

Half-year results

30 June 2023

Sabre
INSURANCE

Presenters and Q&A

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Today's agenda

- 1 Highlights**
Geoff Carter
- 2 Summary of trading**
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

- Strategy playing out as planned as market hardens
- Positive momentum in market pricing in core Motor
- Sabre able to grow policy volume and premium as competitors correct prices to reflect current and historic inflation
- Claims inflation remains high, and we stick to our previous estimate of c.10% across 2023
- Direct system re-platforming deployed on-time and on-budget. Already providing an enhanced customer experience
- First stages of insurer-hosted pricing deployment successfully completed
- Motorcycle and Taxi maturing and developing. Will be a profitable part of the company's future
- MCE administration will not have a material impact on premium or profit delivery

Financial Highlights

- Strong growth in core Motor book, at same time as enhancing margins
- Growth has accelerated in recent weeks. Weekly core motor premium in excess of 50% higher year-on-year
- Core product net loss ratio returning to historical position
- H1 gross written premium for core Motor 19% higher than H1 2022 and 27% higher than H2 2022
- Loss ratio of 55.8% in Motor (H1 2022: 60.9%)
- Motorcycle maturing as planned and anticipated to deliver profit in 2023
- Taxi in development phase. Small part of Sabre's portfolio and new business being written in line with loss ratio targets. Plan for positive contribution in 2024
- Motorcycle and Taxi net loss ratios 60.5% and 120.8% respectively (H1 2022: 109.1% and 107.0%)
- Expense ratio up vs historic norms at 31.7% (H1 2022: 27.2%) reflective of low premium in previous period earning-through not offsetting operational expense inflation, and some development expenditure

Summary of trading for the half-year ended 30 June 2023

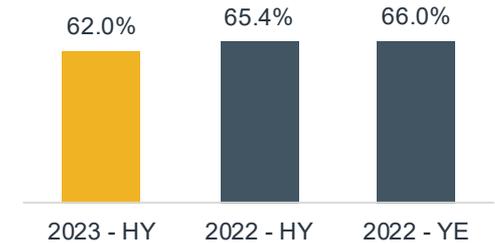
Adam Westwood

Half-year 2023 financial performance

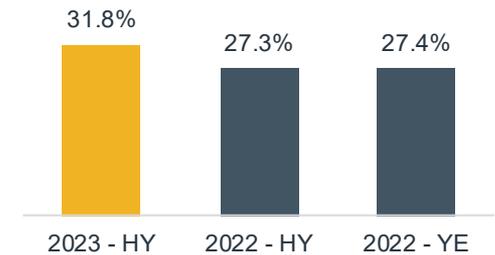
HY 2023 financial performance

	Restated under IFRS 17		
	Unaudited 2023 - HY	Unaudited 2022 - HY	Unaudited 2022 - YE
Gross written premium	£99,500k	£91,800k	£171,300k
Net earned premium	£71,834k	£77,507k	£153,219k
Net loss ratio	62.0%	65.4%	66.0%
Expense ratio	31.8%	27.3%	27.4%
Combined operating ratio	93.8%	92.7%	93.4%
Net profit margin	8.3%	9.3%	8.6%
Profit before tax	£4,842k	£8,569k	£14,023k
Profit after tax	£3,822k	£6,692k	£11,081k
Interim dividend per share	0.9p	2.8p	2.8p
Special dividend per share	n/a	n/a	1.7p
Solvency coverage ratio (pre-interim/final dividend)	173.0%	173.2%	161.4%
Solvency coverage ratio (post-interim/final dividend)	169.0%	159.7%	153.8%

