

Half-Year Report 2021

DISCIPLINED UNDERWRITING THROUGH UNCERTAIN TIMES

Sabre Insurance Group plc (the “Group”, or “Sabre”), one of the UK’s leading motor insurance underwriters, reports its half year results for the six months ended 30 June 2021.

SUMMARY OF RESULTS

	Unaudited 6 months ended 30 June 2021	Unaudited 6 months ended 30 June 2020	Audited 12 months ended 31 December 2020
Gross written premium	£78.2m	£86.9m	£173.2m
Net loss ratio	44.9%	45.1%	48.6%
Expense ratio	29.5%	26.6%	26.7%
Combined operating ratio	74.4%	71.7%	75.3%
Adjusted profit before tax	£22.2m	£27.8m	£49.1m
Profit before tax	£22.2m	£27.8m	£49.1m
Adjusted profit after tax	£18.0m	£22.5m	£39.8m
Profit after tax	£18.0m	£22.5m	£39.8m
Ordinary interim dividend per share	3.7p	4.3p	4.3p
Additional interim dividend per share	0.0p	5.2p	5.2p
Total interim distribution per share	3.7p	9.5p	9.5p
Final dividend per share	N/A	N/A	8.1p
Return on tangible equity (annualised)	33.5%	39.9%	36.0%
Solvency coverage ratio (pre-interim/final dividend)	185%	218%	203%
Solvency coverage ratio (post-interim/final dividend)	169%	178%	155%

KEY HIGHLIGHTS

- Relentless focus on prioritising profitability over volume
- Strong net loss ratio of 44.9% reflecting high quality underwriting and claims management, benefitting from low claims frequency during lockdown
- Improving volumes, with 12 consecutive weeks of modest portfolio growth to 30 June 2021
- Year to date written premium in line with expectations under lockdown
- Further tailwinds expected to increase volumes into 2022, however premium out-turn for 2021 remains difficult to forecast accurately
- Market developments including the FCA pricing review and whiplash reforms evolving in line with our expectations
- Strategic growth initiatives with launch of Saga partnership in H1 and new temporary car insurance product expected to launch in H2
- Full-year 2021 combined operating ratio is expected to be in the range of 75% to 80%
- Interim dividend of 3.7p being one third of the prior-year ordinary dividend, in line with our existing policy, maintaining strong capital position

Geoff Carter, Chief Executive Officer of Sabre, commented:

“At the half-year stage our general mood is one of cautious optimism that the anticipated market strengthening and our own development efforts will support growth as we move through 2021 and into 2022.

Reflecting on the past 16 months, we have seen a completely unprecedented temporary shift in market conditions, with a significant reduction in our addressable market and an unforeseen extension to the historically soft market conditions. Despite that, we have continued to apply our pricing discipline, maintained strong profitability and put ourselves in a very strong position to grow our business as the market returns to full strength and prices increase.

We are continuing to increase rates ahead of the market to counter ongoing claims inflation and are continuing to price within our target combined operating ratio range. With some recent encouraging signs that competitors are beginning to recognise the building industry-wide pressures, our portfolio has grown modestly on a weekly basis - and is now, at 30 June 2021, 2.8% greater than at the end of Q1 2021.

We believe that there is an attempt to increase rates across the motor insurance market, as a reflection of the looming market-level margin squeeze as COVID-19 discounts unwind and ongoing claims inflation impact profitability, while others have to react to the FCA pricing reforms. We would anticipate we will be a beneficiary of these market-level actions later in 2021 and into 2022.

Market, quote volumes have been low through the various lockdowns. We expect these to recover as lockdown eases, although we have seen only modest evidence of this so far. There remains a significant backlog of driving tests and shortage of second-hand car stocks and as lockdown eases we believe an increase in car sales and new drivers entering the market should give a further push to demand as the year progresses.

Traffic volumes are now effectively back to 100% of pre-COVID levels, albeit with different driving patterns evident throughout the day. These developments are in line with our underlying pricing assumptions.

The MOJ “whiplash” reforms have gone live, bringing additional complexity but little material change. There is little evidence, so far, of individuals making claims themselves with the vast majority of claims coming from lawyers or claims management companies, with some evidence that claims have been

“stacked” with additional cost elements. There is also clear evidence of claims management companies struggling with the technology, resulting in a potential backlog of claims to be submitted.

Consequently, predicting actual claims costs for the second half of 2021 remains challenging, primarily due to the unknowable medium-term impact of lockdown easing on traffic and with subsequent claims costs and the MOJ reform processes ramping up.

Our growth initiatives have progressed. We commenced our relationship with Saga as a member of their motor panel in Q2, and importantly the IT infrastructure we have built to support this partnership has now given increased capability to integrate with other non-traditional partners. We are now also able to test launch new products on a far quicker, highly cost-effective basis and we plan to launch our new flexible product later this year ahead of further developments in 2022.

Despite our optimism, we remain cautious that market-level price increases always take longer than logic would suggest and so the timing of more substantial growth is still slightly uncertain at this stage. Looking toward the full year, we would anticipate a combined ratio in the 75% to 80% range, in-line with our pricing plans in softer parts of the market cycle and as traffic levels have recovered to pre-COVID levels. We remain committed to using our strong capital range to support an attractive dividend as we earn through the lower premium volumes, ahead of anticipated growth.”

ENQUIRIES

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ANALYST VIRTUAL PRESENTATION

Sabre management will host a virtual presentation for analysts today (27 July 2021) via Zoom. The presentation will start at 9:00am.

