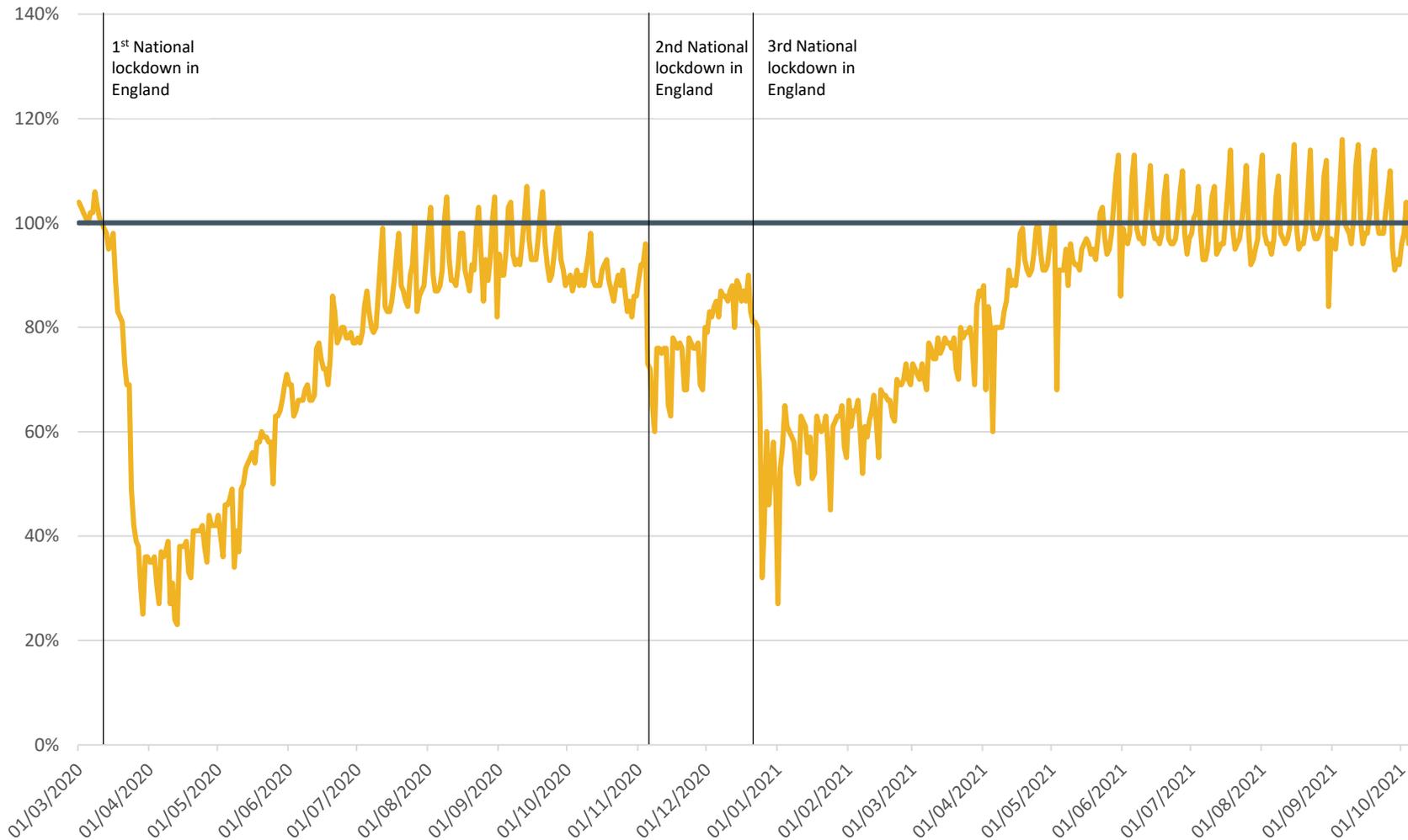


# 2021 Q3 Trading Update

- Continued soft market, ahead of FCA pricing reforms. Market prices continue to lag claims inflation
- Material, temporary reduction in normal addressable market, due primarily to the impact of COVID-19 reducing the flow of new drivers and delays in new car registrations
- Rigorous application of our long-term strategy - treat volume as an output from disciplined pricing, not a target
- Have written at the top end of our long-term combined operating ratio (COR) range to optimise profits within addressable market
- Natural short-term reduction in premium and earnings to protect long-term health of the business
- We are satisfied with our current volumes and margin ahead of anticipated growth opportunities