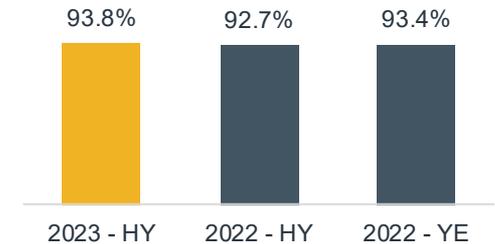
Net loss ratio



Expense ratio

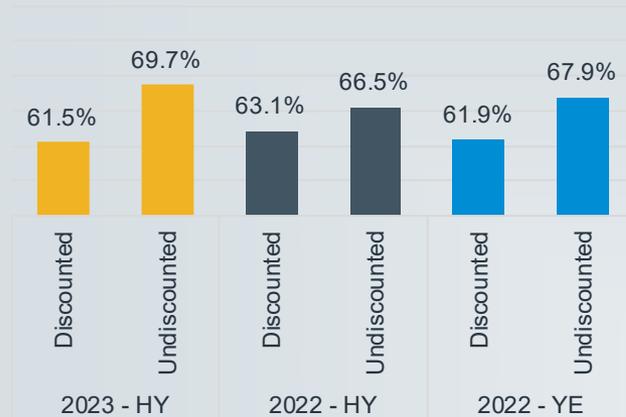


Combined operating ratio

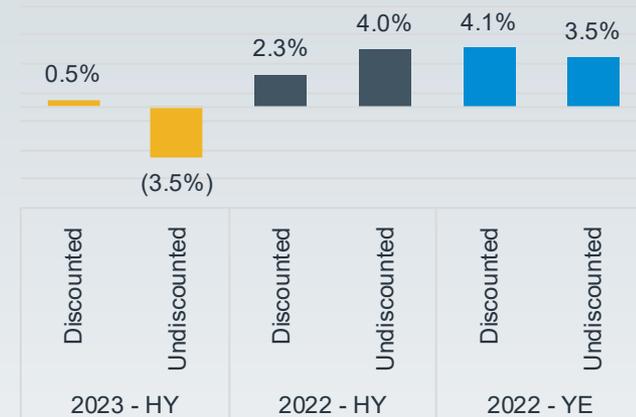


Underwriting performance

Current year net loss ratio



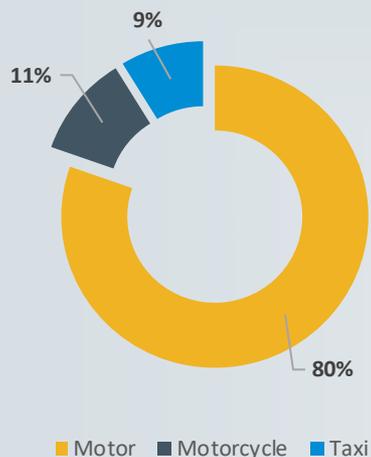
Prior year net loss ratio



- Improvement in current-year profitability following more stable inflationary environment and pro-active price increase
- Expense ratio increased to 31.7% (2022 FY: 27.3%) due to low earned premium set against inflation in operating expenditure and some additional project expenditure in H1
- Prior-year result more volatile on discounted basis. Undiscounted shows real reserve movement in period

Underwriting by product

30 June 2023 net earned premium by product



- Core Motor continues to perform well and has grown premium and policy count during Q2 2023
- Motorcycle profitability has improved as rating adjustments earned through
- Very little financial impact from MCE broker administration. We continue to support customers
- Taxi remains a drag on profitability in H1 2023 although small and expected to improve in H2 and beyond

	30 June 2023				31 December 2022			
	Motor	Motorcycle	Taxi	All lines	Motor	Motorcycle	Taxi	All lines
Gross written premium	£83.0m	£9.1m	£7.4m	£99.5m	£134.9m	£23.1m	£13.3m	£171.3m
Net earned premium	£57.7m	£7.8m	£6.3m	£71.8m	£132.9m	£15.1m	£5.2m	£153.2m
Net loss ratio	55.8%	60.5%	120.8%	62.0%	59.0%	113.4%	107.0%	66.0%
Policy count	211,705	48,317	13,610	273,632	217,397	74,192	12,398	303,987

Product maturity

Product	Current Status	Outlook
Core Motor	<p><i>Established product</i></p> <ul style="list-style-type: none"> – Strong premium growth, and pricing increases implemented to cover inflation and enhance margin 	<ul style="list-style-type: none"> – More profitable year than 2022, with loss ratio near historic target levels
Motorcycle	<p><i>Maturing product</i></p> <ul style="list-style-type: none"> – Good premium levels and written business loss ratios in line with target 	<ul style="list-style-type: none"> – Profitable 2023 performance, moving towards target performance in 2024 as earned premium and claims settlements mature – Reviewing additional distribution opportunities
Taxi	<p><i>Developing product</i></p> <ul style="list-style-type: none"> – Premium levels being restricted due to market dynamics – Extensive underwriting action in H1 23 – New business being written at near target loss ratios. 	<ul style="list-style-type: none"> – 2023 performance will reflect level of maturity – 2024 likely to be a profitable performance, moving towards target profit levels in 2025 as underwriting initiatives earned premium and claims settlements mature

