Full year results 2022

Delivered growth and profitability despite challenging market conditions. Well-positioned to recover margins, whilst growing further, thanks to assertive rating response and focused strategy

Sabre Insurance Group plc (the "Group", or "Sabre"), one of the UK's leading motor insurance underwriters, reports its results for the year ended 31 December 2022.

SUMMARY OF RESULTS

	Year to 31 December 2022	Year to 31 December 2021
Gross written premium	**£171.3m**	£169.3m
Net loss ratio	**68.7%**	51.1%
Expense ratio	**27.3%**	28.3%
Combined operating ratio	**96.0%**	79.4%
Adjusted profit before tax	**£12.8m**	£37.2m
Profit before tax	**£12.8m**	£37.2m
Adjusted profit after tax	**£10.1m**	£30.1m
Profit after tax	**£10.1m**	£30.1m
Total dividend per share	**4.50p**	13.0p
Return on tangible equity (annualised)	**12.4%**	29.2%
Solvency coverage ratio (pre-interim/final dividend)	**161.4%**	207.9%
Solvency coverage ratio (post-interim/final dividend)	**153.8%**	164.0%

Geoff Carter, Chief Executive Officer of Sabre, said:

"Whilst the 2022 result is disappointing by our own standards, due to the impacts of extraordinary levels of inflation, I am hugely encouraged by how quickly we identified and corrected for these challenges, and the strong foundation we have maintained. The actions we have taken have enabled us to grow supplementary product lines, deliver a profit and announce a special dividend in what has been a highly challenging market. I believe our performance is highly creditable in a market context.

Our rapid response and focus mean that we still delivered a very strong financial year loss ratio of 61.5% on our Motor book, and the new Motorcycle and Taxi portfolios are firmly on track to deliver a meaningful contribution to profit. We remain pleased with these new partnerships.

In recent weeks we are seeing some encouraging evidence of market price increases resulting in weekly premium growth on the Motor line, and we are already benefitting from improving loss ratios across the portfolio.

As we move through 2023, and earn out the inflation and new-product strain on Motorcycle & Taxi, we are confident we will be able to build the business profitably into the medium-term through a combination of organic growth if market price increases sustain, and our own development initiatives.

We will continue to focus rigorously on treating volume as an output, and not a target, and on maintaining our historic strengths. I look forward to reporting on our progress."

STRATEGIC HIGHLIGHTS

- Continued adherence to strategic principles of underwriting discipline, controlled growth when market conditions allow and maintaining a wide underwriting footprint
- Maintained profitable footprint in Motor business through enhancement of rating factors, while significantly enhancing position in Taxi and Motorcycle markets
- Anticipating deployment of a new direct platform in mid-2023, with a primary focus of migrating online the majority of customer interactions and re-investing savings into price
- Expecting mid-2023 initial rollout of Insurer Hosted Pricing ('IHP'), which will allow us to avoid 'software house' rating restrictions and begin to implement more sophisticated rating enhancements at pace

FINANCIAL HIGHLIGHTS

- Dividend of 4.5p, consisting of the full-year payment of 1.7p and interim dividend of 2.8p, in line with the dividend policy, which is to distribute 70% of profit after tax plus excess capital
- Strong capital generation led to a pre-dividend solvency capital ratio of 161.4%, and a post-dividend solvency capital ratio of 153.8%, comfortably within our target range of 140% to 160%
- Year-on-year growth in gross written premium driven by motorcycle and taxi business, with motor book remaining supressed in 2022 due to continued market-wide under-pricing
- Profit before tax of £12.8m (2021: £37.2m), the year-on-year decrease primarily a result of pressure on loss ratio due to rapid, unexpected inflation
- In-year performance for the early stage Motorcycle and Taxi business was below expectation, with a drag from a limited number of large losses against a relatively low earned premium on Taxi, and 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 are anticipated to bring these loss ratios down materially in 2023

MARKET PRICING

- Despite some market rate increases towards the end of 2022 and into 2023, our view is that the motor market remains under-priced and that a material correction is necessary
- Maintained a disciplined approach to pricing throughout the year, deploying significant rate increase of c.30% in 2022, and c.50% since January 2020, across the Motor book in order to cover inflation and improve loss ratio

OUTLOOK

- Expecting to see an improvement in loss ratios across our Motor, Motorcycle and Taxi business in the year ahead
- Having allowed Motor business to shrink in 2022 against a back-drop of undisciplined market pricing, we anticipate a return to growth in our traditional market in 2023 if more robust market pricing seen in recent weeks sustains
- Overall combined operating ratio is predicted to fall to between 85% and 90% for 2023. Improvements in loss ratio are expected to be partially offset by strain on expenses due to residual impact of high inflation. We remain focussed on minimising these impacts
- Post-dividend capital ratio is expected to grow as we earn through profitable business in 2023
- The roll-out of new initiatives in mid-2023 likely to benefit GWP and loss ratio in 2024

ENQUIRIES

Sabre Insurance Group Geoff Carter, Chief Executive Officer Adam Westwood, Chief Financial Officer	**0330 024 4696**
Tulchan Communications James Macey White Eleanor Pomeroy	**020 7353 4200**

ANALYST PRESENTATION

Sabre Insurance - 2023 Full Year Results – webcast & conference call

Date: 14 March 2023

Time: 9:30 am

Please join the event 5-10 minutes prior to scheduled start time. When prompted, provide the confirmation code or event title.

Event Title:	Sabre Full Year Results
Time Zone:	Dublin, Edinburgh, Lisbon, London
Start Time/Date:	09:30 Tuesday, March 14, 2022
Duration:	60 minutes
Password:	Quote ‘Sabre Full Year Results’ when prompted by the operator

Webcast: https://stream.brrmedia.co.uk/broadcast/63d29bae777efd4a8b5165b1

Location	Phone Type	Phone Number
United Kingdom, Local	Local	+44 (0) 33 0551 0200

A replay will be made available on the Sabre website following the conclusion of the presentation.

This announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) No 596/2014.

DIVIDEND TIMETABLE

Ex-dividend date:	20 April 2023
Record date:	21 April 2023
Payment date:	1 June 2023

FORWARD-LOOKING STATEMENTS DISCLAIMER

Cautionary statement

This announcement may include statements that are, or may be deemed to be, “forward-looking statements”. These forward-looking statements may be identified by the use of forward-looking terminology, including the terms “believes”, “estimates”, “plans”, “projects”, “anticipates”, “expects”, “intends”, “may”, “will” or “should” or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts and involve predictions. Forward-looking statements may and often do differ materially from actual results. Any forward-looking statements reflect Sabre’s current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to Sabre’s business, results of operations, financial position, prospects, growth or strategies and the industry in which it operates.

Forward-looking statements speak only as of the date they are made and cannot be relied upon as a guide to future performance. Save as required by law or regulation, Sabre disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements in this announcement that may occur due to any change in its expectations or to reflect events or circumstances after the date of this announcement.

The Sabre Insurance Group plc LEI number is 2138006RXRQ8P8VKGV98.

CHIEF EXECUTIVE OFFICER'S REVIEW

Delivered growth and profitability despite challenging market conditions. Well-positioned to recover margins, whilst growing further, thanks to assertive rating and response and focused strategy.

Reflecting on my Review in the 2021 Annual Report, I was struck by the sense of optimism as we looked into 2022. We had remained consistent in our strategy of margin over volume, meaning that Sabre started to emerge from the trough of a cyclical soft market and on-going Pandemic issues with strong foundations in place. However, our industry – and many others – have since been impacted by the unforeseen, once-in-a-generation geopolitical event and subsequent extraordinary period of inflation.

The impacts of the rapid increase in inflation were as significant for motor insurance as the impact of the pandemic. While we addressed the inflationary impacts early and assertively – ahead of many of our peers – this backdrop has still led to a disappointing performance by our own standards. We do believe that our prompt action restricted some of the potentially very significant financial impacts from the rapid, unprecedented inflation, and we believe that Sabre will recover fairly rapidly towards our target levels of performance whilst still being able to capitalise on some exciting growth opportunities.

Looking back on 2022

The market backdrop has made 2022 a frustrating year. In the early stages of the year we saw market price increases emerging, which we believe was in response to the FCA pricing review. However, this encouraging positive trend was interrupted by events out of our control.

At the start of Q2 the unfortunate events in Ukraine led to the now well-publicised but unexpected and rapid increase in underlying cost inflation. We, along with the rest of the market, were then faced with a combination of challenges, either directly due to the conflict or as a residual consequence from either the pandemic or Brexit. These included:

- Inability to source parts for repairs, driving extended repair times and consequent increases in car hire costs
- Lack of new car supplies driving up used car prices – dramatically increasing the cost of theft and total losses
- Severe shortage of staff in the car repair and healthcare industries resulting in cost increases
- The need to reflect increased healthcare costs across all open claim reserves
- The fact that polices over the past 12 months had been priced against claims inflation assumptions which proved to be too low
- Other increases in overhead costs across the Group's operations

This required a one-off adjustment to our reserves and an increase in our (by market standards) already high claims inflation assumption.

Throughout, we have stuck rigorously to our underlying philosophy that to ensure long-term success, volume must be an output not a target. We have continued to have focus on ensuring all polices are priced correctly for the current environment. In order to meet rises in the cost of claims, we have increased prices by nearly 30% in 2022, and by over 50% since January 2020.

In 2022 we continued to expand our position in the motorcycle and taxi insurance markets through partnerships with MCE and Bennetts, and Freeway Insurance respectively. We regularly review new business opportunities but have a very high hurdle for returns before committing resources to them. These partnerships increase our long-term growth opportunities while maintaining margin discipline.

We saw benefits, in premium growth terms, from our new motorcycle and taxi partnerships in 2022. In some ways the timing was slightly unfortunate, in that we did not expect these to generate a significant contribution to profit in the first year, but did not anticipate the concurrent profit challenges on our motor book in the initial year of these relationships as well as the claims inflation impacts on these portfolios.

While we knew elements of the motorcycle book required extensive re-underwriting and pricing to get to a sustainably profitable level, the scale of this was greater than anticipated and so the product performed below expectations. However, our re-underwriting efforts have to date been successful and the product is now on a firm pathway to profitability in 2023. In conjunction with MCE insurance, we have since launched an innovative subscription (pay-by-mile) product for motorcyclists.

The taxi portfolio got off to a slightly slower than assumed start as our partner needed to re-platform their administration systems and they share our philosophy of writing for profit not volume in a difficult market. This re-platforming exercise is now complete and we focussing on capitalising on the growth opportunities ahead as rates in this market increase.

The overall impact of reduced 'core' motor volume meant these first-year products were a greater than planned proportion of our total business – putting additional pressure on the overall loss ratio.

Given the extraordinary market challenges the business had to operate within, I am pleased with the motor loss ratio of 61%, and the progress we have made in setting up motorcycle and taxi for a sustainable, profitable, future.

Looking forward

Whilst the previous section is perhaps a little downbeat, that is not at all how we feel as a business as we look ahead to 2023.

We anticipate that 2022 loss ratios across the market will be seen, in retrospect, as a speedbump rather than the start of a trend.

At the end of 2022, we were writing new business across the portfolio at around our target COR, with significantly improved expected loss ratios for bike and taxi.

Our very early call on inflation and immediate pricing actions to correct this, regardless of the effect on volumes, means we anticipate a relatively rapid bounce back towards our target normal levels of profitability through 2023 and into 2024, albeit that inflation will provide some overhang in 2023.

Whilst some encouraging signs of market price increases started to emerge towards the end of 2022, we expect that the market will still need to implement further substantial increases to achieve underwriting profitability, and while the timing is uncertain, we expect this will provide attractive opportunities for organic growth. Indeed, this is supported by our volumes in the most recent weeks of 2023, which have been encouraging.

The irrational pricing decisions of some market participants means our motor premium at the end of 2022 was a little less than planned, which will clearly impact both 2023 earned premium and consequently our expense ratio.

In 2022 we reviewed numerous new partnership opportunities, however we always have a very high hurdle before we commit resources and are especially wary of distraction in what is still a complicated market. We will continue to review potentially attractive additional distribution routes going forward, but our primary focus is on our current portfolios.

For our core motor product, we currently occupy less than 1% of the market. We believe this position will provide additional medium-term growth opportunities.

New developments

It is extremely pleasing that we are making great progress with the deployment of two important new initiatives - insurer hosted pricing and re-platforming our direct administration system. Both of these are on schedule to be rolled out in Q3 this year, and are being implemented entirely by our own teams without any consultancy support or spend.

Insurer hosted pricing has been a feature of the market for broker-based insurers for several years, being introduced to speed up rate deployments by avoiding 'software house' rate change processes. We have deliberately waited until now to carry out this initiative - as we had no interest in rapid price changes to manage volumes – and by waiting we have seen costs and implementation challenges reduce significantly. Following implementation, we will be able to begin the roll-out of more complex rating models that have been developed by our pricing team.

Our existing direct administration platform has served us well for many years, but lacks customer self-service functionality. Our ambition following roll-out is to transition the vast majority of customer interactions online, and invest the operational savings into pricing.

Market - Continuing uncertainty

There are still areas of ongoing uncertainty and opportunity.

Coming into early 2023 we have maintained a prudent view of claims inflation, with a current forward-looking assumption of 8% to 10%. For clarity, this is on top of our relatively high assumptions in previous years, so others may experience higher cost inflation from a lower assumed base. There are reasons to suspect some elements may soften as the year develops, such as used car prices or parts availability, but there is limited evidence of this so far. Conversely, care costs may inflate further, and it feels unlikely that repair costs will reduce dramatically.

We will maintain a cautious approach here – we were amongst the first to spot adverse trends developing and will apply equal rigour to spotting opportunities.

The recent Court of Appeal decision on mixed injury cases, and subsequent ABI-facilitated decision to seek leave to appeal to the Supreme Court, means there is a risk of an elongated period of uncertainty for the total costs of small injury claims. We will maintain our conservative view on the benefits of these reforms pending clarity.

We believe the 1 January 2023 motor reinsurance renewals (ours was at 1 July 2022) resulted in average increases in the range of 15% to 20% across the broader market. We will monitor developments and reflect any likely cost changes in reinsurance in our pricing.

People

Our people have shown considerable commitment during the recent challenging years, for which we are extremely grateful, and we have sought to reciprocate. We maintained full employment during the pandemic and have continued to pay the annual Christmas and performance bonuses. Additionally, we paid all staff an £800 cost of living allowance over the winter period.

We continue to enjoy excellent engagement scores, and very low levels of turnover.

During 2022 we have been actively recruiting in anticipation of future growth opportunities, which has also created a need for several promotions.

Customers

During the recent periods we have remained focused on supporting customers both through the COVID-19 challenges and the emerging cost of living crisis. We have ensured our processes are appropriate for customers who may find themselves in vulnerable circumstances.

In addition, we stepped in to offer cover to customers of MCE Insurance following the previous underwriter being placed into administration and policies cancelled.

Environmental, social and corporate governance ("ESG")

We have continued to make excellent progress in this important area. Full details of our environmental and social reporting are contained in the Sustainability and Responsibility report. We have enhanced our corporate values, including a key value measure of 'Fair to the Planet'. Alongside this we have taken several significant steps to improve our impact on the environment, including a full refurbishment of our head office. This investment will significantly enhance the working environment for our people, and help us take further steps towards our net-zero ambitions. We have also continued to support a number of charities.

Summary

While 2022 was a challenging year in terms of result, I am delighted that we have maintained extremely firm foundations whilst delivering growth and underwriting profit. We have demonstrated our strong solvency position and proposed a special dividend - and have positioned ourselves well for growth as many competitors seek to address their own performance. I believe our 2022 performance will look creditable in market terms and rebound quicker than many others.

We anticipate that market price changes, as well as our own development initiatives. will support organic growth.

I very much hope to be able to report strong progress along these lines next year.

GEOFF CARTER

Chief Executive Officer

13 March 2023

CHIEF FINANCIAL OFFICER'S REVIEW

High target margins allow headroom for unexpected events

HIGHLIGHTS

	2022	2021
Gross written premium	£171.3m	£169.3m
Net loss ratio	68.7%	51.1%
Expense ratio	27.3%	28.3%
Combined operating ratio	96.0%	79.4%
Adjusted profit after tax	£10.1m	£30.1m
Profit after tax	£10.1m	£30.1m
Solvency coverage ratio (pre-dividend)	161%	208%
Solvency coverage ratio (post-dividend)	154%	164%
Return on tangible equity	12.4%	29.2%

In my 2021 report, I highlighted the strong basis for growth that had been set through prudent underwriting and cautious management throughout the pandemic. This year, the same caution has allowed Sabre to generate underwriting profit despite unprecedented economic challenges.

When the impact from the invasion of Ukraine fed through into rapid inflation in the UK economy, it was clear that all insurers would face a significant headwind in profitability. An insurance product by nature reflects the insurer's best guess of the total cost of claims attaching to that policy, which may not be fully realised for years after the policy has expired. So, a rapid increase in costs will inevitably mean that policies already sold will achieve less than planned profit margins, and claims already recorded but not settled would cost more than expected, leading to deterioration in prior-year reserves. This event occurred after an already extended period of under-pricing in the motor insurance market. Sabre was not immune to the effects of this, but was well-placed to face into the challenge because:

- While the motor insurance market had been systemically under-priced for several years, Sabre had met increasing costs of claims with policy price increases, meaning that the Group was on the 'front foot' when further pressures emerged.
- Sabre's core margins were sufficient to absorb deterioration and still generate an underwriting profit.
- Sabre is an agile business with short feedback loops and a sharp focus on motor insurance costs. As soon as we identified the impact of rapidly increasing inflation, pricing action was taken. The effects of this pricing action show through the second half of 2022 and should support a strong recovery into 2023 and beyond.

Beyond the core motor book, we saw rapid growth in the motorcycle and taxi lines during 2022, having entered into material partnership arrangements in November 2021 and February 2022 respectively. Given the infancy of these lines of business we did not expect a significant contribution to profit in the first year, however we had planned to absorb this through increased volumes in the core motor book. Such increased volume did not materialise in 2022, a direct result of Sabre's decisive pricing action set against the wider industry's slow response to inflation – the Group again trading volume for resilience and long-term profitability. The introduction of less profitable bike and taxi business set against lower than expected volumes in motor therefore had a clear negative contribution to the Group's net loss ratio.

The expense ratio has decreased year-on-year, to 27.3%, which has resulted from an increased net earned premium and continued tight control of costs.

The Group's profit before and after tax reflects the combined operating ratio for the year of 96.0%. The year-on-year decrease in profit is almost entirely attributable to the increase in net loss ratio.

