Half-Year 2022 Trading Update

Presenters and Q&A

Geoff Carter
CEO

Adam Westwood
CFO

Trevor Webb
Claims Director

Matt Wright
Chief Actuary

Call Moderator

Hanro van Heerden
Group Financial Controller

Today's agenda

1. **Highlights**
   Geoff Carter
2. **Summary of trading for the six months to 30 June 2022**
   Adam Westwood
3. **The UK motor insurance market**
   Geoff Carter
4. **Summary and Outlook**
   Geoff Carter
5. **Q&A**
   All

Highlights

Geoff Carter

Strategic highlights

- Strong progress against core strategic initiatives; pro-active actions taken in response to evolving inflationary environment
- Challenges presented by rapid increase in inflation to 30+ years high tackled head-on, with an inevitable impact in current financial year
- 17% growth in gross written premium vs H1 2021, with significant motorcycle and taxi business slightly offset by reduction in motor policies
- Low industry pricing in private car remains, whilst Sabre has increased rates by 19% for the year to July 2022
- Following pricing adjustments to catch up with exceptional inflation in 2022, current policies are being written within our target CoR range
- Adverse movement on prior-year claims in the period reflects the impact of current high levels of inflation on unsettled claims and claims settled during the period

Financial highlights

- Top-line growth healthy but lower than plan due to persistent low market pricing insufficient to support inflationary price increases
- Expense ratio under control and improving with growth despite inflation
- Rapidity and persistency of inflation over recent months has required revision to our assumed short-term profitability, but with strong bounce-back to more normal performance expected in 2023
- Loss ratio of 71.6% for H1 2022, above expectation due to a number of temporary and one-off impacts linked to the current inflationary environment
- Loss ratio expected to improve in H2 2022, guiding to a full-year loss ratio 65% to 70% for 2022 and high-50%'s for 2023
- Expect to announce an interim dividend with the interim financial statements at end of July

Summary of trading for the six months to 30 June 2022

Adam Westwood

Summary of trading for the six months to 30 June 2022

HY 2022 financial performance

H1 2022 subject to review, H1 2021 unaudited

	H1 2022	H1 2021	FY 2021
Gross written premium	**£91.8m**	£78.2m	£169.3m
Net earned premium	**£77.5m**	£72.7m	£145.4m
Net loss ratio	**71.6%**	44.9%	51.1%
Expense ratio	**27.3%**	29.5%	28.3%
Combined operating ratio	**98.9%**	74.4%	79.4%
Profit before tax	**£4.3m**	£22.2m	£37.2m
Profit after tax	**£3.5m**	£18.0m	£30.1m

Loss ratio breakdown

H1 2022 subject to review, H1 2021 unaudited

	H1 2022	H1 2021	FY 2021
Prior-year loss ratio	**4.3%**	(5.8%)	(4.9%)
Current-year loss ratio	**67.3%**	50.7%	56%

- **Prior-year loss ratio** above expectation in H1 2022 due to:
  - Impact of inflation on open claims
  - Reinsurance indexation
  - Slow settlement of open claims
- **Current-year loss ratio** above expectation in H1 2022 due to:
  - Earn-through of COVID-19 discounts
  - Impact of rapid inflation on business written during 2021 and early 2022
  - Volatility in claims experience within the period, particularly an increased number of large claims
  - Growth strain generated by the motorcycle and taxi business

  We continue to book actuarial best estimate plus 10% risk margin

Growth in motorcycle and taxi business

Motorcycle and taxi business generated growth in H1, while providing cover to allow for significant rate increases in motor