To register to access the meeting, please follow this link: https://us02web.zoom.us/webinar/register/WN_6HSBrUD2Ts6hDH1tDusaSA

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

CFO Report

FINANCIAL AND BUSINESS REVIEW

Highlights

	Unaudited 6 months ended 30 June 2021	Unaudited 6 months ended 30 June 2020	Audited 12 months ended 31 December 2020
Gross written premium	£78.2m	£86.9m	£173.2m
Net loss ratio	44.9%	45.1%	48.6%
Combined operating ratio	74.4%	71.7%	75.3%
Adjusted profit after tax	£18.0m	£22.5m	£39.8m
Profit after tax	£18.0m	£22.5m	£39.8m
Solvency coverage ratio (pre dividend)	185%	218%	203%
Solvency coverage ratio (post dividend)	169%	178%	155%
Return on opening SCR (annualised)	59.7%	75.6%	66.9%
Return on tangible equity (annualised)	33.5%	39.9%	36.0%

The first half of 2021 has again been dominated by the impacts of continued varying levels of restrictions on individuals' ability to travel, manifesting in lower road use than 'normal', as well as a continued reduction in the number of driving tests taken and the number of new and used cars sold and purchased during the period. This overarching theme has driven two now familiar impacts on Sabre:

1. Lower daily traffic volume during H1 has driven lower claims frequency than in normal conditions, leading to strong current-year claims experience. We should note, however, that claims frequency is not directly correlated to traffic levels, an element of the improved loss ratio would be absorbed through the price reductions made to policies in anticipation of this benefit.
2. Pressure on premium income, due to both continued low levels of market premium (set against Sabre's matching of claims inflation in policy pricing) and a continued reduction in new drivers entering the market or new customers entering segments in which Sabre is more competitive through the purchase of new vehicles or other life events.

The net result of the factors above is that premiums are down on H1 2020, which has been significantly offset by continued strong claims performance. In recent weeks we have witnessed some signs of improvement in the competitiveness of our pricing, suggesting that market price increases may be starting to feed through. However, the expected increase in new policyholders due to increases in other events, such as car sales and new drivers, has been relatively slow to materialise.

Solvency coverage remains very high, at 185% (H1 2020: 218%) before the payment of the interim dividend. Capital has been generated entirely organically through operating profits offset by the payment of an ordinary and special dividend in respect of 2020.

The Group's return on tangible equity (ROTE) remains a function of the profit after tax earned during the period and the amount of dividend paid during the period. The decrease in ROTE against the comparative period is due to the slightly lower profit earned during the period, and the smaller year-end dividend paid in respect of the previous financial year, with the special dividend having been deferred due to COVID-19 uncertainties.

In the next 6 months, Sabre expects to launch a flexible motor insurance product allowing customers to insure by the month, day or hour. The new product, which will trade under the "DriveSmart" brand, is a digital product and will be available to customers via an app and online. As mobility needs change and customers demand more flexible insurance, this new proposition will extend Sabre's offering to a broader customer base.

Revenue

	Unaudited 6 months ended 30 June 2021	Unaudited 6 months ended 30 June 2020	Audited 12 months ended 31 December 2020
Profit or loss			
Gross written premium	£78.2m	£86.9m	£173.2m
Gross earned premium	£82.5m	£94.0m	£185.8m
Net earned premium	£72.7m	£84.7m	£165.7m
Other operating income	£1.0m	£0.9m	£2.2m
Customer instalment income	£1.9m	£2.1m	£4.6m
Interest revenue calculated using the effective interest method	£0.6m	£0.8m	£1.4m
Other Comprehensive Income			
Fair value (losses) / gains on debt securities through OCI	(£2.2m)	£1.6m	£2.4m

Throughout the period, we have continued to apply the "right price" to our policies, continually adjusting pricing to reflect our view of claims inflation offset against projected frequency benefits from lockdown. During the first few months of 2021, our premium was low relative to the comparative periods in 2021, which were 'pre-pandemic' periods. In Q2, our premium income improved considerably relative to 2020, as both the current and comparative periods reflected the effects of lockdowns. Beyond this, we have seen some increase in the competitiveness of our policies during Q2, which has allowed some recovery in the size of our book and is a promising sign that the market may be starting to reflect the true underlying cost of inflation in policy prices.

Other income remained broadly proportional to the size of the direct book, predominantly being the instalment income earned on financed policies.

Investment yields remain low, although well ahead of the equivalent gilt yields, having introduced a small amount of market risk into the portfolio through holding corporate bonds alongside our core of government-backed investments.

CFO Report

Operating Expenditure

	Unaudited 6 months ended 30 June 2021	Unaudited 6 months ended 30 June 2020	Audited 12 months ended 31 December 2020
Net insurance claims*	£32.7m	£38.1m	£80.5m
Current-year net loss ratio	50.7%	55.5%	51.2%
Prior-year net loss ratio	(5.8%)	(10.4%)	(2.6%)
Financial year net loss ratio	44.9%	45.1%	48.6%
Net operating expenses	£21.4m	£22.6m	£44.3m
Expense ratio	29.5%	26.6%	26.7%
Combined ratio	74.4%	71.7%	75.3%

*Net insurance claims shown here excludes £3.9m (6 months 2020: £4.0m, 12 months 2020: £7.6m) of claims handling expenses.

Overall, the claims result for H1 is strong, with a financial year net loss ratio of 44.9%. While a 6-month loss ratio is inherently volatile, this is nonetheless indicative of good claims performance during the period, benefiting in part from the reduction in claims frequency during the third national lockdown. The current-year net loss ratio of 50.7% (H1 2020: 55.5%) is reflective of this benefit, notwithstanding the inherent volatility within a short, period reflecting immature claims. The prior-year loss ratio of (5.8%) (H1 2020: (10.4%)) has, as expected, delivered a smaller benefit than in previous periods. This is entirely in-line with our expectation and reflects business-as-usual run-off, rather than exceptional releases, which we indicated at our last results presentation would not be expected to feature in our claims experience in future periods. Gross loss ratio (i.e. excluding the effect of reinsurance) continues to be highly volatile, as movements on a small number of large claims can generate significant movements in the ratio over a short period. As such, we continue to focus on net loss ratio, which gives a far more accurate view of overall underwriting performance.

