Sabre
INSURANCE GROUP

Full year results 2020

RESILIENT PERFORMANCE
CONTINUED FOCUS ON UNDERWRITING DISCIPLINE

Sabre Insurance Group plc (the "Group", or "Sabre"), one of the UK's leading private motor insurance underwriters, reports its Results for the year ended 31 December 2020.

Summary of Results

	Year to 31 December 2020	Year to 31 December 2019
Gross written premium	**£173.2m**	£197.0m
Net loss ratio	**48.6%**	51.5%
Expense ratio	**26.7%**	21.9%
Combined operating ratio	**75.3%**	73.4%
Adjusted profit before tax	**£49.1m**	£56.5m
Profit before tax	**£49.1m**	£56.5m
Adjusted profit after tax	**£39.8m**	£45.7m
Profit after tax	**£39.8m**	£45.7m
Total dividend per share	**21.2p**	12.8p
Return on tangible equity (annualised)	**36.0%**	41.6%
Solvency coverage ratio (pre-interim/final dividend)	**203%**	214%
Solvency coverage ratio (post-interim/final dividend)	**155%**	180%

Mitigating the Impact of COVID-19

- Supported customers through the pandemic with focused temporary rate discounts and adjustments to policy terms without cost
- Customer service levels fully maintained despite a move to working from home
- All staff retained on full pay with no government support taken
- Detailed pricing models reduced the impact on the business of lockdowns later in 2020

Key Highlights

- Robust financial performance during a year heavily disrupted by COVID-19, which extended the challenging stage of the car insurance market cycle
- Disciplined approach to pricing throughout, with rate increases in excess of 10% during the year
- Combined operating ratio ('COR') for the year of 75.3%, in-line with long term target
- Gross written premium ('GWP') for the full year impacted by recurring lockdowns, but impact of subsequent restrictions significantly lower than the initial lockdown
- Strong organic capital generation with a year-end solvency coverage ratio of 203% (pre-dividend)
- Post-dividend solvency ratio of 155% comfortably within our preferred capital range

Operational Highlights

- New rating factors deployed and further development of the 'van' portfolio
- Operational efficiencies progressed across the business, including the use of automation and artificial intelligence
- New investment management arrangement has worked effectively in a complex economic environment

Outlook

- Our focused and disciplined approach in 2020, and adherence to our long-term strategy, leaves the business well positioned to take advantage of anticipated growth opportunities as competitors unwind unsustainable COVID-19 related price discounts, as claims frequency benefits recede and regulatory developments take effect

Geoff Carter, Chief Executive Officer of Sabre, commented:

The impact of COVID-19 has been well publicised and I'm proud of how Sabre has performed through the pandemic. The strength and simplicity of our business model means we have been able to support all of our stakeholders. We have maintained strong dividend flows to our shareholders, retained all staff on full salaries, and continued to award pay raises. We supported customers by relaxation of certain policy conditions and focused temporary price discounts to reflect likely claims savings.

At the same time, throughout this disruption, we have remained resolutely focused on our long-term strategy of prioritising underwriting profitability over premium volume. This has delivered a strong level of profitability and allows us to provide our investors with another attractive proposed dividend payment of 11.7p per share.

Having maintained our business's fundamental strengths and focus during this period we believe we are now well positioned to take advantage of anticipated growth opportunities without undermining our margin targets.

I would like to thank all my colleagues for their continued dedication to the business that has allowed us to deliver these results and look forward with confidence."

Enquiries

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Analyst virtual presentation

Sabre management will host a virtual presentation for analysts today via Zoom. The presentation will start at 8:30am.

To register to access the meeting, please follow this link:
https://us02web.zoom.us/webinar/register/WN_sujNEInwRtur4GYpy6VsRg

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.

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'S REVIEW

In last year's Report and Accounts I think I described 2019 as the most turbulent year I could recall for insurance - in retrospect I think I spoke too soon!

In our results session last year, I also said I didn't want to make all of our commentary about the COVID-19 pandemic - sadly in many respects that was a rather ambitious comment as it turned out. COVID-19 has had an impact on almost all aspects of our operation, almost all year.

I'm saying that within the context of knowing that very many businesses, and certainly individuals, have had a much tougher time than us.

Successfully managing the challenges of COVID-19

COVID-19 has presented a range of unique and unprecedented challenges across new business volumes, claims spend development and of course how our staff were able to work. It is very likely many staff won't have been in the office for more than 12 months from the start to end of this pandemic.

Having said that, I'm really pleased with the way we have coped with the various challenges thrown at us. We've adapted our processes, we stayed focused on our long-term strategy and I think the results we have produced are testament to the robustness of our strategy and our focus on executing it.

As mentioned, COVID-19 impacted our business in 2020 in several ways, with the most obvious being on our working processes. Following the announcement of the initial lockdown, we managed to get all our staff working from home within 48 hours. The IT team did a fantastic job to reconfigure some equipment which was due to be decommissioned and allowed colleagues to take home work PC's and telephones. This gave everyone the ability to log remotely into our systems in an entirely secure way via their home internet access at minimal cost. Colleagues did astonishingly well in adapting very quickly to this new way of working.

A strong business model

Aside from the operational challenges, our business model was also tested. Clearly traffic volumes have been well down at various times during the year with an obvious knock-on impact to short-term claims frequency.

We were very thoughtful about the potential claims cost changes that might emerge from these changes in customer behaviour and as data became available, reflected the likely lower claims costs in lower premiums for new and renewing customers. This, for us, seemed the most fair and logical way of supporting customers as well as ensuring the long-term success of the business.

This means at various points during the year we reduced our prices substantially to reflect the likely reduced claims cost for policies written or renewed in that month, but underlying this we have ensured we fully covered claims and other cost inflation as we've gone through the year.

As you will see in our results, we have seen a short-term benefit in claims frequency leading to a slightly better than expected claims cost in this financial year. But we would caution that it may take some time for the full picture to emerge as legal firms and claims management companies start to revert to full operating efficiency and potentially present new claims.

The final significant area has been new business volumes. Sabre is a company that is at least partially dependent on 'events' happening within peoples' lives, which prompts them to shop around for the best value insurance for their unique circumstances, which in turn drives our volumes. This could be the purchase of a new car, it could be a new young driver being added to a policy, a change of address or picking up some sort of conviction on their driving licence.

All of these issues drive people back into the market to compare prices and potentially come to us where, with our unique data and understanding, we are able to price their policy most fairly. Clearly, during the first lockdown car sales effectively dried up, it was impossible to have driving lessons or take a driving test and we saw some really material impacts on our

business volumes. In the third lockdown we have seen similar impacts, although we had calibrated rating models ready to deploy meaning the impact on our volumes was less severe. After the first lockdown we saw volumes rapidly rebound, and we would anticipate a similar impact as the latest lockdown is loosened, car sales pick up and new drivers enter the market.

We have seen some competitors chase the reduced volume in the market by failing to increase prices sufficiently, in our view, given underlying claims cost inflation. This has exacerbated and extended the soft market conditions.

Supporting our stakeholders and developing the business

Despite these challenges we have continued to protect and develop the business.

As mentioned, a key highlight was the way our staff adapted to the new working processes across all areas of the business. Amongst many other successes our operational teams did not miss a beat in supporting customers with claims or underwriting queries and the actuarial team drove some insightful analysis to understand the likely claims cost impact of the fast-moving environment.

I was also pleased that we were able to put in a range of customer-supporting initiatives including changes to our normal underwriting criteria and supporting customers who were struggling to maintain premium payments.

Operationally we have not stood still with developments including the roll out of new rating factors, progressing new initiatives and developing our product offering, despite the challenges of being largely home-based.

I'm also happy that we've been able to support staff through ongoing pay raises and bonuses as well as our investors through maintaining dividend payments throughout this period. This has all been achieved without furloughing staff or taking any sort of government support.

A robust performance in a turbulent market

There have, naturally, been some frustrations, perhaps the greatest of which has been the extension of the soft market conditions. In the first quarter of 2020 we could see very clear signs that market prices were starting to increase as we had anticipated, but events put a temporary stop to that.

I am very conscious that we are probably testing some of our investors' patience a little as we have shrunk every year since IPO, and whilst we are convinced this is the most effective and profitable long-term strategy, it is somewhat disappointing that we've had to grit our teeth for another year. I note that our expense ratio has increased year-on-year, largely due to the decrease in top-line, and a one-off benefit in 2019 which we did not expect to recur in 2020. Our CFO has discussed this further in his report. Our expense ratio continues to be an 'all-in' measure, including all commission and overhead charges incurred by the Group.

Clearly there is a concern that good financial results for 2020, which will partly continue into 2021, may blind some competitors to the underlying realities of increased claims inflation that is not being matched by premium inflation, and delay sensible actions being taken.

A clear long-term strategy

Looking forward, we will remain resolutely focused on executing our very successful long-term strategy - we will continue to treat volume as an output not a target. Underlying this is a tight focus on increasing premium in-line with claims and other cost inflation to ensure we maintain our profitability.

In 2020 we increased prices by well over 10% against a market backdrop of flat or perhaps even reduced premium levels

We believe this leaves us strongly positioned for the future, should our assumptions prove to be correct. As others need to increase prices to cover claims inflation, and unwind COVID-19 influenced discounts, we will be able to broadly hold our prices and benefit from further competitiveness, fuelling growth. If emerging data shows we have been too cautious we have a fully funded position from which we can appropriately amend our prices.

A significant year ahead

As we move into 2021, we are focused on understanding the various moving parts that we see impacting the industry. If the key driver of market pressures in 2020 was externally (COVID-19) driven, in 2021 we see this being more industry self-inflicted or driven by regulatory pressures, such as the convergence of a range of radical or fundamental changes to various aspects of the car insurance market.

These include the long-awaited Ministry of Justice ("MOJ") (Whiplash) claims reforms; the continuation of claims inflation and the degree to which this is met by matched premium increases; and perhaps most fundamentally for the long-term the FCA review of pricing practices. This effectively bans differential pricing between new and renewing business.

Alongside this, we are aware that reinsurance pricing continues to increase rapidly and the MIB/FSCS levies are also likely to be on a significant upswing over the next few years. We continue to cover all of these in our pricing assumptions.

In our view there has been nothing to suggest that underlying claims inflation in the region of 7.5-8.0% will not continue and the premium inflation has certainly lagged this for at least 12 to 18 months.

In these market conditions weaker competitors in the Industry have a long track record of shooting themselves in the foot by overestimating benefits of regulatory changes and underestimating the potential cost increases from less obvious aspects of the change. For example, on MOJ reforms whilst it is possible to calculate around a £30 per policy cost reduction this assumes no change in behaviour from claimant lawyers and claims management companies which we think is an optimistic view.

On the FCA pricing review there are still some question marks over when this will be implemented and we have a concern that some competitors may operate an aggressive growth strategy to build their portfolios as much as possible before these changes come into force.

Hopefully this will not be the case but we very much have it in our minds as a potential scenario. Whilst almost all logic would suggest premium inflation should kick in during the early part of 2021 we would, sadly, not be surprised to see this held back until later in the year.

Developing our business while remaining focused on underwriting discipline

We will continue to treat volume as an output and not chase this as a target; for us the most important thing is to retain our very strong foundations for medium and long-term growth. We have continued to develop the business in a variety of ways. Gratifyingly we have continued to roll out innovative new rating factors which we expect to benefit us in the forthcoming periods. Whilst the launch of our new partnership with Saga has inevitably been delayed, we would now hope this will be live fairly early in Q2.

We have been offered the opportunity to support many managing general agent ('MGA') and scheme-based businesses which would have provided easy ways for us to grow premium. As we look at these opportunities we are only prepared to move forward if we are convinced they will deliver enhanced returns for our shareholders.

We also reviewed several InsurTechs during the year, but we have several key hurdles which any such opportunities have to clear. The first of these is that we must be able to deploy our sophisticated rating structure; the second is there must be a clear and differentiated customer angle and the third is there must be a sensible and cost-effective integration plan. During the year we agreed to support our first InsurTech partner – Caura, a specialist Car Services App.

We continue to develop our van and small commercial vehicle offering and we are also actively reviewing other adjacent product areas. These may not result in product launches, but we are looking at opportunities to grow the base of the business into the medium term.

Our key focus will always remain on organically and profitably growing the existing core business at the appropriate time in the cycle.

Taken in the round I am pleased with the results for 2020. A GWP drop of 12% was in-line with our expectations following the first lockdown, although the second and third lockdowns have clearly also impacted. We have also had to run hard to maintain a drop of around 20% of volume in the third lockdown, against the pre-COVID-19 period in 2020. Conversely our loss ratio turned out slightly better than expected. This has resulted in a very solid profit and our ability to continue to pay an attractive and well supported dividend to our shareholders.

A confident outlook

I remain very positive about the future. Whilst I can see it being a bumpy start and a challenging first half of 2021, due to the factors I've outlined earlier, our pricing actions over the last two years have left us well positioned to maintain our profitability and take advantage of growth opportunities at the right time.