- Gross written premium for the nine months ending 30 September 2021 was £126.7m(1) (nine months ending 30 September 2020: £139.2m)
- Combined operating ratio for 2021 expected to be towards the upper end of the of the target 75% – 80% range
- Continued organic capital generation with a solvency coverage ratio of 175% as at 30 September 2021 (30 September 2020: 186%)

Traffic levels vs pre-pandemic



- Traffic volumes return to ‘pre-COVID’ levels

Source: <https://www.gov.uk/government/statistics/transport-use-during-the-coronavirus-covid-19-pandemic>

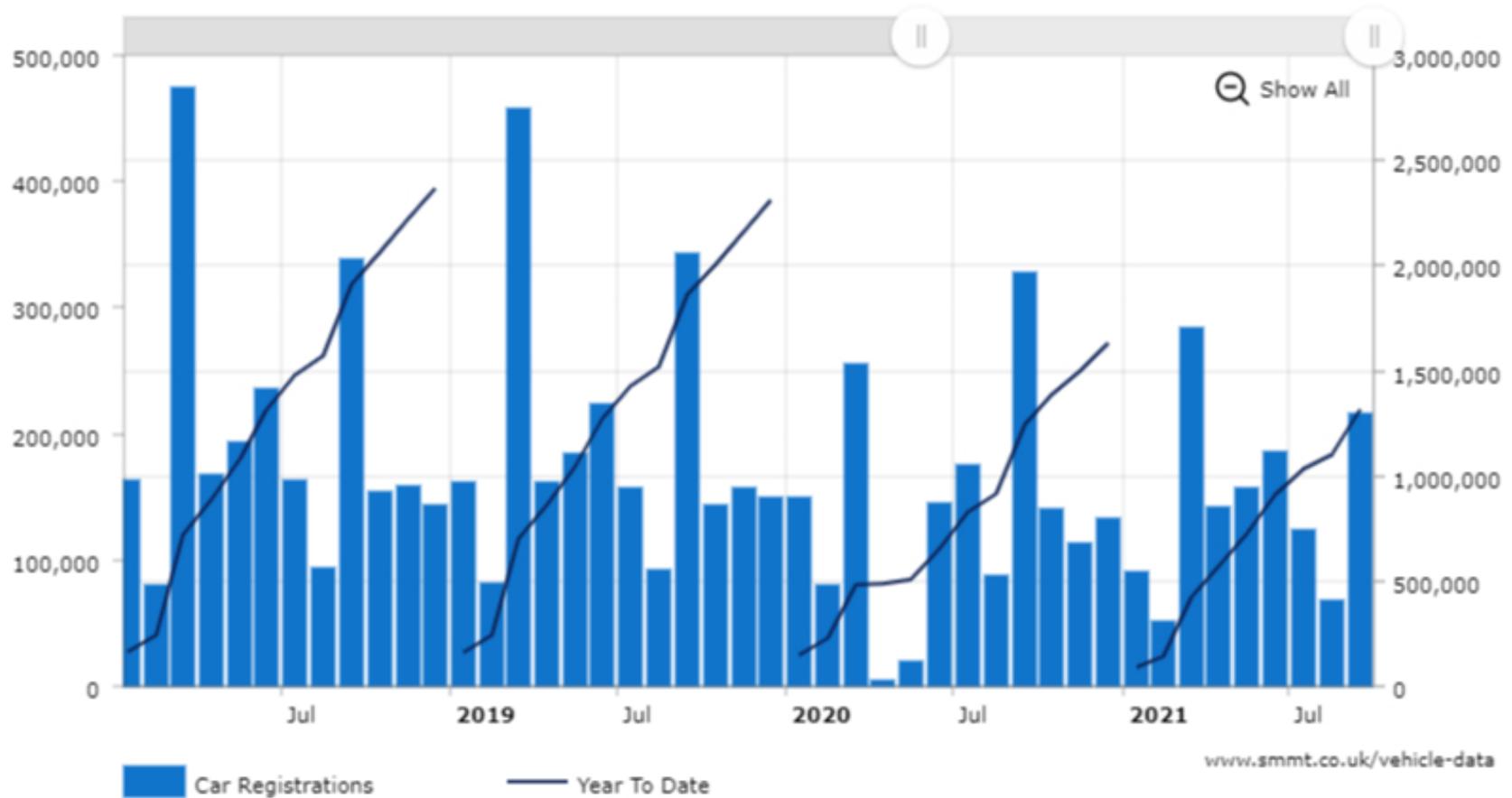
Monthly driving test passes 2019 to Jun 2021