Our expense ratio has increased to 29.5% for H1 2021, against 26.7% for the full-year 2020 and 26.6% in H1 2020. This is reflective of a similar level of fixed cost set against a lower level of net earned premium, as the lower written premium in 2020 and H1 2021 has earned through. Core costs remain well under control, with normal levels of inflation in salary costs and our IT infrastructure expense offset against reductions elsewhere. A high-level breakdown of costs is given below:

	Unaudited 6 months ended 30 June 2021 £'k	Unaudited 6 months ended 30 June 2020 £'k	Audited 12 months ended 31 December 2020 £'k
Employee expenses	7,292	7,154	13,518
IT expenses including IT depreciation	2,456	2,201	4,965
Industry levies	2,802	2,914	5,170
Policy servicing costs	1,229	1,410	2,463
Other expenses	1,370	1,380	3,582
Before adjustments for deferred acquisition costs and claims handling expenses	15,149	15,059	29,698

Employee expenses have increased by an inflationary amount, reflecting annual wage inflation in a period where employee numbers have been retained despite a decrease in policy count. We continue to retain excess staff on payroll in anticipation of growth in the near future. IT expenditure is moderately higher than in H1 2020, but is similar to the overall 2020 run-rate, which is reflective of the in-year phasing of development costs which evened-out over the full-year. Policy serving expenses remain proportionate to earned direct business, while the decrease in levies is reflective of the slight decrease in market share.

Earnings per Share

	Unaudited 6 months ended 30 June 2021	Unaudited 6 months ended 30 June 2020	Audited 12 months ended 31 December 2020
Basic earnings per share	7.22p	9.00p	15.98p
Diluted earnings per share	7.15p	8.90p	15.82p

Earnings per share for the current and comparative period are calculated on the basis of the current capital structure. Diluted Earnings per share for H1 2021 is 7.15p compared to 8.90p for the comparative period in 2020, reflecting slightly lower profit after tax reported in H1 2021 than in the comparative period. The difference between basic and diluted earnings per share reflects the maximum dilution effect of share awards which have been granted but which have not vested.

CFO Report

Cash and Investments

	Unaudited at 30 June 2021 £'k	Unaudited at 30 June 2020 £'k	Audited at 31 December 2020 £'k
Government bonds	£85.1m	£221.9m	£121.9m
Government-backed securities	£85.7m	£0.0m	£84.2m
Corporate bonds	£66.1m	£27.7m	£40.2m
Cash and cash equivalents	£24.4m	£37.3m	£37.9m

The Group continues to hold a low-risk investment portfolio and sufficient cash to meet its future claims liabilities. From the start of 2020, the Group has revised its investment guidelines to allow a proportion of the portfolio to be invested in investment-grade corporate bonds, in order to increase the return on invested capital while maintaining a low risk portfolio. The size of the overall invested portfolio has remained consistent with the prior reporting period, while the amount of cash held remains high, reflecting the continued importance of maintaining strong liquidity in the current environment.

Insurance Liabilities

	Unaudited at 30 June 2021 £'k	Unaudited at 30 June 2020 £'k	Audited at 31 December 2020 £'k
Gross outstanding claims	£227.2m	£203.2m	£226.5m
Reinsurance assets	£97.9m	£73.5m	£92.0m
Net outstanding claims	£129.3m	£129.7m	£134.5m

The Group's insurance liabilities continue to reflect the underlying profitability and volume of business written. The Group continues to hold excess-of-loss reinsurance contracts across its entire book at an excess of £1.0m.

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

Where the Board believes that the Group holds capital which it considers surplus to the Group's requirements, the Group would intend to return such surplus capital to shareholders. This assessment is generally made at year-end, with capital distributed via a special full-year dividend. Under normal circumstances, the Board considers a Solvency II capital coverage ratio within the range of 140% to 160% to be appropriate, and will consider this when determining the potential for special dividends. The Board may revise the Group's dividend policy from time to time as it considers appropriate.

The Board has declared an ordinary interim dividend of 3.7p per share (2020: 4.3p ordinary, 5.2p special).

Auditor Rotation

We are pleased to announce that following a successful competitive tender process, as part of our normal auditor rotation, we intend to appoint PwC as our external audit firm from the year ended 31 December 2022.

CONDENSED CONSOLIDATED PROFIT OR LOSS ACCOUNT

	Notes	Unaudited 6 months ended 30 June 2021 £'k	Unaudited 6 months ended 30 June 2020 £'k	Audited 12 months ended 31 December 2020 £'k
Gross written premium		78,220	86,938	173,235
<i>Less: Reinsurance premium ceded</i>		(1,860)	(1,796)	(20,390)
Net written premium		76,360	85,142	152,845
<i>Less: Change in unearned premium reserve</i>				
Gross amount	3.1.1	4,284	7,100	12,527
Reinsurers' share	3.1.1	(7,905)	(7,570)	335
Net earned premium		72,739	84,672	165,707
Interest income on financial assets using effective interest rate method	4.4	610	768	1,417
Instalment income		1,908	2,133	4,607
Other operating income	6	1,011	905	2,171
Total income		76,268	88,478	173,902
Insurance claims	3.4	(43,730)	(39,450)	(104,043)
Insurance claims recoverable from reinsurers	3.4	7,192	(2,672)	15,933
Net insurance claims		(36,538)	(42,122)	(88,110)
Finance costs		(8)	(7)	(13)
Commission expenses		(6,348)	(7,318)	(14,287)
Operating expenses	7	(11,213)	(11,281)	(22,370)
Total expenses		(17,569)	(18,606)	(36,670)
Profit before tax		22,161	27,750	49,122
Tax charge	8	(4,160)	(5,255)	(9,324)
Profit for the period attributable to the equity holders of the parent		18,001	22,495	39,798
Basic Earnings Per Share (pence per share)		7.22	9.03	15.98
Diluted Earnings Per Share (pence per share)		7.15	8.94	15.82

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited 6 months ended 30 June 2021 £'k	Unaudited 6 months ended 30 June 2020 £'k	Audited 12 months ended 31 December 2020 £'k
Profit for the period attributable to the equity holders of the parent	18,001	22,495	39,798
<i>Items that are or may be reclassified subsequently to profit or loss</i>			
Fair value (losses) / gains on debt securities	(2,176)	1,608	2,436
Tax credit / (charge)	402	(306)	(463)
	(1,774)	1,302	1,973
<i>Items which will not be reclassified to profit or loss</i>			
Revaluation losses on owner-occupied properties	-	-	(165)
Tax credit	-	-	31
	-	-	(134)
Total for the period	(1,774)	1,302	1,839
Total comprehensive income for the period attributable to the equity holders of the parent	16,227	23,797	41,637