The third, and hopefully final, lockdown, will clearly impact premium levels in early 2021 and continue to impact 2022 as these premiums earn through. After the first lockdown volumes rebounded strongly and I would anticipate a similar impact in 2021 as car sales pick up and new drivers enter the market.

I am confident that in 2021 we will maintain our profitability and therefore be able to continue to support an attractive dividend, possibly by utilising our robust capital range as we earn through the lower premium levels. As we look further into 2021 and 2022 we will expect growth opportunities to begin to arise, although this will be largely driven by market dynamics and how quickly some competitors respond to the issues we have discussed.

In closing I would like to thank all of my colleagues for their extraordinary commitment in these unique times to maintain our service to customers and ensuring the business success.

I would also like to thank many of our long-term investors for their ongoing support and we look forward to continuing to reward them with attractive dividends and then allowing them to benefit from our growth in the near future.

Finally, there have been some Board changes this year as a result of succession plans. I would like to reiterate my thanks to our former Chairman Patrick Snowball for his invaluable help and support. I now look forward to continuing to work with Andy Pomfret and our new and existing non-executive directors in developing the business.

FINANCIAL REVIEW

CHIEF FINANCIAL OFFICER'S REVIEW

HIGHLIGHTS

	2020	**2019**
Gross written premium	**£173.2m**	£197.0m
Net loss ratio	**48.6%**	51.5%
Expense ratio	**26.7%**	21.9%
Combined operating ratio	**75.3%**	73.4%
Adjusted profit after tax	**£39.8m**	£45.7m
Profit after tax	**£39.8m**	£45.7m
Solvency coverage ratio (pre-dividend)	**203%**	214%
Solvency coverage ratio (post-dividend)	**155%**	180%
Return on opening SCR	**66.9%**	74.9%
Return on tangible equity	**36.0%**	41.6%

2020 was a year defined by unprecedented events, which presented new challenges across the industry and provided a real test of the Group's strategy.

The year started much like any other, with Sabre applying price increases to cover the cost of claims and other inflation, which has been relatively high for some time. Those familiar with the Group will be aware that this approach has been designed to preserve long-term profitability, but has generated some shrinkage in past years as Sabre's prices have become, temporarily, less competitive. During Q1, before it became clear that the coronavirus outbreak would become a global pandemic, there were early signs that the UK motor insurance market was turning, with prices appearing to harden and our premium recovering. This, however, was cut short by the introduction of restrictions on travel in the UK.

The impact of these restrictions cannot be overstated and the tragic loss of life, health and civil liberties overshadows the modest net impact on a Company such as Sabre. The financial impact of the restriction can be summarised as follows:

Fewer cars on the road generally led to fewer accidents and hence a lower cost of claims

Because of the above, insurers including Sabre discounted premiums to reflect expected savings, reducing the premium available in the market

Fewer "events", such as the purchase of new vehicles and learning to drive occurred. Such events have an impact on revenue for Sabre

Throughout, we have balanced potential loss of income against the cost of miscalculating the impact of restrictions, and continued to err on the side of caution.

The net effect of these temporary changes to the market were that while current year claims performance was strong, the Group lost some market share.

While the Group has a considerable variable element to its cost base, it is nonetheless exposed to an element of fixed cost. We disclosed in the 2019 report that a one-off accrual release positively impacted that year's expense ratio. As a result of this, and the reduction in top-line premium, there is an increase in the expense ratio for 2020. This means the combined ratio has increased year-on-year, despite the reduction in net loss ratio.

The net result of this is that profit after tax has fallen to £39.8m for the year, with the Group well placed to grow earnings in the medium term.

We will continue to focus on delivering an ordinary dividend of 70% of Adjusted Profit After Tax ("PAT"), and return excess capital to shareholders as appropriate. The Board has elected to pay a year-end dividend of 11.7p per share, consisting of an ordinary dividend of 6.8p and a special dividend of 4.9p. Including the ordinary interim dividend of 4.3p already paid in respect of 2020, this takes the total dividend paid in respect of 2020 to 16.0p per share. The Group also paid a dividend of 5.2p in August 2020, which while technically a 2020 dividend, represented the deferred special dividend in respect of 2019.

The Group's return on tangible equity was 36.0% for 2020, a reduction from 41.6% in 2019. The decrease is primarily a result of the reduction in adjusted profit after tax.

Our Solvency capital remains strong, with a pre-dividend SCR ratio of 203%, with little impact from the market turmoil we have seen during the year.

The Group has continued to generate significant capital through normal trading activity during the year and paid two dividends, the final dividend in respect of 2019 and an interim dividend in respect of 2020, which included the deferred special dividend in respect of 2019.

REVENUE

	2020	2019
Gross written premium	**£173.2m**	£197.0m
Gross earned premium	**£185.8m**	£203.7m
Net earned premium	**£165.7m**	£183.2m
Other technical income	**£2.2m**	£1.2m
Customer instalment income	**£4.6m**	£4.1m
Interest revenue calculated using the effective interest method	**£1.4m**	£0.1m
Net investment gains through profit or loss	**–**	£2.3m
Fair value gains on debt securities through OCI	**£2.4m**	–

Continuing the theme from 2019 results, we have continued to price our policies according to observed and expected increases in underlying costs, to maintain profitability. While this led to Sabre apparently pricing ahead of the market in 2019, it did appear that in early 2020 market pricing was catching up, as sales volumes began to recover. This recovery was halted abruptly when the restrictions on travel were introduced. As discussed in my introduction, these restrictions led to a significant reduction in the amount of new business available within the market. Further, Sabre's cautious approach to discounting prices means that potential business was lost to more aggressive price reductions introduced by other firms. This strategy means that, while there may have been a short-term dip in income, the chances of under-pricing policies and building a problem for the future are significantly reduced.

The level of other technical income and instalment income remains broadly proportionate to the amount of direct business written, notwithstanding that instalment income is earned over the life of a financed policy while other income is generally recognised upfront. The year-on-year increase in other technical income is a result of a change in classification for certain premium refunds, which were previously classified as a reduction within other technical income but are now classified within premium.

From 1 January 2020, the Group applied IFRS 9 for the first time. Also in January, on the appointment of Goldman Sachs Asset Management as the Group's investment manager, the fixed income investments held by the Group were classified at fair value through Other Comprehensive Income. This means that, because the Group's strategy is to hold these assets to maturity, the profit and loss account is no longer exposed to short-term fluctuations in market value. Instead, an "effective interest" amount is credited to the profit and loss account, which represents the net income earned on each bond.

Goldman Sachs Asset Management will work with management to explore opportunities to increase yield moderately, while maintaining a simple, low-risk and largely buy-and-hold investment strategy.

OPERATING EXPENDITURE

	2020	2019
Gross claims incurred	**£104.0m**	£110.3m
Net claims incurred	**£88.1m**	£102.0m
Current-year loss ratio	**51.2%**	62.8%
Prior-year loss ratio	**-2.6%**	-11.2%
Financial-year loss ratio	**48.6%**	51.5%
Net operating expenses	**£44.3m**	£40.1m
Expense ratio	**26.7%**	21.9%
Combined operating ratio	**75.3%**	73.4%

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.

The current-year loss ratio, at 51.2%, is 11.6% lower than the 62.8% achieved in 2019. This improvement is driven primarily by incurring fewer claims than expected, either on policies written before the restrictions on travel were imposed, or incurring fewer claims than expected once policies had been discounted. We should note that, while the frequency of claims had reduced during lockdown, we still incurred a steady stream of claims.

The prior-year loss ratio recorded in 2020 was minus 2.6%, as compared to minus 11.2% in 2019. This reduction is the result of far lower "exceptional" reserve releases during the year, in-line with the expectation we have previously set that the prior-year movement will revert to a "normal" run rate over time. The prior-year run-off benefit has been further reduced by a one-off strengthening of certain prior-year reserves relating to periodic payment orders (which are claims settled as annuity payments to claimants as opposed to one-off lump sum amounts), which are exposed to inflationary factors such as the increasing cost of care provision.

The Group's expense ratio has increased against the 2019 comparative, from 21.9% to 26.7%. While the Group's expense base has been relatively stable, the increase in this ratio, which is equal to total operating expenses divided by net earned premium, has been exaggerated by a one-off reduction in costs in 2019 and the reduction in net earned premium in 2020. For additional clarity, a bridge of expense ratio from 2019 to 2020 is provided in the Annual Report and Accounts (page 36). The one-off accrual release of c.£3.3m in 2019 related to the accrual held in respect of MIB levies and was discussed within the 2019 CFO report. Movement in deferred acquisition costs ("DAC") reflects changes in the amount of acquisition costs deferred over the life of policies sold. If a higher amount is deferred at the end of the year than at the start, there will be a benefit to the profit and loss account. As at the end of 2020 there was slightly less deferred than at the end of 2019, so the impact was a small negative to profit. Conversely, the amount deferred at the end of 2019 was larger than at the start of 2019, which led to a benefit to the 2019 position. This deferral reflects the timing of costs incurred rather than any change in the total amount of expense incurred by the business.

The increase in staff costs, excluding the impact of deferrals and reclassification to claims expenses, was £0.9m, from £12.6m in 2019 to £13.5m in 2020. The difference was driven primarily by an increase in share-based payment (IFRS 2) charges, which increased by £0.5m. This was primarily due to an additional year of long-term incentive plan being charged (now three years earning simultaneously) and two years of deferred bonus plan expense being incurred (in 2019, only the deferral in respect of 2018 was incurred). These increases now reflect an approximate plateau in the number of years' expense which will earn through in any year. The remainder of the increase is due to small increases in the cost of basic salaries and staff bonuses, and an increase in the accrued cost of untaken leave. We have kept our staff numbers at a consistent level over the past year, despite the decrease in policy volumes, which we expect to be temporary. We continue to run excess capacity within our claims team in anticipation of a hardening market driving increased policy volumes within the next year. All eligible staff received an inflationary payrise during 2020.

The cost of MIB and other levies continues to rise, relative to the level of premium written, hence the increase in absolute costs. Audit fees have also shown significant inflation during 2020, largely a result of structural changes to the audit firm's quality and risk management approach.

Other costs remained stable year-on-year, with variable elements such as certain IT costs and commission decreasing in-line with policy volumes. Notwithstanding the impact of variable costs, the reduction in net earned premium increased the expense ratio by 2.6%.

The expense ratio calculated by Sabre is "all-in", in that it includes all operational expenditure, including Commission and head office costs incurred by the Group. This is not necessarily consistent with other insurers.

TAXATION

In 2020 the Group recorded a corporation tax expense of £9.3m (2019: £10.8m), an effective tax rate of 18.98%, similar to an effective tax rate of 19.07% in 2019. The effective tax rate is approximately equal 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

Earnings per share	2020	2019
Basic earnings per share	**15.98p**	18.35p
Diluted earnings per share	**15.82p**	18.22p

Basic earnings per share for 2020 of 15.98p 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

Cash and investments	2020	2019
Government bonds	**£121.9m**	£263.6m
Government-backed securities	**£84.2m**	£0.0m
Corporate bonds	**£40.2m**	£0.0m
Cash and cash equivalents	**£37.9m**	£31.8m

The Group continues to hold a low-risk investment portfolio and cash reserves sufficient to meet its future claims liabilities. During 2020 the Group revised its investment strategy to allow for a proportion of the portfolio to be held in corporate bonds or government-backed securities, which was implemented through the appointment of Goldman Sachs Asset Management. The goal was to develop and implement prudent and efficient deployment of invested assets, while sticking to our low-risk, low-distraction philosophy.