The Board have announced a special dividend of 1.7p, bringing the total distribution in respect of 2022 to 4.5p. This is reflective of the Board's confidence in the strength of the Group's uncomplicated balance sheet. Return on tangible equity was 12.4%, the reduction from the prior-year a result of the Group's lower profit.

REVENUE

	2022	2021
Gross written premium	£171.3m	£169.3m
Gross earned premium	£178.2m	£165.9m
Net earned premium	£153.2m	£145.4m
Other technical income	£1.8m	£2.1m
Customer instalment income	£3.3m	£3.9m
Interest revenue calculated using the effective interest method	£1.4m	£1.2m
Fair value (losses)/gains on debt securities through OCI	(£14.2m)	(£5.6m)

The trend of reducing overall premium for the last few years has reversed, with the Group increasing written premium year-on-year. Beyond the headline figure, the motor line did not grow during 2022 as anticipated, due to persistent market under-pricing in an extraordinary inflationary environment. However, the motorcycle line generated significant additional income of £23.1m (2021: £3.2m), while taxi contributed £13.3m (2021: £1.5m) to the top line.

Other sources of income remained proportionate to the amount of business written through the Direct channel, which had become proportionately smaller during 2022 due to the introduction of the motorcycle and taxi lines, both of which are sold exclusively through brokers.

Investment income, which reflects the effective interest across the Group's 'buy and hold' bond portfolio, increased a little as reinvestments were made at higher returns. We expect the yield to continue to increase in the current environment as bonds gradually mature and are reinvested at higher rates. We have included a breakdown of investments by maturity on page 139.

While market value losses have been recorded across the bond portfolio, we do not expect these losses to crystalise as the bonds are held to maturity and will pull to their par value. The Group does not hold any non-cash financial investments outside of this portfolio and so is not exposed to movements in equity or property markets.

OPERATING EXPENDITURE

	2022	2021
Gross claims incurred	£125.9m	£105.0m
Net claims incurred	£112.8m	£81.0m
Current-year loss ratio	67.9%	56.0%
Prior-year loss ratio	0.8%	(4.9%)
Financial year loss ratio	68.7%	51.1%
Net operating expenses	£41.8m	£41.2m
Expense ratio	27.3%	28.3%
Combined operating ratio	96.0%	79.4%

The year's underwriting result is best explained in terms of the current-year loss and prior-year loss ratios, and the expense ratio, which together make up the combined ratio, and split between motor, bike and taxi. Given the infancy of the bike and taxi lines, their impact on prior-year losses is negligible.

	2022				2021
	Motor	Motorcycle	Taxi	All lines	All lines
Net earned premium	£132.9m	£15.1m	£5.2m	£153.2m	£145.4m
Net claims incurred, excluding claims handling expenses	£81.7m	£17.9m	£5.6m	£105.2m	£74.2m
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%

The underwriting result can be considered in the context of three key numbers: the prior-year loss ratio, the current-year motor loss ratio and the motorcycle and taxi loss ratios. Taking each in turn:

- The prior-year motor loss ratio, which is usually negative and reflects the run-off of margins on previously incurred but not settled claims, was positive in 2022, which means that reserve strengthening was in excess of any margin run-off. This strengthening was required to reflect the increase in expected costs due to the high-inflation environment. This should not be required in future periods (notwithstanding further rapid unexpected inflation) as claims recorded since this adjustment inherently reflect the new cost environment.
- The current-year motor loss ratio has increased by c.4% against the same in 2021. This increase is a result of inflation generating increased costs on policies which were written prior to March 2022, along with normal volatility in the current-year result.
- In-year performance for motorcycle and taxi business has been slightly disappointing, with significant pricing action taken during the year, which we anticipate to bring these loss ratios down materially in 2023.

The Group's expense base has remained well under control, despite inflationary pressures – although we expect these to feed through as contracts are renewed over the next few years. Such increases are factored into our current policy pricing. The reduction in expense ratio is largely due to increasing net earned premium year-on-year

TAXATION

In 2022 the Group recorded a corporation tax expense of £2.6m (2021: £7.1m), an effective tax rate of 20.7%, as compared to an effective tax rate of 19.0% in 2021. The effective tax rate approximates to the prevailing UK corporation tax rate. The Group has not entered into any complex or unusual tax arrangements during the year.

EARNINGS PER SHARE

	2022	2021
Basic earnings per share	4.06p	12.09p
Diluted earnings per share	4.03p	11.98p

Basic earnings per share for 2022 of 4.06p per share is proportionate to profit after tax. Diluted earnings per share is similarly proportionate to profit after tax, taking into account the potentially dilutive effect of the Group's share schemes.

CASH AND INVESTMENTS

	2022	2021
Government bonds	£87.2m	£86.2m
Government-backed securities	£80.8m	£83.9m
Corporate bonds	£61.3m	£64.6m
Cash and cash equivalents	£18.5m	£30.6m

The Group continues to hold a low-risk investment portfolio and cash reserves sufficient to meet its future claims liabilities. This has resulted in a stable yield across the portfolio. As most assets are held to maturity, the yield achieved by the portfolio lags changes in market yield, with funds generally being reinvested on maturity.

INSURANCE LIABILITIES

	2022	2021
Gross insurance liabilities	£257.4m	£232.5m
Reinsurance assets	£106.3m	£103.6m
Net insurance liabilities	£151.1m	£128.9m

The Group's net insurance liabilities continue to reflect the underlying profitability and volume of business written. The slight relative increase in gross insurance liabilities against 2021 was a result of additional large claims being recorded against the continued relatively slow settlement of personal injury claims. The level of net insurance liabilities held remains broadly proportionate to the volume of business written, and reflects inflationary increases in the cost of claims.

LEVERAGE

The Group continues to hold no external debt. All of the Group's capital is considered 'Tier 1' under Solvency II. The Directors continue to hold the view that this currently allows the greatest operational flexibility for the Group.

DIVIDENDS AND SOLVENCY

The Directors have proposed a total final dividend of 1.7p per share in respect of 2022. The total amount proposed to be distributed to shareholders by way of dividends for 2022 is therefore 4.5p per share, including the ordinary interim dividend of 2.8p per share already paid. The total ordinary dividend due to be paid according to the Group's policy is entirely covered by the interim dividend, therefore the entire final dividend is considered 'special' according to the Group's policy. Excluding the capital required to pay this dividend, the Group's SCR coverage ratio at 31 December 2022 would be 154% This is consistent with the Group's policy to pay an ordinary dividend of 70% of profit after tax, and to consider passing excess capital to shareholders by way of a special dividend.

ADAM WESTWOOD

Chief Financial Officer

13 March 2023

CONSOLIDATED PROFIT OR LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 £'k	2021 £'k
Gross written premium	19	**171,257**	**169,322**
Less: Reinsurance premium ceded		(26,456)	(21,233)
Net written premium		**144,801**	**148,089**
Less: Change in unearned premium reserve			
Gross amount	3.1.1	6,918	(3,426)
Reinsurers' share	3.1.1	1,499	779
Net earned premium		**153,218**	**145,442**
Interest income on financial assets using effective interest rate method	4.8	1,374	1,210
Net fair value gains/(losses) on derecognition of financial assets measured at fair value through OCI		22	(16)
Instalment income		3,300	3,924
Other operating income	7	1,784	2,098
Total income		**159,698**	**152,658**
Insurance claims	3.4	(125,893)	(104,984)
Insurance claims recoverable from reinsurers	3.4	13,094	23,969
Net insurance claims		**(112,799)**	**(81,015)**
Finance costs	5.2	(5)	(16)
Commission expenses		(12,942)	(12,942)
Operating expenses	8	(21,202)	(21,486)
Total expenses		**(34,149)**	**(34,444)**
Profit before tax		**12,750**	**37,199**
Tax charge	10	(2,643)	(7,059)
Profit for the year attributable to ordinary shareholders		**10,107**	**30,140**
Basic earnings per share (pence per share)	20	4.06	12.09
Diluted earnings per share (pence per share)	20	4.03	11.98

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 £'k	2021 £'k
Profit for the year attributable to ordinary shareholders		**10,107**	**30,140**
Items that are or may be reclassified subsequently to profit or loss			
Fair value losses on debt securities	4.9	(14,207)	(5,658)
Realised (gains)/losses transferred to profit or loss account		(22)	16
Tax credit		3,563	1,069
Total other comprehensive loss for the year		**(10,666)**	**(4,573)**
Total comprehensive (loss)/income for the year attributable to ordinary shareholders		**(559)**	**25,567**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Notes	2022 £'k	2021 £'k
Assets			
Goodwill	14	156,279	156,279
Property, plant and equipment	9.1	3,996	4,066
Right-of-use asset	9.2	-	187
Reinsurance assets	3.1	116,526	112,312
Deferred tax assets	11	4,384	820
Deferred acquisition costs	3.1.2	13,354	13,791
Insurance receivables	3.2	31,427	38,003
Loans and other receivables	4.4	7	74
Current tax assets		1,255	-
Prepayments, accrued income and other assets	13	1,278	821
Financial investments	4.1	229,158	234,667
Cash and cash equivalents	4.5	18,502	30,611
Total assets		**576,166**	**591,631**
Equity			
Issued share capital	15	250	250
Own shares		(2,810)	(2,257)
Merger reserve		48,525	48,525
FVOCI reserve		(13,029)	(2,363)
Revaluation reserve		831	831
Share-based payments reserve		2,407	1,841
Retained earnings		186,322	205,900
Total equity		**222,496**	**252,727**
Liabilities			
Outstanding claims	3.1	257,443	232,516
Unearned premium reserve	3.1	83,858	90,776
Lease liability	5.1	-	193
Insurance payables	3.3	5,981	7,115
Trade and other payables	5.3	5,005	5,831
Current tax liabilities		-	580
Accruals		1,383	1,893
Total liabilities		**353,670**	**338,904**
Total equity and liabilities		**576,166**	**591,631**

The financial statements were approved by the Board of Directors and authorised for issue on 13 March 2023.

Signed on behalf of the Board of Directors by:

ADAM WESTWOOD
Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 £'k	2021 £'k
ORDINARY SHAREHOLDERS' EQUITY – at 1 January	15	250	250
At 31 December		**250**	**250**
OWN SHARES – at 1 January	16	(2,257)	(1,494)
Net movement in own shares		(553)	(763)
At 31 December		**(2,810)**	**(2,257)**
MERGER RESERVE – at 1 January	17	48,525	48,525
At 31 December		**48,525**	**48,525**
FVOCI RESERVE – at 1 January	17	(2,363)	2,210
Fair value losses on debt securities		(14,207)	(5,658)
Realised (gains)/losses transferred to profit or loss account		(22)	16
Tax credit		3,563	1,069
At 31 December		**(13,029)**	**(2,363)**
REVALUATION RESERVE – at 1 January	17	831	831
At 31 December		**831**	**831**
SHARE-BASED PAYMENT RESERVE – at 1 January	17	1,841	1,817
Settlement of share-based payments		(1,037)	(1,051)
Charge in respect of share-based payments		1,603	1,075
At 31 December		**2,407**	**1,841**
RETAINED EARNINGS – at 1 January		205,900	214,261
Share-based payments		447	(115)
Profit for the year attributable to ordinary shareholders		10,107	30,140
Ordinary dividends paid		(30,132)	(38,386)
At 31 December		**186,322**	**205,900**
Total equity at 31 December		**222,496**	**252,727**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 £'k	2021 £'k
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax for the year		12,750	37,199
Adjustments for:			
Depreciation of property, plant and equipment	9.1	108	136
Depreciation of right-of-use assets	9.2	187	249
Share-based payment – equity-settled schemes	16	1,603	1,075
Investment return, including realised net fair value gains and losses on financial assets		(1,590)	(1,507)
Interest on lease liability	9.2	5	16
Expected credit loss	4.6	(34)	16
Operating cash flows before movements in working capital		**13,029**	**37,184**
Movements in working capital:			
Change in reinsurance assets		(4,214)	(12,391)
Change in deferred acquisition costs		437	1,000
Change in insurance receivables		6,576	(4,027)
Change in loans and other receivables		67	10
Change in prepayments, accrued income and other assets		(457)	47
Change in insurance liabilities		24,927	5,970
Change in unearned premium reserve		(6,918)	3,426
Change in insurance creditors		(1,134)	869
Change in trade and other payables		(826)	301
Change in accruals		(510)	(552)
Cash generated from operating activities before investment of insurance assets		**30,977**	**31,837**
Taxes paid		(4,479)	(5,988)
Net cash generated from operating activities before investment of insurance assets		**26,498**	**25,849**
Interest and investment income received		3,383	4,273
Proceeds from the sale and maturity of invested assets		37,734	68,178
Purchases of invested assets		(48,214)	(64,987)
Net cash generated from operating activities		**19,401**	**33,313**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment	9.1	(38)	(28)
Net cash used by investing activities		**(38)**	**(28)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of principal portion of lease liabilities	9.2	(198)	(264)
Net cash used in acquiring and disposing of own shares		(1,142)	(1,928)
Dividends paid	12	(30,132)	(38,386)
Net cash used by financing activities		**(31,472)**	**(40,578)**
Net decrease in cash and cash equivalents		**(12,109)**	**(7,293)**
Cash and cash equivalents at the beginning of the year		30,611	37,904
Cash and cash equivalents at the end of the year	4.5	**18,502**	**30,611**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

CORPORATE INFORMATION

Sabre Insurance Group plc is a company incorporated in the United Kingdom and registered in England and Wales. The address of the registered office is Sabre House, 150 South Street, Dorking, Surrey, RH4 2YY, England. The nature of the Group's operations is the writing of general insurance for motor vehicles and motorcycles. The Company's principal activity is that of a holding company.

1. ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated and company financial statements are included in the specific notes to which they relate. These policies have been consistently applied to all the years presented, unless otherwise indicated.

1.1. Basis of preparation

The financial statements of the Group have been prepared in accordance with UK-adopted international accounting standards, comprising International Accounting Standards ("IAS") and International Financial Reporting Standards ("IFRS"), and the requirements of the Companies Act 2006. Endorsement of accounting standards is granted by the UK Endorsement Board ("UKEB").

The financial statements are prepared in accordance with the going concern principle using the historical cost basis, except for those financial assets that have been measured at fair value. The preparation of the financial statements necessitates the use of estimates, assumptions and judgements that affect the reported amounts in the statement of financial position and the statement of profit or loss and other comprehensive income. Where appropriate, details of estimates are presented in the accompanying notes to the consolidated financial statements.

As the full impact of climate change is currently unknown, it is not possible to consider all possible future outcomes when determining the value of assets, liabilities and the timing of future cash flows. The Group's view is that any reasonable impact of climate change would not have a material impact on the valuation of assets and liabilities at the year-end date.

The financial statements values are presented in pounds sterling (£) rounded to the nearest thousand (£'k), unless otherwise indicated.

The Group presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in the respective notes.

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously.

As permitted by IFRS 4 "Insurance Contracts", the Group continues to apply the existing accounting policies that were applied prior to the adoption of IFRS, with certain modifications allowed by the standard effective subsequent to adoption for its insurance contracts.

1.2. Going concern

The consolidated annual financial statements have been prepared on a going concern basis. The Directors have a reasonable expectation that the Group has adequate resources to continue in operation for at least the next 12 months to 31 March 2024 and that therefore it is appropriate to adopt a going concern basis for the preparation of the financial statements.

In making their assessment, the Directors took into account the potential impact of the principal risks that could prevent the Group from achieving its strategic objectives. The assessment was based on the Group's ORSA, which brings together management's view of current and emerging risks, with scenario-based analysis and reverse stress testing to form a conclusion as to the financial stability of the Group. Consideration was also given to what the Group considers its principal risks which are set out in the Principal Risks and Uncertainties section on pages 19 to 28 of the Strategic Report of the Annual Report and Accounts. The assessment also included consideration of any scenarios which might cause the Group to breach its solvency requirements which are not otherwise covered in the risk-based scenario testing.

We have assessed the short, medium and long-term risks associated with climate change. Given the geographical diversity of the Group's policyholders within the UK and the Group's reinsurance programme, it is highly unlikely that a climate event will materially impact Sabre's ability to continue trading. More likely is that the costs associated with the transition to a low-carbon economy will impact the Group's indemnity spend, as electronic vehicles are currently relatively expensive to fix. We expect that this is somewhat, or perhaps completely, offset by advances in technology reducing the frequency of claims, in particular bodily injury claims which are generally far more expensive than damage to vehicles. These changes in the costs of claims are gradual and as such reflected in our claims experience and fed into the pricing of our policies. However, if the propensity to travel by car decreases overall this could impact the Group's income in the long term, but this is not expected to be material within the viability period of three years. We do not consider it plausible that such a decrease would be as severe as the scenarios that we have modelled as part of our viability testing exercise.

1.3. New and amended standards and interpretations adopted by the Group

Amendments to IFRS

The following amended IFRS standards became effective for the year ended 31 December 2022:

- Annual Improvements to IFRS 2018–2020
  - Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards - Subsidiary as a First-time Adopter
  - Amendment to IFRS 9 Financial Instruments - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities
  - Amendment to IFRS 16 Leases – Lease Incentives
  - Amendment to IAS 41 Agriculture - Taxation in Fair Value Measurements
- Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
- Reference to the Conceptual Framework (Amendments to IFRS 3)

None of the amendments have had a material impact to the Group.

1.4. New and amended standards and interpretations not yet effective in 2022

A number of new standards and interpretations adopted by the UK which are not mandatorily effective, as well as standards interpretations issued by the IASB but not yet adopted by the UK, have not been applied in preparing these financial statements. The Group does not plan to adopt these standards early; instead it expects to apply them from their effective dates as determined by their dates of UK endorsement. The Group is still reviewing the upcoming standards to determine their impact:

– IFRS 17: "Insurance Contracts" (IASB effective date: 1 January 2023)

– IFRS 10 and IAS 28: Amendment: "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture" (IASB effective date: optional)

IFRS 17 – "Insurance Contracts"

The effective date for IFRS 17 is 1 January 2023. IFRS 17 will change the way insurance contracts are accounted for and reported. Revenue will no longer be equal to premiums written but instead reflect a change in the contract liability on which consideration is expected. On initial assessment the major change will be on the presentation of the statement of profit or loss, with premium and claims figures being replaced with insurance contract revenue, insurance service expense and insurance finance income and expense. IFRS 17 also has additional disclosure requirements.

IFRS 17 prescribes a comprehensive model, the general model, which requires entities to measure an insurance contract at initial recognition as the total of the fulfilment cash flows (comprising the estimated future cash flows, an adjustment to reflect the time value of money and an explicit risk adjustment for non-financial risk) and the contractual service margin. The fulfilment cash flows are remeasured on a current basis each reporting period. The unearned profit (contractual service margin) is recognised over the coverage period.