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	Unaudited at 30 June 2021 £'k	Unaudited at 30 June 2020 £'k	Audited at 31 December 2020 £'k
Assets				
Goodwill		156,279	156,279	156,279
Property, plant and equipment		4,103	4,474	4,174
Right-of-use asset		311	315	189
Reinsurance assets	3.1	97,912	73,492	99,921
Deferred tax assets		236	82	-
Deferred acquisition costs	3.1.2	14,498	15,421	14,791
Insurance receivables	3.2	38,989	41,316	33,976
Loans and other receivables	4.2	13	75	84
Current tax assets		620	-	369
Prepayments, accrued income and other assets		1,702	1,812	868
Financial investments	4.1	236,812	249,538	246,281
Cash and cash equivalents	4.3	24,411	37,254	37,904
Total assets		575,886	580,058	594,836
Equity				
Issued share capital		250	250	250
Own shares		(2,088)	(1,061)	(1,494)
Merger reserve		48,525	48,525	48,525
FVOCI reserve		436	1,539	2,210
Revaluation reserve		831	965	831
Share-based payments reserve		1,513	2,108	1,817
Retained earnings		202,955	219,444	214,261
Total equity		252,422	271,770	266,400
Liabilities				
Insurance liabilities	3.1	227,210	203,186	226,546
Unearned premium reserve	3.1	83,066	92,777	87,350
Lease liability		317	320	194
Deferred tax liability		-	-	125
Insurance payables	3.3	4,223	3,755	6,246
Trade and other payables	5.1	5,941	5,984	5,530
Current tax liabilities		-	298	-
Accruals		2,707	1,968	2,445
Total liabilities		323,464	308,288	328,436
Total equity and liabilities		575,886	580,058	594,836

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited 6 months ended 30 June 2021 £'k	Unaudited 6 months ended 30 June 2020 £'k	Audited 12 months ended 31 December 2020 £'k
ORDINARY SHAREHOLDERS' EQUITY – at 1 January	250	250	250
At period end	250	250	250
OWN SHARES – at 1 January	(1,494)	(1,061)	(1,061)
Net movement in own shares	(594)	-	(433)
At period end	(2,088)	(1,061)	(1,494)
MERGER RESERVE – at 1 January	48,525	48,525	48,525
At period end	48,525	48,525	48,525
FVOCI RESERVE – at 1 January	2,210	-	-
Implementation of IFRS 9 “Financial Instruments”	-	237	237
FVOCI RESERVE – adjusted at 1 January	2,210	237	237
Fair value gains on debt securities	(2,176)	1,608	2,436
Tax credit / (charge)	402	(306)	(463)
At period end	436	1,539	2,210
REVALUATION RESERVE – at 1 January	831	965	965
Revaluation losses on owner-occupied properties	-	-	(165)
Tax credit / (charge)	-	-	31
At period end	831	965	831
SHARE-BASED PAYMENT RESERVE – at 1 January	1,817	1,362	1,362
Settlement of share-based payments	(957)	-	(1,193)
Charge in respect of share-based payments	653	746	1,648
At period end	1,513	2,108	1,817
RETAINED EARNINGS – at 1 January	214,261	217,376	217,376
Implementation of IFRS 9 “Financial Instruments”	-	(237)	(237)
RETAINED EARNINGS – adjusted at 1 January 2020	214,261	217,139	217,139
Settlement of share-based payments	-	-	1,193
Share scheme transfer to retained earnings	(139)	-	-
Profit for the period attributable to the equity holders of the parent	18,001	22,495	39,798
Ordinary dividends paid	(29,168)	(20,190)	(43,869)
At period end	202,955	219,444	214,261
Total equity at period end	252,422	271,770	266,400

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited 6 months ended 30 June 2021 £'k	Unaudited 6 months ended 30 June 2020 £'k	Audited 12 months ended 31 December 2020 £'k
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax for the period	22,161	27,750	49,122
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment	75	94	176
Depreciation of right-of-use assets	125	126	252
Share-based payment – equity-settled schemes	653	746	1,648
Investment return	(759)	(879)	(1,680)
Interest on lease liability	8	7	13
Expected credit loss	21	38	23
Impairment loss on owner-occupied buildings	-	-	65
Operating cash flows before movements in working capital	22,284	27,882	49,619
<i>Movements in working capital:</i>			
Change in reinsurance assets	2,009	10,438	(15,990)
Change in deferred acquisition costs	293	790	1,420
Change in insurance receivables	(5,013)	(3,562)	3,778
Change in loans and other receivables	71	(44)	(53)
Change in prepayments, accrued income and other assets	(834)	1,816	2,759
Change in insurance liabilities	664	(8,981)	14,379
Change in unearned premium reserve	(4,284)	(7,100)	(12,527)
Change in insurance creditors	(2,023)	(2,253)	237
Change in trade and other payables	411	(482)	(936)
Change in accruals	262	761	1,239
Cash generated from operating activities before investment of insurance assets	13,840	19,265	43,925
Taxes paid	(4,370)	(10,018)	(14,673)
Net cash generated from operating activities before investment of insurance assets	9,470	9,247	29,252
Interest and investment income received	2,106	1,052	7,115
Net proceeds from the sale, maturity and purchases of invested assets	5,922	15,480	14,325
Net cash generated from operating activities	17,498	25,779	50,692
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment	(5)	-	(12)
Net cash used by investing activities	(5)	-	(12)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of principal portion of lease liabilities	(128)	(126)	(264)
Net cash used in acquiring and disposing of own shares	(1,690)	-	(433)
Dividends paid	(29,168)	(20,190)	(43,870)
Net cash (used by) / generated from financing activities	(30,986)	(20,316)	(44,567)
Net (decrease) / increase in cash and cash equivalents	(13,493)	5,463	6,113
Cash and cash equivalents at the beginning of the period	37,904	31,791	31,791
Cash and cash equivalents at the end of the period	24,411	37,254	37,904

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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. GENERAL INFORMATION

The condensed consolidated interim financial statements comprise the results and balances of the Group for the six month period ended 30 June 2021 and the comparative period for the six months ended 30 June 2020 and the year ended 31 December 2020. The information in the condensed consolidated interim financial statements is unaudited and does not constitute statutory accounts as defined in s.434 of the Companies Act 2006. The independent auditor's report on the Group accounts for the year ended 31 December 2020 is unqualified, does not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and does not include a statement under s.498(2) or (3) of the Companies Act 2006.