Premium breakdown

H1 2022 subject to review, H1 2021 unaudited

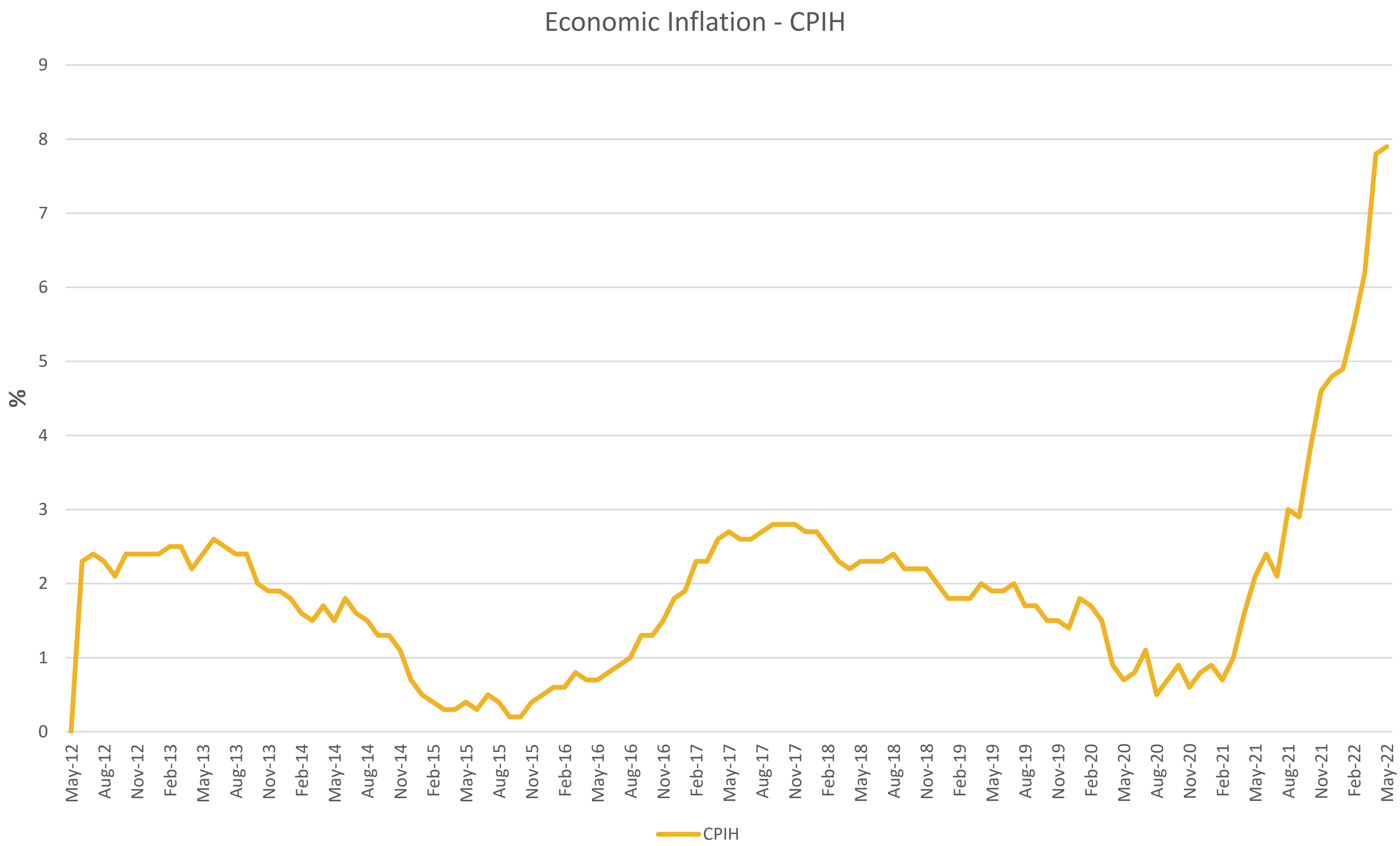
	Motor		Motorcycle		Taxi	
	HY 2022	HY 2021	**HY 2022**	HY 2021	**HY 2022**	HY 2021
Gross written premium	**£69.7m**	£78.2m	**£16.9m**	-	**£5.2m**	£0.8m
Period end policy count	**263k**	280k	**63k**	-	**6k**	1k

– Enhanced profitability expected as new books mature and growth strain recedes

The UK motor insurance market

Geoff Carter

Current levels of economic inflation



Source – office for national statistics

Claims inflation

Sabre INSURANCE GROUP

Claims inflation c.12%

Parts inflation
- Previously seen as a temporary increase to 14%
- Shows no sign of reducing

Paint inflation
- Previously 7% to 9%
- Now likely to be over 9%

Labour and repair costs
- Previously c.7%
- With increases in credit repair, potentially 25% inflation
- ABP labour rates have increased from £50 / hour to £62.50

Used car values
- Inflated by 30%
- Likely to flatten, varies across car parc

Injury
- Some care costs have increased by 30%
- Long-term and so compounding
- General damages are reviewed against RPI. Further increases anticipated in next 18 months

Mobility costs
- Vehicle repair delays continue, caused through parts supply limitations and labour restrictions. Bodyshop capacity limited
- Already high inflation at 30%
- Hire periods billed in H1 2022 35% increase on H1 2021

