

Full-year results

31 December 2022

Sabre
INSURANCE

Presenters and Q&A

Geoff Carter
CEO



Adam Westwood
CFO



Trevor Webb
Claims Director



Matt Wright
Chief Actuary



Today's agenda

- 1 Overview and introduction**
Geoff Carter
- 2 Financial results**
Adam Westwood
- 3 Sustainability and responsibility**
Adam Westwood
- 4 Strategic highlights**
Geoff Carter
- 5 Summary and outlook**
Geoff Carter
- 6 Q&A**
All

Overview and introduction

- Identified high inflation quickly and took rapid pricing and reserving action
- Returned to growth in 2022, driven by Motorcycle and Taxi business
- Underwriting profit achieved despite strain on loss ratio
- Strong capital position allows payment of final dividend
- Positioned well for growth in Motor book in 2023 if market pricing increases sustain

Financial results for the year ended 31 December 2022

Adam Westwood

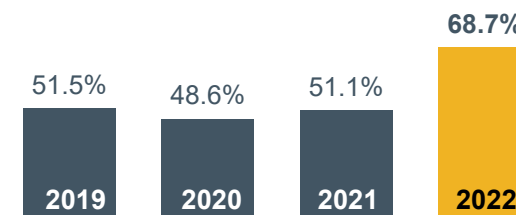
Sabre
INSURANCE

Results summary

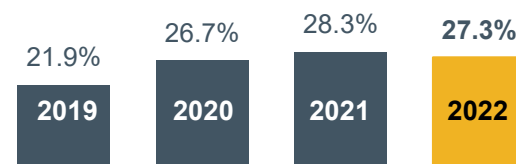
FY 2022 financial performance

	FY 2022	FY 2021
Gross written premium	£171.3m	£169.3m
Net earned premium	£153.2m	£145.4m
Combined ratio	96.0%	79.4%
Investment return	£1.4m	£1.2m
Adjusted profit before tax	£12.8m	£37.2m
Adjusted profit after tax	£10.1m	£30.1m
Basic EPS	4.06p	12.09p
Final ordinary dividend	0.00p	4.70p
Special dividend	1.70p	4.60p
Dividend for the year	4.50p	13.00p
Solvency coverage ratio (pre-dividend)	161.4%	207.9%
Solvency coverage ratio (post-dividend)	153.8%	164.0%
Return on tangible equity	12.4%	29.2%

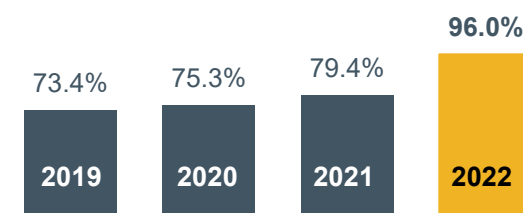
NET LOSS RATIO %



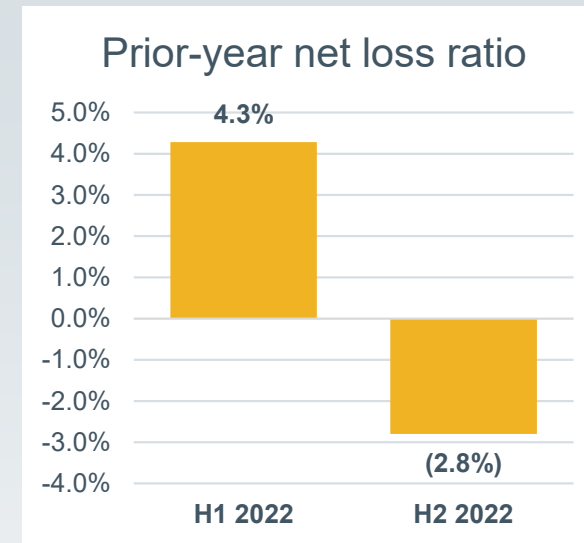
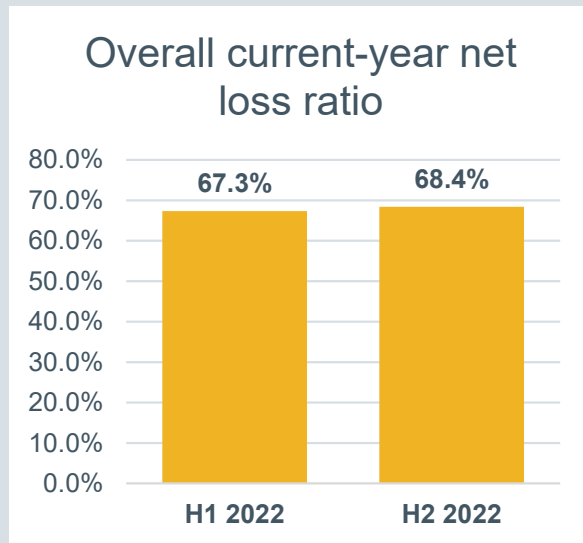
EXPENSE RATIO %



