INSURANCE GROUP

A RESILIENT STRATEGY FOR SUCCESS

Sabre Insurance Group plc
Annual Report and Accounts 2019

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To view further information and announcements

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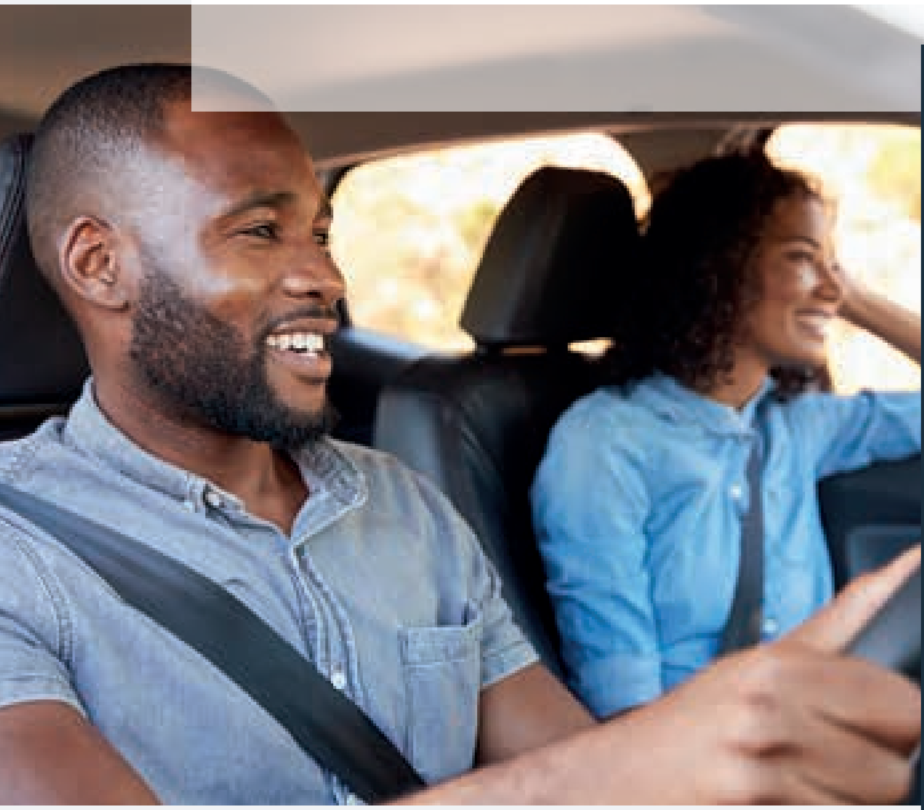
FINANCIAL STATEMENTS

Sabre Insurance Group plc

A motor insurer based in the UK, with a track record of market-leading underwriting performance and a diverse, multi-channel distribution strategy.



£197.0m
GROSS WRITTEN PREMIUM

£45.7m
ADJUSTED PROFIT AFTER TAX

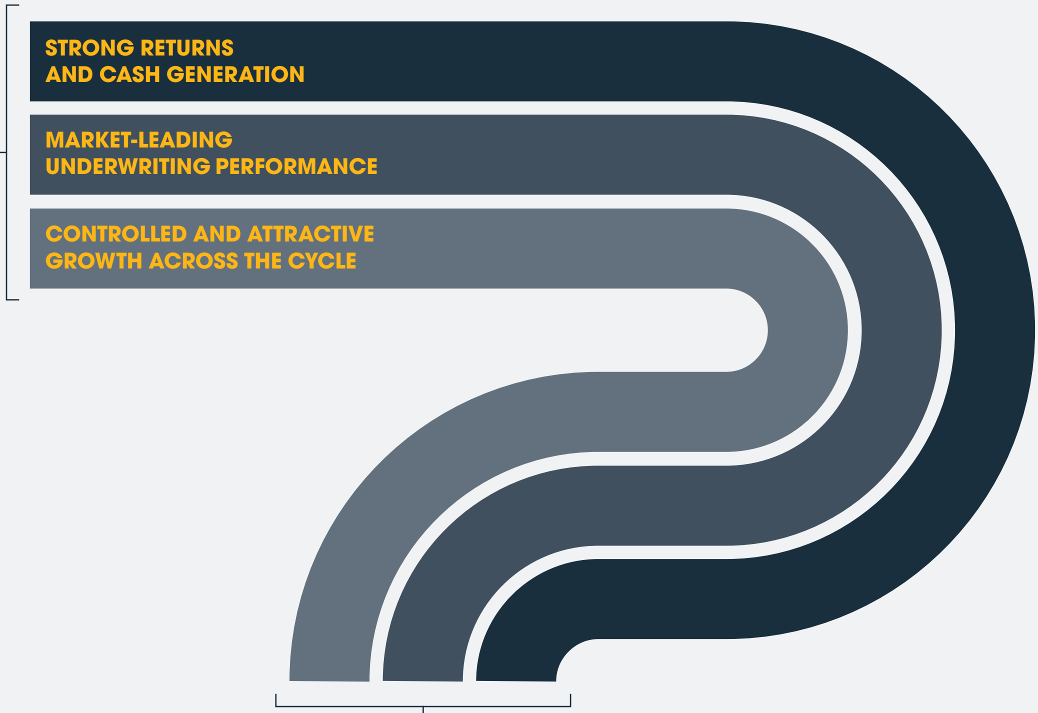
73.4%
COMBINED OPERATING RATIO

214%
SOLVENCY COVERAGE RATIO

OUR STRATEGY

A resilient strategy to deliver profitable and controlled long-term growth

KEY BUSINESS PRINCIPLES



These principles manifest in our five strategic priorities listed below and are explored in more detail over the next five pages:

DISCIPLINED UNDERWRITING PAGE 03

RISK MANAGEMENT PAGE 04

GROWTH PAGE 05

OPERATIONS PAGE 06

DISTRIBUTION PAGE 07

Disciplined underwriting
Delivering market-leading underwriting performance

"Remaining focused on our core principles has allowed us to deliver a strong financial result and ensure the business remains well positioned for future opportunities and challenges"

Geoff Carter
Chief Executive Officer

SOPHISTICATED PRICING MODEL

Actuarially-driven pricing strategy utilising an agile proprietary model.

The Group operates a highly sophisticated pricing model, assessing the individual risk associated with each policy and presenting a price based purely upon that assessment of risk and with a consistent target margin for new and renewing business across customer segments. Over 17 years of experience in underwriting, along with expert and consistent management of claims, has allowed the construction of a uniquely accurate and successful pricing model. This allows us to underwrite higher-premium business confidently, which may be outside more mass market insurers' risk appetite.

CLAIMS MANAGEMENT PROCESS

Maintaining a robust and extensive claims management process and counter-fraud expertise.

Sabre operates a robust claims management function with skilled, experienced claims handlers and a proprietary claims workflow system which drives efficiency and provides management with high-quality, up to date information. In addition, the Group has robust counter-fraud capabilities which seek to ensure that potential fraud is identified at the point of quote or sale and when claims are made. Throughout the claims process, the Group aims to treat customers and claimants fairly through the application of a transparent and consistent process.

UNIQUE PROPRIETARY DATA

A unique and extensive catalogue of claims data, compiled from more than 17 years of successful underwriting.

The accuracy of our pricing model relies upon a vast proprietary dataset, consisting of claims data built up over our lifetime and continually updated as we write new risks. Due to our extensive underwriting footprint, this data allows us to price accurately across the UK motor insurance market. All of our data is held on a single policy administration system, ensuring that high-quality, reliable data is readily available. Our proprietary data is further enhanced through the use of third-party data validation and enrichment.

17+ yrs
OF UNIQUE PROPRIETARY DATA

Risk management
We seek to maintain a conservative approach to risk management

PRUDENT STEWARDSHIP OF CAPITAL

We maintain sufficient capital to allow operational resilience and meet regulatory requirements under all reasonably foreseeable outcomes.

Sabre's successful underwriting strategy means that the Group generates significant regulatory capital through its normal business operations. This capital can be retained within the business in order to provide a 'buffer' against future events, invested in new projects, or returned to shareholders. Maintaining a level of capital at over 140% of our solvency capital requirement provides a sufficient buffer against all reasonably foreseeable events. In the absence of any capital-intensive projects, we are satisfied that capital above this level is available to be distributed to shareholders. In the normal course of events we would expect to return any capital in excess of 160% of our Solvency II requirements to shareholders. In some market conditions we may retain a higher proportion of capital.

We maintain a conservative approach to risk management through the use of reinsurance, a simple and low risk investment strategy and prudent solvency coverage ratio.

FOCUS ON UNDERWRITING RISK

We focus on pricing discipline and use of reinsurance to maintain underwriting risk at the desired level.

Sabre's core strategy is based on taking a precisely calculated risk through its underwriting, while minimising other risks throughout the business, such as operational, regulatory, market and counterparty exposure. We manage our underwriting risk through maintaining absolute discipline in pricing and focusing on our core strength of underwriting UK motor business.

We manage our exposure to individual larger claims through an excess of loss reinsurance programme. In exchange for a proportion of our premium income, a panel of high-quality reinsurers take the cost of any individual loss over £1m. This limits volatility in our result and provides for a reduction in the level of capital we are required to hold.

MANAGING RISKS THROUGHOUT THE BUSINESS

Sabre aims to minimise exposure to any risk other than those inherent in underwriting insurance.

Sabre's focus on a single market allows us to address regulatory risks efficiently, such as the FCA's pricing review and developments in prudential regulation such as Solvency II. The simplicity of our operations makes monitoring of key risk issues straightforward and allows us to deploy the right amount of resource at an appropriate time.

We operate a large investment portfolio, but undertake to manage this in a highly conservative manner, through the purchase of low-risk investments such as UK government bonds and, potentially, diverse highly-rated corporate bonds. As a result, we accept a lower yield on these investments, with the benefit that we can focus our attention on our area of expertise – underwriting.

From January 2020, we have appointed Goldman Sachs Asset Management, one of the world's leading investment managers, to assist with managing our investment portfolio.

CASE STUDY

RESPONDING TO REGULATORY CHANGE

Responding to regulatory review of the UK motor insurance market.

In 2018, a super-complaint was made to the Competition and Markets Authority ("CMA") in respect of the perceived competitiveness of home insurance in the UK. In particular, the renewal of business at high prices in order to take advantage of lack of customer engagement in the process (the "loyalty penalty") was cited. This was referred to the Financial Conduct Authority ("FCA"), which committed to carry out a review of the sector, also bringing in UK motor insurance, which it considered may also be benefiting from a loyalty penalty. In October 2019, the FCA published an interim report on its market study, widely criticising the use of the loyalty penalty. Several potential remedies were proposed to mitigate the use of such practices in the future.

Sabre's underwriting philosophy is based on there being an appropriate price for all policies, based on the risk presented by those policies. Therefore, we calculate the price for new business on the same basis as renewals, reflecting changes in the risk on renewal, rather than non-risk factors such as the propensity to shop around. Our aversion to accept conduct risk in this area has left Sabre in a strong position, potentially benefiting from regulatory intervention which may prohibit competitors from under-pricing policies for new customers.

Growth

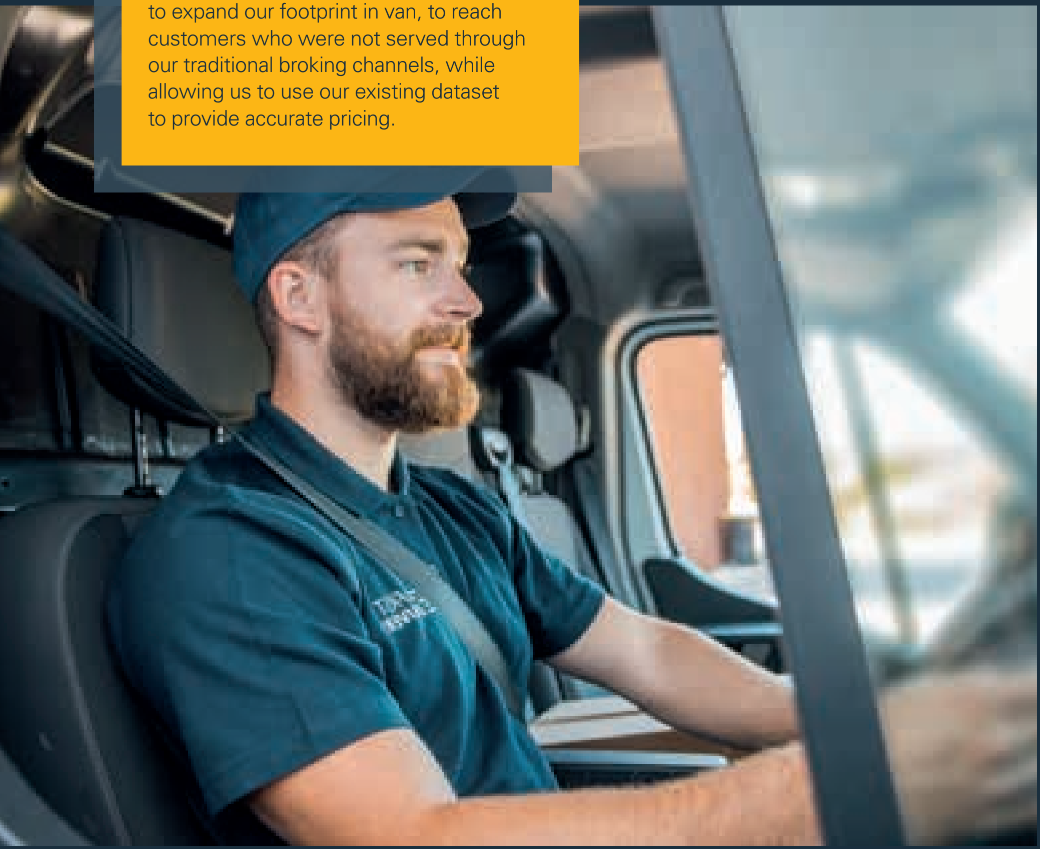
Achieving controlled growth over the long term

CASE STUDY

LAUNCHING DIRECT VAN INSURANCE

"Insure2Drive van" was launched at the end of 2018.