INSURANCE LIABILITIES

Insurance liabilities	2020	2019
Gross outstanding claims	**£226.5m**	£212.2m
Reinsurance assets	**£92.0m**	£76.4m
Net outstanding claims	**£134.5m**	£135.8m

The Group's net outstanding claims continue to reflect the underlying profitability and volume of business written. The increase in gross outstanding claims against 2019 was a result of additional large claims being recorded against the relatively slow settlement of personal injury claims during COVID-19. The level of net outstanding claims held remains broadly proportionate to the volume of business written, with a reduction in new claims incurred in 2020 being somewhat offset by increases in the time taken to settle larger claims and expected increases in the costs of settling 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

The Directors have proposed a total final dividend of 11.7p per share in respect of 2020, consisting of an ordinary final dividend of 6.8p per share and a special dividend of 4.9p. The total amount proposed to be distributed to shareholders by way of dividends for 2020 is therefore 16.0p per share, including the ordinary interim dividend of 4.3p per share. This does not include the special dividend of 5.2p per share paid in August 2020, which represented a deferral of the 2019 special dividend. Including this, the total dividend paid and declared in respect of 2020 is 21.2p per share. Excluding the capital required to pay

this dividend, the Group's SCR coverage ratio at 31 December 2020 would be 155%. 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
15 March 2021

Dividend timetable

Final dividend 2020	
Ex-dividend date	22 April 2021
Record date	23 April 2021
Payment date	20 May 2021

Interim dividend 2021	
Ex-dividend date	19 August 2021
Record date	20 August 2021
Payment date	16 September 2021

CONSOLIDATED PROFIT OR LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £'k	2019 £'k
Gross written premium		**173,235**	197,040
Less: Reinsurance premium ceded		**(20,390)**	(19,780)
Net written premium		**152,845**	177,260
Less: Change in unearned premium reserve			
Gross amount	3.1.1	**12,527**	6,640
Reinsurers' share	3.1.1	**335**	(662)
Net earned premium		**165,707**	183,238
Interest income on financial assets using effective interest rate method	4.8	**1,417**	64
Other interest and similar income	4.8	**–**	8,076
Net losses on financial assets at fair value through profit or loss	4.9	**–**	(5,735)
Instalment income		**4,607**	4,093
Other operating income	7	**2,171**	1,240
Total income		**173,902**	190,976
Insurance claims	3.4	**(104,043)**	(110,301)
Insurance claims recoverable from reinsurers	3.4	**15,933**	8,311
Net insurance claims		**(88,110)**	(101,990)
Finance costs	5.2	**(13)**	(18)
Commission expenses		**(14,287)**	(15,741)
Operating expenses	8	**(22,370)**	(16,748)
Total expenses		**(36,670)**	(32,507)
Profit before tax		**49,122**	56,479
Tax charge	10	**(9,324)**	(10,768)
Profit for the year attributable to the equity holders of the parent		**39,798**	45,711
Basic Earnings Per Share (pence per share)	18	**15.98**	18.35
Diluted Earnings Per Share (pence per share)	18	**15.82**	18.22

The attached notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2020

	Notes	2020 £'k	2019 £'k
Profit for the year attributable to the equity holders of the parent		**39,798**	45,711
Items that are or may be reclassified subsequently to profit or loss			
Fair value gains on debt securities	4.9	**2,436**	–
Tax charge		**(463)**	–
		1,973	–
Items which will not be reclassified to profit or loss			
Revaluation losses on owner-occupied properties	9.1	**(165)**	–
Tax credit		**31**	–
		(134)	–
Total for the year		**1,839**	–
Total comprehensive income for the year attributable to the equity holders of the parent		**41,637**	45,711

The attached notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Notes	2020 £'k	2019 £'k
Assets			
Goodwill		**156,279**	156,279
Property, plant and equipment	9.1	**4,174**	4,568
Right-of-use asset	9.2	**189**	189
Reinsurance assets	3.1	**99,921**	83,931
Deferred tax assets	11	**–**	210
Deferred acquisition costs	3.1.2	**14,791**	16,211
Insurance receivables	3.2	**33,976**	37,754
Loans and other receivables	4.4	**84**	31
Current tax assets		**369**	–
Prepayments, accrued income and other assets	13	**868**	3,627
Financial investments	4.1	**246,281**	263,629
Cash and cash equivalents	4.5	**37,904**	31,791
Total assets		**594,836**	598,220
Equity			
Issued share capital	15	**250**	250
Own shares		**(1,494)**	(1,061)
Merger reserve		**48,525**	48,525
FVOCI reserve		**2,210**	–
Revaluation reserve		**831**	965
Share-based payments reserve		**1,817**	1,362
Retained earnings		**214,261**	217,376
Total equity		**266,400**	267,417
Liabilities			
Insurance liabilities	3.1	**226,546**	212,167
Unearned premium reserve	3.1	**87,350**	99,877
Lease liability	5.1	**194**	194
Deferred tax liability	11	**125**	–
Insurance payables	3.3	**6,246**	6,009
Trade and other payables	5.3	**5,530**	6,466
Current tax liabilities		**–**	4,884
Accruals		**2,445**	1,206
Total liabilities		**328,436**	330,803
Total equity and liabilities		**594,836**	598,220

The attached notes on pages 103 to 142 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 15 March 2021.

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 2020

	Notes	2020 £'k	2019 £'k
Ordinary shareholders' equity – at 1 January	15	**250**	250
At 31 December		**250**	250
Own shares – at 1 January		**(1,061)**	(1)
Net movement in own shares		**(433)**	(1,060)
At 31 December		**(1,494)**	(1,061)
Merger reserve – at 1 January		**48,525**	48,525
At 31 December		**48,525**	48,525
FVOCI reserve – at 1 January		**–**	–
Implementation of IFRS 9 "Financial Instruments"		**237**	–
FVOCI reserve – adjusted at 1 January 2020		**237**	**–**
Fair value gains on debt securities		**2,436**	–
Tax charge		**(463)**	–
At 31 December		**2,210**	–
Revaluation reserve – at 1 January		**965**	965
Revaluation losses on owner-occupied properties		**(165)**	–
Tax credit		**31**	–
At 31 December		**831**	965
Share-based payment reserve – at 1 January		**1,362**	1,036
Settlement of share-based payments		**(1,193)**	(780)
Charge in respect of share-based payments		**1,648**	1,106
At 31 December		**1,817**	1,362
Retained earnings – at 1 January		**217,376**	214,373
Implementation of IFRS 9 "Financial Instruments"		**(237)**	–
Retained earnings – adjusted at 1 January 2020		**217,139**	214,373
Settlement of share-based payments		**1,193**	780
Share scheme transfer to retained earnings		**–**	135
Profit for the year attributable to the equity holders of the parent		**39,798**	45,711
Ordinary dividends paid		**(43,869)**	(43,623)
At 31 December		**214,261**	217,376
Total equity at 31 December		**266,400**	267,417

The revaluation reserve related to owner-occupied properties was previously disclosed as part of retained earnings. This is now shown as a separate component of equity for both 2019 and 2020. The change is presentational to enhance the disclosure of equity components.

The attached notes form an integral part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020

	2020	**2019**
	£'k	**£'k**
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax for the year	**49,122**	56,479
Adjustments for:		
Depreciation of property, plant and equipment	**176**	165
Depreciation of right-of-use assets	**252**	251
Share-based payment – equity-settled schemes	**1,648**	1,106
Investment return	**(1,680)**	(2,405)
Interest on lease liability	**13**	–
Expected credit loss	**23**	–
Impairment loss on owner-occupied buildings	**65**	–
Operating cash flows before movements in working capital	**49,619**	55,596
Movements in working capital:		
Change in reinsurance assets	**(15,990)**	(1,496)
Change in deferred acquisition costs	**1,420**	(450)
Change in insurance receivables	**3,778**	(78)
Change in loans and other receivables	**(53)**	81
Change in prepayments, accrued income and other assets	**2,759**	911
Change in insurance liabilities	**14,379**	(3,590)
Change in unearned premium reserve	**(12,527)**	(6,640)
Change in insurance creditors	**237**	(1,179)
Change in trade and other payables	**(936)**	33
Change in accruals	**1,239**	(3,305)
Cash generated from operating activities before investment of insurance assets	**43,925**	39,883
Taxes paid	**(14,673)**	(11,676)
Net cash generated from operating activities before investment of insurance assets	**29,252**	28,207
Interest and investment income received	**7,115**	8,148
Net proceeds from the sale, maturity and purchases of invested assets	**14,325**	17,771
Net cash generated from operating activities	**50,692**	54,126
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	**(12)**	(365)
Net cash used by investing activities	**(12)**	(365)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of principal portion of lease liabilities	**(264)**	(246)
Net cash used in acquiring and disposing of own shares	**(433)**	(924)
Dividends paid	**(43,870)**	(43,623)
Net cash used by financing activities	**(44,567)**	(44,793)
Net increase in cash and cash equivalents	**6,113**	8,968
Cash and cash equivalents at the beginning of the year	**31,791**	22,823
Cash and cash equivalents at the end of the year	**37,904**	31,791

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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. 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 IFRSs in conformity with the Companies Act 2006 and IFRSs adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

The financial statements have been prepared on an historical cost basis, except for investment properties and 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 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. The Group has applied UK GAAP.

Presentational changes

A number of presentational changes have been made to the financial statements since the last reporting date. These changes have been made to group and present the financial information to the users of the financial statements more clearly. No financial information was restated. Where line items have been split, the comparative information has been split on a consistent basis to ensure current and prior year information is comparable. The key changes made are:

- Statement of comprehensive income previously presented as one single statement is now presented by a separate statement of profit or loss, immediately followed by a statement of comprehensive income
- Gross written premium and net written premium are now shown within the statement of profit or loss rather than a separate note
- The insurance and other receivables line item in the statement of financial position has been split into two separate lines to present the insurance related receivables separate from other receivables
- The trade and other payables including insurance payables line item in the statement of financial position has been split into two separate lines to present the insurance related payables separate from other receivables
- The statement of changes in equity is now presented in a vertical layout rather than horizontal
- The note to the cash flow statement now forms part of the primary statement and is no longer presented separately
- A separate note to the financial statements, grouping all insurance related liabilities and reinsurance related assets, along with relevant insurance related risks and key judgements is now presented
- A separate note to the financial statements, grouping all financial assets, along with relevant risks and key judgements is now presented
- A separate note to the financial statements, grouping all financial liabilities, along with relevant risks and key judgements is now presented
- Accounting policies previously presented in a separate note are now included in each relevant note

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

IFRS 9 – "Financial Instruments"

The Group has previously elected to defer the implementation of IFRS 9 "Financial Instruments", but has made a decision to implement IFRS 9 from 1 January 2020.

During 2019 the Group revisited its investment guidelines allowing for investment in corporate bonds while maintaining a high level of conservatism in the portfolio, and appointed a new asset manager in January 2020. As part of the new investment guidelines, a decision was taken to waive the deferral of the implementation of IFRS 9 in line with IFRS 4. As a result, the Group has adopted IFRS 9 effective from 1 January 2020. The new investment guidelines do not change the Group's business model with regards to long-term investments, which are held to back insurance liabilities and to collect contractual cash flows.

The Group has adjusted its opening retained earnings to reflect the application of the requirements of IFRS 9. In accordance with the transition requirements, comparative periods are not restated. The comparative periods in 2019 are reported under the requirements of IAS 39 and are not comparable to the information presented in 2020.

The policies for financial assets and impairments of financial assets have changed from 1 January 2020 following the adoptions of IFRS 9. The revised policies are set out below and the impact is discussed in Note 20.

1.3. New and amended standards and interpretations not yet effective in 2020

In the current year, the Group has applied amendments to IFRS issued by the International Accounting Standards Board ("IASB") that are mandatorily effective for an accounting period that begins on or after 1 January 2020. The new effective amendments are:

- IFRS 3: Amendment: Definition of a business (IASB effective date: 1 January 2020)
- IAS 1 and IAS 8: Amendment: Definition of Material (IASB effective date: 1 January 2020)
- IFRS 9, IFRS 7 and IAS 39: Amendment: Interest Rate Benchmark Reform (IASB effective date: 1 January 2020)
- Amendments to References to the Conceptual Framework in IFRS Standards (IASB effective date: 1 January 2020)
- Interest Rate Benchmark Reform (IBOR) – Phase 1 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) (effective date: 1 January 2020)
- IFRS 16: COVID-19-Related Rent concessions (2020)

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

A number of new standards and interpretations adopted by the EU which are not mandatorily effective, as well as standards interpretations issued by the IASB but not yet adopted by the EU, 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 EU endorsement. The Group is still reviewing the upcoming standards to determine their impact:

- Interest Rate Benchmark Reform (IBOR) – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) (effective 1 January 2021)
- 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 fundamentally 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. It is not currently known what impact the new requirements will have on the Group's profit and financial position, but it is expected that the timing of profit recognition will be altered. During 2020, the Group continued to undertake a number of tasks in preparation for IFRS 17. These tasks included completing various modelling exercises to understand the data requirements needed under IFRS 17. The assessment is ongoing and a more detailed update will be provided in the financial statements ending 31 December 2021.

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 Risk Management 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 severe weather conditions or single catastrophic events. For longer-tail claims that take some years to settle, there is also inflation risk.

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 COVID-19 and climate change.

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.

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 initiating 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 Solvency Capital Requirement. The Directors currently consider that this is achieved through maintaining a regulatory capital surplus of 140% to 160%. As at 31 December 2020, the Group holds significant excess Solvency II capital.