COMBINED OPERATING RATIO %



Underwriting performance

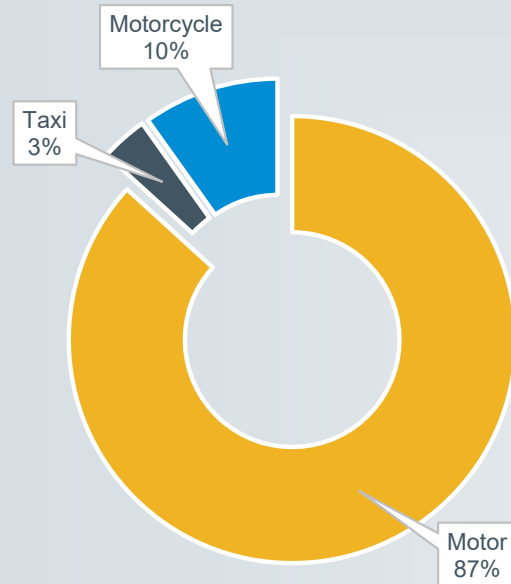


- Exceptional increase in inflation impacted across the portfolio
- Reserve strengthening in H1 not required in H2
- Motor net loss ratio improved significantly in H2
- Current-year loss ratio in H2 more heavily impacted by Motorcycle and Taxi than H1
- Expense ratio improved to 27.3% (2021: 28.3%)