IFRS 17 also provides a simplification to the general model, the premium allocation approach ("PAA"). This simplified approach is applicable for certain types of contracts, including those with a coverage period of one year or less. The liability for remaining coverage is similar to the current premium reserve profile recognised over time. The principles of the general model remain applicable to the liability for incurred claims.

All contracts issued by the Group are for one year or less and the Group expects to apply the PAA model to all insurance contracts written.

The Group is continuously assessing the impact of the design decision and relevant accounting policy choices. The Group's assessment of the requirements of the standard against current data, processes and valuation models does not indicate a material impact on the Group's financial results.

The next steps for the Group are to incorporate changes required in the internal management and financial statement reporting process to report its results under IFRS 17 and finalise the accounting policies and methodologies for the transitional approach that will be applied. Management does not expect the transition to have a significant impact on the Group's future profit or the net asset value.

Transitional Accounting

We intend to apply IFRS 17 fully retrospectively. As we intend to operate all contracts under the premium allocation approach, we expect the impact at transition to be limited.

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Under IFRS 4, the Company deferred some of the cash flows from operational expenses which were identified as acquisition costs. Under IFRS 17 the Company will assess those cash flows arising from the cost of selling, underwriting and starting a group of insurance contacts (issued or expected to be issued) that are directly attributable to the portfolio of insurance contacts to which the group belongs. We expect the total annual expenditure deferred under IFRS 17 to be lower than that under IFRS 4. As a result, we expect the deferred acquisition cost asset to be lower under IFRS 17, which will reduce net assets on transition date. We expect this to be partially off-set by discounting of insurance liabilities. We do not expect a significant impact on the earnings profile of the Company, given the decrease in total deferred costs will be offset by a decrease in the run-off of opening deferrals.

Reserving for outstanding claims liabilities

While there are some technical differences in the approach to reserving between IFRS 4 and IFRS 17, we do not expect that there will be a material difference in practice between the reserves held under the two bases, with the exception of discounting and the application of a risk adjustment, which are discussed below.

Discounting

Under IFRS 4 the measurement of the liability for outstanding claims for non-life business is not discounted. Under IFRS 17, the Company will recognise income and expenses at recognition and as a result of changes in the carrying amount of the liability for incurred claims due to:

– Insurance service expenses – for the increase in the liability because of claims and expenses incurred in the period, excluding any investment components

– Insurance service expenses – for any subsequent changes in fulfilment cash flows relating to incurred claims and incurred expenses

– Insurance finance income or expenses – for the effect of the time value of money and the effect of financial risk

Fulfilment cash flows are adjusted to reflect the time value of money and financial risks related to those cash flows. The adjustment is made by discounting estimated future cash flows. The discount rate applied to fulfilment cash flows will be calculated at the reporting date. The Company will use the IFRS 17 'top-down' approach to determine the appropriate discount rates for insurance contracts based on a yield curve that reflects the current market rates of return implicit in a fair value measurement of a reference portfolio of assets.

Risk adjustment

Under IFRS 4 the Company applied a risk margin to its liabilities for outstanding claims. Under IFRS 17 the Company will replace the risk margin with a risk adjustment for non-financial risk. This risk adjustment represents the compensation that the Company requires for bearing the uncertainty about the amount and timing of cash flows that arise from non-financial risk. Non-financial risk is risk arising from insurance contracts other than financial risk, which is included in the estimates of future cash flows or the discount rate used to adjust the cash flows. The risks covered by the risk adjustment for non-financial risk are insurance risk and other non-financial risks such as lapse risk and expense risk.
The risk adjustment for non-financial risk for insurance contracts measures the compensation that the Company would require to make it indifferent between:

– Fulfilling a liability that has a range of possible outcomes arising from non-financial risk; and

– Fulfilling a liability that will generate fixed cash flows with the same expected present value as the insurance contracts

The impact of replacing the IFRS 4 risk margin with the IFRS 17 risk adjustment is expected to have an insignificant impact on the net assets of the Company.

Reinsurance

The Company does not run a complex reinsurance programme and one holds a single group of ‘loss occurring’ reinsurance contracts, having a coverage period of less than one year. Under IFRS 17 the company will use the premium allocation approach, adapted to reflect the features of reinsurance contracts held that differ from insurance contracts issued.

Under IFRS 17 a group of reinsurance contracts held is recognised from the earliest of the following:

- The beginning of the coverage period of the group of reinsurance contracts held; and
- The date on which the Company recognises an onerous group of underlying insurance contracts if the Company entered into the related reinsurance contract held in the group of reinsurance contracts held at or before that date.

The Company does not expect any of the underlying contracts to be onerous and will recognise the group of excess-of-loss reinsurance contracts at the beginning of the coverage period, in-line with current treatment under IFRS 4 and no impact on the net asset value of the Company on transition to IFRS 17.

Defined IFRS 17 terms:

Contractual service margin – A component of the carrying amount of the asset or liability for a group of insurance contracts representing the unearned profit the entity will recognise as it provides insurance contract service under the insurance contracts in the group.

Coverage period – The period during which the entity provides insurance contract services. The period includes the insurance contract services that relate to all premiums within the boundary of the insurance contract.

Fulfilment cash flows – An explicit, unbiased and probability-weighted estimate (ie expected value) of the present value of the future cash outflows minus the present value of the future cash inflows that will arise as the entity fulfils insurance contacts, including a risk adjustment for non-financial risk.

Liability for incurred claims (“LIC”) – An entity’s obligation to:

a) Investigate and pay valid claims for insured events that have already occurred, including events that have occurred but for which claims have not been reported, and other incurred insurance expenses; and
b) Pay amounts that are not included in (a) and that relate to:
    i. insurance contract services that have already been provided; or
    ii. any investment components or other amounts that are not related to the provision of insurance contract services and that are not in the liability for remaining coverage

Liability for remaining coverage (“LRC”) – An entity’s obligation to:

a) investigate and pay valid claims under existing insurance contracts for insured events that have not yet occurred (ie the obligation that relates to the unexpired portion of the insurance coverage); and
b) pay amounts under existing insurance contracts that are not included in (a) and that relate to:
    i. insurance contract services not yet provided (ie the obligations that relate to future provision of insurance contract services); or
    ii. any investment components or other amounts that are not related to the provision of insurance contract services and that have not been transferred to the liability for incurred claims

2. RISK AND CAPITAL MANAGEMENT

2.1. Risk management framework

The Sabre Insurance Group plc Board is responsible for prudent oversight of the Group’s business and financial operations, ensuring that they are conducted in accordance with sound business principles and with applicable laws and regulations, and ensure fair customer outcomes. This includes responsibility to articulate and monitor adherence to the Board’s appetite for exposure to all risk types. The Board also ensures that measures are in place to provide independent and objective assurance on the effective identification and management of risk and on the effectiveness of the internal controls in place to mitigate those risks.

The Board has set a robust risk management strategy and framework as an integral element in its pursuit of business objectives and in the fulfilment of its obligations to shareholders, regulators, customers and employees.

The Group’s risk management framework is proportionate to the risks that we face. Our assessment of risk is not static; we continually reassess the risk environment in which the Group operates and ensure that we maintain appropriate mitigation in order to remain within our risk appetite. The Group’s Management Risk and Compliance Forum gives Management the regular opportunity to review and discuss the risks which the Group faces, including but not limited to any breaches, issues or emerging risks. The Forum also works to ensure that adequate mitigation for the risks the Group is exposed to are in place.

2.2. Underwriting risk

The principal risk the Group faces under insurance contracts is that the actual claims and benefit payments, or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Group is to ensure that sufficient reserves are available to cover these liabilities.

The Group issues only motor insurance contracts, which usually cover a 12-month duration. For these contracts, the most significant risks arise from under-estimation of the expected costs attached to a policy or a claim, for example through unexpected inflation of costs or single catastrophic events..

Refer to Note 3.5 for detail on these risks and the way the Group manages them. Note 3.5 also includes the considerations of climate change. Further discussion on climate change can be found in the Principal Risks and Uncertainties section on pages 19 to 28 of the Strategic Report and the Responsibility and Sustainability section on pages 38 to 49 of the Annual Report and Accounts.

2.3. Credit risk

Credit risk reflects the financial impact of the default of one or more of the Group’s counterparties. The Group is exposed to financial risks caused by a loss in the value of financial assets due to counterparties failing to meet all or part of their obligations. Key areas where the Group is exposed to credit default risk are:

- Failure of an asset counterparty to meet their financial obligations (Note 4.6)
- Reinsurer default on presentation of a large claim or dispute of cover (Note 3.6)
- Reinsurers default on their share of the Group’s insurance liabilities (Note 3.6)
- Default on amounts due from insurance contract intermediaries or policyholders (Note 3.6)

The following policies and procedures are in place to mitigate the Group's exposure to credit risk:

- A Group credit risk policy which sets out the assessment and determination of what constitutes credit risk for the Group. Compliance with the policy is monitored and exposures and breaches are reported to the Group's Risk Committee
- Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year by the Board of Directors and are subject to regular reviews. At each reporting date, management performs an assessment of creditworthiness of reinsurers and updates the reinsurance purchase strategy, ascertaining suitable allowance for impairment
- The Group sets the maximum amounts and limits that may be advanced to corporate counterparties by reference to their long-term credit ratings
- The credit risk in respect of customer balances incurred on non-payment of premiums or contributions will only persist during the grace period specified in the policy document or trust deed until expiry, when the policy is either paid up or terminated. Commission paid to intermediaries is netted off against amounts receivable from them to reduce the risk of doubtful debts

Refer to Notes 3.6 and 4.6 as indicated above for further information on credit risk.

2.4. Liquidity risk

Liquidity risk is the potential that obligations cannot be met as they fall due as a consequence of having a timing mismatch or inability to raise sufficient liquid assets without suffering a substantial loss on realisation. The Group manages its liquidity risk through both ensuring that it holds sufficient cash and cash equivalent assets to meet all short-term liabilities, and matching the maturity profile of its financial investments to the expected cash outflows.

Refer to Note 6 for further information on liquidity risk.

2.5. Investment concentration risk

Excessive exposure to particular industry sectors or groups can give rise to concentration risk. The Group has no significant investment in any particular industrial sector and therefore is unlikely to suffer significant losses through its investment portfolio as a result of over-exposure to sectors engaged in similar activities or which have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

A significant part of the Group's investment portfolio consists primarily of UK government bonds and government-backed bonds, therefore the risk of government default does exist, however the likelihood is extremely remote. The remainder of the portfolio consists of investment grade corporate bonds. The Group continues to monitor the strength and security of all bonds.

The Group's portfolio has a significant concentration of UK debt securities and therefore is exposed to movements in UK interest rates.

Refer to Note 4.2 for further information on investment concentration risk.

2.6. Operational risk

Operational risk is the risk of loss arising from system failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications or can lead to financial loss. The Group cannot expect to eliminate all operational risks, but by operating a rigorous control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include effective segregation of duties, access controls, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit. Business risks such as changes in environment, technology and the industry are monitored through the Group's strategic planning and budgeting process.

2.7. Capital management

The Board of Directors has ultimate responsibility for ensuring that the Group has sufficient funds to meet its liabilities as they fall due. The Group carries out detailed modelling of its assets and liabilities and the key risks to which these are exposed. This modelling includes the Group's own assessment of its capital requirements for solvency purposes.

The Group has continued to manage its solvency with reference to the Solvency Capital Requirement ("SCR") calculated using the Standard Formula. The Group has developed sufficient processes to ensure that the capital requirements under Solvency II are not breached, including the maintenance of capital at a level higher than that required through the Standard Formula. The Group considers its capital position to be its net assets on a Solvency II basis and monitors this in the context of the Solvency II SCR.

The Group aims to retain sufficient capital such that in all reasonably foreseeable scenarios it will hold regulatory capital in excess of its SCR. The Directors currently consider that this is achieved through maintaining a regulatory capital surplus of 140% to 160%. As at 31 December 2022, the Group holds significant excess Solvency II capital.

The Group's IFRS capital comprised:

	As at 31 December	
	2022	2021
	£'k	£'k
Equity		
Issued share capital	250	250
Own shares	(2,810)	(2,257)
Merger reserve	48,525	48,525
FVOCI reserve	(13,029)	(2,363)
Revaluation reserve	831	831
Share-based payments	2,407	1,841
Retained earnings	186,322	205,900
Total	**222,496**	**252,727**

The Solvency II position of the Group both before and after final dividend is given below:

	As at 31 December	
	2022	2021
Pre-dividend	£'k	£'k
Total tier 1 capital	91,191	110,114
SCR	56,516	52,955
Excess capital	34,675	57,159
Solvency coverage ratio (%)	**161%**	**208%**

	As at 31 December	
	2022	2021
Post-dividend	£'k	£'k
Total tier 1 capital	86,941	86,864
SCR	56,516	52,955
Excess capital	30,425	33,909
Solvency coverage ratio (%)	**154%**	**164%**

The following table sets out a reconciliation between IFRS net assets and Solvency II net assets before final dividend:

	As at 31 December	
	2022	2021
	£'k	£'k
IFRS net assets	**222,496**	**252,727**
Less: Goodwill	(156,279)	(156,279)
Adjusted IFRS net assets	**66,217**	**96,448**
Unearned premium reserve	83,858	90,776
Deferred acquisition costs	(13,354)	(13,791)
Solvency II premium provision	(53,581)	(64,011)
IFRS risk margin(1)	10,764	11,229
Discount claims provision	11,663	2,209
Change in life reserves	1,047	(1,903)
Solvency II risk margin	(7,752)	(7,638)
Change in deferred tax	(7,671)	(3,205)
Solvency II net assets	**91,191**	**110,114**

(1) In line with industry practice, the IFRS risk margin is an explicit additional reserve in excess of the actuarial best estimate which is designed to create a margin held in reserves to allow for adverse development in open claims.

The adjustments set out in the above table have been made for the following reasons:

- **Adjusted IFRS net assets**: Equals Group net assets on an IFRS basis, less Goodwill.
- **Removal of unearned premium reserve and deferred acquisition costs**: The unearned premium reserve and deferred acquisition costs must be removed as they are not deferred under Solvency II.
- **Solvency II premium provision**: A premium reserve reflecting the future cash flows in respect of insurance contracts is calculated and this must be discounted under Solvency II.
- **IFRS risk margin**: Solvency II reserves must reflect a true "best estimate" basis. Therefore, the IFRS risk margin is removed from the claims reserve.
- **Discount claims provision**: The provision held against future claims expenditure for claims incurred is discounted in the same way as the Solvency II premium provision.
- **Solvency II risk margin**: The Solvency II risk margin represents the premium that would be required were the Group to transfer its technical provisions to a third party, and essentially reflects the SCR required to cover run-off of claims on existing business. This amount is calculated by the Group through modelling the discounted SCR on a projected future balance sheet for each year of claims run-off.
- **Change in deferred tax**: As the move to a Solvency II basis balance sheet increases the net asset position of the Group, a deferred tax liability is generated to offset the increase.

Sabre Insurance Group plc's SCR, expressed on a risk module basis, is set out in the following table:

	as at 31 December 2022			as at 31 December 2021		
	£'k	**£'k**	**£'k**	**£'k**	**£'k**	**£'k**
Interest rate risk			5,548			3,359
Equity risk			-			-
Property risk			956			956
Spread risk			3,264			4,965
Currency risk			1,112			1,082
Concentration risk			-			-
Correlation impact			(3,660)			(3,449)
Market risk		**7,220**			**6,913**	
Counterparty risk		2,333			3,403	
Underwriting risk		52,421			51,985	
Correlation impact		(6,129)			(6,422)	
Basic SCR	**55,845**			**55,879**		
Operating risk	6,372			6,515		
Loss absorbing effect of deferred taxes	(5,701)			(9,439)		
Total SCR	**56,516**			**52,955**		

The total SCR is primarily driven by the underwriting risk element, which is a function of the Group's net earned premium (or projected net earned premium) and the level of reserves held. Therefore, the SCR is broadly driven by the size of the business.

The Group's capital management objectives are:

- to ensure that the Group will be able to continue as going a concern
- to maximise the income and capital return to its equity

The Board monitors and review the broad structure of the Group's capital on an ongoing basis. This review includes consideration of the extent to which revenue in excess of that which is required to be distributed should be retained.

The Group's objectives, policies and processes for managing capital have not changed during the year.

3. INSURANCE LIABILITIES AND REINSURANCE ASSETS

ACCOUNTING POLICY

Claims incurred include all losses occurring through the year, whether reported or not, related handling costs and any adjustments to claims outstanding from previous years. Significant delays are experienced in the notification and settlement of certain claims, particularly in respect of liability claims, the ultimate cost of which cannot be known with certainty at the balance sheet date. Reinsurance recoveries (or amounts due from reinsurers) are accounted for in the same period as the related claim.

A. Provision for claims outstanding

The provision for claims outstanding is based on information available at the balance sheet date. Significant delays are experienced in the notification and settlement of certain claims and accordingly the ultimate cost of such claims cannot be known with certainty at the balance sheet date. Subsequent information and events may result in the ultimate liability being less than, or greater than, the amount provided. Any differences between provisions and subsequent settlements are dealt with in the profit or loss account. Claims provisions are not discounted, with the exception of Periodic Payment Orders ("PPOs"), which are discussed more fully in the Critical accounting estimates and judgements section in Note 3.

The provision for claims outstanding includes the following:

- Claims Incurred and Reported (individual case estimates)
- Claims Incurred but Not Reported ("IBNR")/Claims Incurred But Not Enough Reported ("IBNER")
- Claims Handling Provision

(i) Claims Incurred and Reported (individual case estimates)

When claims are initially reported, case estimates are set at fixed levels based on previous average claims settlements. As soon as sufficient information becomes available, the case estimate is amended by a claim handler within the Claims Department to reflect the expected ultimate settlement cost of the claim, including external claims handling costs. The case estimate will be amended throughout the life of a claim as further information emerges. Case estimates generally do not allow for possible reductions in our liability due to contributory negligence, favourable court judgments or settlements until these are known to a high probability. Because of this, the outstanding case reserve recorded is generally greater than the probability-weighted likely settlement amount of the claim.

(ii) Claims Incurred But Not Reported ("IBNR")/Claims Incurred But Not Enough Reported ("IBNER")

The Claims IBNR provision consists of two elements:

- **IBNR** – An amount in respect of claims incurred but not yet recorded on the policy administration system ('pure' IBNR), which is typically a 'positive'
- **IBNER** – An adjustment to open case reserves, booked at a portfolio level, which converts the open reserve recorded on our underwriting system to a true 'best estimate' basis. If the case reserves held are in excess of a 'best estimate' basis, this will result in a 'negative' IBNER. If the case reserves are below a 'best estimate' basis, this will result in a 'positive' IBNER

The Group refers to these collectively as 'IBNR' and unless stated otherwise, when referring to IBNR this always include both elements.