2. ACCOUNTING POLICIES

2.1. Basis of preparation

The condensed consolidated interim financial statements have been prepared and approved by the Directors in accordance with UK adopted International Accounting Standard 34 ('Interim Financial Reporting'). As required by the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority, these interim financial statements have been prepared applying the accounting policies and presentation that will be applied in the preparation of the annual financial statements of the Group and will be prepared in accordance and fully comply with UK adopted International Financial Reporting Standards ('IFRSs'). The annual financial statements were prepared on an historical cost basis, except for investment properties and those financial assets that have been measured at fair value. The condensed consolidated financial statements values are presented in Pounds Sterling (£) rounded to the nearest thousand (£'k), unless otherwise indicated. The Group does not consider it is exposed to material seasonal volatility in its financial results.

In the current year, the Group have applied amendments to IFRS issued by the IASB and UKEB that are mandatorily effective for an accounting period that begins on or after 1 January 2021. None of the amendments issued by the IASB have had an impact to the Group.

2.2. Going concern

The condensed consolidated interim financial statements of Sabre Insurance Group plc have been prepared on a going concern basis. The Directors of the Company, having assessed the principal risks of the Group over the full duration of the planning cycle, consider it appropriate to adopt the going concern basis of accounting in preparing the interim condensed consolidated financial statements. The Group's principal risks and uncertainties are outlined on pages 20 to 27 of the 31 December 2020 Annual Report and Accounts and have not changed since the last reporting date. The principal risks are:

- Strategic, Governance, Regulatory and Compliance
- Insurance risk
- Operations
- Financial and Capital
- People
- Ongoing Systemic Risks
 - Climate change
 - Brexit
 - Impact of COVID-19

3. INSURANCE LIABILITIES AND REINSURANCE ASSETS

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

There have been no significant changes to the principles, estimates and judgements used in applying the Group's accounting policies during the period. Full details of these critical estimates and judgements are disclosed in page 109 of the Group's Annual Report and Accounts 2020.

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

	Notes	Unaudited at 30 June 2021 £'k	Unaudited at 30 June 2020 £'k	Audited at 31 December 2020 £'k
Insurance liabilities	3.1	310,276	295,963	313,896
Reinsurance assets	3.1	(97,912)	(73,492)	(99,921)
Receivables arising from insurance and reinsurance contracts	3.2	(38,989)	(41,316)	(33,976)
Payables arising from insurance and reinsurance contracts	3.3	4,223	3,755	6,246
		177,598	184,910	186,245

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3.1 Insurance liabilities and reinsurance assets

	Notes	Unaudited at 30 June 2021 £'k	Unaudited at 30 June 2020 £'k	Audited at 31 December 2020 £'k
GROSS				
Claims incurred and reported		308,054	289,381	313,164
Claims incurred but not reported		(84,659)	(89,998)	(90,267)
Claims handling provision		3,815	3,803	3,649
Outstanding claims liabilities	3.1.1	227,210	203,186	226,546
Provision for unearned premiums		83,066	92,777	87,350
Total insurance liabilities – Gross		310,276	295,963	313,896
RECOVERABLE FROM REINSURERS				
Claims incurred and reported		(124,378)	(105,395)	(123,440)
Claims incurred but not reported		26,466	31,903	31,424
Outstanding claims liabilities	3.1.1	(97,912)	(73,492)	(92,016)
Provision for unearned premiums		-	-	(7,905)
Total reinsurers' share of insurance liabilities		(97,912)	(73,492)	(99,921)
NET				
Claims incurred and reported		183,676	183,986	189,724
Claims incurred but not reported		(58,193)	(58,095)	(58,843)
Claims handling provision		3,815	3,803	3,649
Outstanding claims liabilities	3.1.1	129,298	129,694	134,530
Provision for unearned premiums		83,066	92,777	79,445
Total insurance liabilities – Net		212,364	222,471	213,975

When claims are initially reported, case estimates are set based on a reasonable worst-case expectation of settlement costs (for example, assuming full liability). Case estimates are amended throughout the life of a claim as further information emerges. Quarterly, an actuarially-determined adjustment to open case reserves is booked at a portfolio level, which converts the open claims reserves to a true "best estimate basis". This can result in a negative 'Incurred But Not Enough Reported' ("IBNER") adjustment, if the case reserves held are in excess of a "best estimate basis".

3.1.1 Movement in insurance liabilities and reinsurance assets

	Unaudited at 30 June 2021			Unaudited at 30 June 2020			Audited at 31 December 2020		
	Gross £'k	RI share £'k	Net £'k	Gross £'k	RI share £'k	Net £'k	Gross £'k	RI share £'k	Net £'k
CLAIMS AND CLAIMS HANDLING EXPENSES									
Claims incurred and reported	313,164	(123,440)	189,724	290,963	(97,788)	193,175	290,963	(97,788)	193,175
Claims incurred but not reported	(90,267)	31,424	(58,843)	(82,565)	21,427	(61,138)	(82,565)	21,427	(61,138)
Claims handling provision	3,649	-	3,649	3,769	-	3,769	3,769	-	3,769
Total at the beginning of the period	226,546	(92,016)	134,530	212,167	(76,361)	135,806	212,167	(76,361)	135,806
Cash paid for claims settled in the period	(39,188)	1,296	(37,892)	(44,432)	196	(44,236)	(82,027)	278	(81,749)
Increase in liabilities									
– from current period claims	39,413	(2,342)	37,071	50,974	(4,031)	46,943	100,944	(16,242)	84,702
– from prior period claims	439	(4,850)	(4,411)	(15,523)	6,704	(8,819)	(4,538)	309	(4,229)
Total at the end of the period	227,210	(97,912)	129,298	203,186	(73,492)	129,694	226,546	(92,016)	134,530
Claims incurred and reported	308,054	(124,378)	183,676	289,381	(105,395)	183,986	313,164	(123,440)	189,724
Claims incurred but not reported	(84,659)	26,466	(58,193)	(89,998)	31,903	(58,095)	(90,267)	31,424	(58,843)
Claims handling provision	3,815	-	3,815	3,803	-	3,803	3,649	-	3,649
Total at the end of the Period	227,210	(97,912)	129,298	203,186	(73,492)	129,694	226,546	(92,016)	134,530