The Group's IFRS capital comprised:

	As at 31 December	
	2020	**2019**
	£'k	**£'k**
Equity		
Issued share capital	**250**	250
Own shares	**(1,494)**	(1,061)
Merger reserve	**48,525**	48,525
FVOCI reserve	**2,210**	–
Revaluation reserve	**831**	965
Share-based payments	**1,817**	1,362
Retained earnings	**214,261**	217,376
Total	**266,400**	267,417

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

Pre-dividend	As at 31 December	
	2020	**2019**
	£'k	**£'k**
Total tier 1 capital	**122,500**	127,086
SCR	**60,327**	59,495
Excess capital	**62,173**	67,591
Solvency coverage ratio (%)	**203%**	214%

Post-dividend	As at 31 December	
	2020	**2019**
	£'k	**£'k**
Total tier 1 capital	**93,250**	106,836
SCR	**60,327**	59,495
Excess capital	**32,923**	47,341
Solvency coverage ratio (%)	**155%**	180%

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

	As at 31 December	
	2020	**2019**
	£'k	**£'k**
Adjusted IFRS net assets	**110,121**	111,138
Unearned premium reserve	**87,350**	99,877
Deferred acquisition costs	**(14,791)**	(16,211)
Solvency II premium provision	**(60,675)**	(69,493)
IFRS risk margin(1)	**11,643**	12,003
Discount claims provision	**(284)**	1,769
Solvency II risk margin	**(7,961)**	(8,255)
Change in deferred tax	**(2,904)**	(3,742)
Solvency II net assets	**122,500**	127,086

(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 must be added back as premium 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 in and out 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 2020			as at 31 December 2019		
	£'k	£'k	£'k	£'k	£'k	£'k
Interest rate risk			**3,706**			1,019
Equity risk			**–**			–
Property risk			**956**			1,014
Spread risk			**4,748**			–
Currency risk			**1,073**			470
Concentration risk			**–**			–
Correlation impact			**(3,560)**			(840)
Market risk		**6,923**			1,663	
Counterparty risk		**2,386**			2,211	
Underwriting risk		**53,236**			55,149	
Correlation impact		**(5,991)**			(2,395)	
Basic SCR	**56,554**			56,628		
Operating risk	**6,677**			6,609		
Loss absorbing effect of deferred taxes	**(2,904)**			(3,742)		
Total Solvency Capital Requirement	**60,327**			59,495		

The total Solvency Capital Requirement ("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. Because during 2020 the revised investment strategy resulted in the purchase of certain corporate bonds (which carry spread risk) much of the reduction in SCR is offset by an increase in market risk.

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 historical period.

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 PPOs (periodic payment orders), which are discussed more fully in the "Critical accounting estimates and judgements" in Note 3.1.2.

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 Incurred But Not Reported ("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 provision which represents the proportion of premiums written that relate to periods of risk subsequent the balance sheet date.

E. Provision for unearned premiums

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. Insurance contracts

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.

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 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, 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

Liability claims may be settled through a Periodic Payment Order ("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 two 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 the IBNR calculation.

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

	Notes	2020 £'k	2019 £'k
Insurance liabilities	3.1	**313,896**	312,044
Reinsurance assets	3.1	**(99,921)**	(83,931)
Receivables arising from insurance and reinsurance contracts	3.2	**(33,976)**	(37,754)
Payables arising from insurance and reinsurance contracts	3.3	**6,246**	6,009
		186,245	196,368

3.1 Insurance liabilities and reinsurance assets

	Notes	2020 £'k	2019 £'k
GROSS			
Claims incurred and reported		**313,164**	290,963
Claims incurred but not reported		**(90,267)**	(82,565)
Claims handling provision		**3,649**	3,769
Outstanding claims liabilities	3.1.1	**226,546**	212,167
Provision for unearned premiums		**87,350**	99,877
Total insurance liabilities – Gross		**313,896**	312,044
Expected to be settled within 12 months (excluding UPR)		**100,794**	95,975
Expected to be settled after 12 months (excluding UPR)		**125,752**	116,192
RECOVERABLE FROM REINSURERS			
Claims incurred and reported		**(123,440)**	(97,788)
Claims incurred but not reported		**31,424**	21,427
Outstanding claims liabilities	3.1.1	**(92,016)**	(76,361)
Provision for unearned premiums		**(7,905)**	(7,570)
Total reinsurers' share of insurance liabilities		**(99,921)**	(83,931)
Expected to be settled within 12 months (excluding UPR)		**(33,541)**	(24,883)
Expected to be settled after 12 months (excluding UPR)		**(58,475)**	(51,478)
NET			
Claims incurred and reported		**189,724**	193,175
Claims incurred but not reported		**(58,843)**	(61,138)
Claims handling provision		**3,649**	3,769
Outstanding claims liabilities	3.1.1	**134,530**	135,806
Provision for unearned premiums		**79,445**	92,307
Total insurance liabilities – Net		**213,975**	228,113

3.1.1 Movement in insurance liabilities and reinsurance assets

			2020			2019
	Gross	RI share	Net	Gross	RI share	Net
	£'k	£'k	£'k	£'k	£'k	£'k
CLAIMS AND CLAIMS HANDLING EXPENSES						
Claims incurred and reported	**290,963**	**(97,788)**	**193,175**	284,491	(96,138)	188,353
Claims incurred but not reported	**(82,565)**	**21,427**	**(61,138)**	(72,236)	21,935	(50,301)
Claims handling provision	**3,769**	**–**	**3,769**	3,502	–	3,502
Total at the beginning of the year	**212,167**	**(76,361)**	**135,806**	215,757	(74,203)	141,554
Cash paid for claims settled in the year	**(82,027)**	**278**	**(81,749)**	(106,268)	6,153	(100,115)
Increase in liabilities						
– arising from current year claims	**100,944**	**(16,242)**	**84,702**	127,247	(11,970)	115,277
– arising from prior year claims	**(4,538)**	**309**	**(4,229)**	(24,569)	3,659	(20,910)
Total at the end of the year	**226,546**	**(92,016)**	**134,530**	212,167	(76,361)	135,806
Claims incurred and reported	**313,164**	**(123,440)**	**189,724**	290,963	(97,788)	193,175
Claims incurred but not reported	**(90,267)**	**31,424**	**(58,843)**	(82,565)	21,427	(61,138)
Claims handling provision	**3,649**	**–**	**3,649**	3,769	–	3,769
Total at the end of the year	**226,546**	**(92,016)**	**134,530**	212,167	(76,361)	135,806

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.

			2020			2019
	Gross	RI share	Net	Gross	RI share	Net
	£'k	£'k	£'k	£'k	£'k	£'k
UNEARNED PREMIUM RESERVE						
At the beginning of the year	**99,877**	**(7,570)**	**92,307**	106,517	(8,232)	98,285
Charged to the profit or loss account	**(12,527)**	**(335)**	**(12,862)**	(6,640)	662	(5,978)
Total at the end of the year	**87,350**	**(7,905)**	**79,445**	99,877	(7,570)	92,307

3.1.2 Movement in deferred acquisition costs

	2020	2019
	£'k	£'k
DEFERRED ACQUISITION COSTS		
At the beginning of the year	**16,211**	15,761
Net (decrease)/increase during the year	**(1,420)**	450
Total at the end of the year	**14,791**	16,211

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.

	2020	2019
	£'k	£'k
Due from brokers and intermediaries	**11,374**	15,328
Due from policyholders	**22,702**	22,526
Due from reinsurers	**–**	–
Less: provision for impairment of broker and intermediary receivables	**(100)**	(100)
Total at the end of the year	**33,976**	37,754

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.

	2020	2019
	£'k	£'k
Insurance creditors	**1,034**	1,073
Amounts due to reinsurers	**5,212**	4,936
Total at the end of the year	**6,246**	6,009

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

			2020			2019
	Gross	RI share	Net	Gross	RI share	Net
	£'k	£'k	£'k	£'k	£'k	£'k
Movement in claims provision[1]	**96,525**	**(15,933)**	**80,592**	102,476	(8,311)	94,165
Movement in claims handling provision	**(119)**	**–**	**(119)**	267	–	267
Claims handling expenses allocated	**7,637**	**–**	**7,637**	7,558	–	7,558
Net insurance claims	**104,043**	**(15,933)**	**88,110**	110,301	(8,311)	101,990

(1) The movement in the claims provision includes both the movement in the provision for claims outstanding and claims paid during the year.

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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
Accident year	**£'k**	**£'k**	**£'k**	**£'k**	**£'k**	**£'k**	**£'k**	**£'k**	**£'k**	**£'k**	**£'k**
Estimate of ultimate claims costs											
At the end of the accident	98,735	103,139	84,939	75,649	103,599	111,518	165,707	120,077	126,981	101,965	
– One year later	95,818	103,989	70,567	65,639	90,133	100,935	131,803	108,089	122,663		
– Two years later	90,631	94,297	63,197	62,039	82,537	94,294	123,651	107,988			
– Three years later	92,478	65,313	79,845	60,301	79,845	91,336	122,674				
– Four years later	81,715	97,170	97,170	59,149	77,095	90,789					
– Five years later	80,514	94,150	64,290	58,367	77,038						
– Six years later	80,738	88,795	63,153	58,718							
– Seven years later	80,511	88,016	63,088								
– Eight years later	80,502	87,295									
– Nine years later	80,572										
Current estimate of	80,572	87,295	63,088	58,718	77,038	90,789	122,674	107,988	122,663	101,965	
Cumulative payments to date	(80,244)	(83,076)	(59,719)	(57,193)	(73,576)	(79,536)	(75,924)	(78,808)	(80,102)	(37,136)	
Liability recognised in balance sheet	328	4,219	3,369	1,525	3,462	11,253	46,750	29,180	42,561	64,829	**207,476**
2010 and prior											**15,421**
Claims handling provision											**3,649**
Total											**226.546**

Net outstanding claims liabilities

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
Accident year	**£'k**	**£'k**	**£'k**	**£'k**	**£'k**	**£'k**	**£'k**	**£'k**	**£'k**	**£'k**	**£'k**
Estimate of ultimate claims costs											
At the end of the accident	94,171	89,901	77,316	74,609	97,288	104,808	106,478	111,433	115,011	85,723	
– One year later	90,742	81,403	64,071	65,639	85,814	93,664	96,446	99,649	111,550		
– Two years later	87,494	75,938	59,301	60,953	81,164	87,824	91,806	98,641			
– Three years later	81,950	73,606	57,739	59,741	77,869	85,243	91,179				
– Four years later	78,509	74,304	56,947	59,008	76,409	84,995					
– Five years later	77,534	72,731	56,892	58,259	76,254						
– Six years later	77,496	76,624	56,593	58,481							
– Seven years later	77,266	72,296	56,572								
– Eight years later	77,256	72,237									
– Nine years later	77,326										
Current estimate of	77,326	72,237	56,572	58,481	76,254	84,995	91,179	98,641	111,550	85,723	
Cumulative payments to date	(76,998)	(72,213)	(54,404)	(57,193)	(73,487)	(79,438)	(75,842)	(78,808)	(80,102)	(37,136)	
Liability recognised in balance sheet	328	24	2,168	1,288	2,767	5,557	15,337	19,833	31,448	48,587	**127,337**
2010 and prior											**3,544**
Claims handling provision											**3,649**
Total											**134.530**

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 issues only motor insurance contracts, which usually cover a 12-month duration. For these contracts, the most significant risks arise from severe weather conditions or single catastrophic events. For longer-tail claims that take some years to settle, there is also inflation risk.

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. 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.

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 has not been 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 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.

	Increase/(decrease) in profit after tax[1]		Increase/(decrease) In total equity	
	2020	**2019**	**2020**	**2019**
At 31 December	**£'k**	**£'k**	**£'k**	**£'k**
Insurance risk				
Impact of a 10% increase in gross loss ratio	**(9,945)**	(10,814)	**(9,945)**	(10,814)
Impact of a 10% increase in gross outstanding claims and claims provision	**(8,971)**	(9,473)	**(8,971)**	(9,473)

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.

	Increase/(decrease) in profit after tax[1]		Increase/(decrease) In total equity	
	2020	**2019**	**2020**	**2019**
At 31 December	**£'k**	**£'k**	**£'k**	**£'k**
Insurance risk				
Impact of a 10% increase in net loss ratio	**(12,239)**	(10,872)	**(12,239)**	(10,872)
Impact of a 10% increase in net outstanding claims and claims provision	**(10,897)**	(9,160)	**(10,897)**	(9,160)

(1) In prior year note disclosures the impact was disclosed as profit before tax.

COVID-19

Management has evaluated the short-term impact of COVID-19 on the Group's earnings and capital position, and has assessed the risks associated with this. The most material risk in the short term is a significant drop in premium. Expectations regarding claims frequency and changes in claims costs and settlement patterns have been considered in calculating the Group's insurance liabilities.

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.

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. 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. In previous years UPR was included and has now been excluded in the comparative numbers.