These reserves are calculated using standard actuarial modelling techniques such as chain ladder and Bornhuetter-Ferguson methods. The IBNR adjustment is set after considering the results of these statistical methods based on, inter alia, historical claims development trends, average claims costs and expected inflation rates.

(iii) Claims Handling Provision

A provision for claims handling costs is estimated based on the number of outstanding claims at the balance sheet date and the estimated average internal cost of settling claims.

B. Provision for unexpired risks

Provision is made for unexpired risks when, after taking account of an element of attributable investment income, it is anticipated that the unearned premiums will be insufficient to cover future claims and expenses on existing contracts. The expected claims are calculated having regard to events which have occurred prior to the balance sheet date. Unexpired risk surpluses and deficits are offset when business classes are managed together and a provision is made if an aggregate deficit arises.

At each reporting date, a liability assessment is performed to ensure the adequacy of the claims liabilities net of deferred acquisition costs and unearned premium reserves. In performing this assessment, current best estimates of future contractual cash flows and claims handling expenses are used. Any deficiency is immediately charged to the statement of profit or loss, initially by writing off deferred acquisition costs and subsequently by establishing a provision for losses arising from the liability assessment ("unexpired risk provision"). There is currently no unexpired risk provision.

C. Deferred acquisition costs

Deferred acquisition costs represent a proportion of commission and other acquisition costs that relate to policies that are in force at the year end. Deferred acquisition costs are amortised over the period in which the related premiums are earned. Such costs are identified as being directly attributable to the acquisition of business, or are indirectly attributed to acquisition activity through an allocation exercise.

D. Gross written premiums

Gross written premiums comprise all amounts during the financial year in respect of contracts entered into regardless of the fact that such amounts may relate in whole or in part to a later financial year. All premiums are shown gross of commission payable to intermediaries (where applicable) and are exclusive of taxes, duties and levies thereon. Insurance premiums are adjusted by an unearned premium reserve which represents the proportion of premiums written that relate to periods of risk subsequent to the balance sheet date.

E. Unearned premium reserve ("UPR")

Unearned premiums are those proportions of the premiums written in a year that relate to the periods of risk subsequent to the balance sheet date. They are computed principally on a daily pro-rata basis.

RISK MANAGEMENT

Refer to Notes 3.5 and 3.6 for detail on risks relating to insurance liabilities and reinsurance assets, and the management thereof.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Valuation of insurance contracts

The three key elements impacting the valuation of insurance contracts are:

i. Claims reserve

For the valuation of insurance contracts, estimates are made both for the expected ultimate cost of claims reported at the reporting date, consisting of a reserve for claims incurred and reported, and an estimate of the sufficiency of these reserves (through the calculation of an Incurred But Not Enough Reported ("IBNER") estimate, and for the expected ultimate cost of claims incurred, but not yet reported ("IBNR"), at the reporting date). It can take a significant period of time before the ultimate claims cost can be established with certainty. The claims reserve consists of an actuarial best estimate and an appropriate, explicit risk margin. The Board has set the explicit risk margin at 8% of the net best estimate claims reserve (2021: 10%). The risk margin has been set having considered short-term volatility in claims experience and having assessed estimation uncertainty within the reserving process. Since the last reporting period, the Group has carried out additional mathematical modelling on effective confidence intervals within the reserving process, which, along with our assessment of the impact of inflation, has contributed to the selection of risk margin.

ii. Outstanding claims

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder and Bornhuetter-Ferguson methods. The main assumption underlying these techniques is that the Group's past claims development experience can be used to project future claims development and hence ultimate claims costs. As such, these methods extrapolate the development of paid and incurred losses, average costs per claim and claim numbers based on the observed development of earlier years and expected loss ratios. Historical claims development is analysed by accident years and types of claim. In most cases, no explicit assumptions are made regarding future rates of claims inflation or loss ratios. Instead, the assumptions used are those implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in the future, (e.g., to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, climate change, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the likely outcome from the range of possible outcomes, taking account of all the uncertainties involved.

iii. Periodic Payment Orders ("PPO")

Liability claims may be settled through a PPO, established under the Courts Act 2003, which allows a UK court to award damages for future loss or any other damages in respect of personal injury. The court may order that the damages either partly or fully take the form of a PPO. To date, the Group has four PPOs within its reserve for claims incurred and reported. Reinsurance is applied at the claim level, and therefore as PPOs generally result in a liability in excess of the Group's reinsurance retention, the net liability on acquisition of a PPO is not significantly different to that arising in a non-PPO situation. Management will continue to monitor the level of PPO activity. Where Management expect the total probability-weighted cash flows for actual and potential PPOs to generate a net outflow following settlement of reinsurance recoveries, this is reflected within gross outstanding claims liabilities and the related reinsurance recoverable.

The Group's insurance liabilities and reinsurance assets are sumarised below:

	Notes	2022 £'k	2021 £'k
Outstanding claims	3.1	257,443	232,516
Unearned premium reserve	3.1.1	83,858	90,776
Deferred acquisition costs	3.1.2	(13,354)	(13,791)
Reinsurance assets	3.1	(116,526)	(112,312)
Receivables arising from insurance and reinsurance contracts	3.2	(31,427)	(38,003)
Payables arising from insurance and reinsurance contracts	3.3	5,981	7,115
Total	3.7	**185,975**	**166,301**

A reconciliation between the opening and closing balances is provided in Note 3.7.

3.1 Insurance liabilities and reinsurance assets

	Notes	2022 £'k	2021 £'k
GROSS			
Claims incurred and reported		327,334	309,892
Claims incurred but not reported		(74,115)	(81,272)
Claims handling provision		4,224	3,896
Outstanding claims liabilities	3.1.1	**257,443**	**232,516**
Unearned premium reserve	3.1.1	83,858	90,776
Total insurance liabilities – Gross		**341,301**	**323,292**
Expected to be settled within 12 months (excluding UPR)		106,486	112,975
Expected to be settled after 12 months (excluding UPR)		150,957	119,541
RECOVERABLE FROM REINSURERS			
Claims incurred and reported		(124,477)	(127,812)
Claims incurred but not reported		18,134	24,184
Outstanding claims liabilities	3.1.1	**(106,343)**	**(103,628)**
Unearned premium reserve	3.1.1	(10,183)	(8,684)
Total reinsurers' share of insurance liabilities		**(116,526)**	**(112,312)**
Expected to be settled within 12 months (excluding UPR)		(31,936)	(43,546)
Expected to be settled after 12 months (excluding UPR)		(74,407)	(60,082)
NET			
Claims incurred and reported		202,857	182,080
Claims incurred but not reported		(55,981)	(57,088)
Claims handling provision		4,224	3,896
Outstanding claims liabilities	3.1.1	**151,100**	**128,888**
Unearned premium reserve	3.1.1	73,675	82,092
Total insurance liabilities – Net		**224,775**	**210,980**

3.1.1 Movement in insurance liabilities and reinsurance assets

	2022			2021		
	Gross £'k	RI share £'k	Net £'k	Gross £'k	RI share £'k	Net £'k
CLAIMS AND CLAIMS HANDLING EXPENSES						
Claims incurred and reported	309,892	(127,812)	182,080	313,164	(123,440)	189,724
Claims incurred but not reported	(81,272)	24,184	(57,088)	(90,267)	31,424	(58,843)
Claims handling provision	3,896	-	3,896	3,649	-	3,649
Total at the beginning of the year	**232,516**	**(103,628)**	**128,888**	**226,546**	**(92,016)**	**134,530**
Cash paid for claims settled in the year	(93,353)	10,379	(82,974)	(92,247)	12,357	(79,890)
Increase in liabilities						
– arising from current year claims	124,604	(20,640)	103,964	89,480	(8,072)	81,408
– arising from prior year claims	(6,324)	7,546	1,222	8,737	(15,897)	(7,160)
Total at the end of the year	**257,443**	**(106,343)**	**151,100**	**232,516**	**(103,628)**	**128,888**
Claims incurred and reported	327,334	(124,477)	202,857	309,892	(127,812)	182,080
Claims incurred but not reported	(74,115)	18,134	(55,981)	(81,272)	24,184	(57,088)
Claims handling provision	4,224	-	4,224	3,896	-	3,896
Total at the end of the year	**257,443**	**(106,343)**	**151,100**	**232,516**	**(103,628)**	**128,888**

Amounts due from reinsurers in respect of claims already paid by the Group on the contracts that are reinsured are included in Note 3.2.

	2022			2021		
	Gross £'k	RI share £'k	Net £'k	Gross £'k	RI share £'k	Net £'k
UNEARNED PREMIUM RESERVE						
At the beginning of the year	90,776	(8,684)	82,092	87,350	(7,905)	79,445
Written in the year	171,257	26,456	197,713	169,322	21,233	190,555
Earned in the year	(178,175)	(27,955)	(206,130)	(165,896)	(22,012)	(187,908)
Total at the end of the year	**83,858**	**(10,183)**	**73,675**	**90,776**	**(8,684)**	**82,092**

3.1.2 Movement in deferred acquisition costs

	2022 £'k	2021 £'k
DEFERRED ACQUISITION COSTS		
At the beginning of the year	13,791	14,791
Additions	27,699	28,643
Recognised in the profit or loss account	(28,136)	(29,642)
Total at the end of the year	**13,354**	**13,791**

3.2 Receivables arising from insurance and reinsurance contracts

ACCOUNTING POLICY

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest rate method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the profit or loss account.

	2022 £'k	2021 £'k
Due from brokers and intermediaries	14,334	17,954
Due from policyholders	17,093	20,139
Less: provision for impairment of broker and intermediary receivables	-	(90)
Total at the end of the year	**31,427**	**38,003**

The carrying value of insurance and other receivables approximates to fair value. There are no amounts expected to be recovered more than 12 months after the reporting date.

3.3 Payables arising from insurance and reinsurance contracts

ACCOUNTING POLICY

Payables are recognised when due. Reinsurance payables represent premiums payable to reinsurers in respect of contracts which have been entered into at the date of the financial position.

	2022 £'k	2021 £'k
Insurance creditors	1,471	1,244
Amounts due to reinsurers	4,510	5,871
Total at the end of the year	**5,981**	**7,115**

Payables arising from insurance and reinsurance contracts are expected to be settled within 12 months. The carrying value of payables approximates fair value.

3.4 Insurance claims

	2022			2021		
	Gross £'k	RI share £'k	Net £'k	Gross £'k	RI share £'k	Net £'k
Movement in claims provision	117,953	(13,094)	104,859	97,970	(23,969)	74,001
Movement in claims handling provision	327	-	327	247	-	247
Claims handling expenses allocated	7,613	-	7,613	6,767	-	6,767
Net insurance claims	**125,893**	**(13,094)**	**112,799**	**104,984**	**(23,969)**	**81,015**

3.4.1 Claims development tables

The presentation of the claims development tables for the Group is based on the actual date of the event that caused the claim (accident year basis).

Gross outstanding claims liabilities

Accident year	2013 £'k	2014 £'k	2015 £'k	2016 £'k	2017 £'k	2018 £'k	2019 £'k	2020 £'k	2021 £'k	2022 £'k	Total £'k
Estimate of ultimate claims costs											
At the end of the accident year	84,939	75,649	103,599	111,518	165,707	120,077	126,981	101,965	89,233	124,277	
– One year later	70,567	65,639	90,133	100,935	131,803	108,089	122,663	97,953	87,555		
– Two years later	63,197	62,039	82,537	94,294	123,651	107,988	127,225	88,755			
– Three years later	65,313	60,301	79,845	91,336	122,674	113,257	125,608				
– Four years later	68,763	59,149	77,095	90,789	124,128	115,403					
– Five years later	64,290	58,367	77,038	92,629	124,264						
– Six years later	63,153	58,718	77,469	96,596							
– Seven years later	63,088	58,438	77,480								
– Eight years later	63,213	58,361									
– Nine years later	63,271										
Current estimate of cumulative claims	63,271	58,361	77,480	96,596	124,264	115,403	125,608	88,755	87,555	124,277	
Cumulative payments to date	(59,880)	(58,203)	(75,753)	(89,434)	(87,759)	(94,578)	(101,313)	(61,066)	(53,419)	(42,496)	
Liability recognised in balance sheet	**3,391**	**158**	**1,727**	**7,162**	**36,505**	**20,825**	**24,295**	**27,689**	**34,136**	**81,781**	**237,669**
2012 and prior											15,550
Claims handling provision											4,224
Total											**257,443**

Net outstanding claims liabilities

Accident year	2013 £'k	2014 £'k	2015 £'k	2016 £'k	2017 £'k	2018 £'k	2019 £'k	2020 £'k	2021 £'k	2022 £'k	Total £'k
Estimate of ultimate claims costs											
At the end of the accident year	77,316	74,609	97,288	104,808	106,478	111,433	115,011	85,723	81,161	103,637	
– One year later	64,071	65,639	85,814	93,664	96,446	99,649	111,550	81,882	81,826		
– Two years later	59,301	60,953	81,164	87,824	91,806	98,641	111,347	80,602			
– Three years later	57,739	59,741	77,869	85,243	91,179	99,071	111,121				
– Four years later	56,947	59,008	76,409	84,995	88,545	100,853					
– Five years later	56,892	58,259	76,254	84,891	88,690						
– Six years later	56,593	58,481	76,011	84,987							
– Seven years later	56,572	58,198	76,578								
– Eight years later	56,685	58,146									
– Nine years later	56,813										
Current estimate of cumulative claims	56,813	58,146	76,578	84,987	88,690	100,853	111,121	80,602	81,826	103,637	
Cumulative payments to date	(54,565)	(57,986)	(75,567)	(83,091)	(83,597)	(91,210)	(96,127)	(60,751)	(53,419)	(42,496)	
Liability recognised in balance sheet	**2,248**	**160**	**1,011**	**1,896**	**5,093**	**9,643**	**14,994**	**19,851**	**28,407**	**61,141**	**144,444**
2012 and prior											2,432
Claims handling provision											4,224
Total											**151,100**

3.5 Underwriting risk

The principal risk the Group faces under insurance contracts is that the actual claims and benefit payments, or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Group is to ensure that sufficient reserves are available to cover these liabilities.

The Group only issues motor insurance contracts, which usually cover a 12-month duration. For these contracts, the most significant risk which arises is under-estimation of the expected costs attached to a policy or a claim, for example through unexpected inflation of costs or single catastrophic events.

The above risk exposure is mitigated by diversification across a large portfolio of policyholders and geographical areas within the UK. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across policyholders. Furthermore, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are all policies and procedures put in place to reduce the risk exposure of the Group. The Group further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the business. Inflation risk is mitigated by taking expected inflation into account when estimating insurance contract liabilities.

The Group purchases reinsurance as part of its risk mitigation programme. Reinsurance ceded is placed on a non-proportional basis. This non-proportional reinsurance is excess-of-loss, designed to mitigate the Group's net exposure to single large claims or catastrophe losses. The current reinsurance programme in place has a retention limit of £1m, with no upper limit. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Group has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded reinsurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. Refer to Note 3.6 for insurance-related credit risk.

Key assumptions

The principal assumption underlying the liability estimates is that the Group's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each accident year. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example: one-off occurrence; changes in market factors such as public attitude to claiming; economic conditions; and internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Other key circumstances affecting the reliability of assumptions include variation in interest rates and delays in settlement.

Sensitivities

The motor claim liabilities are primarily sensitive to the reserving assumptions noted above. It is not possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.

The following analysis is performed for reasonably possible movements in key assumptions, including inflation, with all other assumptions held constant, showing the impact on profit before tax and equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear.

The table shows the impact of a 10% increase in the gross loss ratio applied to all underwriting years which have a material outstanding claims reserve, and a 10% increase in gross outstanding claims across all underwriting years, taking into account the impact of an increase in the operational costs associated with handling those claims. We have considered the impact of excess inflation in setting the threshold for this sensitivity analysis.

	Decrease in profit after tax		Decrease In total equity	
	2022	2021	2022	2021
At 31 December	**£'k**	**£'k**	**£'k**	**£'k**
Insurance risk				
Impact of a 10% increase in gross loss ratio	(9,315)	(7,921)	(9,315)	(7,921)
Impact of a 10% increase in gross outstanding claims and claims provision	(10,078)	(8,710)	(10,078)	(8,710)

A substantial increase in individually large claims which are over our reinsurance retention limit, generally will have no impact on profit before tax. The table shows the impact of a 10% increase on a net basis.

	Decrease in profit after tax		Decrease In total equity	
	2022	2021	2022	2021
At 31 December	**£'k**	**£'k**	**£'k**	**£'k**
Insurance risk				
Impact of a 10% increase in net loss ratio	(11,597)	(9,739)	(11,597)	(9,739)
Impact of a 10% increase in net outstanding claims and claims provision	(12,239)	(10,440)	(12,239)	(10,440)

Climate change

Management has assessed the short, medium and long-term risks which result from climate change. The short-term risk is low. Given the geographical diversity of the Group's policyholders within the UK and the Group's reinsurance programme, it is highly unlikely that a climate event will materially impact the Group's ability to continue trading. More likely is that the costs associated with the transition to a low-carbon economy will impact the Group's indemnity spend in the medium term, as electronic vehicles are currently relatively expensive to fix. This is somewhat, or perhaps completely, offset by advances in technology reducing the frequency of claims, in particular bodily injury claims which are generally far more expensive than damage to vehicles. These changes in the costs of claims are gradual and as such reflected in the Group's claims experience and fed into the pricing of policies. However, if the propensity to travel by car decreases overall this could impact the Group's income in the long term.

Further discussion on climate change can be found in the Principal Risks and Uncertainties section on pages 19 to 28 and the Responsibility and Sustainability section on pages 38 to 49 of the Annual Report and Accounts.

3.6 Insurance-related credit risk

Key insurance-related areas where the Group is exposed to credit default risk are:

- Reinsurers default on presentation of a large claim or dispute of cover
- Reinsurers default on their share of the Group's insurance liabilities
- Default on amounts due from insurance contract intermediaries or policyholders

Sabre uses a large panel of secure reinsurance companies. The credit risk of reinsurers included in the reinsurance programme is considered annually by reviewing their credit worthiness. The Group's placement of reinsurance is diversified such that it is not dependent on a single reinsurer. There is no single counterparty exposure that exceeds 25% of total reinsurance assets at the reporting date. Sabre's largest reinsurance counterparty is Munich Re. The credit risk exposure is further monitored throughout the year to ensure that changes in credit risk positions are adequately addressed.