NB: 'Motor' refers to all business which is not Motorcycle or Taxi

Underwriting performance

2022 Net Earned Premium By Product

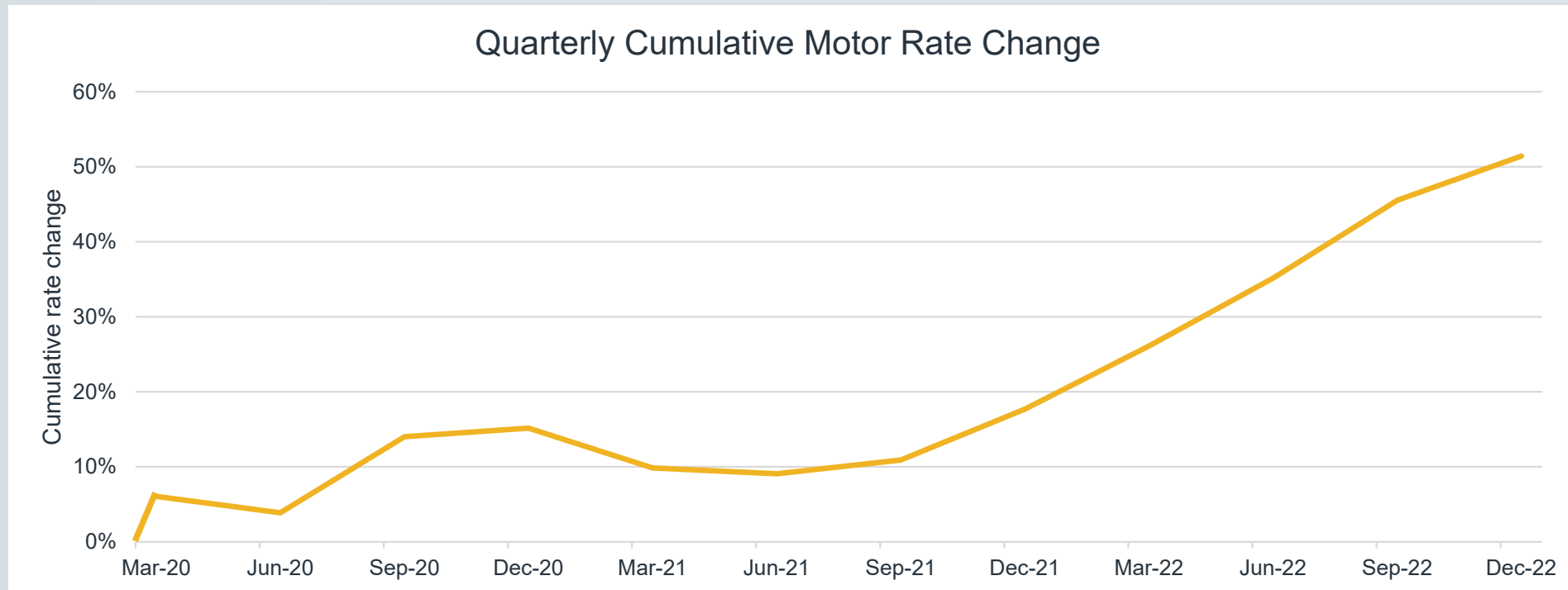


- Motor, the largest product line, has performed well in the market context
- Motorcycle and Taxi form a relatively small part of book
- Performance for Motorcycle and Taxi business worse than planned, with some expected year-one strain
- Small number of large claims against low earned premium, and introduction of rating enhancements throughout the year
- Significant pricing action taken, which we anticipate to bring these loss ratios down materially in 2023

	2022				2021
	Motor	Motorcycle	Taxi	All lines	All lines
Gross written premium	£134.9m	£23.1m	£13.3m	£171.3m	£169.3m
Net earned premium	£132.9m	£15.1m	£5.2m	£153.2m	£145.4m
Current-year loss ratio	60.4%	118.0%	112.8%	67.9%	56.0%
Prior-year loss ratio	1.1%	0.4%	(6.0%)	0.8%	(4.9%)
Financial year loss ratio	61.5%	118.4%	106.8%	68.7%	51.1%
Policy count	217,397	74,192	12,398	303,987	296,621

Increasing rates to maintain profitability

We have increased Motor prices by over 30% since January 2022, and 50% since January 2020

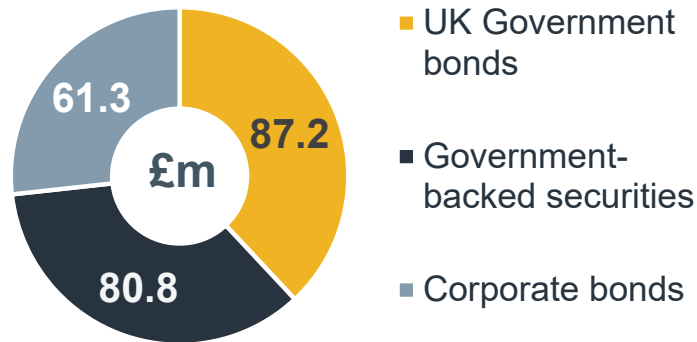


We have deployed significant rate increase across the Motor book throughout 2022 in order to cover inflation

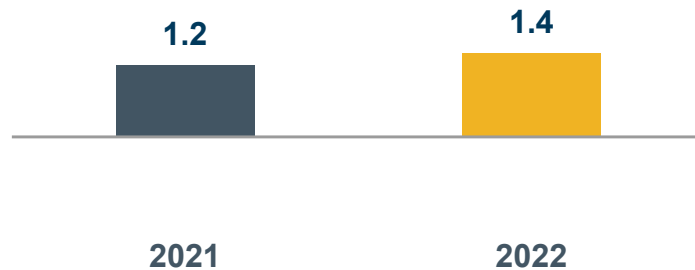
We have substantially increased rates across the Motorcycle and Taxi lines

Conservative approach to risk

Investment portfolio breakdown



Investment return evolution (£m)

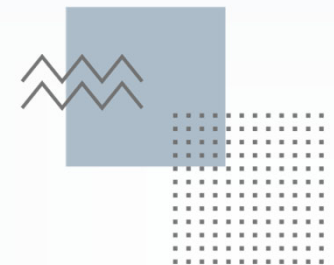


- Investment portfolio includes:
 - UK Government bonds
 - Other government backed assets
 - High quality corporate bonds
- No realised loss across portfolio in 2022
- All bonds investment-grade
- Investment return will remain a supplementary element of our income
- Investment return represents effective interest on buy-and-hold portfolio
- Investment portfolio c.£229m (2021: c.£235m)