When we launch a new product or initiative, we ensure that we are operating within our skillset, that we have appropriate data available to us and that the product would be complementary to our current offering. The direct van product was an extension of our van capability, which we already offered via brokers. The launch of this on our direct platform, sold via price comparison websites, was phased in from the end of 2018 and throughout 2019. This allowed us to expand our footprint in van, to reach customers who were not served through our traditional broking channels, while allowing us to use our existing dataset to provide accurate pricing.



LONG-TERM GROWTH

Over the past 10 years, Sabre has grown where market conditions allow.

Continued application of our strategy has allowed Sabre to grow without compromising profitability. Since 2009, we have grown from a premium of £99m to £197m, and increased in-force policies from 209,000 to 327,000. Over that period, we have grown where market conditions allow – typically where others in the market are increasing rates, and we have stood still or contracted where necessary to maintain profitability. We always aim to enter a market upturn from a position of strength, where we are able to grow without generating excessive operational or capital strain.

GROWTH THROUGH THE CYCLE

The UK motor insurance market is historically cyclical, with periods of low pricing followed by market price increases, to recover to acceptable levels of profit.

Sabre aims to underwrite at a broadly consistent margin, irrespective of market conditions. Therefore, as the cost of managing claims is generally inflationary, we will increase our prices year-on-year to cover that cost. Sometimes our competitors do not reflect increases in the cost of claims in their pricing, decrease prices to what is an uneconomic level or pursue an aggressive growth strategy. In those conditions, we become less competitive in some areas of the market and are happy to forego some volume. Conversely, when the market corrects with an appropriate level of price increases, we have no need to increase our prices to the same degree as our competitors and can therefore become significantly more competitive. This can happen quickly and is a feature of our approach to operating within a cyclical industry. Against this backdrop, we continue to innovate with new rating factors, expanding our footprint further and developing innovative pricing techniques, which over the long term allow us to price more accurately and therefore increase the size of our business.

Our approach is to treat volume as an output from disciplined underwriting and not allow it to become a target.

327k

IN-FORCE POLICIES

Operations

A flexible and robust operational model

CASE STUDY

DEVELOPING OUR PEOPLE

At Sabre, we take pride in providing an effective learning and development environment for our employees. We look out for employees who show potential to take on greater responsibility and invest in their development through tailored internal and external training.

As an example, we identified the need for a dedicated claims supply chain manager, who could address the increasing demands of managing a complex pool of claims suppliers, through considering value, compliance, Environmental, Social and Governance, and General Data Protection Regulation issues. We identified a talented individual within our claims team, and built a specific training programme for her development which included:

- EU GDPR Foundation & Practitioner training
- Business Contract Law training
- In-house teach-ins from Finance, Company Secretariat, and Actuarial teams
- Participation in the reinsurance renewal process
- Attendance at various industry seminars and conferences

Throughout 2020, this training will be extended to cover regulatory issues and best practice in engagement of outsourcers.

This individual has significantly enhanced our claims supplier processes and has become a key element of our procurement strategy and management team.

In her words:

"I am very grateful to Sabre for the time invested in my career and the support given to assist with my development. I have thrived in the environment provided by Sabre and thoroughly enjoy my job. I feel valued at Sabre and committed to contributing to the success of the business."

FLEXIBILITY

Outsource non-core operations while keeping expertise in-house.

Sabre's primary skills are within technical underwriting and the management of claims. Given our focus on profitability over volume, we seek to retain a low fixed cost base. We do this by outsourcing volume-dependent administrative tasks, which fall outside of our core technical skillset. Primarily this means the administration of customer-facing activities such as mid-term adjustments and the processing of new policies, which is handled by our network of brokers and, for our direct products, by an experienced outsourced administrator. For claims, the 'first notification of loss' call centre is outsourced. In each case, the outsourced operations are expert in providing high-quality customer service, and can handle variations in the volume of policies, which allows us maximum operational flexibility while focusing on our core competencies.

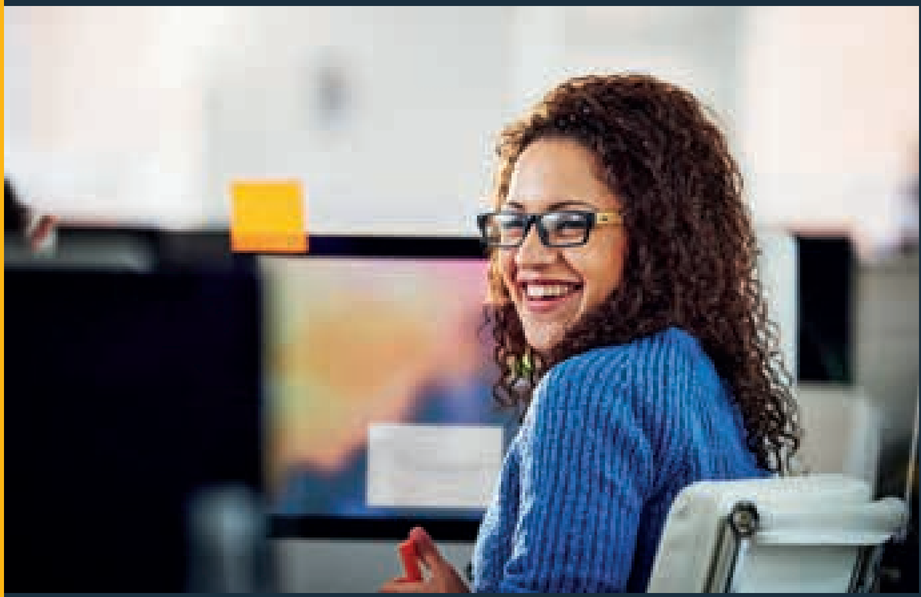
OUR TEAM

Talented people making good decisions every day.

We invest in our people, making sure that they have the appropriate training and skills to work consistently well, and apply Sabre's core values in everything they do. We invest in innovative technology, such as software robotics, to allow our staff to focus on the complex, technical aspects. We employ only the resources we need to run the business, with well-defined roles throughout the Company. As we grow, the implementation of more automated processes means that our staff costs should grow at a slower rate, increasing cost efficiency.

680

YEARS' COMBINED EXPERIENCE IN THE CLAIMS TEAM



Distribution
A diversified, multi-channel strategy

31%
OF GWP FROM DIRECT BRANDS

69%
OF GWP FROM BROKERS

STRONG BROKER RELATIONSHIPS

Brokers account for approximately 69% of the gross written premium income in the year ended 31 December 2019.

The Group has established a broad network of over 1,000 insurance brokers across the UK over the course of more than 20 years. Sabre's broker relationships allow us to leverage the brokers' well-established and recognised brands, retail pricing capabilities and customer relationships whilst also providing the Group with privileged access to certain customer groups (as a result of the brokers' affinity partnerships and/or presence on the high street).

SELLING DIRECT TO THE CUSTOMER

Just under one third of our policies come to us direct, through our brands.

Operating direct brands ensures that we can offer our products to those customers not served by traditional brokers, while allowing us a direct line of sight to customer and price comparison site data. This gives us the resilience to operate in the absence of brokers if the need were to arise. Given the efficiency of the UK motor market, we are confident that providing our products directly gives potential customers the best chance of finding us, if we are able to provide the cheapest quote for them.

PRICE COMPARISON WEBSITES

The majority of UK motor insurance products are sold through Price Comparison Websites ("PCWs").

The increasing importance of the internet as a sales medium has seen PCWs progressively become the dominant distribution channel for new car policies in the UK private motor vehicle insurance market. We believe that this development has been positive for the Group's use of insurance brokers as, although some brokers continue to maintain a presence on the high street, many brokers have adapted successfully to the rise of PCWs and the majority of our broker sales now originate from PCWs.

GIVING OUR CUSTOMERS CHOICE

Our own brands allow our customers to come to Sabre direct.

In addition to its broker distribution network, the Group has two direct brands: Go Girl, and Insure 2 Drive. When a customer chooses to buy a Sabre policy direct through one of our brands, they are assured a high-quality level of customer service, as well as the same great claims experience enjoyed by all Sabre customers.

Go Girl was launched in November 2011 to target female drivers and is primarily promoted via PCWs.

Insure 2 Drive was launched in November 2010 offering general motor insurance and is also almost entirely promoted via PCWs. It is a general motor vehicle insurance product which, from December 2018, also provides cover for vans direct to our customers.

80%
POLICIES SOLD VIA BROKERS

CHAIRMAN'S LETTER

> "The dedication and expertise of our people is the key to our continued success."

PATRICK SNOWBALL
Chairman

I am pleased to introduce Sabre Insurance Group plc's Annual Report and Accounts 2019, our second full 12 months' report following Sabre's successful initial public offering ("IPO") in December 2017.

This Annual Report and Accounts is presented against a period of significant social and economic uncertainty as a result of the COVID-19 outbreak. I am mindful, in commenting in this report, of the great difficulties that are being experienced throughout the world at this time. The Board and I will ensure that we continue to consider the needs of all stakeholders as the crisis develops. For Sabre, this has presented a test of our operational resilience, as we look to protect our people and support social distancing.

We have taken a detailed look at our financial robustness and liquidity. It has been reassuring that, while the challenges presented are unprecedented, Sabre appears to have both the operational and financial resilience to continue to apply its long-term strategy throughout these uncertain market conditions.

Sabre has continued to execute its well-tested strategy during 2019. We focus purely on the UK motor insurance sector, providing insurance both through our mutually beneficial relationship with insurance brokers and direct to customers through our direct brands. Over the years we have built a considerable bank of specialist skills in this market, allowing us to provide fairly priced but profitable policies to almost all potential customers, with a tendency towards those parts of the market which are less well-served by our competitors. This somewhat insulates us from wider market conditions.

The Board has continued to support Sabre's long-established strategy of focusing on profitability rather than growth, giving us confidence of long-term success in the highly competitive motor insurance market.

The performance of the business continues to be underpinned by a relentless focus on maintaining the highest standards of operational excellence, governance and financial reporting throughout the Group. Driving this are our highly experienced executive and management teams, supported by hugely talented individuals throughout the business.

Core to the successful operation of our business is an understanding of the needs of all stakeholders. Our Board considers the impact of key decisions on impacted stakeholder groups, in the context of the wider purpose of our Group. Information about our approach to stakeholder engagement can be found on pages 30 to 39.

Our Code of Conduct can be found on the Company's website at **www.sabreplc.co.uk/about-us/code-of-conduct/** and information regarding our risk management processes can be found on pages 20 to 24.

2019 Performance

The Group has delivered a good result for 2019, under challenging market conditions. This demonstrates the strength of Sabre's strategy, providing resilience throughout the motor insurance cycle. The CEO, in his report, comments more extensively on turbulence within the UK motor insurance market. The Board remains confident that Sabre's long-standing and resilient business model, track record of underwriting discipline, very experienced executive team and operational management team, allow us to react to any changes in the market from a position of strength.

The Board is aware of the general stress in the market, with claims inflation and other costs not being reflected in market pricing increases.

The Board is comfortable that the Company's strategy, which focuses on margin and not policy volume, is in the best long-term interest of all the Company's stakeholders.

We continue to favour returning excess capital to shareholders by way of dividend. Notwithstanding the strong cash generation in 2019 and the Group's robust capital position, the Board intends only to propose an ordinary dividend of 8.1p in respect of the full year 2019 at this stage.