The following tables demonstrate the Group's exposure to credit risk in respect of overdue insurance debt and counterparty creditworthiness. Unearned premium reserve ("UPR") is excluded as there are no credit risks inherent in them.

Overdue insurance-related debt

At 31 December 2022	Neither past due nor impaired £'k	Past due 1-90 days £'k	Past due more than 90 days £'k	Assets that have been impaired £'k	Carrying value in the balance sheet £'k
Reinsurance assets (excluding UPR)	106,343	-	-	-	106,343
Insurance receivables	31,364	63	-	-	31,427
Total	**137,707**	**63**	**-**	**-**	**137,770**

At 31 December 2021	Neither past due nor impaired £'k	Past due 1-90 days £'k	Past due more than 90 days £'k	Assets that have been impaired £'k	Carrying value in the balance sheet £'k
Reinsurance assets (excluding UPR)	103,628	-	-	-	103,628
Insurance receivables	37,840	163	-	-	38,003
Total	**141,468**	**163**	**-**	**-**	**141,631**

Exposure by credit rating

At 31 December 2022	AAA £'k	AA+ to AA- £'k	A+ to A- £'k	BBB+ to BBB- £'k	BB+ and below £'k	Not rated £'k	Total £'k
Reinsurance assets (excluding UPR)	-	71,318	35,025	-	-	-	106,343
Insurance receivables	-	-	-	-	-	31,427	31,427
Total	**-**	**71,318**	**35,025**	**-**	**-**	**31,427**	**137,770**

At 31 December 2021	AAA £'k	AA+ to AA- £'k	A+ to A- £'k	BBB+ to BBB- £'k	BB+ and below £'k	Not rated £'k	Total £'k
Reinsurance assets (excluding UPR)	-	72,498	31,130	-	-	-	103,628
Insurance receivables	-	-	-	-	-	38,003	38,003
Total	**-**	**72,498**	**31,130**	**-**	**-**	**38,003**	**141,631**

3.7 Reconciliation of opening to closing balances

The below table reconciles the opening and closing balances of insurance liabilities and reinsurance assets.

	2022 £'k	2021 £'k
Insurance liabilities and reinsurance assets – at the start of the year		
Outstanding claims	232,516	226,546
Unearned premium reserve	90,776	87,350
Deferred acquisition costs	(13,791)	(14,791)
Reinsurance assets	(112,312)	(99,921)
Receivables arising from insurance and reinsurance contracts	(38,003)	(33,976)
Payables arising from insurance and reinsurance contracts	7,115	6,246
	166,301	**171,454**
Profit or loss account movements		
Net earned premium	(153,218)	(145,442)
Current year net incurred claims	103,964	81,408
Movement in prior year net incurred claims	1,222	(7,160)
Claims handling expenses	7,613	6,767
Change in deferred acquisition costs	437	1,000
	(39,982)	**(63,427)**
Cash flow movements		
Premiums received	178,060	165,505
Reinsurance premiums paid	(27,817)	(20,574)
Claims and other claims expenses paid	(90,587)	(86,657)
	59,656	**58,274**
Insurance liabilities and reinsurance assets – at the end of the year		
Outstanding claims	257,443	232,516
Unearned premium reserve	83,858	90,776
Deferred acquisition costs	(13,354)	(13,791)
Reinsurance assets	(116,526)	(112,312)
Receivables arising from insurance and reinsurance contracts	(31,427)	(38,003)
Payables arising from insurance and reinsurance contracts	5,981	7,115
	185,975	**166,301**

4. FINANCIAL ASSETS

RISK MANAGEMENT

Refer to the following notes for detail on risks relating to financial assets:

Investment concentration risk – Note 4.2

Credit risk – Note 4.6

Liquidity risk – Note 6

The Group's financial assets are summarised below:

	Notes	2022 £'k	2021 £'k
Debt securities held at fair value through other comprehensive income	4.1.1	229,158	234,667
Loans and receivables	4.4	7	74
Cash and cash equivalents	4.5	18,502	30,611
Total		**247,667**	**265,352**

4.1 Debt securities at fair value

4.1.1 Debt securities held at fair value through other comprehensive income

ACCOUNTING POLICY – FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE

Classification

The Group classifies the following financial assets at fair value through other comprehensive income ("FVOCI"):

- Debt securities

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated at fair value through the profit or loss account ("FVTPL"):

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets
- The contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding on specified dates

Recognition and measurement

At initial recognition, the Group measures debt securities through other comprehensive income at fair value, plus the transaction costs that are directly attributable to the acquisition of the financial asset. Debt securities at FVOCI are subsequently measured at fair value.

Impairment

At each reporting date, the Group assesses debt securities at FVOCI for impairment. Under IFRS 9 a "three-stage" model for calculated Expected Credit Losses ("ECL") is used, and is based on changes in credit quality since initial recognition. Refer to Note 4.6.

The Group's debt securities held at fair value through other comprehensive income are summarised below:

	2022		2021	
	£'k	% holdings	£'k	% holdings
Government bonds	87,151	38.1%	86,192	36.8%
Government-backed securities	80,753	35.2%	83,878	35.7%
Corporate bonds	61,254	26.7%	64,597	27.5%
Total	**229,158**	**100.0%**	**234,667**	**100.0%**

4.2. Investment concentration risk

Excessive exposure to particular industry sectors or groups can give rise to concentration risk. The Group has no significant investment concentration in any particular industrial sector and therefore is unlikely to suffer significant losses through its investment portfolio as a result of over-exposure to sectors engaged in similar activities or which have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

A significant part of the Group's investment portfolio consists primarily of UK government bonds and government-backed bonds, therefore the risk of government default does exist, however the likelihood is extremely remote. The remainder of the portfolio consists of investment grade corporate bonds. The Group continues to monitor the strength and security of all bonds. The Group does not have direct exposure to Ukrainian and Russian assets.

The Group's exposure by geographical area is outlined below:

At 31 December 2022	Government bonds £'k	Government-backed securities £'k	Corporate bonds £'k	Total £'k	% holdings
United Kingdom	87,151	101	25,942	113,194	49.4%
Europe (excluding UK)	-	48,295	25,972	74,267	32.4%
North America	-	32,357	9,340	41,697	18.2%
Total	**87,151**	**80,753**	**61,254**	**229,158**	**100.0%**

At 31 December 2021	Government bonds £'k	Government-backed securities £'k	Corporate bonds £'k	Total £'k	% holdings
United Kingdom	86,192	105	28,460	114,757	48.9%
Europe (excluding UK)	-	55,786	26,446	82,232	35.0%
North America	-	27,987	9,691	37,678	16.1%
Total	**86,192**	**83,878**	**64,597**	**234,667**	**100.0%**

The Group's exposure by investment type for government-backed securities and corporate bonds is outlined below:

At 31 December 2022	Agency £'k	Supranational £'k	Total £'k
Government-backed securities	37,989	42,764	80,753
% of holdings	47.0%	53.0%	100.0%

At 31 December 2022	Financial £'k	Industrial £'k	Utilities £'k	Total £'k
Corporate bonds	31,229	28,121	1,904	61,254
% of holdings	51.0%	45.9%	3.1%	100.0%

At 31 December 2021	Agency £'k	Supranational £'k	Total £'k
Government-backed securities	48,987	34,891	83,878
% of holdings	58.4%	41.6%	100.0%

At 31 December 2021	Financial £'k	Industrial £'k	Utilities £'k	Total £'k
Corporate bonds	30,642	31,863	2,092	64,597
% of holdings	47.5%	49.3%	3.2%	100.0%

4.3. Fair value

ACCOUNTING POLICY

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, or in its absence, the most advantageous market to which the Group has access at that date.

The Group measures the fair value of an instrument using the quoted bid price in an active market for that instrument. A market is regarded as active if transactions for the asset take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date. A market is regarded as active if quoted prices are readily and regularly available from the stock exchange or pricing service, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the closing bid price.

Fair value measurements are based on observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Group's view of market assumptions in the absence of observable market information.

IFRS 13 requires certain disclosures which require the classification of financial assets and financial liabilities measured at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the fair value measurement.

Disclosure of fair value measurements by level is according to the following fair value measurement hierarchy:

- **Level 1**: fair value is based on quoted market prices (unadjusted) in active markets for identical instruments as measured on reporting date
- **Level 2**: fair value is determined through inputs, other than quoted prices included in Level 1 that are observable for the assets and liabilities, either directly (prices) or indirectly (derived from prices)
- **Level 3**: fair value is determined through valuation techniques which use significant unobservable inputs

Level 1
The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date. A market is regarded as active if quoted prices are readily and regularly available from the stock exchange or pricing service, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the closing bid price. These instruments are included in Level 1 and comprise only debt securities classified as fair value through other comprehensive income.

Level 2
The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant input required to fair value an instrument is observable, the instrument is included in Level 2. The Group has no Level 2 financial instruments.

Level 3
If one or more of the significant inputs are not based on observable market data, the instrument is included in Level 3. The Group has no Level 3 financial instruments.

The following table summarises the classification of financial instruments:

As at 31 December 2022	Level 1 £'k	Level 2 £'k	Level 3 £'k	Total £'k
Assets held at fair value				
Financial investments	229,158	-	-	229,158
Total	**229,158**	**-**	**-**	**229,158**

As at 31 December 2021	Level 1 £'k	Level 2 £'k	Level 3 £'k	Total £'k
Assets held at fair value				
Financial investments	234,667	-	-	234,667
Total	**234,667**	**-**	**-**	**234,667**

Transfers between levels
There have been no transfers between levels during the year (2021: no transfers).

4.4. Loans and receivables

ACCOUNTING POLICY

Classification

The Group classifies its loans and receivables as at amortised cost only if both of the following criteria are met:

- The asset is held within a business model whose objective is to collect the contractual cash flows
- The contractual terms give rise to cash flows that are solely payments of principle and interest

Recognition and measurement

Loans and receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for expected credit losses.

Impairment

The Group measures loss allowances at an amount equal to lifetime ECL. To measure the expected credit losses, loans and receivables have been grouped based on shared credit risk characteristics and the days past due to create the categories namely performing, underperforming and not performing. The expected loss rates are based on the payment profiles of receivables over a period of 36 months before year end. The loss rates are adjusted to reflect current and forward-looking information on macro-economic factors, such as the socio-economic environment affecting the ability of the debtors to settle the receivables. Receivables that are 30 days or more past due are considered to be 'not performing' and the default rebuttable presumption of 90 days prescribed by IFRS 9 is not applied.

Performing

Customers have a low risk of default and a strong capacity to meet contractual cash flows.

Underperforming

Loans for which there is a significant increase in credit risk. A significant increase in credit risk is presumed if interest and/or principal repayments are past due.

Not performing

Interest and/or principal repayments are 30 days past due.

The Group's loans and receivables comprises of:

	2022 £'k	2021 £'k
Other debtors	7	76
Provision for expected credit losses	-	(2)
Total	**7**	**74**

The estimated fair values of loans and receivables are the discounted amounts of the estimated future cash flows expected to be received.

The carrying value of loans and receivables approximates fair value. Provision for expected credit losses are based on the recoverability of the individual loans and receivables.

At 31 December 2022	ECL rate %	ECL method £'k	Gross £'k	Provision opening balance £'k	(Released)/ raised in the period £'k	Provision closing balance £'k	Net £'k
Performing	2.5%	Lifetime	7	(2)	2	-	7
Underperforming	25.0%	Lifetime	-	-	-	-	-
Not performing	50.0%	Lifetime	-	-	-	-	-
Total			**7**	**(2)**	**2**	**-**	**7**

At 31 December 2021	ECL rate %	ECL method £'k	Gross £'k	Provision opening balance £'k	(Released)/ raised in the period £'k	Provision closing balance £'k	Net £'k
Performing	2.5%	Lifetime	76	(2)	-	(2)	74
Underperforming	25.0%	Lifetime	-	-	-	-	-
Not performing	50.0%	Lifetime	-	-	-	-	-
Total			**76**	**(2)**	**-**	**(2)**	**74**

The forward-looking information considered was deemed to have an immaterial impact on expected credit losses.

4.5. Cash and cash equivalents

ACCOUNTING POLICY – CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, deposits held on call with banks and money market funds. Cash and cash equivalents are carried at amortised cost.

	2022 £'k	2021 £'k
Cash and cash equivalents	18,502	30,611
Total	**18,502**	**30,611**

Cash and cash equivalents include money market funds with no notice period for withdrawal.

The carrying value of cash and cash equivalents approximates fair value. The full value is expected to be realised within 12 months.

4.6. Credit risk

ACCOUNTING POLICY

Impairment of financial assets

At each reporting date, the Group assesses financial assets measured at amortised cost and debt securities at FVOCI for impairment. Under IFRS 9 a 'three-stage' model for calculated Expected Credit Losses ("ECL") is used, and is based on changes in credit quality since initial recognition as summarised below:

Performing financial assets

– Stage 1: From initial recognition of a financial asset to the date on which an asset has experienced a significant increase in credit risk relative to its initial recognition, a stage 1 loss allowance is recognised equal to the credit losses expected to result from its default occurring over the earlier of the next 12 months or its maturity date ("12-month ECL").

– Stage 2: Following a significant increase in credit risk relative to the initial recognition of the financial asset, a stage 2 loss allowance is recognised equal to the credit losses expected from all possible default events over the remaining lifetime of the asset ("Lifetime ECL"). The assessment of whether there has been a significant increase in credit risk, such as an actual or significant change in instruments external credit rating; significant widening of credit spread; changes in rates or terms of instrument; existing or forecast adverse change in business, financial or economic conditions that are expected to cause a significant change in the counterparty's ability to meet its debt obligations; requires considerable judgement, based on the lifetime probability of default ("PD"). Stage 1 and 2 allowances are held against performing loans; the main difference between stage 1 and stage 2 allowances is the time horizon. Stage 1 allowances are estimated using the PD with a maximum period of 12 months, while stage 2 allowances are estimated using the PD over the remaining lifetime of the asset.

Impaired financial assets

Stage 3: When a financial asset is considered to be credit-impaired, the allowance for credit losses ("ACL") continues to represent lifetime expected credit losses, however, interest income is calculated based on the amortised cost of the asset, net of the loss allowance, rather than its gross carrying amount.

Application of the impairment model

The Group applies IFRS 9's ECL model to two main types of financial assets that are measured at amortised cost or FVOCI:

Other receivables, to which the simplified approach prescribed by IFRS 9 is applied. This approach requires the recognition of a Lifetime ECL allowance on day one.

Debt securities, to which the general three-stage model (described above) is applied, whereby a 12-month ECL is recognised initially and the balance is monitored for significant increases in credit risk which triggers the recognition of a Lifetime ECL allowance.

ECLs are a probability-weighted estimate of credit losses. The probability is determined by the estimated risk of default which is applied to the cash flow estimates. On a significant increase in credit risk, from investment grade to non-investment grade, allowances are recognised without a change in the expected cash flows (although typically expected cash flows do also change) and expected credit losses are rebased from 12-month to lifetime expectations.

The measurement of ECLs considers information about past events and current conditions, as well as supportable information about future events and economic conditions.

Presentation of impairment

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is recognised in the profit or loss account and accounted for as a transfer from OCI to profit or loss, instead of reducing the carrying amount of the asset.

Write-offs

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of the amount being recovered. This is generally the case when the Group concludes that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Exposure by credit rating

At 31 December 2022	AAA £'k	AA+ to AA- £'k	A+ to A- £'k	BBB+ to BBB- £'k	BB+ and below £'k	Not rated £'k	Total £'k
UK Government bonds	-	87,151	-	-	-	-	87,151
Government-backed securities	80,031	722	-	-	-	-	80,753
Corporate bonds	-	2,839	41,235	17,180	-	-	61,254
Loans and other receivables	-	-	-	-	-	7	7
Cash and cash equivalents	5,340	52	13,110	-	-	-	18,502
Total	**85,371**	**90,764**	**54,345**	**17,180**	**-**	**7**	**247,667**

At 31 December 2021	AAA £'k	AA+ to AA- £'k	A+ to A- £'k	BBB+ to BBB- £'k	BB+ and below £'k	Not rated £'k	Total £'k
UK Government bonds	-	86,192	-	-	-	-	86,192
Government-backed securities	75,294	8,584	-	-	-	-	83,878
Corporate bonds	-	3,128	39,417	22,052	-	-	64,597
Loans and other receivables	-	-	-	-	-	74	74
Cash and cash equivalents	368	51	30,192	-	-	-	30,611
Total	**75,662**	**97,955**	**69,609**	**22,052**	**-**	**74**	**265,352**

With exception of loans and other receivables, all the Company's financial assets are investment grade (AAA to BBB).

Analysis of credit risk and allowance for expected credit loss
The following table provides an overview of the allowance for ECL provided for on the types of financial assets held by the Group where credit risk is prevalent.

At 31 December 2022	Gross carrying amount £'k	Allowance for ECL £'k	Net amount £'k
Government bonds	87,151	(3)	87,148
Government-backed securities	80,753	(2)	80,751
Corporate bonds	61,254	(27)	61,227
Loans and other receivables	7	-	7
Cash and cash equivalents	18,502	-	18,502
Total	**247,667**	**(32)**	**247,635**

At 31 December 2021	Gross carrying amount £'k	Allowance for ECL £'k	Net amount £'k
Government bonds	86,192	(8)	86,184
Government-backed securities	83,878	(4)	83,874
Corporate bonds	64,597	(52)	64,545
Loans and other receivables	74	(2)	72
Cash and cash equivalents	30,611	-	30,611
Total	**265,352**	**(66)**	**265,286**

4.7. Interest rate risk – financial assets

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Floating rate instruments expose the Group to cash flow interest risk, whereas fixed interest rate instruments expose the Group to fair value interest risk. Currently the Group holds only fixed rate securities.

The Group's interest risk policy requires it to manage the maturities of interest-bearing financial assets and interest-bearing financial liabilities. Interest on fixed interest rate instruments is priced at inception of the financial instrument and is fixed until maturity.

The Group has a concentration of interest rate risk in UK government bonds and other fixed-income securities.

The analysis that follows is performed for reasonably possible movements in key variables with all other variables held constant, showing the impact on profit before tax and equity. The correlation of variables will have a significant effect in determining the ultimate impact on interest rate risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

Note that the Group's investment portfolio has been designed such that the cash flows yielded from investments match, as far as possible, the projected outflows inherent primarily within the claims reserve.

The impact of any movement in market values, such as those caused by changes in interest rates, is taken through other comprehensive income and has no impact on profit after tax.