IFRS 17

- IFRS 17 designed to apply a consistent set of principles for all aspects of accounting for insurance contracts
- Has created significant changes to presentation of the accounts and in some cases changed phrasing of profits
- We expect this to impact different insurers in different ways
- Standard allows for some simplifications which primarily benefit short-term insurers (like Sabre)
- Largest impact on Sabre is discounting of claims reserves
- Little or no impact on capital expected for non-life insurers
- No impact on overall income or claims on any insurance policy – just timing of earnings

IFRS 17

Reconciliation of net assets

	£'k
IFRS 4 - Net assets as at 31 December 2022	222,496
Valuation differences, including discounting	15,960
Change in insurance acquisition cash flows	(7,474)
Taxation impact	(1,993)
IFRS 17 - Net assets as at 31 December 2022	228,989

- Key differences in risk adjustment and discounting
- Change in deferral of costs has minimal impact on profit
- Limited impact on solvency and dividend-paying ability
- Further explanation in CFO report

The UK motor insurance market

Geoff Carter



Market backdrop

- Market pricing appears to have recovered from low-point
- Market pricing increases from March 2023 onwards, and accelerating in recent months
- Believe that many competitors have not fully caught up with past and current inflation – so market prices should continue to increase
- Claims inflation remains high – we still expect annual claims inflation in the region of 10%
- Anticipate some slow-down in overall inflation in future periods
- Some uncertainty around small personal injury following industry appeal against valuations following reforms. Supreme Court to review position in Q1 2024, may not know the outcome until Q2 2024

Sabre actions taken

We have increased core Motor prices by over 40% since January 2022, and 17% since January 2023



We have deployed significant rate increase across the core Motor book throughout 2023 in order to cover inflation and recover margins to historic levels

What might happen? Updated Half year position

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 X
- Undisciplined market entrant ?
- OIC Supreme court judgment appeal – delays & cost inflation?
- Inflation above expectations X

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 ✓

Current market issues

Positives



- Accelerating motor insurance pricing
- Managing General Agents struggling for capacity reduces competition
- Competitor profit challenges continue into 2024 given late rating moves
- Pressure on supply chain easing
- Inflation in labour rates softening

Risks/issues



- Market hardening runs out of steam
- Cost of living challenges impact e.g., fraud
- Inflation in operating expenditure as contracts renew on CPI basis
- Uncertainty around small injury claims pending Supreme Court ruling
- Ogden rate change

Sabre priorities

- Enhance customer experience
 - Continue to deliver good outcomes for all our customers in-line with Consumer Duty rules
- Optimise direct business profitability and customer servicing
 - Assess and invest benefits of new direct system allowing lower-cost and more customer-friendly direct servicing
- Expand core product rating capability
 - Build on market-leading pricing
 - Insurer-hosted pricing allows enhanced pricing delivery
- Evaluate Motorcycle distribution
 - Engage with further brokers

Summary and outlook

Geoff Carter



Summary and outlook

- Having managed-through the challenges of inflation and launching new products, we are in a strong position for H2 2023 and beyond
- Current trading suggests full-year core Motor gross written premium 25% to 30% above 2022
- Motorcycle and Taxi premium for H2 2023 expected to be similar or slightly below H2 2022
- *Positive challenge* of higher than anticipated growth will generate some growth strain in 2023, alongside loss ratio strain on Taxi in H1
- Combined operating ratio guidance at the upper end of 85% to 90% range, reflecting the net effect of Taxi performance, additional growth strain, discounting under IFRS 17 and an emerging strong July result
- Continue to expect strong recovery in profitability to continue into 2024 as earned premiums grow strongly at attractive margins and Motorcycle and Taxi mature into profitable contributions

Q&A

Geoff Carter, Adam Westwood,
Matt Wright, Trevor Webb

Appendices

Reconciliation to KPIs

Gross written premium

	Unaudited 6 months ended 30 June 2023	Unaudited 6 months ended 30 June 2022	Unaudited 12 months ended 31 December 2022
Insurance revenue	86,119	90,818	181,477
Less: Instalment income	(1,630)	(1,771)	(3,300)
Less: Movement in unearned premium	14,976	2,735	(6,920)
Gross written premium	99,465	91,782	171,257