Given the unprecedented nature of the response to COVID-19 and uncertainty as to the length of Government restrictions, the Board has determined that it is prudent to withhold any element of special distribution of excess capital. The Board may propose an interim dividend representing the return of surplus capital later in the financial year should the situation become clearer.

We will continue to focus on delivering an ordinary dividend of 70% of Adjusted Profit After Tax ("PAT"), and return excess capital to shareholders are appropriate.

Further detail of the Company's performance is outlined in the Chief Executive's review and Chief Financial Officer's review on pages 12 to 15 and 26 to 29 respectively of this Annual Report.

Our people

The dedication and expertise of our people is the key to our continued success. Employee turnover continues to be low, while we have enhanced employee engagement during 2019, including a series of employee lunches hosted by a Non-executive Director. The Board has continued to encourage employees to participate in the success of the Group through the provision of Save as You Earn and Share Investment Plans, both of which provide a relatively low-risk and cost effective way of entering the shareholder register. Further discussion of employee engagement can be found on pages 31 to 33 of this report.

I would like to take this opportunity to thank all of our employees for their continued commitment and hard work.

Shareholder engagement

I would like to thank all our shareholders for their support during the year, and to welcome new shareholders of all sizes to our register. I am keen to maintain an active dialogue and the Board is committed to keeping you informed of significant developments by providing regular updates on our performance and proactively engaging when appropriate.

PATRICK SNOWBALL
Chairman
6th April 2020

OUR MARKET

Understanding a competitive marketplace

At Sabre we live the UK motor insurance market every day, and knowledge of the underlying market is crucial to our success.

The market continues to undergo a great deal of change, across regulation, pricing, technology and distribution. Early recognition of negative trends and proactive corrective actions, and cautious approach to reflection of potentially positive news, is at the heart of our prudent way of doing business.

COMPETITION AND PRICING

Price Comparison Websites (PCWs) continue to be the dominant distribution channel in the UK, and we trade successfully in this market both via our network of supporting brokers and direct.

Whilst PCWs provide a user-friendly and transparent method of comparing quotes across the market, this transparency can also act as a brake on required rate increases in the mass markets. One competitor with an imperfect view of market challenges or an aggressive growth strategy, can prevent other major competitors being able to increase rates to a rational level due to the instant and painful impacts on volume.

As Sabre is active in all areas of the private motor market (quoting for nearly 98% of risks) our volumes are impacted by mass-market price competitiveness, but are significantly insulated due to our natural tendency towards higher average premium "non-standard" business. In weak market conditions we can continue to generate good volumes and profits without needing to chase prices down and undermine profitability – albeit this will restrict our growth opportunities and may drive contraction of the business pending the market turn.

In our view the market is currently at the weakest part of the cycle with competitors looking to push price increases but being constrained by impacts on volume.

CLAIMS TRENDS

Over the long term, the key driver of price movements in the motor insurance market is the costs of claims. For Sabre these represent around 50 to 55p for every £1 of premium received. For most of our competitors this is nearer 65 to 75p.

In order to price policies effectively and maintain the same level of profitability, prices must be increased to reflect the increasing cost of claims, known as claims inflation. Throughout 2019 Sabre has viewed claims inflation as being within a 7% to 8% range. This is significantly higher than overall inflation in the UK economy and is driven by:

- Significant increases in the cost of fixing vehicles due to the increased technology being fitted;
- Dramatic increases in the cost of theft claims, facilitated by keyless entry technology; and
- Ongoing increases in the overall cost of personal injury claims.

All market participants have their own view on the actual rate of claims inflation, but in our view market prices need to rise significantly to maintain acceptable levels of profitability. Sabre's strategy is to increase our own prices to cover increases in the cost of claims.

DISTRIBUTION TRENDS

In recent years many market commentators have predicted a sea change in distribution and underwriting techniques driven by technology – generally badged as "InsurTech" – and a plethora of new businesses have launched in the UK and internationally.

The primary focus of these start-ups to date has been on distribution rather than technical underwriting, pricing and claims management. New launches have covered the waterfront from digital wallet and concierge services, payment on demand or by miles driven and next generation telematics.

Sabre is keen to engage with potential winners in this market, but is also wary of distractions from the core business by over-focusing in this area. To date we have not identified many partners who can meet our core requirements of differentiated customer benefits, ability to deploy our existing sophisticated rating structure and cost effective IT integration. We will continue to review and seek out viable future business partners.

In the meantime we believe that PCWs will maintain a dominant position for the foreseeable future, and many brokers will continue to be a significant part of the value chain.

Sabre operates a robust multi-channel distribution network, selling both through brokers and direct through its consumer brands. This provides resilience and positions the Group well to take advantage of the numerous opportunities presented by the changing environment.

REGULATION

Throughout 2019 and into 2020 there have been very significant impacts from regulatory and legislative interventions. The most noteworthy of these are:

Ogden discount rate

This rate, used in the calculation settlement of high-value Personal Injury claims, was set after a period of consultation at minus 0.25%. The industry as a whole anticipated a more beneficial outcome.

This has an impact both on insurers' own financial results and their reinsurers, who will bear much of this cost. Sabre had been cautious in reflecting anticipated changes in the Ogden discount rate so avoiding significant direct impacts. We are also alive to the possibility of reinsurance programme cost increases.

Civil liability (whiplash) reforms

These reforms have the laudable aim of reducing the propensity for exaggerated personal injury claims as well as reducing the cost and easing the process for handling lower-value genuine claims.

Whilst there are many good aspects to the reforms, we believe that there is potential for deficiencies in the rules to undermine the objectives materially – these are discussed in more detail in the CEO's report.

There is, nonetheless, a risk that some competitors may overestimate (in our view) the value of the changes, which could slow market price increases.

FCA pricing review

In 2019 the FCA launched a review into market pricing techniques, primarily focused on "loyalty penalties" where renewal prices are materially higher than new business and behavioural pricing techniques – utilising non risk-based data.

Sabre does not utilise either of these techniques and seeks to price new business and renewals at the same level using only risk-based data.

The review is likely to continue well into 2020. Whilst Sabre would expect to be either largely unaffected or potentially a net winner we are conscious of the risk of unintended consequences from the regulator's remedies and are therefore fully involved in the consultation process.

–0.25%

OGDEN DISCOUNT RATE

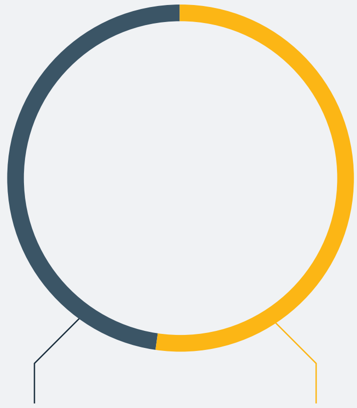
MARKET AT A GLANCE

£13bn

VALUE OF THE UK PRIVATE MOTOR INSURANCE MARKET

27.5m

NUMBER OF POLICIES IN 2019



47%

FEMALE DRIVERS

53%

MALE DRIVERS

THE UNITED KINGDOM'S DEPARTURE FROM THE EUROPEAN UNION

The United Kingdom (UK) departed from the European Union (EU) in January this year, under a transitional arrangement which is due to end by 31 December 2020. The stated aim of the Government is to negotiate a wide-ranging trade agreement before this date in order to minimise friction in cross-border trade. The exact shape of this agreement, and whether it will be achieved in the desired timescale, is uncertain. Therefore, we continue to assess the impact of exiting the transitional period in either an "orderly manner", with a deal achieved, or a "disorderly" exit, with no deal having been reached. We consider the latter outcome similar to that which would have occurred had we left the EU with no transitional arrangement.

Although there are some issues common to both types of exit, management continues to believe a "disorderly" scenario to be more disruptive, and as such has concentrated its analysis and planning on such a scenario.

Sabre's business is conducted entirely within the UK. All of Sabre's products are sold in the UK, primarily to UK citizens or those intending to drive primarily within the UK. As Sabre's policyholders are entitled to drive overseas while maintaining their cover, Sabre does have some small exposure to overseas counterparties as a result of accidents abroad. Given the UK-focused nature of Sabre's operations, management believes the Group is well insulated from many of the more disruptive impacts of the UK's exit from the EU. All of Sabre's assets are held within the UK.

We have, however, identified a number of operational and economic consequences which would impact Sabre. These are:

- Claims costs may be adversely impacted through trade tariffs, disruption to "just-in-time" supply chains, movement in exchange rates and increased care costs associated with larger value personal injury claims, due to a shortage of care staff.
- Policyholders driving within the EU would be required to obtain a 'green card' to evidence their cover. We have implemented sufficient processes and resource to manage such requests should they arise. We have also communicated this requirement to our customers in advance of the UK's departure.
- The wider UK economy may shrink in the event of a disorderly exit. While the Group is committed to monitoring the soundness of its financial counterparties, which are considered very low risk under such circumstances, we recognise that an economic downturn can have an impact on consumer behaviour. Motor insurance is a compulsory product for drivers, and as such the Group's addressable market is unlikely to be affected. The impact on costs of such a downturn is broadly neutral. We might expect a cost benefit through reduction in miles driven offset by an increase in the propensity for fraud.
- Overall we would anticipate the market to continue to be in a turbulent state as competitors seek to balance pushing through price increases to cover cost inflation with maintaining acceptable levels of business volumes, whilst also understanding and responding to the fundamental regulatory changes in process.

"This performance reflects the continuing effectiveness of Sabre's proven business model and consistent long-term strategy of focusing on profitability over volume growth."

GEOFF CARTER
Chief Executive Officer

2019 was another positive year for Sabre, with these robust results being achieved against the backdrop of turbulent market conditions and ongoing headwinds. This performance reflects the continuing effectiveness of Sabre's proven business model and consistent long-term strategy of focusing on profitability over volume growth.

I am pleased to present the Chief Executive Officer's review for the 2019 financial year. While we routinely assess our long-term objectives, they have remained the same for a number of years and continue to be the basis of our strategy going forward:

- Deliver market-leading underwriting performance;
- Continue to generate strong levels of capital through our profitable underwriting;
- Deliver strong returns to shareholders; and
- Achieved controlled growth across the cycle.

2019 proved to be one of the most turbulent periods for UK motor insurance that I can recall - bringing together regulatory, technological and claims management pressures. Despite this, remaining focused on our core principles has allowed us to deliver a robust financial result and ensure the business remains well positioned for future opportunities and challenges. The current COVID-19 uncertainty and rapidly changing situation is only exacerbating the level of turbulence. Our views on this are outlined below.

Our key priority throughout the year has been to ensure we continue to price new business within our target COR range, having set a mid-70%'s target and an 80% ceiling. We have continued to optimise pricing within this range for profitability depending on prevailing market conditions. On an ongoing basis we balance volume and margin to deliver the highest long-term absolute profit.

In 2019 the optimal point was slightly higher than our long term mid-70%'s target, and as market pricing conditions improve, we will look to move back slightly lower in the range ahead of taking volume growth.

This is always the most profitable approach. We are very comfortable with the margin we achieved in 2019 prices, and in early 2020 are taking the opportunity to enhance this as we witness pricing improving in the market.

Throughout the year we continued to view claims inflation as being within a 7.5% to 8.5% range, but also identified additional emerging cost pressures, outlined later in this review. Because of this, we have been assertive in pushing through rate increases, in line with our policy of treating volume as an output, not a target. These rate increases have exceeded 10% year-on-year. We believe this is an appropriately prudent position given our view of cost inflation and should maintain our COR within our target range. Within our market segment we do not see any evidence of claims inflation easing or envisage this changing in the near future, and see good reasons for continuing to apply significant price increases in 2020.

Despite this level of rate increases, 2019 GWP came in slightly better than expected, at 6.2% lower than the prior year. This suggests either market rates were starting to harden or that competitors are moving away from the more non-standard / higher premium sectors which we typically serve.

As we anticipated would be the case during the softer part of the market cycle, our policy count has decreased while our average premium has increased. This is in line with the position we outlined in our IPO prospectus, where in a soft market we tend to become less competitive in the lower-premium areas of the market, which can become significantly under-priced, while generally maintaining a strong hold on our core, higher-premium business.

Profitability came in modestly behind expectations, primarily driven by the lag between applying price increases and these fully covering the emerging claim costs. This is an almost inevitable sequence of events in periods of very rapid claims inflation. This impact was partly mitigated by a one-off accrual release of £3.3m from the MIB levy.

COVID-19

We are very conscious of the fast-changing situation and are focused on our colleagues' welfare, wider societal impacts and on ensuring continued high quality service to customers, claimants and brokers.

Having implemented our contingency plan we now have almost all of our colleagues working, highly efficiently, from home, and are monitoring the effectiveness of our key suppliers' contingency arrangements.