	Decrease in profit after tax		Decrease in total equity	
	2022	**2021**	**2022**	**2021**
At 31 December	**£'k**	**£'k**	**£'k**	**£'k**
Interest rate				
Impact of a 100-basis point increase in interest rates on financial investments	-	-	(1,940)	(3,861)
Impact of a 200-basis point increase in interest rates on financial investments	-	-	(3,881)	(5,781)

4.8. Investment income

ACCOUNTING POLICY

Investment income from debt instruments classified as FVOCI are measured using the effective interest rate which allocates the interest income or interest expense over the expected life of the asset or liability at the rate that exactly discounts all estimated future cash flows to equal the instrument's initial carrying amount. Calculation of the effective interest rate takes into account fees payable or receivable that are an integral part of the instrument's yield, premiums or discounts on acquisition or issue, early redemption fees and transaction costs. All contractual terms of a financial instrument are considered when estimating future cash flows.

	2022	**2021**
	£'k	**£'k**
Interest income on financial assets using effective interest rate method		
Interest income from debt securities	1,567	1,507
Investment fees	(293)	(308)
Interest income from cash and cash equivalents	100	11
Total	**1,374**	**1,210**

4.9. Net gains/(losses) from fair value adjustments on financial assets

ACCOUNTING POLICY

Movements in the fair value of debt instruments classified as FVOCI are taken through OCI. When the instruments are derecognised, the cumulative gain or losses previously recognised in OCI is reclassified to profit or loss.

	2022 £'k	2021 £'k
Profit or loss		
Realised fair value gains/(losses) on debt securities	22	(16)
Realised fair value gains/(losses) on debt securities reclassified to profit or loss	**22**	**(16)**
Other comprehensive income		
Unrealised fair value losses on debt securities	(14,175)	(5,674)
Expected credit loss	(32)	16
Unrealised fair value losses on debt securities through other comprehensive income	**(14,207)**	**(5,658)**
Net losses from fair value adjustments on financial assets	**(14,185)**	**(5,674)**

5. OTHER LIABILITIES

The Group's other liabilities are summarised below:

	Notes	2022 £'k	2021 £'k
Other liabilities at amortised cost			
Lease liabilities	5.1	-	193
Trade and other payables, excluding insurance payables	5.3	5,005	5,831
Total		**5,005**	**6,024**

5.1. Lease liability

	2022 £'k	2021 £'k
As at the beginning of the year	193	194
Cash movements		
Lease payments	(198)	(264)
Non-cash movements		
Lease extension during the year	-	247
Interest	5	16
As at 31 December	**-**	**193**
Current	-	193
Non-current	-	-

5.2. Finance costs

ACCOUNTING POLICY

Finance costs are recognised using the effective interest method.

	2022 £'k	2021 £'k
Interest on lease liabilities	5	16
Total	**5**	**16**

5.3. Trade and other payables, excluding insurance payables

ACCOUNTING POLICY

Trade and other payables are recognised when the Group has a contractual obligation to deliver cash or another financial asset to another entity, or a contractual obligation to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity. Trade and other payables are carried at amortised cost.

	2022 £'k	2021 £'k
Trade and other creditors	657	321
Other taxes	4,348	5,510
Total	**5,005**	**5,831**

6. LIQUIDITY RISK

Liquidity risk is the potential that obligations cannot be met as they fall due as a consequence of having a timing mismatch or inability to raise sufficient liquid assets without suffering a substantial loss on realisation. The Group manages its liquidity risk through both ensuring that it holds sufficient cash and cash equivalent assets to meet all short-term liabilities and matching, as far as possible, the maturity profile of its financial investments to the expected cash outflows.

The liquidity of the Group's insurance and financial liabilities and supporting assets is given in the tables below:

At 31 December 2022	Total £'k	Within 1 year £'k	1–2 years £'k	3–4 years £'k	5–10 years £'k	Over 10 years £'k
Reinsurance assets, excluding UPR(1)	106,343	31,936	26,290	25,330	22,787	-
Government bonds	87,151	14,463	26,470	38,992	7,226	-
Government-backed securities	80,753	5,119	69,693	5,941	-	-
Corporate bonds	61,254	4,426	44,514	12,314	-	-
Insurance receivables	31,427	31,427	-	-	-	-
Loans and other receivables	7	7	-	-	-	-
Cash and cash equivalents(2)	18,502	18,502	-	-	-	-
Total	**385,437**	**105,880**	**166,967**	**82,577**	**30,013**	**-**

At 31 December 2022	Total £'k	Within 1 year £'k	1–2 years £'k	3–4 years £'k	5–10 years £'k	Over 10 years £'k
Insurance liabilities, excluding UPR(1)	257,443	106,486	77,890	44,025	29,042	-
Insurance payable	5,981	5,981	-	-	-	-
Trade and other payables	5,005	5,005	-	-	-	-
Total	**268,429**	**117,472**	**77,890**	**44,025**	**29,042**	**-**

Management have considered the liquidity and cash generation of the Group and are satisfied that the Group will be able to meet all liabilities as they fall due.

(1) Unearned premiums are excluded as there are no liquidity risks inherent in them.

(2) Includes money market funds with no notice period for withdrawal.

At 31 December 2021	Total £'k	Within 1 year £'k	1–2 years £'k	3–4 years £'k	5–10 years £'k	Over 10 years £'k
Reinsurance assets, excluding UPR[(1)]	103,628	43,546	34,496	18,393	7,193	-
UK Government bonds	86,192	27,313	22,845	35,001	1,033	-
Government-backed securities	83,878	8,479	64,752	10,647	-	-
Corporate bonds	64,597	2,203	14,034	48,360	-	-
Insurance receivables	38,003	38,003	-	-	-	-
Loans and other receivables	74	74	-	-	-	-
Cash and cash equivalents[(2)]	30,611	30,611	-	-	-	-
Total	**406,983**	**150,229**	**136,127**	**112,401**	**8,226**	**-**

At 31 December 2021	Total £'k	Within 1 year £'k	1–2 years £'k	3–4 years £'k	5–10 years £'k	Over 10 years £'k
Insurance liabilities, excluding UPR[(1)]	232,516	112,975	75,661	32,848	11,032	-
Insurance payables	7,115	7,115	-	-	-	-
Lease liabilities	193	193	-	-	-	-
Trade and other payables	5,831	5,831	-	-	-	-
Total	**245,655**	**126,114**	**75,661**	**32,848**	**11,032**	**-**

(1) Unearned premiums are excluded as there are no liquidity risks inherent in them.
(2) Includes money market funds with no notice period for withdrawal.

7. OTHER OPERATING INCOME

ACCOUNTING POLICY

Other operating income consists of marketing fees, commissions resulting from the sale of ancillary products connected to the Group's direct business, and other non-insurance income such as administrative fees charged on direct business. Such income is recognised once the related service has been performed. Typically, this will be at the point of sale of the product.

	2022 £'k	2021 £'k
Marketing fees	384	463
Fee income from the sale of auxiliary products and services	261	196
Administration fees	1,139	1,439
Total	**1,784**	**2,098**

8. OPERATING EXPENSES

	Notes	2022 £'k	2021 £'k
Employee expenses	8.1	12,536	12,338
Property expenses		428	331
IT expense including IT depreciation		5,043	5,125
Other depreciation		17	33
Industry levies		5,913	5,000
Policy servicing costs		2,164	2,282
Other operating expenses		2,665	2,189
Expected credit loss on financial assets		(34)	16
Before adjustments for deferred acquisition costs and claims handling expenses		**28,732**	**27,314**
Adjusted for:			
Claims handling expense reclassification		(7,613)	(6,767)
Movement in deferred acquisition costs		83	939
Total operating expenses		**21,202**	**21,486**

8.1. Employee expenses

ACCOUNTING POLICY

A. Pensions

For staff who were employees on 8 February 2002, the Group operates a non-contributory defined contribution Group personal pension scheme. The contribution by the Group depends on the age of the employee.

For employees joining since 8 February 2002, the Group operates a matched contribution Group personal pension scheme where the Group contributes an amount matching the contribution made by the staff member.

Contributions to defined contribution schemes are recognised in the profit or loss account in the period in which they become payable.

B. Share-based payments

The fair value of equity instruments granted under share-based payment plans are recognised as an expense and spread over the vesting period of the instrument. The total amount to be expensed is determined by reference to the fair value of the awards made at the grant date, excluding the impact of any non-market vesting conditions. Depending on the plan, the fair value of equity instruments granted is measured on grant date using an appropriate valuation model or the market price on grant date. At the date of each statement of financial position, the Group revises its estimate of the number of equity instruments that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the profit or loss account, and a corresponding adjustment is made to equity over the remaining vesting period. The fair value of the awards and ultimate expense are not adjusted on a change in market vesting conditions during the vesting period.

C. Leave pay

Employee entitlement to annual leave is recognised when it accrues to employees. An accrual is made for the estimated liability for annual leave as a result of services rendered by employees up to the statement of financial position date.

The aggregate remuneration of those employed by the Group's operations comprised:

	2022 £'k	2021 £'k
Wages and salaries	8,988	9,417
Issue of share-based payments	1,603	1,075
Social security expenses	1,213	1,193
Pension expenses	508	475
Other staff expenses	224	178
Before adjustments for deferred acquisition costs and claims handling expenses	**12,536**	**12,338**
Adjusted for:		
Claims handling expense reclassification	(5,860)	(5,239)
Movement in deferred acquisition costs	92	535
Employee expenses	**6,768**	**7,634**

8.2. Number of employees

The table below analyses the average monthly number of persons employed by the Group's operations.

	2022	2021
Operations	123	124
Support	28	30
Total	**151**	**154**

8.3. Directors' remuneration

Amounts paid to Directors are disclosed within the "Annual Report on Director's Remuneration" on pages 78 to 87 of the Annual Report and Accounts.

8.4. Auditors' remuneration

The table below analyses the Auditor's remuneration in respect of the Group's operations.

	2022 £'k	2021 £'k
Audit of these financial statements	180	124
Audit of financial statements of subsidiaries of the Group	175	255
Audit fees in relation to IFRS 17 transition	85	-
Total audit fees	**440**	**379**
Fees for non-audit services – Audit-related assurance services	79	80
Fees for non-audit services – Other non-audit services	-	-
Total non-audit fees	**79**	**80**
Total auditor remuneration	519	459

The above fees exclude irrecoverable VAT of 20%.

9. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of owned and leased assets that do not meet the definition of investment property.

	2022 £'k	2021 £'k
Property, plant and equipment – owned	3,996	4,066
Property, plant and equipment – leased (Right-of-use assets)	-	187
Total	**3,996**	**4,253**

9.1. Owned assets

ACCOUNTING POLICY

A. Owner-occupied property

Owner-occupied properties are held by the Group for use in the supply of services or, for its own administration purposes.

Owner-occupied property is held at fair value. Increases in the carrying amount of owner-occupied properties as a result of revaluations are credited to other comprehensive income and accumulated in a revaluation reserve in equity. To the extent that a revaluation increase reverses a revaluation decrease that was previously recognised as an expense in profit or loss, such increase is credited to income in profit or loss. Decreases in valuation are charged to profit or loss, except to the extent that a decrease reverses the existing accumulated revaluation reserve and therefore such a decrease is recognised in other comprehensive income.

A fair value assessment of the owner-occupied property is undertaken at each reporting date with any material changes in fair value recognised. Valuation is at highest and best use. Owner-occupied property is also revalued by an external qualified surveyor, at least every three years. UK properties do not have frequent and volatile fair value changes and as such, more frequent revaluations are considered unnecessary, as only insignificant changes in fair value is expected.

Owner-occupied land is not depreciated. As the depreciation of owner-occupied buildings is immaterial and properties are revalued every three years by an external qualified surveyor, no depreciation is charged on owner-occupied buildings

B. Fixtures, fittings and computer equipment

Fixtures, fittings and computer equipment are stated at historical cost less accumulated depreciation and impairment charges. Historical cost includes expenditure that is directly attributable to the acquisition of property and equipment.

Depreciation is calculated on the difference between the cost and residual value of the asset and is charged to the profit or loss account over the estimated useful life of each significant part of an item of fixtures, fittings and computer equipment, using the straight-line basis.

Estimate useful lives are as follows:

Fixtures and fittings	5 years
Computer equipment	5 years

The assets' residual values and useful lives are reviewed at each statement of financial position date and adjusted if appropriate. An asset's carrying amount is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the assets and are included in profit or loss before tax.

Repairs and maintenance costs are charged to the profit or loss account during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits from the renovations will flow to the Group.

	Owner-occupied £'k	Fixtures and fittings £'k	Computer equipment £'k	Total £'k
Cost/Valuation				
At 1 January 2022	4,250	240	848	5,338
Additions	-	27	11	38
Disposals	-	(226)	(450)	(676)
Revaluation	-	-	-	-
At 31 December 2022	**4,250**	**41**	**409**	**4,700**
Accumulated depreciation and impairment				
At 1 January 2022	425	218	629	1,272
Depreciation charge for the year	-	17	91	108
Disposals	-	(226)	(450)	(676)
Impairment losses on revaluation	-	-	-	-
At 31 December 2022	**425**	**9**	**270**	**704**
Carrying amount				
As at 31 December 2022	**3,825**	**32**	**139**	**3,996**

All items disposed where either donated to charity or recycled at £NIL.

	Owner-occupied £'k	Fixtures and fittings £'k	Computer equipment £'k	Total £'k
Cost/Valuation				
At 1 January 2021	4,250	235	825	5,310
Additions	-	5	23	28
Disposals	-	-	-	-
Revaluation	-	-	-	-
At 31 December 2021	**4,250**	**240**	**848**	**5,338**
Accumulated depreciation and impairment				
At 1 January 2021	425	185	526	1,136
Depreciation charge for the year	-	33	103	136
Disposals	-	-	-	-
Impairment losses on revaluation	-	-	-	-
At 31 December 2021	**425**	**218**	**629**	**1,272**
Carrying amount				
As at 31 December 2021	**3,825**	**22**	**219**	**4,066**

The Group holds two owner-occupied properties, Sabre House and The Old House, which are both managed by the Group. In accordance with the Group's accounting policies, owner-occupied buildings are not depreciated. The properties are measured at fair value which is arrived at on the basis of a valuation carried out on 1 December 2020 by Hurst Warne and Partners LLP. The valuation was carried out on an open-market basis in accordance with the Royal Institution of Chartered Surveyors' requirements, which is deemed to equate to fair value. While transaction evidence underpins the valuation process, the definition of market value, including the commentary, in practice requires the valuer to reflect the realities of the current market. In this context valuers must use their market knowledge and professional judgement and not rely only upon historical market sentiment based on historical transactional comparables.

The fair value of the owner-occupied properties was derived using the investment method supported by comparable evidence. The significant non-observable inputs used in the valuations are the expected rental values per square foot and the capitalisation rates. The fair value of the owner-occupied properties valuation would increase (decrease) if the expected rental values per square foot were to be higher (lower) and the capitalisation rates were to be lower (higher).

Management has performed a fair value assessment of the owner-occupied property which includes a review of current market rental costs. Expected rental costs per square foot are above the rates as at the date of the last external valuation and do not indicate a decrease in the fair value of the owner-occupied property.

The fair value measurement of owner-occupied properties of £3,825k (2021: £3,825k) has been categorised as a Level 3 fair value based on the non-observable inputs to the valuation technique used.

The following table shows reconciliation to the closing fair value for the Level 3 owner-occupied property at valuation:

Owner-occupied	**2022** **£'k**	**2021** **£'k**
At 1 January	3,825	3,825
Revaluation losses	-	-
Impairment losses	-	-
At 31 December	**3,825**	**3,825**

The fair value of owner-occupied includes a revaluation reserve of £800k (2021: £800k) (excluding tax impact) and is not distributable.

Revaluation losses are charged against the related revaluation reserve to the extent that the decrease does not exceed the amount held in the revaluation surplus in respect of the same asset. Any additional losses are charged as an impairment loss in the profit or loss account. Reversal of such impairment losses in future periods will be credited to the profit or loss account to the extent losses were previously charged to the profit or loss account.

The table below shows the impact a 15% decrease in property markets will have on the Company's profit after tax and equity:

	Decrease in profit after tax		**Decrease In total equity**	
At 31 December	**2022** **£'k**	**2021** **£'k**	**2022** **£'k**	**2021** **£'k**
Owner-occupied property				
Impact of a 15% decrease in property markets	(131)	(131)	(465)	(465)

Historical cost model values
If owner-occupied properties were carried under the cost model (historical costs, less accumulated depreciation and impairment losses), the value of owner-occupied properties in the balance sheet would have been £2,816k (2021: £2,845k).

9.2. Leased assets

ACCOUNTING POLICY

Right-of-use assets

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying assets or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- Amounts expected to be payable under a residual value guarantee
- The exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Right-of-use assets

Additional information on the right-of-use assets by class of assets is as follows:

	Computer equipment £'k	Total £'k
As at 1 January 2022	187	187
Additions	-	-
Depreciation	(187)	(187)
As at 31 December 2022	**-**	**-**

The Group's right-of-use asset has expired during 2022 and no new lease for IT equipment has been entered into. The right-of-use asset has therefore been derecognised.

	Computer equipment £'k	Total £'k
As at 1 January 2021	189	189
Additions	247	247
Depreciation	(249)	(249)
As at 31 December 2021	**187**	**187**

Lease liabilities
Lease liabilities are presented in the statement of financial position as follows:

	2022 £'k	2021 £'k
As at 1 January	193	194
Additions	-	247
Accretion of interest	5	16
Payments	(198)	(264)
As at 31 December	**-**	**193**
Current	-	193
Non-current	-	-

The following are the amounts recognised in the profit or loss account:

	2022 £'k	2021 £'k
Depreciation expense of right-of-use assets	187	249
Interest expense on lease liabilities	5	16
Expenses relating to short-term leases (included in IT expenses)	-	-
Expenses relating to low-value assets (included in other operating expenses)	14	14
Variable lease payments	-	-
Total	**206**	**279**

The Group had total cash outflows for leases of £212k in 2022 (2021: £278k). The Group had no non-cash additions to right-of-use assets or lease liabilities. The lease contract expired during 2022.

10. TAX CHARGE

ACCOUNTING POLICY

The taxation charge in the profit or loss account is based on the taxable profits for the year. It is Group policy to relieve profits where possible by the surrender of losses from Group companies with payment for value.