Dividend and capital generation

- We continue to benefit from strong profitability and an efficient capital model
- Year-end solvency pre-dividend ratio of 161%
- Dividend policy is to pay an ordinary dividend of 70% of profit after tax
- Special dividend reflects return of excess capital, with retained capital intended to fund growth
- Post dividend capital ratio of 154%, comfortably within our preferred range of 140% to 160%

Total dividend of 4.5p per share, including the interim dividend of 2.8p already paid



IFRS 17

- Expect low impact on earnings in future years
- Will apply full premium allocation approach
- Intend to defer underwriting and selling costs
- Discounting of claims liabilities likely consistent with peers
- Relatively small impact on opening balance sheet, reduction in IFRS net assets expected
- Minimal impact on KPI's, will update further at HY 2023

Limited impact on solvency position or capital available for distribution

Sustainability and responsibility

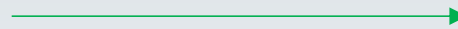
Adam Westwood



Driving down our carbon footprint

- Have maintained our net-zero ambition

Operationally carbon
neutral by
2030



Net-zero emissions by
2050

- Sabre generally well-insulated from short and medium term risks
- Strategic challenge to address risks presented by long-term transition to low-carbon economy
- Opportunities presented by emerging products and evolving technology



Strategic highlights

Geoff Carter



Looking back on 2022

- A challenging year with an extraordinary rapid increase in inflation
- We made an early call and took an assertive rating response
- Good Motor loss ratio in year – albeit poor by our own standards
- Motorcycle and Taxi launched, reviewed and evolved
- Both products experienced “new product strain” largely confined to 2022
- Rigorous application of our “profitability is a target, volume an output” strategy
- In the face of undisciplined market pricing, we allowed Motor business to shrink in 2022, which has delivered a profitable performance

The Motor insurance market in 2022

Premium pricing

- Market loss ratio pain during 2022 impacted by residual effects of over-discounting during COVID-19 and beyond
- Some in the market may have over-discounted for benefits from whiplash reforms and post-COVID-19 frequency benefits
- Have seen signs of pricing increases in late 2022 into 2023

Claims inflation

- Claims inflation peaked at c.12% for 2022
- Expect 2023 claims cost inflation to remain high



Motorcycle and Taxi

- In-year performance for the early stage Motorcycle and Taxi business was below expectation due to inflation, and
 - some large losses causing greater drag than expected on Taxi, with low earned premiums
 - higher Motorcycle loss ratio on business written prior to our more sophisticated pricing and rating being fully embedded
- Our underwriting actions and the significant pricing action taken in 2022 is anticipated to bring these loss ratios down materially in 2023
- Motorcycle portfolio now being written in-line with our profitability targets
- Going forward we expect the Motorcycle product will be smaller but profitable

Overall we believe these products will be highly attractive contributors to premium and profit

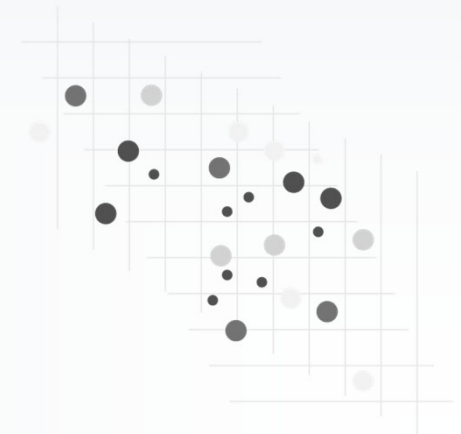
We have entered new markets at pace, scale and with very limited costs, and expect to deliver attractive profits in 2nd full year