Net loss ratio

	Unaudited 6 months ended 30 June 2023	Unaudited 6 months ended 30 June 2022	Unaudited 12 months ended 31 December 2022
Insurance service expense	66,628	53,990	126,606
Less: Amortisation of insurance acquisition cash flows	(6,636)	(6,626)	(12,943)
Less: Amounts recoverable from reinsurers for incurred claims	(12,498)	6,533	(6,305)
Less: Directly attributable claims expenses	(2,991)	(3,207)	(6,210)
Net claims incurred	44,503	50,690	101,148
Insurance revenue	86,119	90,818	181,477
Less: Instalment income	(1,630)	(1,771)	(3,300)
Less: Reinsurance expense	(12,655)	(11,540)	(24,958)
Net earned premium	71,834	77,507	153,219
Net claims incurred	44,503	50,690	101,148
Net earned premium	71,834	77,507	153,219
Net loss ratio	62.0%	65.4%	66.0%

Reconciliation to KPIs

Expense ratio

	Unaudited 6 months ended 30 June 2023	Unaudited 6 months ended 30 June 2022	Unaudited 12 months ended 31 December 2022
Other operating expenses	13,243	11,362	22,815
Add: Amortisation of insurance acquisition cash flows	6,636	6,626	12,943
Add: Directly attributable claims expenses	2,991	3,207	6,210
Total operating expenses	22,870	21,195	41,968
Insurance revenue	86,119	90,818	181,477
Less: Instalment income	(1,630)	(1,771)	(3,300)
Less: Reinsurance expense	(12,655)	(11,540)	(24,958)
Net earned premium	71,834	77,507	153,219
Total operating expenses	22,870	21,195	41,968
Net earned premium	71,834	77,507	153,219
Expense ratio	31.8%	27.3%	27.4%

Combined operating ratio

	Unaudited 6 months ended 30 June 2023	Unaudited 6 months ended 30 June 2022	Unaudited 12 months ended 31 December 2022
Net loss ratio	62.0%	65.4%	66.0%
Expense ratio	31.8%	27.3%	27.4%
Combined operating ratio	93.8%	92.7%	93.4%

Reconciliation to KPIs

Undiscounted net loss ratio

	Unaudited 6 months ended 30 June 2023	Unaudited 6 months ended 30 June 2022	Unaudited 12 months ended 31 December 2022
Net claims incurred	44,503	50,690	101,148
Add: Net impact of discounting	3,045	3,956	8,278
Undiscounted net claims incurred	47,548	54,646	109,426
Net earned premium	71,834	77,507	153,219
Undiscounted net loss ratio	66.2%	70.5%	71.4%

Undiscounted combined operating ratio

	Unaudited 6 months ended 30 June 2023	Unaudited 6 months ended 30 June 2022	Unaudited 12 months ended 31 December 2022
Undiscounted net loss ratio	66.2%	70.5%	71.4%
Expense ratio	31.8%	27.3%	27.4%
Undiscounted combined operating ratio	98.0%	97.8%	98.8%

Reconciliation to KPIs

Net profit margin

	Unaudited 6 months ended 30 June 2023	Unaudited 6 months ended 30 June 2022	Unaudited 12 months ended 31 December 2022
Net claims incurred	44,503	50,690	101,148
Total operating expenses	22,870	21,195	41,968
Total insurance expense	67,373	71,885	143,116
Insurance revenue	86,119	90,818	181,477
Less: Reinsurance expense	(12,655)	(11,540)	(24,958)
Net insurance revenue	73,464	79,278	156,519
Net profit margin	8.3%	9.3%	8.6%

Solvency coverage ratio - pre-dividend

	Unaudited at 30 June 2023	Unaudited at 30 June 2022	Unaudited at 31 December 2022
Solvency II net assets	97,091	90,203	91,191
Solvency capital requirement	56,113	52,090	56,516
Solvency coverage ratio - pre-dividend	173.0%	173.2%	161.4%

Solvency coverage ratio - post-dividend

	Unaudited at 30 June 2023	Unaudited at 30 June 2022	Unaudited at 31 December 2022
Solvency II net assets	97,091	90,203	91,191
Less: Interim/Final dividend	(2,250)	(7,000)	(4,250)
Solvency II net assets - post-dividend	94,841	83,203	86,941
Solvency capital requirement	56,113	52,090	56,516
Solvency coverage ratio - post-dividend	169.0%	159.7%	153.8%

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