	2022 £'k	2021 £'k
Current taxation		
Charge for the year	2,644	6,935
	2,644	**6,935**
Deferred taxation (Note 11)		
Origination and reversal of temporary differences	(1)	124
	(1)	**124**
Current taxation	2,644	6,935
Deferred taxation (Note 11)	(1)	124
Tax charge for the year	**2,643**	**7,059**

Tax recorded in other comprehensive income is as follows:

	2022 £'k	2021 £'k
Current taxation	-	-
Deferred taxation	(3,563)	(1,069)
	(3,563)	**(1,069)**

The actual income tax charge differs from the expected income tax charge computed by applying the standard rate of UK corporation tax of 19.00% (2021: 19.00%) as follows:

	2022 £'k	2021 £'k
Profit before tax	**12,750**	**37,199**
Expected tax charge	2,423	7,068
Effect of:		
Expenses not deductible for tax purposes	9	6
Adjustment of deferred tax to average rate of 23.5%	(2)	-
Other permanent difference	-	-
Adjustment in respect of prior periods	9	(99)
Income/loss not subject to UK taxation	6	8
Other Income Tax Adjustments	198	76
Tax charge for the year	**2,643**	**7,059**
Effective income tax rate	20.73%	18.98%

11. DEFERRED TAX CHARGE

ACCOUNTING POLICY

Deferred tax is recognised in respect of all temporary differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exception.

Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

	Provisions and other temporary differences £'k	Depreciation in excess of capital allowances £'k	Share-based Payments £'k	Fair value movements in debt securities at FVOCI £'k	Total £'k
At 1 January 2021	21	(24)	347	(469)	(125)
(Debit)/Credit to the profit or loss	(2)	(2)	(114)	(6)	(124)
(Debit)/Credit to other comprehensive income	-	-	-	1,069	1,069
At 31 December 2021	**19**	**(26)**	**233**	**594**	**820**
(Debit)/Credit to the profit or loss	(19)	6	20	(6)	1
(Debit)/Credit to other comprehensive income	-	-	-	3,563	3,563
At 31 December 2022	**-**	**(20)**	**253**	**4,151**	**4,384**

	2022 £'k	2021 £'k
Per statement of financial position:		
Deferred tax assets	4,404	846
Deferred tax liabilities	(20)	(26)
	4,384	**820**

From 1 April 2023, The Finance Act 2021 increases the UK corporation tax from 19% to 25%. This means that for any temporary differences expected to reverse on or after 1 April 2023, the new tax rate of 25% will be relevant. The Group has adjusted deferred tax balances accordingly. The impact of this adjustment on the deferred tax balances is not material.

12. DIVIDENDS

ACCOUNTING POLICY

Dividend distribution to the Group's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividend is approved.

	2022 pence per share	2022 £'k	2021 pence per share	2021 £'k
Amounts recognised as distributions to equity holders in the period				
Interim dividend for the current year	2.8	6,960	3.7	9,218
Final dividend for the prior year	9.3	23,172	11.7	29,168
	12.1	**30,132**	**15.4**	**38,386**
Proposed dividends				
Final dividend (1)	1.7	4,250	9.3	23,250

(1) Subsequent to 31 December 2022, the Directors declared a final dividend for 2022 of 1.7p per ordinary share. This dividend will be accounted for as an appropriation of retained earnings in the year ended 31 December 2022 and is not included as a liability in the Statement of Financial Position as at 31 December 2022.

The trustees of the employee share trusts waived their entitlement to dividends on shares held in the trusts to meet obligations arising on share incentive schemes, which reduced the dividends paid for the year ended 31 December 2022 by £118k (2021: £114k).

13. PREPAYMENTS, ACCRUED INCOME AND OTHER ASSETS

	2022 £'k	2021 £'k
Prepayments and accrued income	1,278	821
Total	**1,278**	**821**

The carrying value of prepayments, accrued income and other assets approximates to fair value. There are no amounts expected to be recovered more than 12 months after the reporting date.

14. GOODWILL

ACCOUNTING POLICY

Goodwill has been recognised in acquisitions of subsidiaries and represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired. Goodwill is stated at cost less any accumulated impairment losses.

Impairment of goodwill

The Group perform an annual impairment review which involves comparing the carrying amount to the estimated recoverable amount and recognising an impairment loss if the recoverable amount is lower than the carrying amount. Impairment losses are recognised through the profit or loss account and are not subsequently reversed.

The recoverable amount is the greater of the fair value of the asset less costs to sell and the value in use.

The value in use calculations use cash flow projections based on financial budgets approved by management.

On 3 January 2014 the Group acquired Binomial Group Limited, the parent of Sabre Insurance Company Limited, for a consideration of £245,485k satisfied by cash. As from 1 January 2014, the date of transition to IFRS, goodwill was no longer amortised but is subject to annual impairment testing. Impairment testing involves comparing the carrying value of the net assets and goodwill against the recoverable amount.

The goodwill recorded in respect of this transaction at the date of acquisition was £156,279k. There has been no impairment to goodwill since this date, and no additional goodwill has been recognised by the Group.

The Group performed its annual impairment test as at 31 December 2022 and 31 December 2021. The Company considers the relationship between the Group's market capitalisation and the book value of its subsidiary undertakings, among other factors, when reviewing for indicators of impairment.

Key assumptions

The market capitalisation of the Company as at 31 December 2022 had reduced to £266,000k from £459,500k at 31 December 2021. This provided an indication that the underlying value had been impaired, and therefore the Directors carried out an impairment assessment based on the Cash Generating Units ("CGUs") within the Group.

The group has identified one CGU, for which goodwill has been fully allocated. The Group has assessed the recoverable amount of the CGU as its "value-in-use". Value-in-use is defined as the present value of the future cash flows expected to derive from the CGU and represents the recoverable amount for the CGU.

We have used a dividend discount model to estimate the value-in-use, wherein dividend payments are discounted to the present value. Dividends have been estimated, based on forecasted financial information, over a four-year forecast period with and terminal growth rate applied. The key assumptions used in the preparation of future cash flows are: plan-period financial performance, dividend payout ratio, long-term growth rates and discount rate.

The key assumptions used in the calculation for the value in use is set out below

- Plan period financial performance set in-line with the Group's expectations
- Dividend payout ratio in line with the Group's strategy
- Long-term growth rate beyond the plan period of 2%
- Discount rate of 9.5%, being a calculated cost of capital using market rate returns of Sabre and comparable insurers

These calculations use post-tax cash flow projections based on the Group's capital models. As the value-in-use exceeds the carrying amount, the recoverable amount remains supportable.

The Group has conducted sensitivity testing to the recoverable amount, in order to understand the relevance of these various factors in arriving at the value in use.

- Dividend within the plan period – To assess the impact of reasonable changes in performance on our base case impairment analysis and headroom, we flexed the dividend within the plan period by +10% and -10%. In doing so, the value in use varied by approximately 10.0% around the central scenario.
- Long term growth rate – To assess the impact of reasonable changes in the long-term growth rate on our base case impairment analysis and headroom, we flexed the long-term growth rate by +1% and -1%. In doing so, the value in use varied by approximately 7.1% around the central scenario.
- Discount rate – To assess the impact of reasonable changes in the dividend payout ratio on our base case impairment analysis and headroom, we flexed the average discount rate by +2% and -2%. In doing so, the value in use varied by approximately 13.0% around the central scenario.

When applying these stressed factors, no scenario suggested an impairment of goodwill would be required.

15. SHARE CAPITAL

	2022 £'k	2021 £'k
Authorised share capital		
250,000,000 ordinary shares of £0.001 each	250	250
Issued ordinary share capital (fully paid up):		
250,000,000 ordinary shares of £0.001 each	250	250

All shares are unrestricted and carry equal voting rights.

As at 31 December 2022, The Sabre Insurance Group Employee Benefit Trust held 1,431,576 (2021: 866,855) of the 250,000,000 issued ordinary shares with a nominal value of £1,431.58 (2021: £866.86) in connection with the operation of the Group's share plans. Refer to Notes 16 and 17 for additional information on own shares held.

16. SHARE-BASED PAYMENTS

The Group operates equity-settled share-based schemes for all employees in the form of a Long-Term Incentive Plan ("LTIP"), Deferred Bonus Plan ("DBP") and Share Incentive Plans ("SIP"), including Free Shares and Save As You Earn ("SAYE"). The shares are in the ultimate parent company, Sabre Insurance Group plc.

	Free shares donated at listing			Shares bought/(sold) on open market			Total
	Number of shares	Average price (pence)	£	Number of shares	Average price (pence)	£	£
As at 31 December 2020	**63,031**	**0.001**	**63**	**541,208**	**275.975**	**1,493,601**	**1,493,664**
Shares purchased	-	-	-	928,186	256.295	2,378,897	2,378,897
Shares disposed	-	-	-	(176,672)	255.443	(451,296)	(451,296)
Shares vested	(39,901)	0.001	(40)	(448,997)	259.367	(1,164,550)	(1,164,590)
As at 31 December 2021	**23,130**	**0.001**	**23**	**843,725**	**267.463**	**2,256,652**	**2,256,675**
Shares purchased	-	-	-	807,981	141.293	1,141,621	1,141,621
Shares disposed	-	-	-	-	-	-	-
Shares vested	(23,130)	-	(23)	(220,130)	267.463	(588,766)	(588,789)
As at 31 December 2022	**-**	**-**	**-**	**1,431,576**	**196.253**	**2,809,507**	**2,809,507**

In thousands	**£'k**	**£'k**	**£'k**
As at 31 December 2021	-	2,257	**2,257**
As at 31 December 2022	-	2,810	**2,810**

As at 31 December 2022 there were NIL (2021: NIL) exercisable shares outstanding.

The Group recognised a total expense in the profit or loss for the year ended 31 December 2022 of £1,603k (2021: £1,075k), relating to equity-settled share-based plans.

Long-Term Incentive Plan ("LTIP")

The LTIP is a discretionary share plan, under which the Board may grant share-based awards ("LTIP Awards") to incentivise and retain eligible employees.

LTIP Awards – Awards with performance conditions

The LTIP with performance conditions is a discretionary share plan, under which the Board may grant share-based awards ("LTIP Awards") to incentivise and retain eligible employees. The vesting of LTIP Awards may (and, in the case of an LTIP Award to an Executive Director other than a Recruitment Award, will) be subject to the satisfaction of performance conditions. Any performance condition may be amended or substituted if one or more events occur which cause the Board to consider that an amended or substituted performance condition would be more appropriate and would not be materially less difficult to satisfy.

LTIP Awards which are subject to performance conditions will normally have those conditions assessed as soon as reasonably practicable after the end of the relevant performance period and, to the extent that the performance conditions have been met, the LTIP Awards will vest either on that date or such later date as the Board determines. LTIP Awards (other than Recruitment Awards) granted to the Executive Directors will normally be subject to a performance period of at least three years. LTIP Awards (other than Recruitment Awards) which are not subject to performance conditions will normally vest on the third anniversary of the date of grant or such other date as the Board determines.

The LTIP Awards issued by the Group for 2020 has two performance metrics with a 50%/50% weighting, being Total Shareholder Return ("TSR") and Earnings Per Share ("EPS").

The Group's TSR is compared to the TSR of the constituents of the FTSE 250 Index (excluding investment trusts and extractive industries). The TSR tranche will vest in accordance with the following schedule:

TSR performance	**2020 LTIP grant**
Below median	0%
Median (Threshold)	25%
Between median and upper quartile	Straight-line
Upper quartile (Stretch)	100%

The Group's EPS performance is the Groups cumulative EPS over the performance period.

EPS performance	2020 LTIP grant
Below 48.6p	0%
48.6p (Threshold)	25%
Between threshold and target	Straight-line
54.0 (Target)	60%
Between target and stretch	Straight-line
66.7p or higher (Stretch)	100%

Shares granted under the 2019 LTIP did not meet the required performance measures and shares granted under the plan were forfeited in 2022.

The following table lists the inputs to the model used to value the remaining LTIP plan for the year ended 31 December 2022. The TSR fair value of the award granted is measured using the Monte Carlo method and the Black-Scholes model is used for the EPS fair value. The amount recognised as an expense under IFRS 2 is adjusted to reflect the actual number of share awards that vest.

	2020 LTIP grant
Weighted average fair value per award at grant date	226 pence
Share price at grant date	282 pence
Expected term	4.43 years
Expected volatility(1)	30.09%
Expected exercise price on outstanding awards	NIL
Grant-date TSR performance of the Group	(2.73%)
Average risk – free interest rate	0.10%

(1) Volatility has been estimated using the historical daily average volatility of the share price of similar companies to Sabre over a period of time. This assumption has no impact on the fair value of the EPS tranche, as the Awards were granted with a nil-cost exercise price.

Shares granted under the LTIP with performance conditions have a three-year vesting period. The Leadership Team Awards are subject to a two-year post-vesting holding period. To reflect the lack of liquidity of the two-year holding period, a discount rate of 15.40% for the 2020 LTIP grant has been applied in determining the fair value of the grant to the Leadership Team.

The tables below detail the movement in the LTIP:

	LTIP with performance conditions	
	Number and WAEP	
	Number	£
Outstanding at 1 January 2022	**1,149,359**	**NIL**
Granted	-	NIL
Forfeited	(541,079)	NIL
Vested	-	NIL
Outstanding at 31 December 2022	**608,280**	**NIL**

(1) Weighted average exercise price – as a proxy for fair value.

	LTIP with performance conditions	
	Number and WAEP	
	Number	£
Outstanding at 1 January 2021	**1,935,124**	**NIL**
Granted	-	NIL
Forfeited	(499,442)	NIL
Vested	(286,323)	NIL
Outstanding at 31 December 2021	**1,149,359**	**NIL**

LTIP Awards – Restricted Share Awards (“RSA”)

From 2021 the Group no longer issues awards under the LTIP Awards with performance conditions, but instead issues RSAs.

The RSAs are structured as nil-cost rewards, to receive free shares on vesting. Shares will normally vest three years after grant date, subject to continued employment and the satisfaction of pre-determined underpins. Awards are also subject to an additional two-year holding period, so that the total time prior to any potential share sale (except to meet any tax liabilities arising from the award) will generally be five years.

The total number of shares awarded under the scheme was 540,574 (2021: 441,684) with an estimated fair value at grant date of £1,238k (2021: £1,170k). The fair value is based on the average closing share price of the five trading days before the grant date.

The awards granted during the year ended 31 December 2022 are subject to the following underpins:

- Maintaining a solvency ratio in excess of 140%
- Achieving a Return of Tangible Equity in excess of 10%
- No material regulatory censure
- Overall Committee discretion

Future dividends are accrued separately and are not reflected in the fair value of the grant.

Deferred Bonus Plan (“DBP”)

To encourage behaviour which does not benefit short-term profitability over longer-term value. Directors and some key staff were awarded shares in lieu of a bonus, to be deferred for two years, using the market value at the grant date. The total numbers of shares awarded under the scheme was 171,234 (2021: 278,084) with an estimate fair value of £404k (2021: £672k). Of this award, the number of shares awarded to Directors and Persons Discharging Managerial Responsibilities (“PDMRs”) was 144,659 (2021: 247,007) with an estimated fair value of £341k (2021: £597k). Fair values are based on the share price at grant date. All shares are subject to a two-year service period and are not subject to performance conditions.

Future dividends are accrued separately and are not reflected in the fair value of the grant.

The DBP is recognised in the profit or loss account on a straight-line basis over a period of two years from grant date.

Share Incentive Plans (“SIPs”)

The Sabre Share Incentive Plans provide for the award of free Sabre Insurance Group plc shares, Partnership Shares (shares bought by employees under the matching scheme), Matching Shares (free shares given by the employer to match partnership shares) and Dividend Shares (shares bought for employees with proceeds of dividends from partnership shares). The shares are owned by the Employee Benefit Trust to satisfy awards under the plans. These shares are either purchased on the market and carried at fair value or issued by the parent company to the trust.

Matching Shares

The Group has a Matching Shares scheme under which employees are entitled to invest between £10 and £150 each month through the share trust from their pre-tax pay. The Group supplements the number of shares purchased by giving employees 1 free matching share for every 3 shares purchased up to £1,800. Matching shares are subject to a three-year service period before the matching shares are awarded. Dividends are paid on shares, including matching shares, held in the trust by means of dividends shares. The fair value of such awards is estimated to be the market value of the awards on grant date.

In the year ended 31 December 2022, 12,317 (2021: 6,987) matching shares were granted to employees with an estimated fair value of £13k (2021: £13k).

As at 31 December 2022, 28,826 (2021: 16,838) matching shares were held on behalf of employees with an estimated fair value of £31k (2021: £31k). The average unexpired life of Matching Share awards is 1.5 years (2021: 1.1 years).

Save as You Earn ("SAYE")

The SAYE scheme allows employees to enter into a regular savings contract of between £5 and £500 per month over a three-year period, coupled with a corresponding option over shares. The grant price is equal to 80% of the quoted market price of the shares on the invitation date. The participants of the SAYE scheme are not entitled to dividends and therefore dividends are excluded from the valuation of the SAYE scheme.

Estimated fair value of options at grant date:

SAYE 2020: 71p
SAYE 2021: 55p
SAYE 2022: 40p

The following table lists the inputs to the Black-Scholes model used to value the awards granted in respect of the 2022 SAYE scheme.

	2022 SAYE
Share price at grant date	216 pence
Expected term	3 years
Expected volatility(1)	31.0%
Continuously compounded risk-free rate	1.5%
Continuously compounded dividend yield	6%
Strike price at grant date	181.3 pence

(1) Volatility has been estimated using the historical daily average volatility of the share price of the Group for the year immediately preceding the grant date.

17. RESERVES

Own shares

Sabre Insurance Group plc established an Employee Benefit Trust ("EBT") in 2017 in connection with the operation of its share plans. The investment in own shares as at 31 December 2022 was £2,810k (2021: £2,257k). The market value of the shares in the EBT as at 31 December 2022 was £1,523k (2021: £1,593k).

Merger reserve

Sabre Insurance Group plc was incorporated as a limited company on 21 September 2017. On 11 December 2017, immediately prior to the Company's listing on the London Stock Exchange, Sabre Insurance Group plc acquired the entire share capital of the former ultimate parent company of the Group, Barbados TopCo Limited ("TopCo"). As a result, Sabre Insurance Group plc became the ultimate parent of the Sabre Insurance Group. The merger reserve resulted from this corporate reorganisation.

FVOCI reserve

The FVOCI reserve records the unrealised gains and losses arising from changes in the fair value of debt securities at FVOCI. The movements in this reserve are detailed in the consolidated Statement of Comprehensive Income.

Revaluation reserve

The revaluation reserve records the fair value movements of the Group's owner-occupied properties. Refer to Note 9 for more information on the revaluation of owner-occupied properties.

Share-based payments reserve

The Group's share-based payments reserve records the value of equity settled share-based payment benefits provided to the Group's employees as part of their remuneration that has been charged through the income statement. Refer to Note 16 for more information on share-based payments.

18. RELATED PARTY TRANSACTIONS

Sabre Insurance Group plc is the ultimate parent and ultimate controlling party of the Group. The following entities included below form the Group.