Cost inflation during 2022 and beyond

		2022: c.12%	2023: c.10%
Claims inflation	Parts inflation	<ul style="list-style-type: none"> Running at c.10% 	<ul style="list-style-type: none"> Shows little sign of reducing Continue at c.10% on medium term Parts availability increases
	Paint inflation	<ul style="list-style-type: none"> Up to 15% during 2022 	<ul style="list-style-type: none"> Continue at c.15% during 2023
	Labour and repair costs	<ul style="list-style-type: none"> Previously around 7% 25% increase in ABP labour rates 	<ul style="list-style-type: none"> With increase in credit repair, and ongoing labour rate pressure potentially c.10% Inflation softening in labour rates
	Used car values	<ul style="list-style-type: none"> Slight reduction, then flattened 	<ul style="list-style-type: none"> Minor reductions on some vehicles types
	Injury	<ul style="list-style-type: none"> Pressure on care costs General damages at RPI Uncertainty regarding OIC 	<ul style="list-style-type: none"> Continued pressure on care costs Further increase on general damages Supreme court ruling creates further uncertainty in OIC
	Mobility costs	<ul style="list-style-type: none"> No reduction in hire periods 12% increase on prior year 	<ul style="list-style-type: none"> Potential improvements in hire periods, as parts supply improves
Other costs		<ul style="list-style-type: none"> Reinsurance costs 15%+ MIB levy 20%+ Economic inflation begins to impact 	<ul style="list-style-type: none"> Continued pressure on market reinsurance rates Wage inflation and CPI/RPI-linked contract cost increases

Strategic developments in 2023

- Expect to deploy a new direct platform in mid 2023. Primary focus is to migrate the majority of customer interactions on-line and re-invest savings into price
- Initial roll-out of Insurer Hosted Pricing ('IHP') mid-year, which will allow us to avoid 'software house' rating restrictions and begin to implement more sophisticated rating enhancements
- The roll-out of initiatives in mid-2023 will primarily benefit 2024 results



What might happen?

Possible positive factors



- Under-pricing by some competitors in prior periods bites
- Rational market pricing
- Inflation softens
- Competitor Market exits
- Sabre: Insurer hosted pricing
- Sabre: New direct platform

Challenges



- Some competitors lose discipline to chase volumes
- Undisciplined market entrant
- OIC Supreme court judgment appeal – delays & cost inflation
- Inflation above expectations

Sabre's base case

Ability for below-market price increases due to early action taken on pricing allowing Sabre to grow or increase prices further to enhance margin

Our people and customers

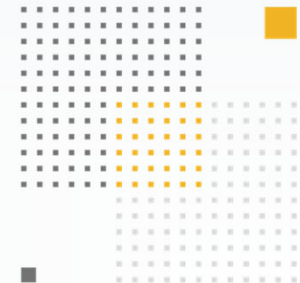
Our people

- Continue to benefit from very low staff turnover, and have been recruiting into areas to support future developments
- Have continued to pay bonuses in 2022 (albeit at reduced levels) and have sought to assist with the increasing 'cost of living' with additional payments across the winter period
- Have rolled out a range of enhancements, including self service HR platform, employee benefit schemes, electric car schemes
- Completing a full building refurbishment to create a modern working environment

Our people and customers

Our customers

- Look to improve customer service through enhanced technology
- Processes to identify customer vulnerabilities, including where this relates to increased cost of living, and adapt processes appropriately
- Continue to experience very low levels of complaints and seeking to assist customers where issues are caused by elongated repair times



Summary and outlook

Geoff Carter

Sabre
INSURANCE

Looking forward

- Whilst managing the impacts of inflation, we have also focused on developments to drive future success
- Maintaining price discipline means we continue to anticipate growth as the market hardens and we do not need to increase prices by the same extent
- Recent 2023 volumes are encouraging in this context
- IHP will allow for more sophisticated pricing and facilitate future developments
- Currently we supply less than 1% of market. There is considerable scope for organic growth while maintaining our traditional footprint
- Partnership opportunities continue to be presented to us. We will maintain a high hurdle and ensure that any new opportunities do not distract from our focus on the core business

Outlook

Premium volume

The year so far

- Motor - Q1 2023 premium up on Q4 2022, with accelerating volumes in recent weeks
- Motorcycle - strong start to the year after a seasonally lower Q4 2022 and high renewals following high volume of premium in Q1 2021
- Taxi - Q1 2023 volumes expected to be at similar levels to Q4 2022

Looking forward

- Expect to increase volumes on Motor, but possibly decrease the Motorcycle book as our pricing increases take hold
- As the market was slow to increase prices in 2022 our “exit volume” is lower than hoped which will impact 2023 from an earned premium perspective
- Overall, base case of low double-digit growth in Motor in 2023 and enhanced margins