We have considered the developing COVID-19 situation in detail, and have modelled a number of reasonably foreseeable scenarios. We are also aware of the wider economic and societal context within which we are reporting these results.

We intend to continue to employ all of our colleagues on their full salaries and currently do not believe we will need to take advantage of any of the available Government support. We are also seeking to support our smaller suppliers and local stakeholders through this period, and have offered all colleagues paid leave each week to support NHS or other volunteering.

Our modelling of COVID-19 scenarios does not suggest that we would undermine our capital base in any reasonably foreseeable stressed scenario, and shows that it is likely that we will continue to be profitable and capital generative. One such stressed scenario is the loss of 50% of our premium income during 2020. If such stressed scenarios were to occur these would be likely to reduce future years' profitability and dividends.

We would currently anticipate a significant, temporary, reduction in claims frequency, but as social distancing continues and then ultimately winds down this may be balanced by short-term increases in claims costs such as a lack of availability of replacement parts and of staff within car body shops, new claim trends emerging and increased propensity to claim by financially stretched individuals. In addition, we would expect operational pressures to emerge for us and our key partners driven by remote working.

We are also aware that some financially stretched customers may struggle to continue to pay premiums. We are supporting customers by taking a more flexible approach to risk changes or claims events, and are also looking to support essential workers by prioritising their claims. We also fully support the principles outlined by the ABI in mid-March.

The situation, however, continues to evolve and unforeseen challenges and social and economic scenarios could occur.

Dividend

As outlined at last year's results presentation we maintain a capital range in order to allow us to support the total dividend across the market cycle, allowing us to take advantage of growth opportunities and cover unanticipated cost increases.

As at end 2019 our capital had reached 214% of our capital requirements as a result of our ongoing profitability, and significantly exceeded our preferred range of 140 to 160%.

Looking forward we believe that growth opportunities requiring capital may emerge in later 2020 or possibly early 2021, but there is also a risk of further cost pressures, including the impacts of COVID-19.

The Group has an established dividend policy to pay a full year ordinary dividend of 70% of adjusted profit after tax ('PAT'), and to return excess capital to shareholders as appropriate. Notwithstanding the strong cash generation in 2019 and the Group's robust capital position, the Board intends only to propose an ordinary dividend of 8.1p in respect of the full year 2019 at this stage.

Given the unprecedented nature of the response to COVID-19 and uncertainty as to the length of Government restrictions, the Board has determined that it is prudent to withhold any element of special distribution of excess capital. The Board may propose an additional interim dividend representing the return of surplus capital later in the financial year should the situation become clearer. In taking this decision, the Board has considered recent industry communications from the Prudential Regulation Authority and the European Insurance and Occupational Pensions Authority, and concluded that the payment of a final ordinary dividend would be prudent and does not fall outside of the Group's risk appetite.

Prior to the most recent announcements of restrictions, the intent of the Board was to propose a final ordinary dividend of 8.1 pence per share together with a special dividend of 5.2 pence per share. Including the interim dividend of 4.7 pence per share already paid, the total dividend for the year would have been 18.0 pence per share. This would have equated to approximately 100% of PAT and reflected early uncertainties regarding COVID-19.

Our capital coverage post this payment remains at a strong 180%, which is above our usual preferred operating range of 140-160%.

Our strategy

Sabre has had a consistent strategy over many years, which is to focus on underwriting private motor insurance in the UK, where we have established a strong market position, naturally biased toward the specialist, higher premium customers. Our success will continue to be underpinned by several core trading principles:

- Maintaining market-leading underwriting performance through a disciplined and actuarially-driven pricing strategy
- Expanding our extensive and proprietary dataset combined with investment in data enrichment
- Retaining a broad underwriting footprint while maintaining a bias toward the specialist, higher premium segments
- Utilising our robust and effective claims management function to ensure a firm but fair approach to claims
- Effectively leveraging our diversified, multi-channel distribution network
- Using our streamlined operating model to control expenses efficiently
- Ensuring prudent case reserving and a consistent portfolio reserving approach
- Maintaining a conservative approach to risk management through the use of reinsurance, a simple and low risk investment strategy and prudent solvency coverage ratio
- Providing high class customer service and efficient claims handling

Underlying these principles is our core belief that in a risk-taking business, volume must be treated as an output of disciplined underwriting and should never be a target. This means we are happy to accept as much growth as we can handle operationally in attractive parts of the market cycle, but conversely must be prepared to maintain our size, or contract, where we do not believe we can write business at the required level of profitability.

To support this strategy, we target a COR across our book in a range around mid-70%'s, with a ceiling of 80%. At any point in the market cycle we will be seeking to optimise profits by writing business at the most appropriate point in this range.

While we remain agnostic about the mix of business we underwrite and the proportion from each distribution channel, we will continue to seek to benefit from attracting a higher percentage of the specialist, higher premium section of the market compared to mainstream motor insurers.

Strategic developments

One of the contributing factors toward Sabre's success has been that we continue to operate within our well defined trading principles and will only seek to launch new initiatives where we are confident that they can add meaningful value. For the foreseeable future this will mean that we focus on opportunities to expand our footprint for things "with engines, wheels and that stay on the ground".

We remain fully committed to the broker market, and cherish the strong relationships we enjoy. We believe that our technical pricing and claims expertise when aligned to brokers' marketing, customer management and retail pricing expertise will continue to prove to be a winning combination and a competitive advantage.

In 2019 we reviewed a number of "InsurTech" opportunities, but to date have not identified any that can combine strong, differentiated, customer demand with our current required ways of working (broadly being able to utilize our sophisticated rating models and remaining in full control of the underlying net premium). I am, however, very pleased to confirm that we have been able to agree a trading agreement with Saga. We believe that Saga's customer focus and differentiated marketing will complement the distribution through our existing brokers.

Our direct van product was launched in late 2018 and has now rolled out to most of the major price comparison websites. It is generating pleasing business volumes at our target profitability. We monitor customer feedback closely and are pleased with the service levels being provided both by our own staff and outsourced partners.

Following a review of the telematics market we concluded that our direct telematics offering was unlikely to be able to generate acceptable returns at meaningful volumes. We therefore withdrew the DriveSmart product in 2019, but maintain a small market presence in telematics via specialist brokers. We will continue to monitor the market as technology and distribution opportunities evolve. This development will not have any meaningful impact on our financial results, but removes a distraction from the operation.

Looking to 2020 we will continue to review new opportunities actively, but our primary focus will continue to be on the continuous evolution of our core pricing and claims handling capabilities, including the use of machine learning in these areas.

The market

As previously mentioned, the UK private motor insurance market is experiencing a period of significant turbulent change, where a number of headwinds are combining to generate significant cost and strategic challenges. At the last results presentation in July 2019 we presented a view which said these pressures were finely balanced between cost savings and pressures. For 2020 – we no longer believe this to be the case and we anticipate the inflationary factors to significantly outweigh any potential tailwind benefits.

Overall, we believe that we can successfully manage industry wide cost increases by identifying issues early and pricing accordingly. We will continue to be quick to react to possible bad news and cautious in responding to potential benefits.

To outline the most significant of these market changes very briefly:

Claims Inflation

As discussed previously, rapid developments in the technology deployed within vehicles continue to generate significant increases in "bent metal" claims costs. 2019 was the first year that these claims were a higher proportion of total claims than personal injury claims. We continue to believe that claims inflation is – conservatively – running at around 7.5% to 8.5% and have increased our prices throughout 2019 to reflect this. Given the increasing propensity for expensive technology to be positioned in high crash risk areas of cars we do not expect this inflation to tail off in the near future.

For clarity, our view is that the degree of claims inflation between competitors in the market could be meaningfully impacted by the mix of business being written. In addition to "bent metal" claims, theft claims remain at historical high levels, primarily enabled by keyless entry technology, whilst Credit Hire costs continue to increase. Personal injury ("PI") claims are performing within expected levels, although inflationary pressures have been maintained from the release of the 15th Edition of the Judicial College Guidelines (issued bi-annually) which broadly increased damages valuations by 7%.

Ogden Discount rate

We avoided the temptation to reflect a higher Ogden discount rate within our pricing or reserving assumptions until the actual rate was confirmed. We therefore avoided swings in our results over the last two years as the rate was confirmed at minus 0.25%, a worse position than the market generally anticipated. The rate is now set for another four years and so does not provide any tailwind prospects. Whilst we have avoided direct impacts, we are not immune from certain knock-on impacts:

– **MIB levy**

The MIB (Motor Insurers' Bureau) compensates claimants injured or killed by uninsured drivers or those without the correct insurance cover. These costs are met through a levy on all UK motor insurers.

Claims paid by the MIB will, obviously, also be impacted by the Ogden discount rate. In addition, recent European legislation and Supreme Court judgements have left the MIB responsible for accidents caused on private land by vehicles not requiring motor insurance such as quad bikes.

The MIB has also picked up the cost of developing the new MOJ (Ministry Of Justice) portals to support the Civil Liability Act reforms.

Taking all of these issues together we anticipate material increases in the MIB levy.

– **Reinsurance**

It has been well publicised that reinsurers have been seeking to reprice their UK motor portfolios to reflect several years of underwhelming performance and Ogden impacts leading to substantial double digit increases. Whilst we would not expect to be anywhere near the higher end of market increases, we are conscious of the impact of any such impact, and would expect this to create immediate pricing pressures for some competitors.

Whiplash and associated reforms

The Bill to support these changes has passed Royal Assent and is now the Civil Liability Act, but with a target launch date now pushed back to August from the original April date.

The key ambition for the Act is to reduce the cost of personal injury claims and the legal costs linked to smaller personal injury claims.

Whilst this is a worthy aim, and the MIB working with the MOJ have made good progress on IT portal builds we remain concerned the Act will not achieve its objectives as there are a number of key policy points outstanding - and the potential for unintended consequences.

These include:

– No tariff published for secondary injuries which may result in test litigation to establish the correct method of valuation
– Lack of an alternative dispute resolution process
– Cost recovery on child claims
– Fraud concerns – IP address for devices and identification of claimants at medical examinations
– Growth in non-whiplash claims e.g. tinnitus
– Cost layering – e.g. additional fees, rehabilitation on credit basis, specialist fees being introduced
– Extended medical prognoses to escape two year tariff limit and introduce further medical experts
– Potential considerable increase in claims department operational complexity and need for court decisions to confirm areas of dispute
– IT build may not integrate with final rule set

In addition, we believe that claims management companies may emerge seeking to exploit weaknesses in the controls around the process. Given the demise of PPI claims and clamping down on holiday sickness claims they may be looking for the next income opportunity.

Whilst this could represent a tailwind for claims cost reductions, we believe it may be some time before the holistic position can be assessed accurately.

FCA pricing review

The review on "loyalty penalty" and behavioural pricing techniques is still a significant potential development for the motor insurance market. At this stage recommendations are not known, but it seems likely some action will be forthcoming.

Sabre does not utilise either of these approaches. All of our premiums are based on risk factors, and we seek to maintain parity between new business and renewal pricing. Whilst we would expect to be a net beneficiary of any changes we are alive to potential unintended consequences of any proposed recommendations.

Non-PRA regulated insurers

We are aware that some insurers regulated outside of the UK are now being more critically challenged on solvency levels. Whilst this could be positive for us if insurers either leave the UK market or need to increase prices to enhance solvency levels there could be knock on impacts from any insurer failures, through calls on the Financial Services Compensation Scheme.

Stakeholders

We have always been focused on our environmental impacts and how our actions influence our customers and other stakeholders. In this year's Annual Report and Accounts we have taken the opportunity to highlight our activities in many of these areas.

Colleagues

I would like to thank my colleagues throughout Sabre for their expertise, commitment and support throughout 2019 and especially for their commitment as we implemented remote working for the first time. We are pleased that in addition to normal performance bonuses we have been able to continue our tradition of paying an end of year bonus reflecting our ongoing strong performance, which in 2019 was £1,250 (net of tax) for all employees.

Outlook

Due to our consistent and disciplined focus on our trading principles the Board remains confident in the longer term outlook for Sabre and its ability to navigate through the current market challenges.

We are confident that our pricing actions and focus on profitability will have maintained our position within our target COR range. Clearly the result of earning through a slightly higher combined ratio on a lower premium means our profit for 2020 may decline slightly from 2019. As previously flagged we would also anticipate a reducing impact from prior-year reserve releases.

We are entirely comfortable with this position as we believe it leaves us with a solid platform from which to grow both profit and volume in future years, and we will continue to use our capital range to support an attractive dividend.

Although difficult to predict with any degree of certainty how the insurance cycle will develop through 2020, our base case view is for continued cost inflation but also enhanced pricing margins and potentially subsequent modest volume growth facilitated by market pricing action. These assumptions clearly may be impacted by on-going COVID-19 uncertainties.