Name	Principle Business	Registered Address
Binomial Group Limited	Intermediate holding company	Sabre House, 150 South Street, Dorking, Surrey, United Kingdom, RH4 2YY
Sabre Insurance Company Limited	Motor insurance underwriter	Sabre House, 150 South Street, Dorking, Surrey, United Kingdom, RH4 2YY
Barbados TopCo Limited(1)	Non-Trading	Floor 2, Trafalgar Court, Les Banques, St Peter Port, Guernsey, GY1 4LY
Barb IntermediateCo Limited(2)	Non-Trading	26 New Street, St Helier, Jersey, JE2 3RA
Barb MidCo Limited(2)	Non-Trading	26 New Street, St Helier, Jersey, JE2 3RA
Barb BidCo Limited(2)	Non-Trading	26 New Street, St Helier, Jersey, JE2 3RA
Barb HoldCo Limited(2)	Non-Trading	26 New Street, St Helier, Jersey, JE2 3RA
Other controlled entities		
EBT – UK SIP	Trust	Ocorian, 26 New Street, St Helier, Jersey, JE2 3RA
The Sabre Insurance Group EBT	Trust	Ocorian, 26 New Street, St Helier, Jersey, JE2 3RA

(1) In process of liquidation
(2) Dissolved in February 2023

No single party holds a significant influence (>20%) over Sabre Insurance Group plc.

Both Employee Benefit Trusts ("EBTs") were established to assist in the administration of the Group's employee equity-based compensation schemes. UK registered EBT holds the all-employee SIP. The Jersey-registered EBT holds the Long-Term incentive Plan ("LTIP") and Deferred Bonus Plan ("DBP").

While the Group does not have legal ownership of the EBTs and the ability of the Group to influence the actions of the EBTs is limited to a trust deed, the EBT was set up by the Group with the sole purpose of assisting in the administration of these schemes, and is in essence controlled by the Group and therefore consolidated.

During the period ended 31 December 2022, the Group donated no shares to the EBTs (2021: NIL).

Key Management compensation

Key Management includes Executive Directors, Non-executive Directors and Directors of subsidiaries which the Group considers to be senior management personnel. Further details of Directors' shareholdings and remuneration can be found in the "Annual Report on Director's Remuneration" on pages 78 to 87 of the Annual Report and Accounts.

The aggregate amount paid to Directors during the year was as follows.

	2022	**2021**
Remuneration	1,894	2,317
Contributions to defined contribution pension scheme	7	3
Shares granted under LTIP	864	692
Total	**2,765**	**3,012**

19. SEGMENT INFORMATION

The Group provides short-term motor insurance to clients, which comprises three lines of business, motor vehicle insurance, motorcycle insurance and taxi insurance, which are written solely in the UK. The Group has no other lines of business, nor does it operate outside of the UK. Other income relates to auxiliary products and services, including marketing and administration fees, all relating to the motor insurance business. The Group does not have a single client which accounts for more than 10% of revenue.

					2022
		Motor vehicle	**Motorcycle**	**Taxi**	**Total**
	Note	**£'k**	**£'k**	**£'k**	**£'k**
Profit or Loss Account information					
Gross written premium		134,903	23,062	13,292	171,257
Less: Reinsurance premium ceded		(21,440)	(3,694)	(1,322)	(26,456)
Net written premium		**113,463**	**19,368**	**11,970**	**144,801**
Gross written premium		134,903	23,062	13,292	171,257
Less: Change in unearned premium reserve		19,260	(5,236)	(7,106)	6,918
Gross earned premium		**154,163**	**17,826**	**6,186**	**178,175**
Reinsurance premium ceded		(21,440)	(3,694)	(1,322)	(26,456)
Less: Change in unearned premium reserve		184	960	355	1,499
Reinsurance premium payable		**(21,256)**	**(2,734)**	**(967)**	**(24,957)**
Net earned premium		**132,907**	**15,092**	**5,219**	**153,218**
Insurance claims, excluding claims handling expenses		(88,266)	(24,253)	(5,761)	(118,280)
Insurance claims recoverable from reinsurers		6,522	6,385	187	13,094
Net insurance claims		**(81,744)**	**(17,868)**	**(5,574)**	**(105,186)**
Net loss ratio		**61.5%**	**118.4%**	**106.8%**	**68.7%**
Segment reinsurance assets		106,519	6,385	3,622	116,526
Segment insurance liabilities		(297,873)	(26,299)	(17,129)	(341,301)
Segment net insurance liabilities		**(191,354)**	**(19,914)**	**(13,507)**	**(224,775)**

Other than reinsurance assets and insurance liabilities, the Group does not allocate, monitor or report assets and liabilities per business line and does not consider the information useful in the day-to-day running of the Group's operations. The Group also does not allocate, monitor, or report other income and expenses per business line.

	Note	Motor vehicle £'k	Motorcycle £'k	Taxi £'k	Restated 2021 Total £'k
Profit or Loss Account information					
Gross written premium		164,582	3,231	1,509	169,322
Less: Reinsurance premium ceded		(21,019)	(30)	(184)	(21,233)
Net written premium		**143,563**	**3,201**	**1,325**	**148,089**
Gross written premium		164,582	3,231	1,509	169,322
Less: Change in unearned premium reserve		(622)	(2,941)	137	(3,426)
Gross earned premium		**163,960**	**290**	**1,646**	**165,896**
Reinsurance premium ceded		(20,814)	(238)	(181)	(21,233)
Less: Change in unearned premium reserve		574	208	(3)	779
Reinsurance premium payable		**(20,240)**	**(30)**	**(184)**	**(20,454)**
Net earned premium		**143,720**	**260**	**1,462**	**145,442**

'Taxi' was not shown as a separate line of business in the 2021 Annual Report and Accounts, as it was not considered to be a separate, material element of premium income. Following the partnership with Freeway, premium from the provision of taxi insurance has increased significantly and as such it is now considered both useful and relevant to disclose this separately. The 31 December 2021 business lines have been restated to split Taxi from Motor vehicle.

The Group did not report claims information per business line in prior years as the contribution of motorcycle and taxi business lines were considered immaterial and a breakdown of claims numbers was not considered meaningful.

20. EARNINGS PER SHARE

Basic earnings per share

	2022 After tax £'k	2022 Per share pence	2021 After tax £'k	2021 Per share pence
Profit for the year attributable to equity holders	**10,107**	**4.06**	30,140	12.09

Diluted earnings per share

2022	After tax £'k	Weighted average number of shares £'k	Per share pence
Profit for the year attributable to equity holders	10,107	248,865	4.06
Net share awards allocable for no further consideration		1,880	(0.03)
Total diluted earnings		**250,745**	**4.03**

2021	After tax £'k	Weighted average number of shares £'k	Per share pence
Profit for the year attributable to equity holders	30,140	249,221	12.09
Net share awards allocable for no further consideration		2,320	(0.11)
Total diluted earnings		**251,541**	**11.98**

21. CONTINGENT LIABILITY

In the 2021 Annual Report and Accounts, the Group disclosed a contingent liability regarding a contested determination in relation to the 2015, 2016 and 2017 corporation tax filings of a subsidiary of the Group, which is currently dormant. During 2022 HMRC accepted the Group's appeal against their determination and as such, the matter is now fully closed with no change in the tax position of the Group.

22. EVENTS AFTER THE BALANCE SHEET DATE

Other than the declaration of a final dividend as disclosed in Note 12, there have been no material changes in the affairs or financial position of the Company and its subsidiaries since the Statement of Financial Position date.

PARENT COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Notes	2022 £'k	2021 £'k
Assets			
Investments	2	450,000	580,963
Debtors	4	3	128
Prepayments		211	204
Cash and cash equivalents		861	915
Total assets		**451,075**	**582,210**
Equity			
Issued share capital	5	250	250
Own shares		(2,810)	(2,257)
Merger reserve		236,949	369,515
Share-based payments reserve		2,407	1,841
Retained earnings		212,581	212,794
Total equity		**449,377**	**582,143**
Liabilities			
Creditors: Amounts falling due within one year	3	1,607	-
Accruals		91	67
Total liabilities		**1,698**	**67**
Total equity and liabilities		**451,075**	**582,210**

No income statement is presented for Sabre Insurance Group plc as permitted by section 408 of the Companies Act 2006. The loss after tax of the parent company for the period was £103,094k (2021: £40,846k profit after tax).

The financial statements were approved by the Board of Directors and authorised for issue on 13 March 2023.

Signed on behalf of the Board of Directors by:

ADAM WESTWOOD
Chief Financial Officer

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 £'k	2021 £'k
ORDINARY SHAREHOLDERS' EQUITY – at 1 January		250	250
At 31 December		**250**	**250**
OWN SHARES – at 1 January		(2,257)	(1,494)
Net movement in own shares		(553)	(763)
At 31 December		**(2,810)**	**(2,257)**
MERGER RESERVE – at 1 January		369,515	369,515
Transfer from retained earnings		(132,566)	-
At 31 December		**236,949**	**369,515**
SHARE-BASED PAYMENT RESERVE – at 1 January		1,841	1,817
Settlement of share-based payments		(1,037)	(1,051)
Charge in respect of share-based payments		1,603	1,075
At 31 December		**2,407**	**1,841**
RETAINED EARNINGS – at 1 January		212,794	210,449
Share-based payments		447	(115)
Profit for the year		(103,094)	40,846
Transfer to merger reserve		132,566	-
Ordinary dividends paid		(30,132)	(38,386)
At 31 December		**212,581**	**212,794**
Total equity at 31 December		**449,377**	**582,143**

PARENT COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

		2022 £'k	2021 £'k
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit after tax for the year		(103,094)	40,846
Adjustment for:			
Impairment of subsidiary	2.1	132,566	-
Operating cash flows before movements in working capital		**29,472**	**40,846**
Movements in working capital:			
Change in debtors		124	(47)
Change in prepayments		(7)	(36)
Change in trade and other payables		1,607	(183)
Change in accruals		24	(96)
Net cash generated from operating activities		**31,220**	**40,484**
CASH FLOWS FROM FINANCING ACTIVITIES			
Net cash used in acquiring and disposing of own shares		(1,142)	(1,928)
Dividends paid		(30,132)	(38,386)
Net cash used by financing activities		**(31,274)**	**(40,314)**
Net (decrease)/ increase in cash and cash equivalents		**(54)**	**170**
Cash and cash equivalents at the beginning of the year		915	745
Cash and cash equivalents at the end of the year		**861**	**915**

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

1. ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated and company financial statements are included in the specific notes to which they relate. These policies have been consistently applied to all the years presented, unless otherwise indicated.

1.1 Basis of preparation

These financial statements present the Sabre Insurance Group plc company financial statements for the period ended 31 December 2022, comprising the parent company statement of financial position, parent company statement of changes in equity, parent company statement of cash flows, and related notes.

The financial statements of the Company have been prepared in accordance with UK-adopted international accounting standards, comprising International Accounting Standards ("IAS") and International Financial Reporting Standards ("IFRS"), and the requirements of the Companies Act 2006. Endorsement of accounting standards is granted by the UK Endorsement Board ("UKEB").

In accordance with the exemption permitted under section 408 of the Companies Act 2006, the Company's income statement and related notes have not been presented in these separate financial statements.

The financial statements are prepared in accordance with the going concern principle using the historical cost basis, except for those financial assets that have been measured at fair value.

The financial statements values are presented in pounds sterling (£) rounded to the nearest thousand (£'k), unless otherwise indicated.

The accounting policies that are used in the preparation of these separate financial statements are consistent with the accounting policies used in the preparation of the consolidated financial statements of Sabre Insurance Group plc as set out in those financial statements.

As permitted by section 408 of the Companies Act 2006, the statement of comprehensive income of the parent company is not presented. The additional accounting policies that are specific to the separate financial statements of the Company are set out below.

2. INVESTMENTS

The Company's financial assets are summarised below:

	2022 £'k	2021 £'k
Investment in subsidiary undertakings	450,000	580,963
Total	**450,000**	**580,963**

2.1 Investment in subsidiary undertakings

ACCOUNTING POLICY – INVESTMENT IN SUBSIDIARY UNDERTAKINGS

Investment in subsidiaries is stated at cost less any impairment.

	2022 £'k	2021 £'k
As at 1 January	580,963	579,889
Additions	1,603	1,074
Impairment	(132,566)	-
As at 31 December	**450,000**	**580,963**

The only operating insurance subsidiary of the Company is Sabre Insurance Company Limited, from which the value of the Group is wholly derived, as there are no other trading entities within the Group. The Company performed its annual impairment test as at 31 December 2022 and 31 December 2021. The Company considers the relationship between the Group's market capitalisation and the book value of its subsidiary undertakings, among other factors, when reviewing for indicators of impairment. As at 31 December 2022 and 31 December 2021, the Company's securities were traded on a liquid market, therefore market capitalisation could be used as an indicator of value.

The Group performed its annual impairment test as at 31 December 2022 and 31 December 2021. The Company considers the relationship between the Group's market capitalisation and the book value of its subsidiary undertakings, among other factors, when reviewing for indicators of impairment.

Having carried out this assessment the Board concluded, on the basis of the cautious assumptions outlined below, that the value of the investment in subsidiary should be set at £450,000k (2021: £580,963k). This impairment has been taken to the parent company profit or loss account, and transferred to the merger reserve. There is no impact on the distributable capital available to the Group or Sabre Insurance Group plc as a result of this adjustment.

Key assumptions

The market capitalisation of the Company as at 31 December 2022 had reduced to £266,000k from £459,500k at 31 December 2021. This provided an indication that the underlying value had been impaired, and therefore the Directors carried out an impairment assessment.

We have used a dividend discount model to estimate the value-in-use, wherein dividend payments are discounted to the present value. Dividends have been estimated, based on forecasted financial information, over a four-year forecast period, with a terminal growth rate applied. The key assumptions used in the preparation of future cash flows are: plan-period financial performance, dividend payout ratio, long-term growth rates and discount rate.

The key assumptions used in the calculation for the value in use is set out below:

- Plan period financial performance set in-line with the Group's expectations
- Dividend payout ratio in line with the Group's strategy
- Long-term growth rate beyond the plan period of 2%
- Discount rate of 9.5%, being a calculated cost of capital using market rate returns of Sabre and comparable insurers

These calculations use post-tax cash flow projections based on the Group's capital models. As the value-in-use exceeds the carrying amount, the recoverable amount remains supportable.

The Group has conducted sensitivity testing to the recoverable amount, in order to understand the relevance of these various factors in arriving at the value in use.

- Dividend within the plan period – To assess the impact of reasonable changes in performance on our base case impairment analysis and headroom, we flexed the dividend within the plan period by +10% and -10%. In doing so, the value in use varied by approximately 10.0% around the central scenario.
- Long term growth rate – To assess the impact of reasonable changes in the long-term growth rate on our base case impairment analysis and headroom, we flexed the long-term growth rate by +1% and -1%. In doing so, the value in use varied by approximately 7.1% around the central scenario.
- Discount rate – To assess the impact of reasonable changes in the dividend payout ratio on our base case impairment analysis and headroom, we flexed the average discount rate by +2% and -2%. In doing so, the value in use varied by approximately 13.0% around the central scenario.

Name of subsidiary	Place of incorporation	Principal activity
Directly held by the Company		
Binomial Group Limited	United Kingdom	Intermediate holding company
Barbados TopCo Limited(1)	Guernsey	Non-trading company
Barb IntermediateCo Limited(2)	Jersey	Non-trading company
Barb MidCo Limited(2)	Jersey	Non-trading company
Barb BidCo Limited(2)	Jersey	Non-trading company
Barb HoldCo Limited(2)	Jersey	Non-trading company
Indirectly held by the Company		
Sabre Insurance Company Limited	United Kingdom	Motor insurance underwriter

(1) In process of liquidation
(2) Dissolved in February 2023

The registered office of each subsidiary is disclosed within Note 18 of the consolidated Group accounts.

3. CREDITORS

	2022 £'k	2021 £'k
Due within one year		
Creditors	-	-
Amounts due to Group undertakings	1,607	-
As at 31 December	**1,607**	**-**

4. DEBTORS

	2022 £'k	2021 £'k
Due within one year		
Amounts due from Group undertakings	-	126
Other debtors	3	2
As at 31 December	**3**	**128**

5. SHARE CAPITAL AND RESERVES

Full details of the share capital and the reserves of the Company are set out in Note 15 and Note 17 to the consolidated financial statements.

6. DIVIDEND INCOME

ACCOUNTING POLICY – DIVIDEND INCOME

Dividend income from investment in subsidiaries is recognised when the right to receive payment is established.

7. RELATED PARTY TRANSACTIONS

Sabre Insurance Group plc, which is incorporated in the United Kingdom and registered in England and Wales, is the ultimate parent undertaking of the Sabre Insurance Group of companies.

The following balances were outstanding with related parties at year end:

	2022 £'k	2021 £'k
Due (to)/from		
Sabre Insurance Company Limited	(1,607)	126
Total	**(1,607)**	**126**

The outstanding balance represents cash transactions effected by Sabre Insurance Company Limited on behalf of its parent company, and will be settled within one year.

8. SHARE-BASED PAYMENTS

Full details of share-based compensation plans are provided in Note 16 to the consolidated financial statements.

9. RISK MANAGEMENT

The risks faced by the Company, arising from its investment in subsidiaries, are considered to be the same as those presented by the operations of the Group. Details of the key risks and the steps taken to manage them are disclosed in Note 3 to the consolidated financial statements.

10. DIRECTORS AND KEY MANAGEMENT REMUNERATION

The Directors and key management of the Group and the Company are the same. The aggregate emoluments of the Directors and the remuneration and pension benefits payable in respect of the highest paid Director are included in the Directors' Remuneration Report in the Governance section of the Annual Report and Accounts.

FINANCIAL RECONCILIATIONS

AS AT 31 DECEMBER 2022

Adjusted Profit Before Tax

	2022 £'k	2021 £'k	2020 £'k
Profit before tax	12,750	37,199	49,122
Add:			
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
Add:			
Amortisation of intangible assets	-	-	-
Exceptional items	-	-	-
Tax on exceptional items	-	-	-
Adjusted profit after tax	**10,107**	**30,140**	**39,798**

Net Loss Ratio

	2022 £'k	2021 £'k	2020 £'k
Net insurance claims	112,799	81,015	88,110
Less: Claims handling expenses	(7,613)	(6,767)	(7,637)
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 £'k	2021 £'k	2020 £'k
Total expenses	34,149	34,444	36,670
Plus: Claims handling expenses	7,613	6,767	7,637
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 £'k	2021 £'k	2020 £'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%**

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%**

Dividend Payout Ratio

	2022 £'k	2021 £'k	2020 £'k
Adjusted profit after tax	10,107	30,140	39,798
Dividend declared in respect of the financial year	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%**