Outlook

Other income

- Increase in investment return due to strengthening reinvestment yield

Combined operating ratio

- Expect improved loss ratios on Motor, Motorcycle and Taxi business
- Anticipate some deterioration in expense ratio in 2023 due to earned premium increase falling behind cost inflation
- There will be some residual impact from 2022 into next year's result as rate enhancements earn through
- Current central view of overall COR will fall to high 80%'s to 90% for 2023
- Organic growth as market hardens, combined with rollout of our own initiatives, leaves us confident of delivering an attractive COR and dividends as we grow

Q&A

Geoff Carter, Adam Westwood,
Matt Wright, Trevor Webb

Appendices

Reconciliation to KPIs

Gross earned premium	2022 £'k	2021 £'k	2020 £'k
Gross written premium	171,257	169,322	173,235
Movement in unearned premium reserve	6,918	(3,426)	12,527
Gross earned premium	178,175	165,896	185,762

Adjusted Profit Before Tax	2022 £'k	2021 £'k	2020 £'k
Profit before tax	12,750	37,199	49,122
<i>Add:</i>			
Amortisation of intangible assets	-	-	-
Exceptional items	-	-	-
Adjusted profit before tax	12,750	37,199	49,122

Adjusted Profit After Tax	2022 £'k	2021 £'k	2020 £'k
Profit after tax	10,107	30,140	39,798
<i>Add:</i>			
Amortisation of intangible assets	-	-	-
Exceptional items	-	-	-
Tax on exceptional items	-	-	-
Adjusted profit after tax	10,107	30,140	39,798

Reconciliation to KPIs

Net Loss Ratio	2022	2021	2020
	£'k	£'k	£'k
Net insurance claims	112,799	81,015	88,110
<i>Less: Claims handling expenses</i>	<i>(7,613)</i>	<i>(6,767)</i>	<i>(7,637)</i>
Net claims incurred	105,186	74,248	80,473
Net earned premium	153,218	145,442	165,707
Net loss ratio	68.7%	51.1%	48.6%

Expense Ratio	2022	2021	2020
	£'k	£'k	£'k
Total expenses	34,149	34,444	36,670
<i>Plus: Claims handling expenses</i>	<i>7,613</i>	<i>6,767</i>	<i>7,637</i>
Net operating expenses	41,762	41,211	44,307
Net earned premium	153,218	145,442	165,707
Expense ratio	27.3%	28.3%	26.7%

Combined Operating Ratio	2022	2021	2020
	£'k	£'k	£'k
Total expenses	34,149	34,444	36,670
Net insurance claims	112,799	81,015	88,110
	146,948	115,459	124,780
Net earned premium	153,218	145,442	165,707
Combined operating ratio	96.0%	79.4%	75.3%

Reconciliation to KPIs

Solvency Coverage Ratio – Pre-Dividend

	2022 £'k	2021 £'k	2020 £'k
Solvency II net assets	91,191	110,114	122,500
Solvency capital requirement	56,516	52,955	60,327
Solvency coverage ratio – pre-dividend	161.4%	207.9%	203.1%

Solvency Coverage Ratio – Post-Dividend

	2022 £'k	2021 £'k	2020 £'k
Solvency II net assets	91,191	110,114	122,500
Less: Final dividend	(4,250)	(23,250)	(29,250)
Solvency II net assets (post dividend)	86,941	86,864	93,250
Solvency capital requirement	56,516	52,955	60,327
Solvency coverage ratio – post-dividend	153.8%	164.0%	154.6%

Return on Tangible Equity

	2022 £'k	2021 £'k	2020 £'k
IFRS net assets at year end	222,496	252,727	266,400
Less:			
Goodwill at year end	(156,279)	(156,279)	(156,279)
Closing tangible equity	66,217	96,448	110,121
Opening tangible equity	96,448	110,121	111,138
Average tangible equity	81,333	103,285	110,630
Adjusted profit after tax	10,107	30,140	39,798
Return on tangible equity	12.4%	29.2%	36.0%

Reconciliation to KPIs

Dividend payout ratio	2022	2021	2020
	£'k	£'k	£'k
Adjusted profit after tax	10,107	30,140	39,798
<i>Dividend declared in respect of the financial year</i>	11,250	32,500	53,000
2019 deferred special dividend	-	-	(13,000)
Effective dividend declared in respect of the financial year	11,250	32,500	40,000
Dividend payout ratio	111.3%	107.8%	100.5%

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 2022 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.