We will continue to follow a disciplined pricing approach, targeting our required level of profitability rather than volume and will update shareholders as the year develops.

GEOFF CARTER
Chief Executive Officer
6 April 2020

BUSINESS MODEL

Creating value through experience

OUR INPUTS

1 **LONG-STANDING MANAGEMENT**

2 **EXPERIENCED SENIOR AND OPERATIONAL TEAM**

3 **MARKET-LEADING PROPRIETARY DATA**

4 **STRONG BROKER RELATIONSHIPS**

5 **ANALYSIS AND PRICING EXPERTISE**

OUR CHANNELS

INDIRECT DISTRIBUTION

The Group has established a broad network of almost **1,000** insurance brokers across the UK over the course of more than **20** years.

DIRECT DISTRIBUTION

GoGirl
Launched in 2011 to appeal to young female drivers.

Insure2Drive
Launched in 2010 as a general motor insurance product.

PRICE COMPARISON WEBSITES

PCWs are websites that enable customers to **obtain and compare quotes** from a wide variety of insurers and brokers.

HOW WE MANAGE RISK

UNDERWRITING DISCIPLINE

Maintaining price discipline throughout the insurance cycle.

71.9%

10-YEAR AVERAGE COMBINED OPERATING RATIO

PROPRIETARY DATASET

Extensive dataset, compiled from more than 15 years of underwriting experience.

17 yrs

CONSISTENTLY COMPILED DATASET

CLAIMS EXPERIENCE

Dealing with our customers both fairly and quickly whilst focusing on the identification of fraud and effective management of injury claims.

680yrs

OF COLLECTIVE EXPERIENCE

PROPRIETARY AND AGILE PRICING MODEL

Disciplined, actuarially driven pricing strategy utilising a proprietary and agile model.

OUR OPERATING MODEL

IN-HOUSE

PRICING AND CLAIMS MANAGEMENT

The Group has a streamlined operating model, with certain functions where the Directors believe the Group has significant expertise (such as pricing and claims management) being maintained in-house and certain other functions outsourced to third-party providers, whom the Directors believe can improve efficiency and provide scale optionality.

PARTNERS

CUSTOMER SUPPORT

Telephone sales and phone and email based customer support for the direct brands are outsourced to Right Choice, a specialist motor insurance broker based in the UK.

FNOL AND REPAIR MANAGEMENT

First Notice Of Loss and repair management are outsourced to the Innovation Group, which provides support to the insurance, fleet, automotive and property industries.

INFORMATION TECHNOLOGY

The Group's IT system is in the process of being outsourced to a cloud based infrastructure as a service or "IaaS" provider. As a result the Group's IT infrastructure will be hosted by a third party on virtual servers with state of the art security.

PRICE DISTRIBUTION

Policy prices are distributed to brokers via a number of specialist software houses. These software houses typically provide brokers with sales and administration systems, as well as enabling brokers to access policy prices set by the Group.

VALUE CREATION

STRONG CASH GENERATION

Our underwriting discipline and streamlined operating model give us confidence that we can deliver our target dividend payout ratio of a minimum of 70% of profit after tax.

PREMIUM GROWTH

We anticipate high single-digit growth in gross written premium across the insurance cycle, while maintaining our target combined operating ratio.

MAINTAINING EXPERTISE

We continue to refine our underwriting model to drive increasingly accurate, customer-focused pricing. We aim to retain and develop superior levels of expertise in underwriting and claims management at all levels within our business.

STRONG BALANCE SHEET

Our focus on profitability allows us to deliver value to shareholders while maintaining a strong balance sheet, operating with an excess regulatory capital target, of 140% to 160% of our Solvency Capital Requirement.

KEY PERFORMANCE INDICATORS

GROSS WRITTEN PREMIUM
£'000

£197m

2019	197,040
2018	210,017
2017	210,736

Definition
The Group's GWP comprises all premiums in respect of policies underwritten in a particular financial period regardless of whether such policies relate in whole or in part to a future financial period. The ability to underwrite policies and generate premium is a key measure of the Group's implementation of its strategy, and the Directors believe this measure is an appropriate quantification of how successful the Group is at achieving its strategy.

Aim
To maintain growth in GWP when this can be done without compromising the underwriting profitability or broader efficiency of the Group.

Performance
See CFO's review pages 26 to 29.

NET LOSS RATIO
%

51.5%

2019	51.5
2018	48.5
2017	46.5

Definition
Net loss ratio measures net insurance claims, less claims handling expenses, relative to net earned premium expressed as a percentage.

Net claims incurred is equal to gross claims incurred less claims recovered from reinsurers. Net earned premium ('NEP') is equal to Gross Earned Premium ('GEP') less reinsurance premium ceded during the same period in respect of which NEP is measured. GEP is equal to the sum of GWP and the movement in the unearned premium reserve for a particular period.

Aim
To maintain our underwriting discipline such that our loss ratio remains broadly consistent, contributing to a combined operating ratio of 70-80%.

Performance
See CFO's review pages 26 to 29.

EXPENSE RATIO
%

21.9%

2019	21.9
2018	22.1
2017	22.0

Definition
The Group's expense ratio is a measure of total expenses (which comprises commission expenses and operating expenses), and claims handling expenses, relative to NEP, expressed as a percentage.

Aim
To minimise operating expenditure within the business and optimise the efficiency with which we do business in order to allow for achievement of a COR of 70-80%.

Performance
See CFO's review pages 26 to 29.

COMBINED OPERATING RATIO %

73.4%

2019	73.4
2018	70.6
2017	68.5

Definition
The Group's combined operating ratio (COR) is the ratio of total expenses (which comprises commission expenses and operating expenses), and net insurance claims relative to NEP, expressed as a percentage.

Aim
Sabre seeks to achieve a COR of 70-80% on all business underwritten. Accordingly, the loss and expense ratios need to be managed to ensure they contribute to the preferred level of profitability.

Performance
See CFO's review pages 26 to 29.

How our KPIs link to Directors' remuneration
Directors' and senior management remuneration focuses on:

- Profit after tax
- Return on capital
- Total shareholder return
- Personal performance assessments
- Customer services.

These performance metrics are directly linked to the Group's performance as measured by the Key Performance Indicators (KPIs).

How our KPIs link to Sabre's strategy
Sabre's strategic priorities are outlined on pages 2 to 7 of this report. The most fundamental of these is underwriting profitability, and as such Sabre's KPIs focus on measures of profitability, specifically loss ratio, expense ratio, combined operating ratio and adjusted profit after tax. As the Group is focused on managing risk, maintaining an appropriate solvency coverage is important, so Solvency Coverage Ratio is considered a KPI. The Group monitors its growth, and intends to grow when market conditions allow, as such the level of gross written premium forms a KPI. Effective deployment of capital is also considered an overarching element of Sabre's strategy, which is measured through Return on Tangible Equity.

ADJUSTED PROFIT AFTER TAX £'000

£45.7m

2019	45,711
2018	50,069
2017	53,288

Definition

The Group's adjusted profit after tax measures profit from operations, net of tax, adjusted to offset the effect of amortisation of intangible assets and exceptional expenses excluding tax which do not relate to the Group's underlying performance (such as fees incurred in connection with acquisitions or capital markets transactions).

Aim

This is a function of Sabre's other KPIs and we intend to deliver sustainable profit growth over the medium term.

Performance

See CFO's review pages 26 to 29.

SOLVENCY COVERAGE RATIO %

214%

2019	214
2018	213
2017	160

Definition

The Group is required to maintain regulatory capital at least equal to its SCR. The SCR is calculated based upon the risks presented by the Group's operations and the various elements of its balance sheet. The Group's solvency coverage ratio is the ratio of the Group's regulatory capital in a particular period to its SCR for the same period, expressed as a percentage. Solvency coverage ratio is stated before the final dividend declared in respect of 2019.

Aim

To maintain a solvency ratio in the range of 140–160%. Taking into account specific foreseeable requirements for capital.

Performance

See CFO's review pages 26 to 29.

RETURN ON TANGIBLE EQUITY %

41.6%

2019	41.6
2018	54.4
2017	81.8

Definition

The ability to generate profits while maintaining capital at an appropriate level is an important part of the Group's strategy, and the Directors believe that Return on Tangible Equity is an appropriate quantification of how successful the Group is in achieving this strategy. Return on Tangible Equity is measured as the ratio of the Group's adjusted profit after tax to its average tangible equity over the financial year, expressed as a percentage.

Aim

To make efficient use of the capital available to the business and achieve broadly consistent returns year on year.

Performance

See CFO's review pages 26 to 29.

PROFIT BEFORE TAX £'000

£56.5m

2019	56,479
2018	61,363
2017	55,512

Definition

Profit before tax as presented on an IFRS basis represents the Group's total income, less expenditure, before any tax charges or any other comprehensive income.

Aim

Through careful management of expenses and skilled underwriting, we intend to deliver sustainable profit growth over the medium term.

Performance

See CFO's review pages 26 to 29.

Reconciliation to IFRS Measures

A reconciliation between IFRS and non-IFRS measures is given on pages 114 - 115

PRINCIPAL RISKS AND UNCERTAINTIES

RISK MANAGEMENT

Framework

The 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. During the year the Company implemented a Management Risk Forum ("Forum"), which typically meets every other month. The Forum gives management the regular opportunity to review and discuss the risks which the Company 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 Company is exposed to, are in place.

What this involves in practice is covered on the following pages.

RISK GOVERNANCE

Audit and Risk Committee

The Group operates a joint Audit and Risk Committee which allows for effective monitoring and management of the Group's exposure to risk as well as assurance through the Internal Audit function, oversight of external audit and oversight of the Group's compliance function. A separate Committee report can be found on pages 48-51 of this Annual Report.

Internal Audit

The Group's Internal Audit function, which is outsourced to BDO, provides independent, objective assurance on the internal control environment, focusing on the design and operating effectiveness of the governance processes, risk management procedures, internal control and information systems. The Chief Risk Officer and Company Secretary is responsible for the relationship between the Company and BDO, and reports to the Chair of the Audit and Risk Committee.

Operating management

The Group's Senior Management Team assumes primary responsibility for the day-to-day risks that it takes in the pursuit of our business objectives, and for adherence to risk management practices, processes and controls.

COVID-19

The global outbreak of COVID-19 presents operational, market, counterparty and insurance risk to the Group. The Directors continue to monitor these risks closely and take all appropriate steps to manage the impact on policyholders, employees and other stakeholders. This is discussed in more detail in the Chief Executive Officer's report.

RISK APPETITE

The Group has adopted a straightforward risk appetite reflective of its continued strategic focus on generating returns through underwriting activity while limiting exposure to all other areas of risk. The Group considers risk in the context of the core elements of its Solvency Capital Requirement calculation, which are summarised in the table below.

Risk area	Risk appetite
Strategic and governance	The Group aims to operate a simple governance structure, with clear reporting lines and direct accountability. The Group complies fully with the Senior Managers and Certification Regime ("SMCR") and Solvency II ("SII") rules which provide for an adequate framework to manage the firm's risk in this regard. In following these rules, the Group ensures those setting strategy are fit and proper and that the Board is sufficiently diverse and effective.
Insurance risk (underwriting and reserving)	The Group acknowledges that accepting underwriting risk is core to its business. The Group does, however, aim to ensure that the only material risk accepted by the firm is "pure" pricing risk and that this risk is kept within an acceptable tolerance. Underwriting risk is managed in particular with reference to the Group's pricing and claims management activity, and through prudent use of reinsurance. The Group recognises that the reserves held in respect of incurred claims require a significant degree of judgement, and aims in all circumstances to hold reserves in accordance with the appropriate accounting or regulatory framework. The Group aims to calculate its reserves on a consistent basis over time.
Counterparty	The Group minimises counterparty risk where possible and monitors the stability and performance of brokers closely. Sabre does acknowledge that in allowing brokers credit terms, there will always be some residual degree of counterparty default risk. Sabre also accepts a degree of default risk on its direct instalment policies, however the rate of default must remain acceptable in the context of the interest rate gains on such policies. The Group aims to hold all material exposures with strongly rated counterparties and to diversify such exposure where possible. Primarily, this relates to the Group's management of its exposure to reinsurers.
Operational	In general, the Group attempts to minimise operational risk across the business through close monitoring of key risk areas including IT and systems, people, regulatory exposure, outsourcing, financial crime, taxation and accounting. The Group aims to comply fully with all applicable laws and regulation, including General Data Protection Requirements ("GDPR"). Supply chain management is seen as key to ensuring operational risk is minimised, particularly where processes are outsourced to a third party. The risk of fraud or error is considered to be pervasive across all business areas, and as such all processes are developed in such a way as to minimise exposure to such risks.
Market	The Group's investment approach is to maintain suitable levels of liquidity; to preserve the capital; and to invest in low risk stable investments that attract a coupon that is sufficient to meet any deterioration in the capital value. Proper regard is given to the credit standing of custodians and counterparties.
Capital management	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 Board currently considers that this is achieved through maintaining a regulatory capital surplus of 140% to 160%.