– Flow of new drivers into the market suppressed since lockdowns began

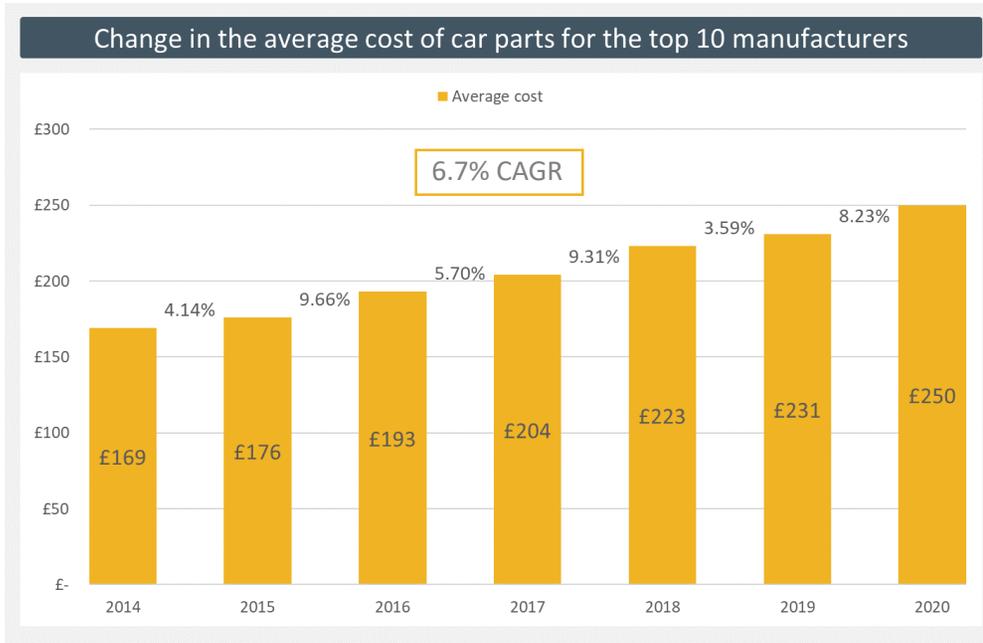
Source: <https://www.gov.uk/government/statistical-data-sets/driving-test-statistics-drt#driving-test-and-motorcycle-test-pass-rates-drt01>

# New Car Registrations



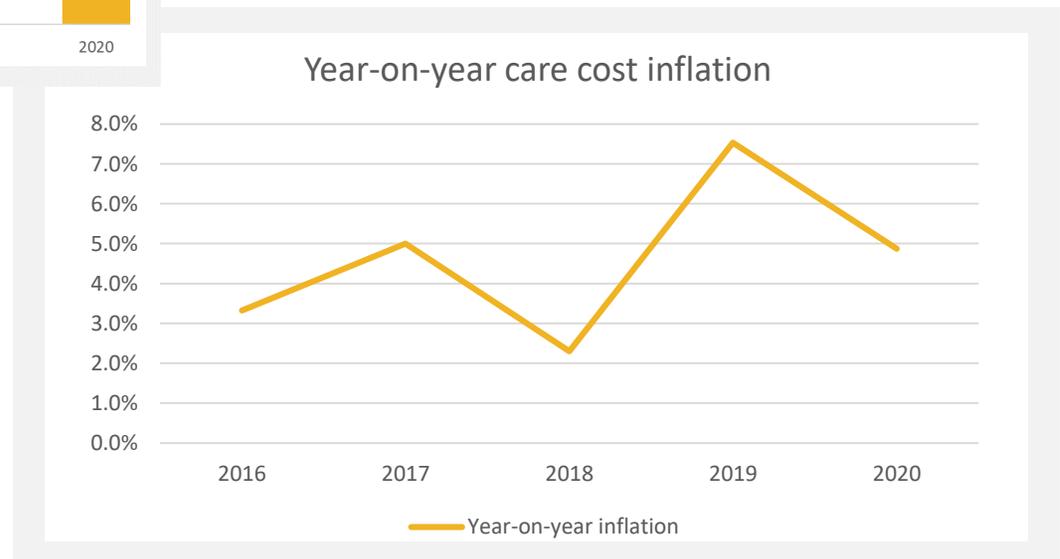
- New car sales, which drive policy 'shoparound', depressed during 2020/21

Source: <https://www.smmr.co.uk/vehicle-data/car-registrations/>



Source: Innovation Group

- Inflation in care costs and parts remains significant



Source:  
<https://www.ons.gov.uk/surveys/informationforbusinesses/businesssurveys/annualsurveyofhoursandearningsashe>