Overdue insurance related debt

At 31 December 2020	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)	**92,016**	**–**	**–**	**–**	**92,016**
Insurance receivables	**33,821**	**155**	**–**	**–**	**33,976**
Total	**125,992**	**155**	**–**	**–**	**126,147**

At 31 December 2019	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)	76,361	–	–	–	76,361
Insurance receivables	37,669	85	–	–	37,754
Total	114,030	85	–	–	114,115

Exposure by credit rating

At 31 December 2020	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)	**–**	**45,809**	**46,207**	**–**	**–**	**–**	**92,016**
Insurance receivables	**–**	**–**	**–**	**–**	**–**	**33,976**	**33,976**
Total	**–**	**66,489**	**25,527**	**–**	**–**	**33,976**	**125,992**

At 31 December 2019	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)	–	56,856	19,505	–	–	–	76,361
Insurance receivables	–	–	–	–	–	37,754	37,754
Total	–	56,856	19,505	–	–	37,754	114,115

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:

		2020	2019
	Notes	**£'k**	**£'k**
Debt securities held at fair value through other comprehensive income	4.1.1	**246,281**	–
Debt securities held at fair value through the profit or loss account	4.1.2	**–**	263,629
Loans and receivables	4.4	**84**	31
Cash and cash equivalents	4.5	**37,904**	31,791
Total financial assets		**284,269**	295,451

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 INCOME UNDER IFRS 9 (FROM 1 JANUARY 2020)

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 fair value through other comprehensive income 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:

	2020		2019	
	£'k	**% holdings**	**£'k**	**% holdings**
Government bonds	**121,859**	**49.48%**	–	0.00%
Government-backed securities	**84,210**	**34.19%**	–	0.00%
Corporate bonds	**40,212**	**16.33%**	–	0.00%
Total debt securities	**246,281**	**100.00%**	–	0.00%

4.1.2 Debt securities held at fair value through the profit or loss account

ACCOUNTING POLICY – FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS UNDER IAS 39 (PRIOR TO 2020 FINANCIAL YEAR)

Classification

On initial recognition, management designated the following financial assets at fair value through profit or loss:

– Debt securities

The Group has previously elected to designated debt instruments as FVTPL on initial recognition, as was allowed under IAS 39 and the previous investment guidelines. Debt instruments at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed through profit or loss.

Recognition and measurement

Subsequent to initial recognition, debt securities at fair value through profit or loss are carried at fair value. Gains and losses arising from changes in the fair value of the financial instruments at fair value through profit or loss are included in profit or loss in the period in which they arise.

Debt securities held at fair value through profit or loss are shown in the balance sheet at market bid price at the date of the statement of financial position less accrued interest where applicable.

The Group's debt securities held at fair value through the profit or loss account:

	2020		2019	
	£'k	% holdings	£'k	% holdings
Government bonds	**–**	**0.00%**	263,629	100.00%
Government-backed securities	**–**	**0.00%**	–	0.00%
Corporate bonds	**–**	**0.00%**	–	0.00%
Total debt securities	**–**	**0.00%**	263,629	100.00%

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 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 exposure by geographical area is outlined below:

At 31 December 2020	Government bonds £'k	Government-backed securities £'k	Corporate bonds £'k	Total £'k	% holdings
United Kingdom	**121,859**	**10,505**	**17,922**	**150,286**	**61.02%**
Europe	**–**	**61,018**	**15,727**	**76,745**	**31.16%**
North America	**–**	**12,687**	**6,563**	**19,250**	**7.82%**
Total	**121,859**	**84,210**	**40,212**	**246,281**	**100.00%**

At 31 December 2019	Government bonds £'k	Government-backed securities £'k	Corporate bonds £'k	Total £'k	% holdings
United Kingdom	263,629	–	–	263,629	100.00%
Europe	–	–	–	–	0.00%
North America	–	–	–	–	0.00%
Total	263,629	–	–	263,629	100.00%

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

At 31 December 2020	Agency £'k	Supranational £'k	Total £'k
Government-backed securities	**59,309**	**24,901**	**84,210**
% of holdings	**70.43%**	**29.57%**	**100.00%**

At 31 December 2020	Financial £'k	Industrial £'k	Utilities £'k	Total £'k
Corporate bonds	**21,863**	**16,160**	**2,189**	**40,212**
% of holdings	**54.37%**	**40.19%**	**5.44%**	**100.00%**

The Group held no government-backed securities or corporate bonds as at 31 December 2019.

4.3. Fair value

ACCOUNTING POLICY

Fair value is the price that would be received to sell an asset 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 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. 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 values measured using quoted prices (unadjusted) in active markets for identical assets or liabilities
- **Level 2**: fair values measured using valuation techniques for all inputs significant to the measurement other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- **Level 3**: fair values measured using valuation techniques for any input for the asset or liability significant to the measurement that is not based on observable market data (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 2020	Level 1 £'k	Level 2 £'k	Level 3 £'k	Total £'k
Assets held at fair value				
Financial investments	**246,281**	**–**	**–**	**246,281**
Total assets	**246,281**	**–**	**–**	**246,281**

As at 31 December 2019	Level 1 £'k	Level 2 £'k	Level 3 £'k	Total £'k
Assets held at fair value				
Financial investments	263,629	–	–	263,629
Total assets	263.629	–	–	263.629

Transfers between levels

There have been no transfers between levels during the year (2019: 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 applies the general approach to providing for expected credit losses prescribed by IFRS 9. 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 principle repayments are past due.

Not performing

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

The Group's loans and receivables comprises of:

	2020 £'k	2019 £'k
Other debtors	**86**	31
Provision for expected credit losses	**(2)**	–
Total	**84**	31

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 2020	ECL rate £'k	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**	**86**	**–**	**(2)**	**(2)**	**84**
Underperforming	**25.0%**	**Lifetime**	**–**	**–**	**–**	**–**	**–**
Not performing	**50.0%**	**Lifetime**	**–**	**–**	**–**	**–**	**–**
Total			**86**	**–**	**(2)**	**(2)**	**84**

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 and deposits held on call with banks. Cash and cash equivalents are carried at amortised cost.

	2020 £'k	2019 £'k
Cash and cash equivalents	**37,904**	31,791
Total	**37,904**	31,791

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. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9 the identified impairment loss was immaterial.

4.6. Credit risk

ACCOUNTING POLICY – IMPAIRMENT UNDER IFRS 9 (SINCE 1 JANUARY 2020)

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 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 new impairment model

The Group applies IFRS 9's new 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 2020	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	–	**121,859**	–	–	–	–	**121,859**
Government-backed securities	**61,649**	**12,164**	**10,397**	–	–	–	**84,210**
Corporate bonds	–	**2,087**	**20,094**	**18,031**	–	–	**40,212**
Loans and other receivables	–	–	–	–	–	**84**	**84**
Cash and cash equivalents	**20,957**	**63**	**16,884**	–	–	–	**37,904**
Total	**82,606**	**136,173**	**47,375**	**18,031**	–	**84**	**284,269**

At 31 December 2019	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	–	263,629	–	–	–	–	263,629
Government-backed securities	–	–	–	–	–	–	–
Corporate bonds	–	–	–	–	–	–	–
Loans and other receivables	–	–	–	–	–	31	31
Cash and cash equivalents	–	18,840	–	12,951	–	–	31,791
Total	–	282,469	–	12,951	–	31	295,451

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 ECL

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 2020	Gross carrying amount £'k	Allowance for ECL £'k	Carrying value in the balance sheet £'k
Government bonds	**121,859**	**(10)**	**121,849**
Government-backed securities	**84,210**	**(2)**	**84,208**
Corporate bonds	**40,212**	**(36)**	**40,176**
Loans and other receivables	**84**	**(2)**	**82**
Cash and cash equivalents	**37,904**	–	**37,904**
Total	**284,269**	**(50)**	**284,219**

At 31 December 2019	Gross carrying amount £'k	Allowance for ECL £'k	Carrying value in the balance sheet £'k
Government bonds	263,629	–	263,629
Government-backed securities	–	–	–
Corporate bonds	–	–	–
Loans and other receivables	31	–	31
Cash and cash equivalents	31,791	–	31,791
Total	295,451	–	295,451

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 the projected outflows inherent primarily within the claims reserve. While these insurance liabilities are shown on an undiscounted basis under IFRS, their economic value will move broadly in line with the underlying assets.

The impact of any movement in market values, such as those caused by changes in interest rates, is taken through other comprehensive income, and not profit after tax, in 2020. In 2019, such movements were taken through the profit or loss account.

	Increase/(decrease) in profit after tax		Increase/(decrease) in total equity	
At 31 December	**2020 £'k**	**2019 £'k**	**2020 £'k**	**2019 £'k**
Interest rate				
Impact of a 100-basis point increase in interest rates on financial investments	–	(2,157)	**(1,958)**	(2,157)

4.8. Investment income

ACCOUNTING POLICY

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.

	2020	2019
	£'k	£'k
Amounts recognised in profit or loss		
Interest income on financial assets using effective interest rate method		
Interest income from debt securities	**1,680**	–
Investment fees	**(331)**	–
Interest income from cash and cash equivalents	**68**	64
	1,417	64
Other interest and similar income		
Interest income from debt securities	–	8,163
Investment fees	–	(87)
	–	8,076
Total investment income	**1,417**	8,140

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 the OCI. When the instruments are derecognised, the cumulative gain or losses previously recognised in OCI is reclassified to profit or loss.

	2020	2019
	£'k	£'k
Profit or loss		
Realised losses on debt securities at fair value through profit or loss	–	(8,403)
Unrealised gains on debt securities at fair value through profit or loss	–	2,668
Net fair value losses on financial assets at fair value through profit or loss	–	(5,735)
Other Comprehensive Income		
Fair value gains on debt securities	**2,415**	–
Expected credit loss through OCI	**21**	–
Net fair value gains on debts securities through other comprehensive income	**2,436**	–

5. FINANCIAL LIABILITIES

The Group's financial liabilities are summarised below:

		2020	2019
	Notes	£'k	£'k
Financial liabilities at amortised cost			
Lease liabilities	5.1	**194**	194
Trade and other payables, excluding insurance payables	5.3	**5,530**	6,466
Total financial liabilities		**5,724**	6,660

5.1. Lease liability

	2020 £'k	2019 £'k
As at the beginning of the year	**194**	440
Cash movements		
Lease payments	**(264)**	(264)
Non-cash movements		
Lease extension during the year	**251**	–
Interest	**13**	18
As at 31 December 2019	**194**	194
Current	**194**	194
Non-current	**–**	–

5.2. Finance costs

ACCOUNTING POLICY

Finance costs are recognised using the effective-interest method.

	2020 £'k	2019 £'k
Interest on lease liabilities	**13**	18
Total	**13**	18

5.3. Trade and other payables, excluding insurance payables

ACCOUNTING POLICY

Trade and other payables, including accruals, are recognised when the Group has a present obligation arising from past events, the settlement of which is expected to result in an outflow of economic benefits from the Group. Trade and other payables are carried at amortised cost.

	2020 £'k	2019 £'k
Trade and other creditors	**1,345**	1,053
Other taxes	**4,185**	5,413
Total	**5,530**	6,466

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 the maturity profile of its financial investments to the expected cash outflows.

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

	Total	Within 1 year	1–3 years	3–5 years	5–10 years	Over 10 years
At 31 December 2020	£'k	£'k	£'k	£'k	£'k	£'k
Reinsurance assets, excluding UPR(1)	**92,016**	**33,541**	**34,203**	**17,654**	**6,618**	–
Government bonds	**121,859**	**60,861**	**43,158**	**14,019**	**3,821**	–
Government-backed securities	**84,210**	–	**17,338**	**66,872**	–	–
Corporate bonds	**40,212**	–	**6,763**	**31,263**	**2,186**	–
Cash and cash equivalents(2)	**37,904**	**37,904**	–	–	–	–
Total	**376,201**	**132,306**	**101,462**	**129,808**	**12,625**	–

	Total	Within 1 year	1–3 years	3–5 years	5–10 years	Over 10 years
At 31 December 2020	£'k	£'k	£'k	£'k	£'k	£'k
Insurance liabilities, excluding UPR(1)	**226,546**	**100,794**	**82,568**	**33,113**	**10,071**	–
Insurance payable	**6,246**	**6,246**	–	–	–	–
Lease liabilities	**194**	**194**	–	–	–	–
Trade and other payables	**5,530**	**5,530**	–	–	–	–
Total	**238,516**	**112,764**	**82,568**	**33,113**	**10,071**	–

(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.

	Total	Within 1 year	1–3 years	3–5 years	5–10 years	Over 10 years
At 31 December 2019	£'k	£'k	£'k	£'k	£'k	£'k
Reinsurance assets, excluding UPR(1)	76,361	24,883	28,299	17,543	5,636	–
UK Government bonds	263,629	154,080	78,343	22,640	8,566	–
Government-backed securities	–	–	–	–	–	–
Corporate bonds	–	–	–	–	–	–
Cash and cash equivalents(2)	31,791	31,791	–	–	–	–
Total	371,781	210,754	106,642	40,183	14,202	–

	Total	Within 1 year	1–3 years	3–5 years	5–10 years	Over 10 years
At 31 December 2019	£'k	£'k	£'k	£'k	£'k	£'k
Insurance liabilities, excluding UPR(1)	212,167	95,975	74,970	32,729	8,493	–
Insurance payables	6,009	6,009	–	–	–	–
Lease liabilities	194	194	–	–	–	–
Trade and other payables	6,466	6,466	–	–	–	–
Total	224,836	108,644	74,970	32,729	8,493	–

(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.