PRINCIPAL RISKS AND UNCERTAINTIES
CONTINUED

ASSESSMENT OF PRINCIPAL RISKS AND UNCERTAINTIES

The Directors confirm that they have undertaken a robust assessment of the principal risks and uncertainties that the Group faces – this includes those that threaten the business model, future performance, solvency or liquidity of the Group.

Set out in the table below is an overview of the principal risks we believe could threaten our strategy, performance and reputation and the actions we are taking to respond to and mitigate those risks.

The Audit and Risk Committee has reviewed the current risk environment, including evolving risk issues. The Committee has also considered the evolving claims environment. All such risks are appropriately captured in the existing risk framework, therefore there have been no significant changes to the risk profile of the Group in 2019.

Particular risk issues considered by the Directors during the year include:

- The outcome of the FCA's review of market pricing
- The impact of climate change on our business and operations
- The continued risks around the United Kingdom's exit from the European Union
- Legal reform around small personal injury claims
- The planned withdrawal of the LIBOR.

Each of these issues has been incorporated into the narrative of the table below.

Having given both new and evolving risks due consideration, the Directors continue to consider insurance activity to present the most material risk to the Group, in particular the estimation risk of reserving and the ability to price premiums correctly.

Key elements	Description	Mitigation
Insurance risk		
Pricing	Failure to price risks effectively can result in worse than expected loss ratios or significant unexpected changes in volumes of business written. This includes appropriate estimation of the increasing cost of claims, through both historical trends, such as repair costs, and emerging considerations such as climate change and the impact of legal reforms.	The Group operates a highly sophisticated pricing model which is built upon fully tested scientific principles. The model is updated only when sufficient data has been collected and analysed to support such a change. Management continually monitors the market for pricing developments, but prioritises maintenance of strong margins over the volume of business written.
Claims management	A consistent approach to the management of claims is essential for the accurate pricing of policies based upon claims experience and is key to limiting the indemnity cost of such claims.	The Group ensures that all claims employees are appropriately trained in the "Sabre way" of managing claims, ensuring a fair outcome for both the claimant and the Group. Sabre ensures that the projected volume of claims which will be handled by the business is not in excess of the capacity of skilled claims handlers available to the Claims Team.
Reserving	Inappropriate estimation of the ultimate cost of claims incurred can lead to corrections in future periods which could have a detrimental impact on the Group's capital position and profitability. Further, incorrect reserving can lead to errors in the pricing of new policies due to a poor view of the profitability of business already written. Estimates made in relation to inflationary, or potentially inflationary, factors such as legal reform, climate change and the UK's departure from the EU are equally relevant to reserving.	There is a consistent and cautious approach to reserving with a risk margin held above the actuarial best estimate. The Group's actuarial function analyses and projects historical claims development data and uses a number of actuarial techniques to both test and forecast claims provisions. In addition, external actuaries assess the adequacy of the Group's reserves. As part of the audit process, the Group commissions an additional independent actuarial review on a triennial basis.
Large losses	A small number of random very large claims could have a significant impact on the short-term profitability and capital position of the Group.	Reinsurance is purchased on an excess-of-loss basis to limit the impact of individually large losses and catastrophic events.
Reinsurance	Should reinsurance become unavailable at an acceptable cost, the Group's profit would become considerably more volatile and its capital position would suffer.	The Group ensures that pricing decisions are taken on the basis that the gross loss ratio should be preserved in the long term, such that reinsurers achieve satisfactory returns through their relationship with Sabre. This ensures the greatest possible appetite for reinsurers to renew with Sabre. Sabre maintains an open and transparent relationship with all reinsurers on its panel.

Key elements	Description	Mitigation
Market and counterparty risk		
Interest rate	The Group invests primarily in UK Government securities and is therefore exposed to the impact of interest rate movements on the value of these investments. The valuation and creditworthiness of such assets can be impacted by macroeconomic factors, such as political uncertainty and the unknown impact of the UK's exit from the EU, in particular the risk that sufficient trade deals are not reached before the end of the "transition period".	The investment portfolio is relatively short term, limiting the impact of interest rate movements on profit. The maturity profile of these investments is designed to match the pattern of outgoing claims payments, such that on a Solvency II basis the impact of any movement in interest rates is mitigated by a converse movement in the value of claims liabilities, which are discounted on the regulatory balance sheet. The appointment of a new investment manager has been made alongside which will continue the strategy of low risk bonds with appropriate duration matching against our liabilities.
Default	The Group is exposed to counterparty default risk in four main areas: investment assets, amounts due from customers, amounts due from brokers and amounts due from reinsurers. Failure to recover funds due from counterparties could result in write-offs which would reduce profit and damage the Group's capital position. Similarly, excess exposure to poorly rated counterparties can increase Sabre's capital requirement.	The Group invests primarily in UK Government securities, which carry an extremely low risk of default. The Group operates a robust programme of credit control and performs due diligence on broker partners as relationships are entered into and continually through the life of those relationships. The financial security of reinsurers is considered when selecting panel members and reviewed on a regular basis.
Liquidity	Inadequate monitoring of liquidity could result in the inability to meet liabilities as they fall due.	The Group maintains sufficient cash reserves at all times to meet its best estimate of short-term liabilities and monitors this position continually. While the Group considers its investment portfolio to be actively traded and therefore liquid, it ensures that the maturity of its investment portfolio is matched to its ongoing cash requirement.
Capital management		
Solvency position	Should the Group fail to maintain adequate solvency capital, this could result in regulatory intervention which may limit profitability or the ability of the Group to distribute capital. Some issues impact primarily on the Solvency position but do not affect the trading result of the Group. The emerging issue of the withdrawal of LIBOR is the most relevant example. This may impact the valuation of the Group's technical provisions, although the timing and effect (if any) are unknown.	The Group has strong governance in place to monitor its solvency position on a continual basis, including forecast solvency and scenario testing, primarily as part of the Group's Own Risk and Solvency Assessment ("ORSA") process. The Group ensures that key elements of judgement, such as reserving, are reviewed by the Audit and Risk Committee and undergo appropriate independent scrutiny.
Strategic and governance		
Description	The Board must set an appropriate strategy which delivers value to stakeholders while maintaining the financial and operational stability of the Group. Management must implement this strategy in a timely and effective manner.	The Group operates appropriate corporate governance, as described in the Governance Report on pages 44 to 47. Through this, the Board maintains oversight of management and the Group's performance and financial position.

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

Key elements	Description	Mitigation
Operational risk		
Insurance market exposure	The Group operates solely within the UK motor insurance market. The ability to sell policies at an appropriate margin is therefore impacted by new entrants offering discounted policies or irrational behaviour by existing participants.	The Group monitors the impact of its pricing decisions on the volume of business written and has close relationships with key broker partners and other industry bodies. The Group's strategy to maintain profitability over volume dictates that extreme corrective action will not be taken during any short-term reductions in market prices caused by competitor activity.
Regulatory	The Group is subject to a number of regulatory regimes, including prudential regulation by the Prudential Regulation Authority ("PRA") and conduct regulation through the Financial Conduct Authority ("FCA"). This regulation dictates elements of the Group's operational activity such as the manner in which customers are treated and the recruitment and development of employees. The FCA continues to focus on fair market pricing which, while well managed through the Group's risk appetite, nonetheless increases conduct risk for the Group.	The Group has an extremely low appetite for accepting any risk other than that which relates to the underwriting of its insurance policies, and therefore its decision-making reflects this in relation to conduct risk and other regulatory matters. The Group operates a simple risk framework which is approved by the Board. The Group monitors legal and regulatory developments in the UK and closely monitors its exposure to regulatory risk. The Group culture ensures the interests of our customers and their fair treatment are paramount.
Legal	The Group operates within the UK and is therefore primarily subject to the requirements of UK law. Further to those regulatory and data protection laws discussed separately, the Group is exposed to employment law, Companies Act legislation and tax law.	The Group has established a robust risk and control framework and sets the clear objective to minimise the risk of non-compliance with all laws and regulations.
IT systems and infrastructure	The Group operates bespoke IT systems and is reliant on the accurate recording, storage and recall of data. Failure of these systems could result in the business being unable to price or process new business, or manage claims effectively. IT systems are supported by a third party and hosted in external data centres. This creates a dependency on these suppliers.	The Group operates a small number of key systems which are overseen by a highly experienced team of bespoke systems specialists. A robust backup and recovery plan is in place to ensure continuity of systems in the event of local system failure. The Group has sought to avoid any identifiable single points of failure, and maintains continuity solutions for all key services.
IT security	Loss of data, including personal data, could lead to significant financial or reputational detriment. Theft of the Group's Intellectual Property could impact the ability of the Group to compete in the market. This is an area of increasingly complex regulation, including the General Data Protection Requirements ("GDPR").	The Group addresses issues such as the GDPR proactively, establishing working groups which report to the Executive Committee where required. The Group takes a zero-tolerance approach to the risk of loss of personal data or its own Intellectual Property and has a framework of system-level and other operational controls to ensure it is appropriately safeguarded.
Financial crime	Financial crime, whether internal or external, could result in material loss of assets and significant reputational risk. Financial crime can include misappropriation of assets or fraudulent activity designed to misrepresent the financial performance or position of the Company.	Ownership and management of operational risks sit with the first line business functions. While substantial internal controls are in place to mitigate the risk of financial crime, the Group considers its culture and "tone from the top" to be key in raising awareness of external crime and limiting the risk of occurrence of internal financial crime.
Outsourcing	The use of outsourced functions in routine operations, such as customer services, exposes the Group to the practices and procedures prevalent at the outsourced operation.	The Group monitors its outsourced operations closely, through regular audits and monitoring of key performance metrics.
Distribution	While the Group accesses the market through almost all brokers within the UK, much of its business is written through a relatively small number of large brokers. It is therefore particularly exposed to the failure of those brokers.	The Group monitors its exposure to its broker partners on a continual basis and continually reviews the financial stability and solvency of its larger brokers.

VIABILITY STATEMENT

The Board has considered the Group's financial status and viability on a regular basis as part of its programme to monitor and manage risk. In accordance with Provision 31 of the UK Corporate Governance Code 2018, the Directors have assessed the Group's prospects and viability for the three-year period to 31 December 2022 (the "Viability Period"), taking into account the Group's current position and the potential impact of the principal risks.

The assessment period of three years has been chosen as it is in line with our business planning horizon. This is consistent with the time horizon projected for most scenarios assessed through the Group's ORSA process. The cyclical nature of the motor insurance market means that projecting for periods longer than three years creates material uncertainty.

Assessing viability

In making its assessment, the Board took into account the potential impact of the principal risks that could prevent the Company from achieving its strategic objectives. The assessment was based on the Group's ORSA, which brings together management's view of current and emerging risks with scenario-based analysis and reverse stress testing to form a conclusion as to the financial stability of the Group.

Consideration was also given to a number of other individual risks and events. In the Board's estimation, these events would not plausibly occur to a level of materiality that would endanger the Company's viability.

Conclusion

Based on the consolidated financial impact of the sensitivity analysis and associated mitigating internal controls and risk management actions, as described in detail for each principal risk, the Directors concluded that the Group will be able to operate within its solvency capital appetite and maintain sufficient liquid investments and cash reserves to meet its funding needs over the Viability Period.

Consideration of longer-term viability

The assessment of principal risks facing the Company and robust downside sensitivity analysis leads the Board to a reasonable expectation that the Company will remain viable, continue in operation and meet its liabilities as they become due over the Viability Period through to 31 December 2022.

COVID-19

In light of the current uncertainty regarding the impact of COVID-19, additional scenario testing was carried out to assess the impact of reasonably foreseeable scenarios. These scenarios include a significant decrease in planned gross written premiums during 2020 and beyond, an increased loss ratio and a failure of some of our brokers and/or reinsurers. The Board believes that under these reasonably foreseeable, but unlikely, scenarios, the conclusions in the statement remain unchanged.

The Board has considered those circumstances which may cause the business to cease to function effectively as a going concern, to run out of liquidity, or to breach its Solvency Capital Requirement, both before and after the payment of the proposed final dividend. The Board has not identified any reasonably foreseeable scenario, or stressed scenario, which could cause any of these to occur. Such scenarios considered include enhanced political or regulatory intervention, wide-ranging failure of counterparties and failure of the stock markets to function effectively.