MIB Levy – 21 %  
increase for 2022

Increase in used car  
valuations

Clear evidence  
emerging of care  
worker shortages and  
wage inflation

Pressure emerging in  
repair network due to  
skills labour shortage,  
part and paint supply  
and hire/courtesy  
vehicle availability

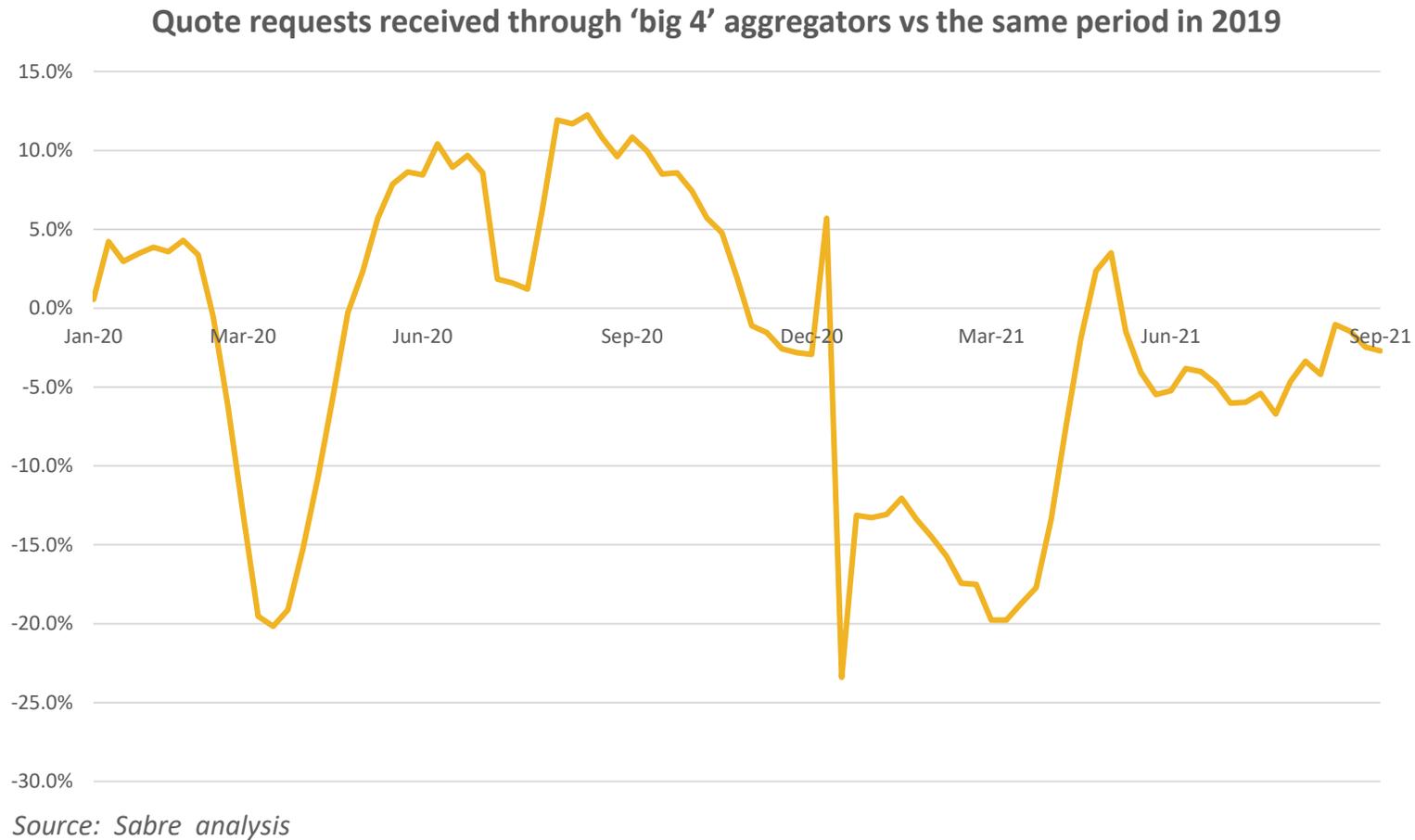
We take all these factors into account in our view of cost inflation and subsequent pricing actions

Pricing discipline maintained – continue to price within our target 75% to 80% COR range

Year-on-year positions difficult to demonstrate due to:

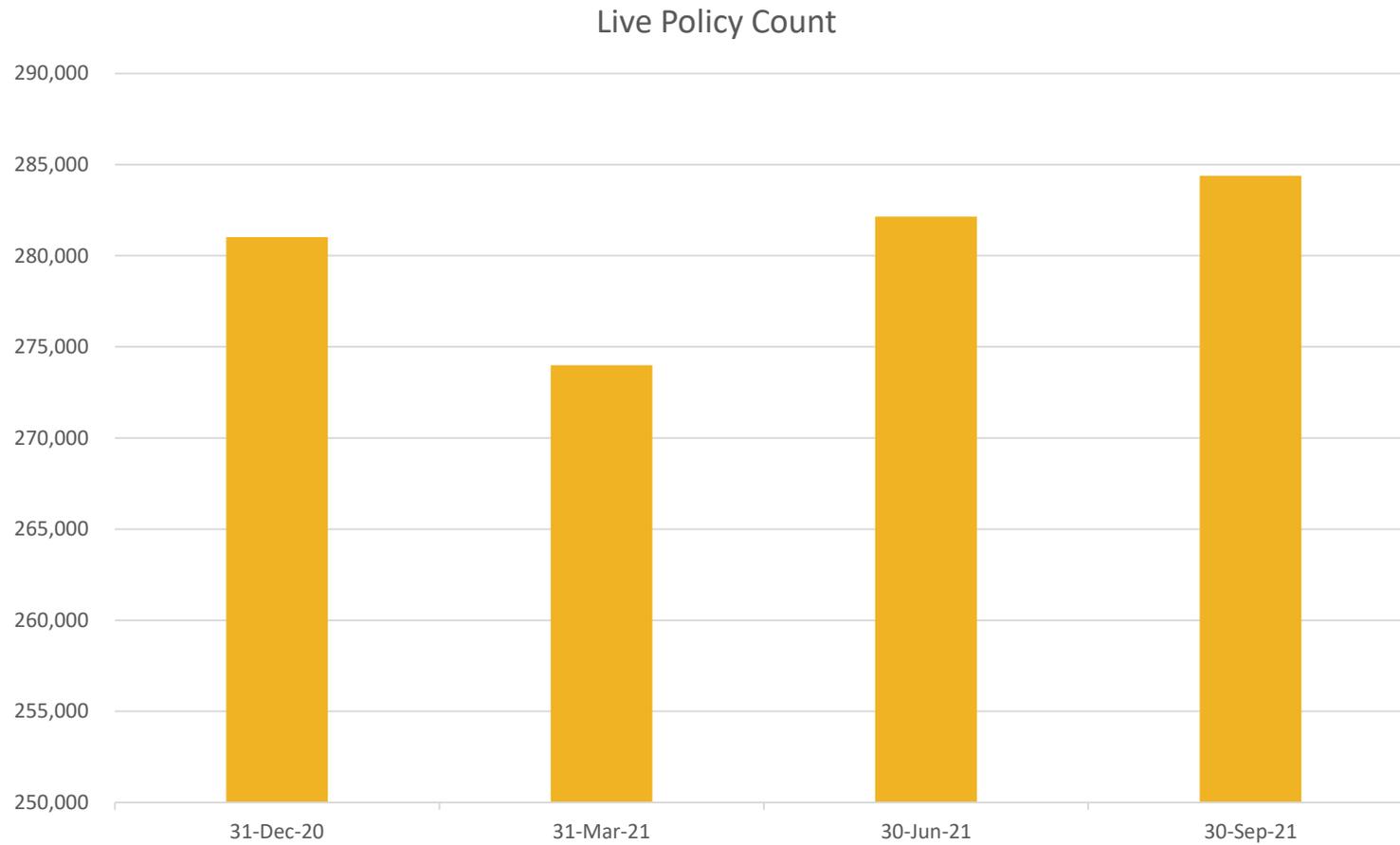
- Claims inflation (which we have sought to cover fully)
- Temporary “lockdown-period” discounts reflecting likely lower claims frequency
- Discounts applied to reflect likely Ministry of Justice reform (whiplash) benefits

*Note: Price increases highly unlikely to be apparent in average premiums due to these factors and risk mix changes, especially reduced proportion of new to market younger drivers.*



- Quote volumes in the market did not bounce back as strongly as in 2020, but are returning to normal levels

# Growth in Policy Count



- Taking hard decisions to allow volumes to soften in unprecedented market conditions has left us strongly positioned to take advantage of anticipated growth opportunities
- Natural growth as market pricing corrects, reflects FCA changes and addressable market returns to growth
- New development initiatives, with flex product due to come online in Q4 this year and further initiatives in the pipeline – we will update on these at the year-end results announcement
- Some signs of tentative market price increases, and improving Sabre competitive position in recent weeks
- No structural market changes identified that undermine our ambitions or strategy

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