The above tables include the expected claims on unearned premiums within insurance liabilities. The maturity of insurance liabilities is based upon an estimate of expected settlement date.

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.

	2020 £'k	2019 £'k
Marketing fees	**834**	1,061
Fee income from the sale of auxiliary products and services	**113**	123
Administration fees	**1,224**	56
Total	**2,171**	1,240

The year-on-year increase in administration fees is a result of a change in classification for certain refunds, which were previously classified within other technical income but are now classified within premium.

The Group provides only one product to clients, which is motor insurance, which is written solely in the UK. The Group has no other lines of business, nor does it operate outside of the UK. Information is reported to the chief operating decision makers and the Board on an aggregated basis. Strategic and financial management decisions are determined centrally by the Board. Premium numbers are disclosed on the face of the profit or loss account and does not have a separate disclosure note. 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.

8. OPERATING EXPENSES

	Notes	2020 £'k	2019 £'k
Employee expenses	8.1	**13,518**	12,581
Property expenses		**394**	384
IT expense including IT depreciation		**4,965**	5,274
Other depreciation		**45**	45
Industry levies		**5,170**	1,812
Policy servicing costs		**2,463**	2,334
Other operating expenses		**3,055**	3,053
Expected credit loss on financial assets		**23**	–
Impairment loss on owner occupied properties	9.1	**65**	–
Before adjustments for deferred acquisition costs and claims handling expenses		**29,698**	25,483
Adjusted for:			
Claims handling expense reclassification		**(7,637)**	(7,559)
Movement in deferred acquisition costs		**309**	(1,176)
Total operating expenses		**22,370**	16,748

The Group makes provision for all industry levies, such as Motor Insurance Bureau and Financial Conduct Authority. During 2019 the accrual in respect of the Motor Insurance Bureau levy was reduced by £3,325k, reflecting a decreased uncertainty over the level of future levies. There is not an equivalent release in 2020.

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. 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:

	2020 £'k	2019 £'k
Wages and salaries	**9,568**	9,471
Issue of share-based payments	**1,648**	1,106
Social security expenses	**1,460**	1,250
Pension expenses	**511**	471
Other staff expenses	**331**	283
Before adjustments for deferred acquisition costs and claims handling expenses	**13,518**	12,581
Adjusted for:		
Claims handling expense reclassification	**(5,696)**	(5,528)
Movement in deferred acquisition costs	**(26)**	(1,072)
Employee expenses	**7,796**	5,981

Employee costs of £5,696k (2019: £5,528k) have been classified as part of claims handling expenses (Note 3.4). Wages and salaries include a net movement in deferred acquisition costs (Note 3.1.2) of £26k (2019: £1,072k).

8.2. Number of employees

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

	2020	2019
Operations	**130**	131
Support	**31**	29
Total	**161**	160

8.3. Directors' remuneration

Amounts paid to Directors are disclosed within the Remuneration Committee Report on page 77 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.

	2020 £’k	2019 £’k
Fees for audit services – Audit of these financial statements	**110**	56
Audit of financial statements of subsidiaries of the Group	**295**	208
Total audit fees	**405**	264
Fees for non-audit services – Audit related assurance services	**78**	78
Total non-audit fees	**78**	78
Total auditor remuneration	**483**	342

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.

	2020 £’k	2019 £’k
Property, plant and equipment – owned	**4,174**	4,568
Property, plant and equipment – leased (Right-of-use assets)	**189**	189
Total	**4,363**	4,757

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, with subsequent revaluation gains taken through 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. Owner-occupied property is also revalued by an external qualified surveyor, at least every three years. Owner-occupied land is not depreciated. As the depreciation of owner-occupied buildings is immaterial and properties are revalued every three years, 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 follow:

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 existing asset will flow to the Group.

	Owner-occupied £'k	Fixtures and fittings £'k	Computer equipment £'k	Total £'k
Cost/Valuation				
At 1 January 2020	**4,055**	**235**	**813**	**5,103**
Additions	**–**	**–**	**12**	**12**
Disposals	**–**	**–**	**–**	**–**
Revaluation	**(165)**	**–**	**–**	**(165)**
At 31 December 2020	**3,890**	**235**	**825**	**4,950**
At 1 January 2020	**–**	**140**	**395**	**535**
Depreciation charge for the year	**–**	**45**	**131**	**176**
Disposals	**–**	**–**	**–**	**–**
Impairment losses on revaluation	**65**	**–**	**–**	**65**
At 31 December 2020	**65**	**185**	**526**	**776**
As at 31 December 2020	**3.825**	**50**	**299**	**4.174**

	Owner-occupied £'k	Fixtures and fittings £'k	Computer equipment £'k	Total £'k
Cost/Valuation				
At 1 January 2019	4,055	720	1,997	6,772
Additions	–	19	344	363
Disposals	–	(504)	(1,528)	(2,032)
Revaluation	–	–	–	–
At 31 December 2019	4,055	235	813	5,103
At 1 January 2019	–	599	1,803	2,402
Depreciation charge for the year	–	45	120	165
Disposals	–	(504)	(1,528)	(2,032)
Impairment losses on revaluation	–	–	–	–
At 31 December 2019	–	140	395	535
As at 31 December 2019	4.055	95	418	4.568

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. Whilst 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).

The fair value measurement of owner-occupied properties of £3,825k (2019: £4,055k), 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	2020 £'k	2019 £'k
At 1 January	**4,055**	4,055
Purchase	**–**	–
Revaluation losses	**(165)**	–
Impairment losses	**(65)**	–
At 31 December	**3,825**	4,055

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 extend 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:

	Increase/(decrease) in profit after tax		Increase/(decrease) in total equity	
At 31 December	**2020 £'k**	**2019 £'k**	**2020 £'k**	**2019 £'k**
Owner-occupied property				
Impact of a 15% decrease in property markets	**(131)**	–	**(465)**	(493)

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 £3,074k (2019: £3,129k).

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 comprises 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.

The Group has one lease contract for computer equipment used in its operations, with the exception of short-term leases and leases of low-value underlying assets. This lease is reflected on the balance sheet as a right-of-use asset and a lease liability. The Group classifies its right-of-use assets in a consistent manner to its property, plant and equipment (see Note 9.1).

Leases of computer equipment generally have lease terms between zero and five years. The lease payments are fixed and the lease is not linked to revenue or annual changes in an index (such as the Consumer Price Index ("CPI")).

The right-of-use asset can only be used by the Group and the Group cannot sub-lease the asset. The Group is prohibited from selling or pledging the underlying assets as security. The lease may only be cancelled by incurring a termination fee. The Group's obligations under the lease are secured by the lessor's title to the leased assets. No lease contracts require the Group to maintain certain financial ratios.

The table below describes the nature of the Group's leasing activity by type of right-of-use asset recognised on balance sheet:

Right-of-use asset	**No of assets leased**	**Range of remaining term**	**Average remaining lease term**	**No. of leases with extension options**	**No. of leases with option to purchase**	**No. of leases with variable payments linked to an index**	**No. of leases with termination options**
Computer equipment	1	0 to 1 years	0.75 years	1	–	–	1

Right-of-use assets

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

	Computer equipment	**Total**
	£'k	**£'k**
As at 1 January 2020	**189**	**189**
Additions	**252**	**252**
Depreciation	**(252)**	**(252)**
As at 31 December 2020	**189**	**189**

	Computer equipment	**Total**
	£'k	**£'k**
As at 1 January 2019 (adjusted)	440	440
Additions	–	–
Depreciation	(251)	(251)
As at 31 December 2019	189	189

The right-of-use assets are included in the same line items as where the corresponding underlying assets would be presented if they were owned.

Lease liabilities

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

	2020	**2019**
	£'k	**£'k**
As at 1 January	**194**	440
Additions	**252**	–
Accretion of interest	**13**	18
Payments	**(264)**	(264)
As at 31 December	**195**	194

Current	**195**	194
Non-current	**–**	–

The maturity analysis of lease liabilities is disclosed in Note 6.

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

	2020 £'k	2019 £'k
Depreciation expense of right-of-use assets	**252**	251
Interest expense on lease liabilities	**13**	18
Expenses relating to short-term leases (included in IT expenses)	**–**	6
Expenses relating to low-value assets (included in other operating expenses)	**14**	14
Variable lease payments	**–**	–
Total	**279**	289

The Group had total cash outflows for leases of £278k in 2020 (2019: £284k). The Group had no non-cash additions to right-of-use assets or lease liabilities. The Group has not entered into any lease agreements which have not yet commenced.

The Group has no lease contracts that contains variable payments.

The Group's lease contract expired in October 2020. Under the lease contract, the Group can extend the lease for 12 months. Due to COVID-19, management decided to extend the lease for 12 months to minimise any disruption a new lease might have during the pandemic. At the extension date, the contract no longer contains a termination option. Management has the option to extend the lease every year for another 12-month period. Given the uncertainty on how the ongoing pandemic might impact the Group and its suppliers, no decision on extending or terminating the lease has yet been taken.

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.

	2020 £'k	2019 £'k
Current taxation		
Charge for the year	**9,452**	10,761
	9,452	10,761
Origination and reversal of temporary differences	**(128)**	7
	(128)	7
Current taxation	**9,452**	10,761
Deferred taxation (Note 11)	**(128)**	7
Tax charge for the year	**9,324**	10,768

Tax recorded in other comprehensive income is as follows.

	2020 £'k	2019 £'k
Current taxation	**(31)**	–
Deferred taxation	**463**	–
	432	–

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% (2019: 19.00%) as follows:

	2020	2019
	£'k	£'k
Profit before tax	**49,122**	56,479
Expected tax charge	**9,333**	10,731
Effect of:		
Expenses not deductible for tax purposes	**2**	14
Adjustment of deferred tax to average rate of 19%	**(24)**	22
Other permanent difference	**7**	–
Income/loss not subject to UK taxation	**7**	10
Other Income Tax Adjustments	**(1)**	(9)
Tax charge for the year	**9,324**	10,768
Effective income tax rate	**18.98%**	19.07%

The UK Government announced on 4 March 2021 that the UK corporation tax rate would increase to 25% from 1 April 2023. It is expected that this rate increase will be enacted as a prospective measure as part of the forthcoming Finance Bill. We deem the impact of this rate increases on the deferred tax balances as at 31 December 2020 would not be material to the group.

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	Depreciation in excess of capital allowances	Share-based Payments	Fair value movements in debt securities at FVOCI	Total
	£'k	£'k	£'k	£'k	£'k
At 1 January 2019	17	3	197	–	217
(Debit)/Credit to the profit or loss	2	(44)	35	–	(7)
(Debit)/Credit to other comprehensive income	–	–	–	–	–
At 31 December 2019	19	(41)	232	–	210
(Debit)/Credit to the profit or loss	**2**	**17**	**115**	**(6)**	**128**
(Debit)/Credit to other comprehensive income	**–**	**–**	**–**	**(463)**	**(463)**
At 31 December 2020	**21**	**(24)**	**347**	**(469)**	**(125)**

	2020	2019
	£'k	£'k
Per statement of financial position:		
Deferred tax assets	**368**	251
Deferred tax liabilities	**(493)**	(41)
	(125)	210

12.DIVIDENDS

ACCOUNTING POLICY – DIVIDEND DISTRIBUTION

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

	2020		2019	
	pence per share	£'k	pence per share	£'k
Amounts recognised as distributions to equity holders in the period				
Interim dividend for the current year	**9.5**	**23,680**	4.7	11,710
Final dividend for the prior year	**8.1**	**20,190**	12.8	31,913
	17.5	**43,870**	17.4	43,623
Final dividend [(1)]	**11.7**	**29,250**	8.1	20,250

(1) Subsequent to 31 December 2020, the Directors declared a final dividend for 2020 of 11.7 p per ordinary share. This dividend will be accounted for as an appropriation of retained earnings in the year ended 31 December 2021 and is not included as a liability in the Statement of Financial Position as at 31 December 2020.

The trustees of the employee share trusts waived their entitlement to dividends on shares held in the trusts to meet obligation arising on share incentive schemes, which reduced the dividends paid for the year ended 31 December 2020 by £130k (2019: £127k).

13.PREPAYMENTS, ACCRUED INCOME AND OTHER ASSETS

	2020	2019
	£'k	£'k
Prepayments and accrued income	**868**	1,182
Accrued interest	**–**	2,445
Total	**868**	3,627

Under IFRS 9, accrued interest is reflected as part of the fair value of debt securities and no accrual is made for interest on debt securities from 1 January 2020.

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

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. The recoverable amount of the insurance business unit is based on its fair value less cost to sell.