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

	Unaudited at 30 June 2021			Unaudited at 30 June 2020			Audited at 31 December 2020		
	Gross £'k	RI share £'k	Net £'k	Gross £'k	RI share £'k	Net £'k	Gross £'k	RI share £'k	Net £'k
UNEARNED PREMIUM RESERVE									
At the beginning of the period	87,350	(7,905)	79,445	99,877	(7,570)	92,307	99,877	(7,570)	92,307
Charged to the profit or loss account	(4,284)	7,905	3,621	(7,100)	7,570	470	(12,527)	(335)	(12,862)
Total at the end of the period	83,066	-	83,066	92,777	-	92,777	87,350	(7,905)	79,445

3.1.2 Movement in deferred acquisition costs

	Unaudited at 30 June 2021 £'k	Unaudited at 30 June 2020 £'k	Audited at 31 December 2020 £'k
DEFERRED ACQUISITION COSTS			
At the beginning of the period	14,791	16,211	16,211
Net decrease during the period	(293)	(790)	(1,420)
Total at the end of the period	14,498	15,421	14,791

3.2 Receivables arising from insurance and reinsurance contracts

	Unaudited at 30 June 2021 £'k	Unaudited at 30 June 2020 £'k	Audited at 31 December 2020 £'k
Due from brokers and intermediaries	18,886	17,554	11,374
Due from policyholders	20,203	23,862	22,702
Due from reinsurers	-	-	-
Less: provision for impairment of broker and intermediary receivables	(100)	(100)	(100)
Total at the end of the period	38,989	41,316	33,976

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

	Unaudited at 30 June 2021 £'k	Unaudited at 30 June 2020 £'k	Audited at 31 December 2020 £'k
Insurance creditors	1,746	1,273	1,034
Amounts due to reinsurers	2,477	2,482	5,212
Total at the end of the period	4,223	3,755	6,246

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

	Unaudited at 30 June 2021			Unaudited at 30 June 2020			Audited at 31 December 2020		
	Gross £'k	RI share £'k	Net £'k	Gross £'k	RI share £'k	Net £'k	Gross £'k	RI share £'k	Net £'k
Movement in claims provision ⁽¹⁾	39,686	(7,192)	32,494	35,474	2,673	38,147	96,525	(15,933)	80,592
Movement in claims handling provision	166	-	166	(23)	-	(23)	(119)	-	(119)
Claims handling expenses allocated	3,878	-	3,878	3,977	-	3,977	7,637	-	7,637
Net insurance claims	43,730	(7,192)	36,538	39,428	2,673	42,101	104,043	(15,933)	88,110

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. FINANCIAL ASSETS

The Group's financial assets are summarised below:

	Unaudited at 30 June 2021 £'k	Unaudited at 30 June 2020 £'k	Audited at 31 December 2020 £'k
Debt securities held at fair value through other comprehensive income	236,812	249,538	246,281
Loans and receivables	13	75	84
Cash and cash equivalents	24,411	37,254	37,904
Total financial assets	261,236	286,867	284,269

4.1 Debt securities at fair value through other comprehensive income

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

	Unaudited at 30 June 2021		Unaudited at 30 June 2020		Audited at 31 December 2020	
	£'k	% holdings	£'k	% holdings	£'k	% holdings
Government bonds	85,077	35.93%	221,888	88.92%	121,859	49.48%
Government-backed securities	85,676	36.18%	-	0.00%	84,210	34.19%
Corporate bonds	66,059	27.89%	27,650	11.08%	40,212	16.33%
Total debt securities	236,812	100.00%	249,538	100.00%	246,281	100.00%

4.2. Loans and receivables

The Group's loans and receivables comprises of:

	Unaudited at 30 June 2021 £'k	Unaudited at 30 June 2020 £'k	Audited at 31 December 2020 £'k
Other debtors	15	75	86
Provision for expected credit losses	(2)	-	(2)
Total loans and receivables	13	75	84

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

4.3. Cash and cash equivalents

	Unaudited at 30 June 2021 £'k	Unaudited at 30 June 2020 £'k	Audited at 31 December 2020 £'k
Cash and cash equivalents	24,411	37,254	37,904
Total cash and cash equivalents	24,411	37,254	37,904

Cash and cash equivalents include money market funds with no notice period or penalty 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.

4.4. Investment income

	Unaudited 6 months ended 30 June 2021 £'k	Unaudited 6 months ended 30 June 2020 £'k	Audited 12 months ended 31 December 2020 £'k
Amounts recognised in profit or loss			
Interest income on financial assets using effective interest rate method			
Interest income from debt securities	759	879	1,680
Investment fees	(153)	(165)	(331)
Interest income from cash and cash equivalents	4	54	68
Total investment income	610	768	1,417

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

	Unaudited 6 months ended 30 June 2021 £'k	Unaudited 6 months ended 30 June 2020 £'k	Audited 12 months ended 31 December 2020 £'k
Other Comprehensive Income			
Fair value gains on debt securities	(2,197)	1,570	2,415
Expected credit loss through OCI	21	38	21
Net fair value (losses)/gains on debts securities through other comprehensive income	(2,176)	1,608	2,436

5. FINANCIAL LIABILITIES

The Group's financial liabilities are summarised below:

	Unaudited at 30 June 2021 £'k	Unaudited at 30 June 2020 £'k	Audited at 31 December 2020 £'k
<i>Financial liabilities at amortised cost</i>			
Lease liabilities	317	320	194
Trade and other payables, excluding insurance payables	5,941	5,984	5,530
Total financial liabilities	6,258	6,304	5,724

5.1. Trade and other payables, excluding insurance payables

	Unaudited at 30 June 2021 £'k	Unaudited at 30 June 2020 £'k	Audited at 31 December 2020 £'k
Trade and other creditors	309	672	1,345
Other taxes	5,632	5,312	4,185
Total trade and other payables	5,941	5,984	5,530

6. OTHER OPERATING INCOME

	Unaudited 6 months ended 30 June 2021 £'k	Unaudited 6 months ended 30 June 2020 £'k	Audited 12 months ended 31 December 2020 £'k
Marketing fees	264	406	834
Fee income from the sale of auxiliary products and services	66	53	113
Administration fees	681	446	1,224
Total other operating income	1,011	905	2,171

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. OPERATING EXPENSES

	Notes	Unaudited 6 months ended 30 June 2021 £'k	Unaudited 6 months ended 30 June 2020 £'k	Audited 12 months ended 31 December 2020 £'k
Employee expenses	7.1	7,292	7,154	13,518
Property expenses		151	188	394
IT expenses including IT depreciation		2,456	2,201	4,965
Other depreciation		21	23	45
Industry levies		2,802	2,914	5,170
Policy servicing costs		1,229	1,410	2,463
Other operating expenses		1,177	1,131	3,055
Expected credit loss on financial assets	4.5	21	38	23
Impairment loss on owner occupied properties		-	-	65
Operating expenses before adjustments for deferred acquisition costs and claims handling expenses		15,149	15,059	29,698
<i>Adjusted for:</i>				
Claims handling expense reclassification		(3,878)	(3,977)	(7,637)
Movement in deferred acquisition costs		(58)	199	309
Total operating expenses		11,213	11,281	22,370

7.1. Employee expenses

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

	Unaudited 6 months ended 30 June 2021 £'k	Unaudited 6 months ended 30 June 2020 £'k	Audited 12 months ended 31 December 2020 £'k
Wages and salaries	5,321	5,075	9,568
Issue of share-based payments	653	746	1,648
Social security expenses	778	930	1,460
Pension expenses	241	258	511
Other staff expenses	299	145	331
Employee expenses before adjustments for deferred acquisition costs and claims handling expenses	7,292	7,154	13,518
<i>Adjusted for:</i>			
Claims handling expense reclassification	(3,092)	(3,008)	(5,696)
Movement in deferred acquisition costs	(236)	(420)	(26)
Total employee expenses	3,964	3,726	7,796

Employee costs of £3,092k (30 June 2020: £3,008k and 31 December 2020: £5,696) 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 £236k (30 June 2020: £420 and 31 December 2020: £26k).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

8. TAX CHARGE

	Unaudited 6 months ended 30 June 2021 £'k	Unaudited 6 months ended 30 June 2020 £'k	Audited 12 months ended 31 December 2020 £'k
Current taxation			
Charge for the period	4,119	5,432	9,452
	4,119	5,432	9,452
Deferred taxation			
Origination and reversal of temporary differences	41	(177)	(128)
	41	(177)	(128)
Current taxation	4,119	5,432	9,452
Deferred taxation	41	(177)	(128)
Tax charge for the period	4,160	5,255	9,324

Tax recorded in other comprehensive income is as follows.

	Unaudited 6 months ended 30 June 2021 £'k	Unaudited 6 months ended 30 June 2020 £'k	Audited 12 months ended 31 December 2020 £'k
Current taxation	-	-	(31)
Deferred taxation	(402)	306	463
	(402)	306	432

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

9. DIVIDENDS

	Unaudited 6 months ended 30 June 2021		Unaudited 6 months ended 30 June 2020		Audited 12 months ended 31 December 2020	
	pence per share	£'k	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
Final dividend for the prior year	11.7	29,168	8.1	20,190	8.1	20,190
	11.7	29,168	8.1	20,190	17.5	43,870
Proposed dividends						
Interim dividend in respect of the current year ⁽¹⁾	3.7	9,250	9.5	23,750		

(1) Subsequent to 30 June 2021, the Directors declared an interim dividend for 2021 of 3.7p per ordinary share. This dividend will be paid on 16 September 2021. 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 30 June 2021.

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 period ended 30 June 2021 by £82k (30 June 2020: £60k and 31 December 2020: £130k).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10. RELATED PARTY TRANSACTIONS

There has been no change in any of the relationships as disclosed in Note 17 of the 31 December 2020 Annual Report and Accounts.

11. 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. In Q2-2021 further determinations were received in respect of 2016 and 2017 on the same basis. 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 £6.5m, tax relief for which equates to a reduction in the Group's overall tax liability of £1.3m. 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, 2016 or 2017 filings.

12. SUBSEQUENT EVENTS

Other than the declaration of an interim dividend as disclosed in Note 9, 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.

DIRECTORS' RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

The condensed consolidated financial statements for the six months ended 30 June 2021 have been prepared in accordance with International Accounting Standard 34 ("IAS 34") as adopted by the UK.

The interim management report includes a fair review of the information as required by:

- DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of the important events that have occurred during the first six months of the current financial year and their impact on the condensed set of consolidated financial statements and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially impacted the financial position or performance of the Group during the period; and any changes in the related party transactions from the Group's consolidated financial statements for the year ended 31 December 2020 that could do so.

Signed on behalf of the Board



Geoff Carter
Chief Executive Officer
26 July 2021



Adam Westwood
Chief Financial Officer
26 July 2021

INDEPENDENT REVIEW REPORT TO SABRE INSURANCE GROUP PLC

Conclusion

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2021 which comprises the condensed consolidated statement of profit or loss account, condensed consolidated statement of comprehensive income, condensed consolidated statement of financial position, condensed consolidated statement of changes in equity, condensed consolidated cash flow statement and the related notes 1 to 12. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2021 is not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Basis for Conclusion

We conducted our review in accordance with International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As disclosed in note 2.1, the annual financial statements of the group will be prepared in accordance with UK adopted IFRSs. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with UK adopted International Accounting Standard 34, "Interim Financial Reporting".