Other non-claims inflation
- MIB levy +30%
- Reinsurance rate 15%+

Claims experience and costs

- Overall frequency of claims appears to have settled slightly below pre-COVID levels
- This is most likely linked to behaviour and the MoJ's whiplash reforms
- We consider this reduction in frequency to be significantly outweighed by the rapid increase in severity costs for claims
- We remain cautious about the continuing benefit of reforms and price policies accordingly

Market backdrop - Key messages from recent EY market seminar

- Market pricing down 5.2% to Q1 2022 – lowest levels since 2015
- EY analysts predict market CoR of nearly 114% for 2022 and 111% in 2023, with 2022 supported by above average reserve releases and assumed 20% market premium growth in 2022/23

Combined ratio bridge for 2022

Sabre INSURANCE GROUP

Market conditions during 2022 have required a revision to our expected overall combined ratio for the year

Mid 90%'s	**Further short-term pressures**	– Our planning allows for greater than expected growth strain in motorcycle business as well as unforeseen negative developments with respect to claims and other costs in an uncertain environment
Low 90%'s	**Continued soft market conditions**	– Motor book has not grown as expected due to very weak market pricing, reducing benefit to expense ratio through growth – Higher proportion of 'Covid-discounted' policies earning during period as compared to policies written after Covid discounts had been unwound
90.0%	**Inflation in injury costs**	– Impact on back-book as estimated costs increase more quickly than expected – Impact on indexation for large open claims
85.0%	**Damage inflation**	– Inflation in damage costs exceeds that assumed when pricing policies – Inflation exacerbated by supply chain issues in car parts and used cars, along with energy and labour cost increases
81.5%	**Increased reinsurance costs**	– 1 July renewal increased costs by over 15% due reinsurer concerns around Ogden rate worsening and high overall inflation in costs
80.0% Indicative impact on CoR	**Expected written CoR at around 80% assumed**	– Inflation 7.5% to 8.5% – Growth in motor book relieving expense ratio pressure – Modest reinsurance rate increase – Some reduction in frequency post-COVID – Some benefit from MoJ reforms

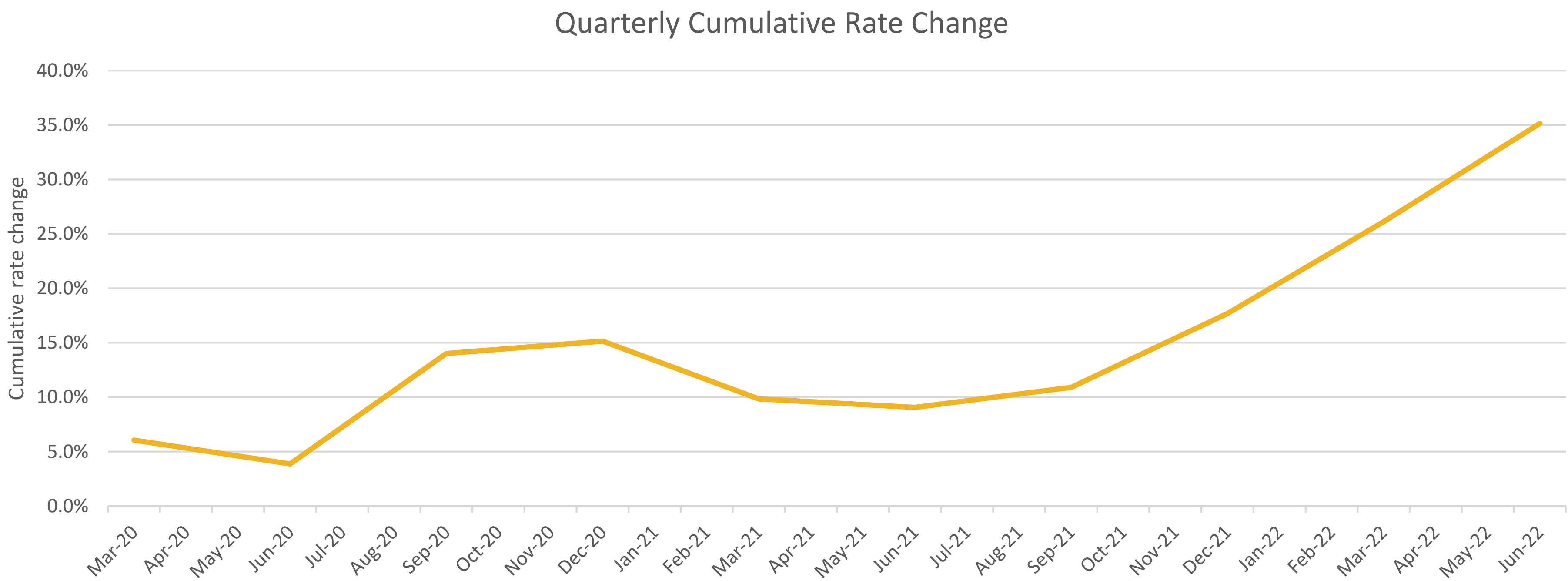
We expect the combined operating ratio to decline significantly in 2023 as policies written within the current inflationary environment earn through