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 2020 and 31 December 2019. The Group considers the relationship between its market capitalisation and its book value, among other factors, when reviewing for indicators of impairment. As at 31 December 2020 and 31 December 2019, the Group's securities were traded on a liquid market, therefore market value could be used as a definitive indicator of market capitalisation.

Key assumptions

The valuation uses fair value less costs to sell. The key assumption on which management have based this value is:

– Market capitalisation of the Group at 31 December 2020 of £691,250k (2019: £770,000k).

The Directors conclude that the recoverable amount of the business unit would remain in excess of its carrying value even after reasonably possible changes in the key inputs and assumptions affecting its market value, such as a significant fall in demand for its product or a significant adverse change in the volume of claims and increase in other expenses, before the recoverable amount of the business units would reduce to less than its carrying value. Therefore, the Directors are of the opinion that there are no indicators of impairment as at 31 December 2020.

15.SHARE CAPITAL

	2020 £'k	2019 £'k
Authorised		
250,000,000 Ordinary shares of £0.001 each	**250**	250
Issued and fully paid: equity shares		
250,000,000 Ordinary shares of £0.001 each	**250**	250

All shares are unrestricted and carry equal voting rights.

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			
	Number of shares	Average price (pence)	£	Number of shares	Average price (pence)	£	£
As at 31 December 2018	869,566	0.001	870	–	–	–	870
Shares purchased	–	0.001	–	395,587	268.073	1,060,461	1,060,461
Shares disposed	(42,325)	0.001	(42)	–	–	–	(42)
Shares vested	(286,658)	0.001	(287)	–	–	–	(287)
As at 31 December 2019	540,583	0.001	541	395,587	268.073	1,060,461	1,061,002
Shares purchased	**–**	**–**	**–**	**145,621**	**297.443**	**433,140**	**433,140**
Shares disposed	**(38,961)**	**0.001**	**(39)**	**–**	**–**	**–**	**(39)**
Shares vested	**(438,591)**	**0.001**	**(439)**	**–**	**–**	**–**	**(439)**
As at 31 December 2020	**63,031**	**0.001**	**63**	**541,208**	**275.975**	**1,493,601**	**1,493,664**

In thousands	£'k	£'k	**£'k**
As at 31 December 2019	1	1,060	1,061
As at 31 December 2020	**–**	**1,494**	**1,494**

The Group recognised a total expense in the profit or loss for the year ending 31 December 2020 of £1,648k (2019: £1,106k), 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. 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.

LTIP Awards without performance conditions
In 2017, shares gifted to employees at IPO were held in trust under the Long Term Incentive Plan, without performance conditions, with a vesting period of two years (50%) and three years (50%). The final shares vested in December 2020 and the scheme no longer exists.

LTIP Awards with performance conditions
During 2020, further share options were issued to management and senior employees under the LTIP, with performance conditions attached.

The following table lists the inputs to the model used to value the three plans for the year ended 31 December 2020. The fair value of the options granted is measured using the Monte Carlo method considering the terms and conditions upon which the options were granted. The amount recognised as an expense under IFRS 2 is adjusted to reflect the actual number of share options that vest.

	2020 LTIP grant	2019 LTIP grant	2018 LTIP grant
Weighted average share price (per award)	**226 pence**	206 pence	227 pence
Expected term	**4.43 years**	4.51 years	2.8 years
Expected volatility	**30.09%**	23.26%	22.81%
Expected exercise price on outstanding awards	**NIL**	NIL	NIL
Grant-date TSR performance of the Group	**–2.73%**	8.54%	16.09%
Average risk – free interest rate	**0.10%**	0.81%	0.73%

Shares granted under the LTIP with performance conditions have a three-year vesting period. Shares granted under the 2018 LTIP due to vest on 12 April 2021.

The tables below detail the movement in the LTIP:

	LTIP without performance		LTIP with performance	
	Number and WAEP[1]		Number and WAEP	
	Number	£	Number	£
Outstanding at 1 January 2020	**274,539**	**NIL**	**1,217,394**	**NIL**
Granted	–	**NIL**	**717,730**	**NIL**
Forfeited	–	**NIL**	–	**NIL**
Vested	**(274,539)**	**NIL**	–	**NIL**
Outstanding at 31 December 2020	–	**NIL**	**1,935,124**	**NIL**

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

	LTIP without performance		LTIP with performance	
	Number and WAEP		Number and WAEP	
	Number	£	Number	£
Outstanding at 1 January 2019	569,530	NIL	572,649	NIL
Granted	–	NIL	644,745	NIL
Forfeited	(8,333)	NIL	–	NIL
Vested	(286,658)	NIL	–	NIL
Outstanding at 31 December 2019	274,539	NIL	1,217,394	NIL

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 220,130 (2019: 163,386) with an estimate fair value at grant date of £621k (2019: £471k). Of this award, the number of shares awarded to Directors and PDMRs was 200,065 (2019: 145,317) with an estimated fair value of £564k (2019: £419k). All shares are subject to a two-year service period and are not subject to performance conditions.

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, Matching Shares and Dividend 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.

Free Shares

On 29 December 2017, Free Share awards were granted with a vesting period of three years from the award date. Vesting was unconditional for participants still in service at the vesting date. As at 31 December 2019, 166,698 shares were held on behalf of employees. 2,646 shares were forfeited during the year. A total of 164,052 shares with a value of £446k vested in December 2020 and no further shares are outstanding.

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 ending 31 December 2020, 7,366 (2019: 2,875) matching shares were granted to employees with an estimated fair value of £20k (2019: £9k).

As at 31 December 2020, 9,851 (2,875) matching shares were held on behalf of employees with an estimated fair value of £27k (2019: £9k). The average unexpired life of Matching Share awards is 1.8 years (2019: 2.3 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.

17.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	Non-Trading	Heritage Hall, Le Marchant Street, St Peter Port, Guernsey, GY1 4HY
Barb IntermediateCo Limited	Non-Trading	26 New Street, St Helier, Jersey, JE2 3RA
Barb MidCo Limited	Non-Trading	26 New Street, St Helier, Jersey, JE2 3RA
Barb BidCo Limited	Non-Trading	26 New Street, St Helier, Jersey, JE2 3RA
Barb HoldCo Limited	Non-Trading	26 New Street, St Helier, Jersey, JE2 3RA
EBT – UK SIP	Trust	Ocorian, 26 New Street, St Helier, Jersey, JE2 3RA
The Sabre Insurance Group Employee Benefit Trust	Trust	26 New Street, St Helier, Jersey, JE2 3RA

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 Share Incentive Plan ("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 2020, the Group donated no shares to the EBTs (2019: NIL).

Key Management compensation
Key Management includes Executive Directors, Non-executive Directors and other senior management personnel. Further details of Directors' shareholdings and remuneration can be found in the Directors' Remuneration Report on pages 77 to 88.

18.EARNINGS PER SHARE

Basic earnings per share

		2020		2019
	After tax £'k	Per share pence	After tax £'k	Per share pence
Profit for the year attributable to equity holders	**39,798**	**15.98**	45,711	18.35

Diluted earnings per share

			2020
	After tax £'k	Weighted average number of shares £'k	Per share pence
Profit for the year attributable to equity holders	**39,798**	**249,113**	**15.98**
Net shares under options allocable for no further consideration		**2,452**	**(0.16)**
Total diluted earnings		**251,565**	**15.82**

			2019
	After tax £'k	Weighted average number of shares £'k	Per share pence
Profit for the year attributable to equity holders	45,711	249,064	18.35
Net shares under options allocable for no further consideration		1,876	(0.14)
Total diluted earnings		250,940	18.22

19.CONTINGENT LIABILITY

In 2019 HMRC issued a determination in relation to the 2015 corporation tax filing of a subsidiary of the Group, which is currently dormant. This asserted that the interest rate applied on intercompany debt, and the resultant allowable expense, was inconsistent with transfer pricing rules and was excessive. The excess interest per the determination is £2.7m, tax relief for which equates to a reduction in the Group's overall tax liability of £0.5m. The Directors obtained professional advice both at the time the return was filed and subsequent to the determination, and are satisfied that the Group's application of transfer pricing rules was correct. As such an appeal has been raised against the determination. The Board does not consider it likely that the subsidiary will be required to resubmit its 2015 filing, or either of the two subsequent tax filings for the years in which the intercompany debt remained in place.

20.DETAIL ON ADOPTION OF IFRS 9

Classification and measurement of financial assets and financial liabilities – From 1 January 2020

20.1 Recognition and initial measurement

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at fair value through the profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition.

20.2 Classification and subsequent measurement

On initial recognition a financial asset is classified as measured at:

- Amortised cost
- Fair value through other comprehensive income ("FVOCI") debt instrument
- Fair value through other comprehensive income ("FVOCI") equity investment
- Fair value through profit or loss ("FVTPL")

The classification of financial assets depends on (i) the purpose for which they were acquired, (ii) the business model in which a financial asset is managed, and (iii) its contractual cash flow characteristics. This classification determines the subsequent measurement basis.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

20.2.1 Amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows
- 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.

For the purposes of this assessment, principal is defined as the fair value of the financial asset on initial recognition. Interest is defined as consideration of the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

20.2.2 Financial assets at FVOCI

Debt security investments
A debt security instrument is measured at FVOCI only if it meets both of the following conditions and is not designated at 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 SPPI on the principal amount outstanding on specified dates

The Group has previously elected to designate debt instruments as FVTPL on initial recognition, as was allowed under IAS 39 and the previous investment guidelines. On transition to IFRS 9 and the change in investment manager, the Group has considered the classification of assets held within its investment portfolio as at the date of transition. All debit instruments are primarily held within a business model whose objective is achieved primarily through collecting contractual cash flows of principle and interest and by selling securities where appropriate.

Equity investments
The Group holds no equity investments.

20.2.3 Financial assets: Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

The investment portfolio is held primarily to back the Group's insurance liabilities. The Group's aim is to hold a low-risk investment portfolio, with limited exposure to default and market fluctuations, and to earn a steady stream of income. The primary focus of the Group is on underwriting performance and not investment return. Taking increased market risk in order to achieve far higher investment returns would risk the ability of the Group to make steady dividend payments and as such, receiving a steady income stream from its investment portfolio best supports its business objectives.

Management is not compensated based on investment return, but on the overall performance of the Group. The Group's strategy is to deliver consistent and reliable returns by achieving market-leading underwriting performance. Investment return is not a key performance measure for the Group. Management information primarily focuses on the underwriting result of the Group.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

20.2.4 Financial assets: Assessment whether contractual cash flows are solely payments of principal and interest

For the purpose of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of the contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- Contingent events that would change the amount or timing of cash flows
- Terms that may adjust the contractual coupon rate, including variable rate features
- Prepayments and extension features
- Terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features)

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principle and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset, acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant from initial recognition.

Financial assets: Subsequent measurement and gains and losses

Measurement basis	Accounting policies
Amortised cost	These financial assets are subsequently measured at amortised cost using the effective interest rate method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on de-recognition is recognised in profit or loss.
Debt securities at FVOCI	These financial assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On de-recognition, gains and losses accumulated in OCI are reclassified to profit or loss.

20.3 Derecognition

20.3.1 Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

20.3.2 Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

20.4 Derivative financial instruments and hedge accounting

The Group holds no derivative financial instruments and does not apply hedge accounting.

20.5 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:

20.5.1 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 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.

20.5.2 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.

20.5.3 Application of the new impairment model

The Group applies IFRS 9's new 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.

20.5.4 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.

20.5.5 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.

20.6 Transitional disclosures

Assessments have been carried out on the basis of the facts and circumstances that existed at the date of initial application to determine the business model within which a financial asset is held and to establish the designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except that, in accordance with the transitional provisions in IFRS 9, comparative information for prior periods has not been restated. Accordingly, all comparative period information is presented in accordance with the Group's previous accounting policies, as described in the 2019 Annual Report and Accounts. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings as at 1 January 2020.

20.6.1 Classification and measurement

The following table shows the original measurement categories in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Group's financial assets and financial liabilities as at 1 January 2020.

	Notes	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 as at 31 Dec 2019 £'k	New carrying amount under IFRS 9 as at 1 January 2020 £'k
Financial assets					
Other receivables	(a)	Loans and receivables	Amortised cost	31	**31**
Financial investments – Debt securities	(b)	FVTPL (designated)	FVOCI – Debt instrument	263,629	**266,074**
Cash and cash equivalents		Loans and receivables	Amortised cost	31,791	**31,791**
Total financial assets				295,451	**297,896**
Financial liabilities					
Trade and other payables		Amortised cost	Amortised cost	12,475	**12,475**
Total financial liabilities				12,475	**12,475**

(a) Other receivables does not include receivables relating to insurance contracts, which are out of scope for IFRS 9. There was no increase in the allowance for credit losses over these other receivables on transition to IFRS 9.