Sticking to our strategy through turbulent market conditions

> "The Group's combined ratio has remained strong, well within the preferred 70-80% corridor"

ADAM WESTWOOD
Chief Financial Officer

HIGHLIGHTS

	2019	2018
Gross written premium	**£197.0m**	£210.0m
Net loss ratio	**51.5%**	48.5%
Combined operating ratio	**73.4%**	70.6%
Adjusted profit after tax	**£45.7m**	£50.1m
Profit after tax	**£45.7m**	£49.6m
Solvency ratio capital (pre-dividend)	**214%**	213%
Solvency ratio capital (post-dividend)	**180%**	161%
Return on opening SCR	**74.9%**	82.0%
Return on tangible equity	**41.6%**	54.4%

Throughout 2019, the Group has increased the price of its core product to reflect the increased level of current and projected costs, including the costs of claims and other increases in the expense base, such as the MIB levy.

As these increases in our premiums have generally been ahead of the market, our products have become less competitive and the Group's total top-line income has reduced a little, by 6.2%. The Group's combined operating ratio has remained strong, well within the preferred 70-80% corridor at 73.4%, benefiting from continued discipline in pricing current-year business and the run-off from prior-year claims reserves.

Favourable market-value movements generated an increase in net investment return, at £2.4m for 2019 (2018: £0.8m). The Group maintained its low-risk, buy-and-hold investment strategy throughout the year. Other income through instalment interest and other fees generated a consistent level of income, contributing £5.3m to the result (2018: £5.9m), relative to the total level of premium written.

Overall, adjusted profit after tax has decreased to £45.7m for the year (2018: £50.1m), a consequence of the higher combined ratio and lower level of premium income for the year. The Group has continued to maximise long-term profit by writing business at a combined ratio selected to optimise the combined effect of the loss ratio and level of premium written, rather than focusing on just one factor, such as chasing volume.

The Directors have proposed an ordinary final dividend of 8.1 pence per share (2018: 6.8p), representing 70% of the Group's profit after tax (after the payment of the interim dividend), in line with the Group's strategy set out in its IPO prospectus. The Directors have deferred any declaration of a special dividend to distribute excess capital due to the ongoing uncertainty around the economic impacts of COVID-19. Along with the interim dividend of 4.7 pence per share, the total dividend proposed in respect of 2019 is 12.8 pence per share, equal to approximately £32.0m (2018: £50.1m).

Given the unprecedented nature of the response to COVID-19 and uncertainty as to the length of Government restrictions, the Board has determined that it is prudent to withhold any element of special distribution of excess capital. The Board may propose an interim dividend representing the return of surplus capital later in the financial year should the situation become clearer.

We will continue to focus on delivering an ordinary dividend of 70% of Adjusted Profit After Tax ("PAT"), and return excess capital to shareholders are appropriate.

The Group's return on tangible equity was 41.6% for 2019, a reduction from 54.4% in 2018. The decrease is a result of the reduction in adjusted profit after tax, and the increase in average tangible equity held by the Group, which increased from £92.1m to £110m. The increase in average equity is due to the Group having held significantly less excess regulatory capital at the start of 2018, with a regulatory capital excess of 160% compared to 213% at the end of 2018. The regulatory capital excess as at 31 December 2019 is 214%, having generated significant capital through normal trading activity during the year and paid two dividends, the final dividend in respect of 2018 and an interim dividend in respect of 2019.

Revenue

	2019	2018
Gross written premium	**£197.0m**	£210.0m
Gross earned premium	**£203.7m**	£208.6m
Net earned premium	**£183.2m**	£188.2m
Other technical income	**£1.2m**	£1.8m
Customer instalment income	**£4.1m**	£4.1m
Investment return	**£2.4m**	£0.8m

In order to meet the increased cost of claims and other expenses, the Group has increased its underlying premium prices by over 10% during 2019. As these increases have been well above those which appear to have been applied to the market as a whole, our prices have become less competitive and as such the volume of policies written has reduced. This is core to Sabre's strategy, to maximise total profitability even when this comes at the expense of top-line growth. In the past, when the market has corrected systemic under-pricing, Sabre has been in a very strong position due to this disciplined approach to pricing throughout the cycle, allowing high-levels of growth or margin strengthening.

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 Group continues to be exposed to market value movements across its investment portfolio, which remains invested in UK Government bonds. A net investment return of £2.4m was recorded in 2019 against £0.8m in 2018. Sabre generally holds these investments to maturity, therefore any market value movements, which can generate in-year gains and losses, are unwound as the bonds regress towards par value.

As of January 2020, the Group has appointed an investment manager, Goldman Sachs Asset Management, who will work with management to explore opportunities to increase yield moderately, while maintaining a simple, low-risk and largely buy-and-hold investment strategy.

£197.0m

GROSS WRITTEN PREMIUM
2018: £210.0M

51.5%

NET LOSS RATIO
2018: 48.5%

73.4%

COMBINED OPERATING RATIO
2018: 70.6%

Operating expenditure

	2019	2018
Gross claims incurred	**£110.3m**	£72.2m
Net claims incurred	**£94.4m**	£91.3m
Current-year loss ratio	**62.8%**	59.2%
Financial year loss ratio	**51.5%**	48.5%
Net operating expenses	**£40.1m**	£41.6m
Expense ratio	**21.9%**	22.1%
Combined operating ratio	**73.4%**	70.6%

Net claims incurred reported in the Consolidated Statement of Comprehensive Income include both the costs incurred in meeting liabilities incurred under insurance contracts and an allocation of overhead expenses deemed attributable to the handling claims. For 2019 this allocation from net operating expenses was £7.6m (2018: £6.5m). The figures in the table above do not reflect this allocation, in-line with the calculation of loss ratio and expense ratio.

The best indication of the Group's underwriting performance during the year is to review the net claims incurred position on a current accident year and financial year basis. This gives the cost of claims after any expected recoveries from reinsurers. During 2019, the Group sought to optimise profit by writing business towards the top-end of its preferred Combined Operating Ratio corridor of between 70-80%. This, along with the historically high levels of short-tail claims inflation, resulted in a higher current accident-year loss ratio than in 2018. The Group did, however, benefit from the estimated ultimate settlement costs of prior-year claims reducing from those recorded in the prior-year reserves, giving a prior-year loss ratio improvement of 11.2% (2018: improvement of 10.7%). We believe that a considerable element of this prior-year reserve movement is exceptional and unlikely to recur.

The gross (i.e. before the benefit from reinsurance) loss ratio can be volatile year-on-year. As we insure a relatively small number of vehicles, with c.327k policies in force, single large claims can have a very significant impact on our gross claims incurred. To counter such volatility, the Group operates an excess of loss reinsurance programme, which means that for any claim costing more than £1m, any costs above £1m are taken by the reinsurance market. This reduces volatility in the net profit, at a cost of approximately 10% of our annual gross earned premium. Similarly, where claims are settled below (or above) the amount for which they were reserved at the start of the year, this can lead to significant movements in our gross reserves and our gross claims incurred. As such, these figures are volatile and often the result of movements on a small number of claims. Due to the reinsurance programme in place, such movements do not have a material impact on the Group's profit due to the equal and opposite impact on reinsurers' share of claims incurred. As such, we focus on the net result when comparing year-on-year performance.

Net operating expenses at £40.1m (2018: £41.6m) are stated after recording a one-off £3.3m reduction in the accrual held against MIB levies, which is discussed further in note 25 to the financial statements. Excluding the impact of this one-off reduction in the accrual, the accrual levy paid to the MIB increased in 2019, and is expected to increase further in 2020. Excluding the impact of the reduction in the accrual, the expense ratio would have increased to 23.8% against 22.1% in the prior year. The 1.7% increase in expense ratio is driven primarily by increases in staff costs (c.0.8% impact on expense ratio) and industry levies (c.0.7% impact on expense ratio); in both cases, the increase in expense ratio is due in part to the reduced top-line. For staff costs, we continue to run excess capacity on our claims team in order to be best placed to take advantage of growth opportunities where appropriate, while providing inflationary increases in staff salaries and incurring costs in relation to the earn-through of free shares issued to staff along with the post-IPO long-term incentive plans. The increase in levies, which has been flagged previously, follows a continued upward trend in those costs resulting from the change in the Ogden rate, the inflationary claims environment, and other legal and regulatory developments, which have increased the industry view of the cost of uninsured liability. The MIB levy also continues to be impacted by the costs of implementing new processes and systems ahead of the legal reforms planned for April 2020.

The Group continues to maintain tight control of costs, which remain largely volume dependent due to the broker model and outsourced administration of the Group's direct business.

£45.7m

PROFIT AFTER TAX
2018: £49.6M

74.9%

RETURN ON OPENING SCR
2018: 82.0%

41.6%

RETURN ON TANGIBLE EQUITY
2018: 54.4%

Taxation

In 2019 the Group recorded a corporation tax expense of £10.8m (2018: £11.8m), an effective tax rate of 19.07%, as compared to an effective tax rate of 19.22% in 2018. The effective tax rate is 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

	2019	2018
Basic earnings per share	**18.35p**	19.90p
Diluted earnings per share	**18.22p**	19.77p

Basic earnings per share for 2019 is 18.35 pence compared to 19.9 pence for 2018. The number of shares has not changed materially during the year, which means that earnings per share is proportionate to profit after tax.

Cash and investments

	2019	2018
UK Government bonds	**£263.6m**	£286.6m
Corporate bonds	**£0.0m**	£0.5m
Cash and cash equivalents	**£31.8m**	£22.8m

The Group continues to hold a low-risk investment portfolio and cash reserves sufficient to meet its future claims liabilities. There has been no change to the Group's investment or liquidity strategy during the year.

As discussed earlier, an asset manager has been appointed to assist management in prudent and efficient deployment of invested assets, while sticking to our low-risk, low-distraction philosophy.

Insurance liabilities

	2019	2018
Gross insurance liabilities	**£212.2m**	£215.8m
Reinsurance assets	**£83.9m**	£82.4m
Net insurance liabilities	**£128.3m**	£133.4m

The Group's net insurance liabilities continue to reflect the underlying profitability and volume of business written. There was relatively little movement on larger outstanding claims during the year, hence gross insurance liabilities are at a similar level to 2018. The level of net insurance liabilities held remains proportionate to the volume of business written.

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 dividend of 12.8 pence per share in respect of 2019, consisting of the interim dividend of 4.7 pence per share and an ordinary final dividend of 8.1 pence per share. The total amount proposed to be distributed to shareholders by way of dividends for 2019 is therefore £32.0m, equal to approximately 70% of the Group's adjusted profit after tax. Excluding the capital required to service this dividend, the Group's SCR coverage ratio at 31 December 2019 would be 180%. 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

CORPORATE RESPONSIBILITY STATEMENT

Focusing on our people and customers

As a Group we focus on our people and contributing to the communities in which we operate. We comply with environmental protection laws and seek to minimise detrimental effects that our activities may have on the environment.

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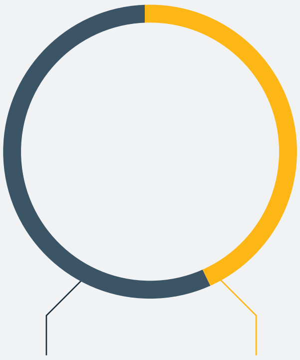
EMPLOYEES



57%
95
MALE STAFF

43%
71
FEMALE STAFF

SUSTAINABILITY FRAMEWORK

Our approach to corporate responsibility is supported by five strategic pillars which ensure we consider all our stakeholders as we make decisions about how to run our business.

01 EMPLOYEES
02 COMMUNITIES
03 ENVIRONMENT
04 CUSTOMERS
05 PARTNERS

42%

EMPLOYEES HAVE BEEN WITH THE COMPANY FOR 10 YEARS OR MORE

01 EMPLOYEES

The Group operates out of one site in Dorking and, as at 31 December 2019, employed 166 people.

People are key to our success. The Company seeks to create a positive and collaborative working environment where all employees contribute to, and participate in, the success of the business in a culture which requires the Company and its employees to operate in an honest, professional manner with a work ethic which recognises the importance of a healthy work/life balance. We are proud to say that 31% of our employees have been with the Company for ten or more years.

Communication is key to fostering this environment, with Geoff Carter and Senior Management conducting employee briefings and Q&A sessions throughout the year. The Company holds appraisals which take place twice a year. During the year, the Board appointed Ian Clark to represent employee voices at the Board. Ian hosted lunches throughout the year to get to know employees, and give them the opportunity to raise any matters of concern with him. In response to these meetings, the Company introduced 'Ask Sabre', a facility allowing employees to ask management questions regarding the business, and to raise any concerns they may have.

In 2018, the Company introduced an all-employee survey, to monitor the culture of the Company. This is now an annual exercise. In 2019 employees were asked to complete a questionnaire about their experience of working at Sabre. The response rate was 49% (2018: 57%). Of those who responded, over 91% (2018: 88%) would recommend Sabre as a place to work.