Responsibilities of the directors

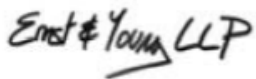
The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority

Auditor's Responsibilities for the review of the financial information

In reviewing the half-yearly report, we are responsible for expressing to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report. Our conclusion is based on procedures that are less extensive than audit procedures, as described in the 'Basis for Conclusion' paragraph of this report.

Use of our report

This report is made solely to the company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.



Ernst & Young LLP
London
26 July 2021

APPENDIX – FINANCIAL RECONCILIATIONS

ADJUSTED PROFIT BEFORE TAX

	Unaudited 6 months ended 30 June 2021 £'k	Unaudited 6 months ended 30 June 2020 £'k	Audited 12 months ended 31 December 2020 £'k
Profit before tax	22,161	27,750	49,122
<i>Add:</i>			
Amortisation of intangible assets	-	-	-
Exceptional items	-	-	-
Adjusted profit before tax	22,161	27,750	49,122

ADJUSTED PROFIT AFTER TAX

	Unaudited 6 months ended 30 June 2021 £'k	Unaudited 6 months ended 30 June 2020 £'k	Audited 12 months ended 31 December 2020 £'k
Profit after tax	18,001	22,495	39,798
<i>Add:</i>			
Amortisation of intangible assets	-	-	-
Exceptional items	-	-	-
Tax on exceptional items	-	-	-
Adjusted profit after tax	18,001	22,495	39,798

NET LOSS RATIO

	Unaudited 6 months ended 30 June 2021 £'k	Unaudited 6 months ended 30 June 2020 £'k	Audited 12 months ended 31 December 2020 £'k
Net insurance claims	36,538	42,122	88,110
<i>Less:</i> Claims handling expenses	(3,878)	(3,977)	(7,637)
Net claims incurred	32,660	38,145	80,473
Net earned premium	72,739	84,672	165,707
Net loss ratio	44.9%	45.1%	48.6%

EXPENSE RATIO

	Unaudited 6 months ended 30 June 2021 £'k	Unaudited 6 months ended 30 June 2020 £'k	Audited 12 months ended 31 December 2020 £'k
Total expenses	17,569	18,606	36,670
<i>Plus:</i> Claims handling expenses	3,878	3,977	7,637
Net operating expenses	21,447	22,583	44,307
Net earned premium	72,739	84,672	165,707
Expense ratio	29.5%	26.6%	26.7%

APPENDIX – FINANCIAL RECONCILIATIONS

COMBINED OPERATING RATIO

	Unaudited 6 months ended 30 June 2021 £'k	Unaudited 6 months ended 30 June 2020 £'k	Audited 12 months ended 31 December 2020 £'k
Total expenses	17,569	18,606	36,670
Net insurance claims	36,538	42,122	88,110
	54,107	60,728	124,780
Net earned premium	72,739	84,672	165,707
Combined operating ratio	74.4%	71.7%	75.3%

SOLVENCY COVERAGE RATIO – PRE DIVIDEND

	Unaudited at 30 June 2021 £'k	Unaudited at 30 June 2020 £'k	Audited at 31 December 2020 £'k
Solvency II net assets	107,465	127,859	122,500
Solvency capital requirement	58,132	58,624	60,327
Solvency coverage ratio	184.9%	218.1%	203.1%

SOLVENCY COVERAGE RATIO – POST DIVIDEND

	Unaudited at 30 June 2021 £'k	Unaudited at 30 June 2020 £'k	Audited at 31 December 2020 £'k
Solvency II net assets	107,465	127,859	122,500
Less: Final dividend	(9,250)	(23,750)	(29,250)
Solvency II net assets (post dividend)	98,215	104,109	93,250
Solvency capital requirement	58,132	58,624	60,327
Solvency coverage ratio – post dividend	169.0%	177.6%	154.6%

RETURN ON TANGIBLE EQUITY

	Unaudited at 30 June 2021 £'k	Unaudited at 30 June 2020 £'k	Audited at 31 December 2020 £'k
IFRS net assets at year end	252,422	271,770	266,400
Less:			
Goodwill at year end	(156,279)	(156,279)	(156,279)
Closing tangible equity	96,143	115,491	110,121
Annualised closing tangible equity *	104,894	114,236	110,121
Opening tangible equity	110,121	111,138	111,138
Average tangible equity	107,508	112,687	110,630
Annualised adjusted profit after tax **	36,002	44,990	39,798
Annualised return on tangible equity **	33.5%	39.9%	36.0%

* Annualised closing tangible equity is a proxy of the expected closing IFRS tangible equity as at 31 December 2021. This is equal to the closing tangible equity as at 30 June 2021, plus the profit after tax for the 6 months to 30 June 2021, less the interim dividend paid of £9,250k (30 June 2020: £23,750k). No adjustment to the 31 December 2020 closing tangible equity has been made.

** Half year adjusted profit after tax for 30 June 2021 and 30 June 2020 annualised. No adjustment to the full year adjusted profit for the period 31 December 2020 has been made.

APPENDIX – FINANCIAL RECONCILIATIONS

RETURN ON OPENING SCR

	Unaudited at 30 June 2021 £'k	Unaudited at 30 June 2020 £'k	Audited at 31 December 2020 £'k
Opening SCR	60,327	59,495	59,495
Annualised adjusted profit after tax **	36,002	44,990	39,798
Return on SCR	59.7%	75.6%	66.9%

** Half year adjusted profit after tax for 30 June 2021 and 30 June 2020 annualised. No adjustment to the full year adjusted profit for the period 31 December 2020 has been made.

GROSS EARNED PREMIUM

	Unaudited 6 months ended 30 June 2021 £'k	Unaudited 6 months ended 30 June 2020 £'k	Audited 12 months ended 31 December 2020 £'k
Gross written premium	78,220	86,938	173,235
Movement in unearned premium reserve	4,284	7,100	12,527
Gross earned premium	82,504	94,038	185,762