(b) During 2019 the Group carried out a review of its investment portfolio, which resulted in the adoption of updated investment guidelines and the appointment of an investment manager in January 2020. As part of this review, the Board considered the timing of the Group's implementation of IFRS 9 "Financial Instruments", which had been previously delayed under an exemption for insurance companies. The Board elected to dis-apply the delayed implementation of IFRS 9, in order to bring in the new standard concurrently with the application of the revised investment guidelines and the appointment of a new investment manager.

These investments comprise debt instruments that the Group has previously elected to designated as FVTPL on initial recognition, as was allowed under IAS 39 and the previous investment guidelines. On transition to IFRS 9 and the change in investment manager, the Group has considered the classification of assets held within its investment portfolio as at the date of transition. All debt instruments are primarily held within a business model whose objective is achieved primarily through collecting contractual cash flows of principle and interest and by selling securities where appropriate. The corporate and Government debt securities mature in 0.1 to 7.1 years and the contractual terms of these financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These assets have therefore been classified as financial assets at FVOCI under IFRS 9, which is in line with the Group's business model. On transition to IFRS 9, an expected credit loss of £27k was recognised as a decrease in opening retaining earnings and an increase in fair value reserves at 1 January 2020.

The following table reconciles the carrying amounts of the financial assets under IAS 39 to the carrying amounts under IFRS 9 on transition to IFRS 9 on 1 January 2020.

	IAS 39 carrying amount at 31 December 2019 £'k	**Reclassify £'k**	**Remeasure £'k**	**IFRS 9 carrying amount at 1 January 2020 £'k**
Assets				
Goodwill	156,279	–	–	**156,279**
Property, plant and equipment	4,568	–	–	**4,568**
Right-of-use asset	189	–	–	**189**
Reinsurance assets	83,931	–	–	**83,931**
Deferred tax assets	210	–	–	**210**
Deferred acquisition costs	16,211	–	–	**16,211**
Insurance and other receivables	37,785	–	–	**37,785**
Prepayments, accrued income and other assets	3,627	–	(2,445)	**1,182**
Financial investments – FVTPL	263,629	(263,629)	–	**–**
Financial investments – FVOCI	–	263,629	2,445	**266,074**
Cash and cash equivalents	31,791	–	–	**31,791**
Total assets	598,220	–	–	**598,220**
Equity				
Issued ordinary share capital	250	–	–	**250**
Own shares	(1,061)	–	–	**(1,061)**
Merger reserve	48,525	–	–	**48,525**
Share-based payment reserve	1,362	–	–	**1,362**
FVOCI reserve	–	237	–	**237**
Retained earnings	218,341	(237)	–	**218,104**
Total equity	267,417	–	–	**267,417**
Liabilities				
Insurance liabilities	212,167	–	–	**212,167**
Unearned premium reserve	99,877	–	–	**99,877**
Lease liability	194	–	–	**194**
Trade and other payables including insurance payables	12,475	–	–	**12,475**
Current tax liabilities	4,884	–	–	**4,884**
Accruals	1,206	–	–	**1,206**
Total liabilities	330,803	–	–	**330,803**
Total equity and liabilities	598,220	–	–	**598,220**

20.6.2 Classification and measurement

The Group has determined that the application of IFRS 9's impairment requirements at 1 January 2020 results in an additional expected credit loss as follows.

	£'k
Loss allowance as at 31 December 2019 under IAS 39	–
Additional expected credit loss recognised at 1 January 2020 on:	
Other receivables	–
Debt securities at FVOCI	27
Expected credit loss allowance at 1 January 2020 under IFRS 9	**27**

21.EVENTS AFTER THE BALANCE SHEET DATE

Other than the declaration of a final dividend as disclosed in Note 12 and an announcement of a change in the UK corporation tax from April 2023 as disclosed in Note 10, 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

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £'k	2019 £'k
Assets			
Investments	2	**579,889**	578,142
Debtors	4	**81**	–
Prepayments		**168**	33
Cash and cash equivalents		**745**	1,121
Total assets		**580,883**	579,296
Equity			
Issued share capital	5	**250**	250
Own shares		**(1,494)**	(1,061)
Merger reserve		**369,515**	369,515
Share-based payments reserve		**1,817**	1,362
Retained earnings		**210,449**	207,743
Total equity		**580,537**	577,809
Liabilities			
Creditors: Amounts falling due within one year	3	**183**	1,487
Accruals		**163**	–
Total liabilities		**346**	1,487
Total equity and liabilities		**580,883**	579,296

No income statement is presented for Sabre Insurance Group plc as permitted by section 408 of the Companies Act 2006. The profit after tax of the parent company for the period was £45,284k (2019: £43,491k)

The attached notes form an integral part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 15 March 2021.

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 2020

	Notes	2020 £'k	2019 £'k
Ordinary shareholders' equity – at 1 January		**250**	250
At 31 December		**250**	250
Own shares – at 1 January		**(1,061)**	(1)
Net movement in own shares		**(433)**	(1,060)
At 31 December		**(1,494)**	(1,061)
Merger reserve – at 1 January		**369,515**	369,515
At 31 December		**369,515**	369,515
Share-based payment reserve – at 1 January		**1,362**	1,036
Settlement of share-based payments		**(1,193)**	(780)
Charge in respect of share-based payments		**1,648**	1,106
At 31 December		**1,817**	1,362
Retained earnings – at 1 January		**207,743**	206,960
Settlement of share-based payments		**1,193**	780
Share scheme transfer to retained earnings		**98**	135
Profit for the year		**45,284**	43,491
Ordinary dividends paid		**(43,869)**	(43,623)
At 31 December		**210,449**	207,743
Total equity at 31 December		**580,537**	577,809

PARENT COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 £'k	2019 £'k
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit after tax for the year	**45,284**	43,491
Operating cash flows before movements in working capital	**45,284**	43,491
Movements in working capital:		
Change in debtors	**(81)**	–
Change in prepayments	**(135)**	(4)
Change in trade and other payables	**(1,304)**	973
Change in accruals	**163**	–
Net cash generated from operating activities	**43,927**	44,460
Net cash used in acquiring and disposing of own shares	**(433)**	(924)
Dividends paid	**(43,870)**	(43,623)
Net cash used by financing activities	**(44,303)**	(44,547)
Net decrease in cash and cash equivalents	**(376)**	(87)
Cash and cash equivalents at the beginning of the year	**1,121**	1,208
Cash and cash equivalents at the end of the year	**745**	1,121

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2020

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 2020, 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 International Financial Reporting Standards ("IFRSs") in conformity with the Companies Act 2006 and IFRSs adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

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 have been prepared on an historical cost basis, except for investment properties and 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:

	2020 £'k	2019 £'k
Investment in subsidiary undertakings	**579,889**	578,142
Total	**579,889**	578,142

2.1 Investment in subsidiary undertakings

ACCOUNTING POLICY – INVESTMENT IN SUBSIDIARY UNDERTAKINGS
Investment in subsidiaries is stated at cost less any impairment.

	2020 £'k	2019 £'k
As at 1 January	**578,142**	577,036
Additions	**1,747**	1,106
As at 31 December	**579,889**	578,142

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 annual impairment test as at 31 December 2020 and 31 December 2019. 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 2020 and 31 December 2019, the Company's securities were traded on a liquid market, therefore market value could be used as a definitive indicator of market capitalisation.

Key assumptions
The valuation uses fair value less costs to sell. The key assumption on which management have based this value is:

– Market capitalisation of the Company at 31 December 2020 of £691,250k (2019: £770,000k).

The Directors conclude that the recoverable amounts of the Company's subsidiary undertakings remain in excess of their book value even after reasonably possible changes in the key inputs and assumptions affecting its market value, such as a significant fall in demand for the product of Sabre Insurance Company Limited or a significant adverse change in the volume of claims and increase in other expenses, before the recoverable amount of Sabre Insurance Company

Limited would reduce to less than its book value. Therefore, the Directors are of the opinion that there are no indicators of impairment as at 31 December 2020.

The subsidiary undertakings of the Company are set out below. Their capital consists of ordinary shares which are unlisted. In all cases, the Company owns 100% of the ordinary shares, either directly or through its ownership of other subsidiaries.

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

The registered office of each subsidiary is disclosed within Note 137 of the consolidated Group accounts.

3. CREDITORS

	2020 £'k	2019 £'k
Due within one year		
Creditors	**183**	–
Amounts owed by Group undertakings	**–**	1,487
As at 31 December	**183**	1,487

4. DEBTORS

	2020 £'k	2019 £'k
Due within one year		
Amounts owed to Group undertakings	**81**	–
As at 31 December	**81**	–

5. SHARE CAPITAL AND RESERVES

Full details of the share capital of the Company are set out in Note 15 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:

	2020 £'k	2019 £'k
Due from/(to)		
Sabre Insurance Company Limited	**81**	(1,005)
Barbados TopCo Limited	**–**	(482)
Total	**81**	(1,487)

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.

APPENDIX – FINANCIAL RECONCILIATIONS

AS AT 31 DECEMBER 2020

Adjusted Profit Before Tax

	2020 **£'k**	**2019** **£'k**	**2018** **£'k**
Profit before tax	**49,122**	56,479	61,363
Add:			
Amortisation of intangible assets	**–**	–	501
Exceptional items	**–**	–	–
Adjusted profit before tax	**49,122**	56,479	61,864

Adjusted Profit After Tax

	2020 **£'k**	**2019** **£'k**	**2018** **£'k**
Profit after tax	**39,798**	45,711	49,568
Add:			
Amortisation of intangible assets	**–**	–	501
Exceptional items	**–**	–	–
Tax on exceptional items	**–**	–	–
Adjusted profit after tax	**39,798**	45,711	50,069

Net Loss Ratio

	2020 **£'k**	**2019** **£'k**	**2018** **£'k**
Net insurance claims	**88,110**	101,990	97,861
Less: Claims handling expenses	**(7,637)**	(7,558)	(6,536)
Net claims incurred	**80,473**	94,432	91,325
Net earned premium	**165,707**	183,238	188,235
Net loss ratio	**48.6%**	51.5%	48.5%

Expense Ratio

	2020 **£'k**	**2019** **£'k**	**2018** **£'k**
Total expenses	**36,670**	32,507	34,994
Plus: Claims handling expenses	**7,637**	7,558	6,536
Net operating expenses	**44,307**	40,065	41,530
Net earned premium	**165,707**	183,238	188,235
Expense ratio	**26.7%**	21.9%	22.1%

Combined Operating Ratio

	2020 **£'k**	**2019** **£'k**	**2018** **£'k**
Total expenses	**36,670**	32,507	34,994
Net insurance claims	**88,110**	101,990	97,861
	124,780	134,497	132,855
Net earned premium	**165,707**	183,238	188,235
Combined operating ratio	**75.3%**	73.4%	70.6%

Solvency Coverage Ratio – Pre Dividend

	2020 £'k	2019 £'k	2018 £'k
Solvency II net assets	**122,500**	127,086	130,019
Solvency capital requirement	**60,327**	59,495	60,995
Solvency coverage ratio	**203.1%**	213.6%	213.2%

Solvency Coverage Ratio – Post Dividend

	2020 £'k	2019 £'k	2018 £'k
Solvency II net assets	**122,500**	127,086	130,019
Less: Final dividend	**(29,250)**	(20,250)	(32,000)
Solvency II net assets (post dividend)	**93,250**	106,836	98,019
Solvency capital requirement	**60,327**	59,495	60,995
Solvency coverage ratio – post dividend	**154.6%**	179.6%	160.7%

Return on Tangible Equity

	2020 £'k	2019 £'k	2018 £'k
IFRS net assets at year end	**266,400**	267,417	265,148
Less:			
Intangible assets at year end	**–**	–	–
Goodwill at year end	**(156,279)**	(156,279)	(156,279)
Closing tangible equity	**110,121**	111,138	108,869
Opening tangible equity	**111,138**	108,869	75,213
Average tangible equity	**110,630**	110,004	92,041
Adjusted profit after tax	**39,798**	45,711	50,570
Return on tangible equity	**36.0%**	41.6%	54.9%

Return on Opening SCR

	2020 £'k	2019 £'k	2018 £'k
Opening SCR	**59,495**	60,995	61,087
Adjusted profit after tax	**39,798**	45,711	50,069
Return on SCR	**66.9%**	74.9%	82.0%

Gross Earned Premium

	2020 £'k	2019 £'k	2018 £'k
Gross written premium	**173,235**	197,040	**210,017**
Movement in unearned premium reserve	**12,527**	6,640	**(1,395)**
Gross earned premium	**185,762**	203,680	**208,622**

Dividend Payout Ratio

	2020 £'k	2019 £'k	2018 £'k
Adjusted profit after tax	**39,798**	45,711	50,570
Dividend declared in respect of the financial year	**53,000**	32,000	50,000
2019 deferred special dividend	**(13,000)**	13,000	–
Effective dividend declared in respect of the financial year	**40,000**	45,000	50,000
Dividend payout ratio	**100.5%**	98.4%	98.9%