Management actions already taken

- Significant price increases to reflect expected levels of inflation
- Appropriate reserve position taken to reflect current inflationary environment
- Continued focus on development opportunities to enhance resilience of the business
- Further enhancement of pricing function and development of machine learning to allow even greater pricing sophistication

Increasing rates throughout

Sabre increased motor rates by 15% from December 2021 to June 2022 and 19% to July 2022



– Rate decreases during this period reflect temporary changes in driving behaviour during lockdowns and the positive impacts on claims costs resulting from whiplash reforms

Material Growth Initiatives

Sabre INSURANCE GROUP

- Motorcycle and taxi books are growing strongly, with Sabre taking significant market share whilst implementing significant price increases in motorcycle
- Whilst our price increases have not been able to protect fully against the rapid extreme rise in inflation in H1 this year, we have laid a solid foundation for earnings growth in 2023 and beyond
- We still consider that under-pricing across the motor insurance industry must be corrected, enhancing Sabre’s competitiveness
- We will look to balance enhancing the loss ratio with growth in policy volumes; our underwriting goal remains to maximise profit in absolute terms with policy growth being an output

Summary and outlook

Geoff Carter

Summary and outlook

Assertive actions following analysis of impacts on claims reserves and price requirements mean we anticipate significant impacts should be restricted to 2022 and allow a rebound to more normal performance in 2023

Performance

- Full-year loss ratio expected to be 65% to 70%
- Full-year combined ratio expected to be mid-90%'s

Growth

- Retain guidance on motorcycle and taxi growth, expecting c.£20m of motorcycle and c.£16m of taxi business
- Market pricing correction increasingly necessary in high inflation environment
- We anticipate material growth in the motor book following this correction, but this may not happen in 2022
- Expect volumes in motor book to remain subdued until market pricing corrects

Further out

- Expect to improve combined operating ratio to mid-80%'s in 2023

Capital

- We expect to pay an interim and full-year dividend for 2022

Q&A

Geoff Carter, Adam Westwood, Matt Wright and Trevor Webb

Disclaimer

LEGAL NOTICE

This presentation has been prepared to inform investors and prospective investors in the secondary markets and other market participants about Sabre Insurance Group plc and its subsidiaries (the "Group") and does not constitute an offer of securities under any applicable legislation or an offer to sell or solicitation of any offer to buy, or otherwise constitute an invitation or inducement to any person to subscribe for or otherwise acquire or underwrite, any securities or other financial instruments or any advice or recommendation with respect to any securities or other financial instruments. This presentation contains forward-looking statements concerning the financial condition, results, operations and business of the Group which are necessarily subject to risks and uncertainties because they relate to events and depend upon circumstances that may or may not occur in the future. For example, statements regarding expected revenues, margins, earnings per share, market trends and the Group's product pipeline are forward-looking statements. Words such as "aim", "plan", "intend", "anticipate", "well placed", "believe", "estimate", "expect", "target", "vision", "consider" or the negative of these terms and other similar expressions are generally intended to identify forward-looking statements. These forward-looking statements are based upon current expectations and assumptions regarding anticipated developments and other factors affecting the Group and are not guarantees of future performance. There are a number of factors, many of which are beyond the Group's control, that could cause actual results or developments of the Group's business and operations to differ materially from those expressed or implied by these forward looking statements. Some of those factors are discussed in the Group's Annual Report and Accounts 2021 in the section headed "Principal Risks and Uncertainties". Any forward-looking statement is based on information available to the Group as of the date of preparation of this presentation and the Group cautions against placing undue reliance on any forward-looking statement. All written or oral forward-looking statements attributable to the Group are qualified by this caution. Except as required by any applicable law or regulation, the Group expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained in this presentation to reflect any change in the Group’s expectations or any change in events, conditions or circumstances on which any such statement is based. This presentation may contain supplemental non-GAAP financial and operating information which the Group believes provides valuable insight into the performance of the Group's business. Whilst such information is considered important, it should be viewed as supplemental to the Group's financial results prepared in accordance with International Financial Reporting Standards and not as a substitute for them. Nothing in this presentation should be construed as a profit forecast.