In addition to the Company's Code of Conduct (which can be found on our website at **www.sabreplc.co.uk/about-us/code-of-conduct/**), policies are in place to support and develop the Group's employees, all of which are subject to regular review. Examples of these include policies addressing equal opportunities, harassment, flexible working, health and safety, maternity and paternity leave, season ticket loans, training and development, and modern slavery. Emphasis is also placed on employee wellbeing, where all employees are offered an annual health and wellbeing check, flu vaccinations, free fruit and to participate in the Government's cycle to work scheme. The workforce policies and practices are consistent with the Company's values and support the long-term success of the business through supporting its employees.

The Company operates several share plans to ensure employees are easily able to become shareholders in the Company. At the time of Listing, employees were granted shares in the Company through the Company's Share Incentive Plan and Long Term Incentive Plan. The Company launched its first Save As You Earn grant in 2018, and during 2019 increased the maximum monthly employee contribution from £250 to £500. In addition to this, during 2019, Sabre expanded its Share Incentive Plan, allowing employees to purchase Partnership shares to a maximum of £1,800 a year, with the Company matching shares purchased through the Plan at a 1:3 ratio.

TRAINING DURING THE YEAR

We have had a successful year for those that wish to pursue further qualifications which relate to their role at the Company. During the year, the Company sponsored a member of the Claims Department to complete the Insurance Foundation module (FIT); this was successfully completed. The FIT is the initial module of the Chartered Insurance Institute (CII) exams. Two members of the Claims Department completed the Insurance, Legal and Regulatory (IF1) modules. These were both successful. We have two Claims Handlers who had previously completed these modules and are now working towards the Diploma in Insurance. One of these employees completed the Insurance Claims Handling Process (IF1) module and the Claims Practice (M85) module. The other has successfully completed the Motor Insurance Products (IF5) and Insurance Claims Handling Process (IF4) modules.

It is not just the Claims Department that have been working towards further qualifications. We have a member of the Underwriting Team who successfully completed the IF1 module and is now working towards the next. Also, in IT an employee successfully completed Interconnecting Cisco Networking Devices Part 2 Exam. An employee in Finance is undertaking a Chartered Institute of Management Accountant qualification and another a Masters in Business Administration.

Training

The Company operates an e-training programme for all the Company's employees focusing on business needs including topics such as anti-bribery and corruption, whistleblowing and modern slavery. The Company offers ongoing training to all employees and external courses for newly promoted employees where appropriate, as well as encouraging and financially supporting employees to take professional Chartered Insurance Institute (CII) exams for their own development. The Company intends to support more employees completing similar qualifications in future years. We aim to continue to support employees financially with these qualifications as well as providing paid study leave and time to take the examination.

THE CLAIMS MILESTONE PROGRAMME

All new claims handlers are enrolled on to our two-year Milestone programme. The training provided is apprenticeship style learning, offering the individual the opportunity to develop their understanding of the claims handling process and to enhance their customer service skills and technical insurance knowledge. As part of the scheme, trainees will spend time understanding the key areas of the department, starting in our Technical Support Unit and then a minimum of six months on our Training Academy, before graduating to one of our main claims teams.

The Milestone scheme adopts a four-monthly appraisal process, to include a performance related pay rise for the trainee following each review. An assessment is completed before each appraisal which assists the Team Leader to identify key areas of development and objective setting for the next appraisal period.

Secondment opportunities in our specialist teams, such as Counter Fraud and Credit Hire, allow the individual to further improve their understanding of a particular subject. Trainee claims handlers are also encouraged to study towards gaining insurance qualifications through the Chartered Institute of Insurers, which Sabre funds on behalf of its employees.

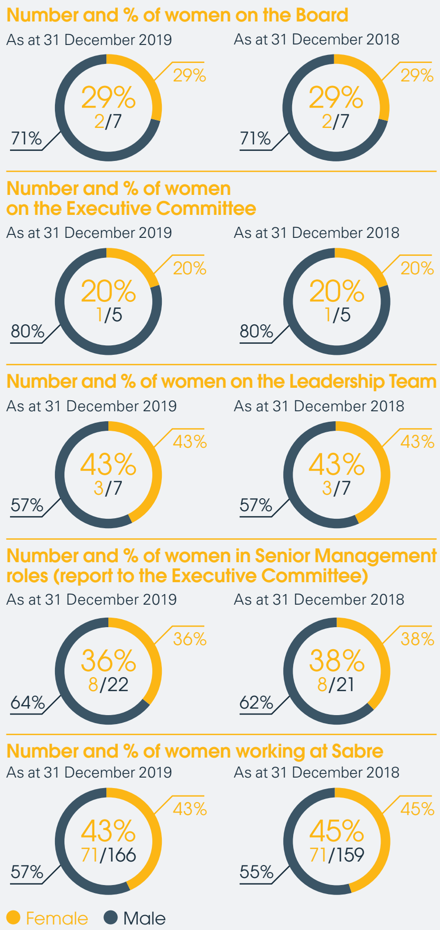
Diversity

During 2019 the Board reviewed its Diversity Policy. The Company is fully committed to the elimination of unlawful and unfair discrimination and values the differences that a diverse workforce brings to our organisation. We encourage equality and diversity among our workforce, whilst eliminating unlawful discrimination.

Sabre's Diversity Policy aims:

- To promote equality, fairness and respect for all our employees;
- To ensure that the Company does not discriminate against an individual, specifically due to their age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race (including colour, nationality, and ethnic or national origin), religion or belief, sex (gender) and sexual orientation; and
- To avoid all forms of unlawful discrimination.

The % of women working within Sabre:



Gender pay gap

Whilst Sabre currently has fewer than 250 employees, and therefore is not required to submit a formal statement on its gender pay gap, our intention is to be transparent and commit to publish our gender pay gap report on an annual basis. Sabre believes that by publishing this information it holds the Company accountable to ensuring gender equality regarding pay. We confirm that the data and supporting narrative contained in this report is accurate and that the figures in this report have been calculated using the standard methodologies used in the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017. A copy of our Gender Pay Gap Report is available on the Company's website: **https://www.sabreplc.co.uk/about-us/corporate-governance/gender-pay-gap-report-2019/**

We are continuing to develop an inclusive and diverse company. During the recruitment and interview process we ensure fair, non-discriminatory and consistent processes are followed, and Sabre has a policy of, where practical, advertising all roles internally to allow employees to progress and develop. Sabre also supports working parents through shared parental leave, enhanced maternity and paternity leave and where possible embraces flexible working for all our employees.

Sabre has reviewed employee salaries and can confirm that those employees with the same job titles and similar length of service are paid similar amounts, as illustrated below:

Department	Start date	Annual rate (£)	Gender
Claims Negotiator	July 2016	21,507	Female
	April 2016	21,839	Female
	October 2015	22,019	Male

Since Sabre was incorporated we have reviewed and increased salaries year on year. We benchmark salaries from the insurance industry, offer competitive salaries and are proud to offer a personal performance bonus plan for all employees.

Modern Slavery Statement

The Group has a Modern Slavery Statement, which is available on the Company's website: **https://www.sabreplc.co.uk/about-us/corporate-governance/modern-slavery-statement/**

Sabre commits to support the aims of the Modern Slavery Act and recognises that insurance underwriters, like any other business, must seek to ensure that modern slavery or human trafficking does not feature in any part of its business or supply chains. Sabre is committed to acting responsibly and ethically in business relationships and to ensuring that slavery and human trafficking does not occur anywhere within our business operations. Sabre has a zero-tolerance approach to any form of slavery and human trafficking within the Group or its suppliers.

A risk-based approach is used to assess the likelihood of modern slavery occurring. We require all suppliers to provide their Modern Slavery Statements as part of the tender process prior to their appointment and then annually if successfully appointed. These statements are reviewed by Management to ensure that our suppliers recognise that acts of slavery and human trafficking will not be tolerated, that these acts are removed from their business and supply chain. Sabre expects that all suppliers share Sabre's commitment to acting responsibly and ethically. Any supplier which does not meet the Group's expectations will have their relationship reviewed, and potentially terminated if the risks are not subsequently addressed or their Modern Slavery Statement is not deemed satisfactory by Sabre's management.

In addition, all employees must complete annual training on how to spot modern slavery and the risks associated with it. The intention of providing this compulsory training is to equip employees with the skills to recognise signs of slavery, to understand that it will not be tolerated, and to report any suspected cases to Senior Management, with the overarching objective to prevent slavery and human trafficking occurring within the Group and its suppliers.

During the year ended 31 December 2019 there were no reports relating to modern slavery or violations of human rights reported (directly or indirectly) or cases identified. There were also no incidents reported relating to our supply chain, either by internal supplier relationship managers or our suppliers themselves.

02 COMMUNITIES

At the beginning of 2019, Sabre introduced a charity committee in order to prioritise and plan fundraising events throughout the year. It was decided that the Group needed one charity that all its employees would support and that the charity would be chosen by its employees. Employees were encouraged to put forward their suggestions as to which charity should be chosen for 2019 and 2020 respectively. Following these proposals, the charity committee voted and with agreement from the Senior Management Team, the charity chosen was St Barnabas & Chestnut Tree House. St Barnabas House offers palliative care to people in the local community, both at the hospice and in the comfort of the patient's own home. Chestnut Tree House is a children's hospice caring for over 300 children and young adults with progressive life-shortening conditions.

At the end of the year, Sabre and its employees have raised £1,121 for St Barnabas & Chestnut Tree House. This money has been raised through events organised by the charity committee, such as raffles and bake sales. The Group appreciates that it is not only monetary donations that are required to help charities, but also people's time can be just as beneficial to a charity. In 2020, the charity committee is planning an initiative called 'give a day away', where a number of employees will be given time out of their working day to help volunteer at St Barnabas & Chestnut Tree House; this may include assisting with renovations, gardening or simply interacting with the patients in the hospice.

SABRE'S APPROACH TO DATA PROTECTION

- During preparations for compliance with the GDPR, Sabre implemented a GDPR working group to ensure all areas of the business were GDPR ready. This included retaining the expertise of external parties to advise and assist in the drafting of our Privacy Policy. The policy is reviewed on a regular basis.
- All employees are trained, at least annually, on Data Protection. This includes online training courses, which include a marked assessment on completion to ensure understanding. Additional ad-hoc training is provided to update on any specific changes or points of interest.
- A GDPR Oversight Committee, chaired by our Data Protection Officer, meets every eight weeks to review GDPR compliance. The meeting is attended by representatives of all areas of the business, including Compliance and Risk. The standing agenda for the meeting ensures that all breaches are reviewed, emerging risks considered and any follow through training required is identified.
- Reporting of Data Protection risks is formally made to Catherine Barton, Chair of the Audit and Risk Committee, to whom the Data Protection Officer reports directly.
- During Q1 of 2019, Sabre tasked BDO as part of the Internal Audit work to review the IT Managed Service Provision, Cyber Security measures and IT Policies & Procedures. All suggested actions have been/or are in the process of being remediated and will be complete by the end of 2020.
- Annual penetration tests are completed by an external organisation.

The Group and its employees have also supported various other charities throughout the year, with some of those charities highlighted below:

- Macmillan Cancer Support (charity) – the World's Biggest Coffee Morning donation
- St Catherine's Hospice
- Comic Relief
- Children in Need
- Alzheimer's Society
- The Royal British Legion

The Group also supports local schools by providing work experience for students, with an induction to the Group and the opportunity to work for each department and gain an understanding of the business to make it as valuable a learning experience as possible for the students.

£2.3k

RAISED FOR CHARITY BY EMPLOYEES

£19.4k

SABRE DONATED TO CHARITY

During the financial year ending 31 December 2019 the total donations by the Group and its employees amounted to £18,001 of which £2,303 (2018: £1,228) was raised by employees and £15,698 donated by Sabre (2018: £4,512). All donations made by Sabre employees were matched by the Group, and donations were made by the Group to employees who were fundraising for their own causes, participating in various different activities or challenges for charities close to their hearts. Sabre will continue to support employees in this way throughout 2020.

03 THE ENVIRONMENT

Sabre recognises that its business has an impact on the environment, and further recognises the importance of reducing that impact. Sabre does this by following current best practice wherever possible regarding reducing the Company's impact on the environment.

Sabre's approach to environmental matters

During the year, the Board appointed Adam Westwood to be the Board Director responsible for Environmental, Social and Governance matters. It was felt as this is a naturally growing area of concern for investors, that in his role as Chief Financial Officer, Adam was the most appropriate for the position.

Sabre operates from a single site in Dorking, consisting of two adjacent offices. As such, our people work within walking distance of one another, and there is negligible business-as-usual travel for most staff. Our offices are required to have an aesthetic consistent with the surrounding Area of Outstanding Natural Beauty within the Surrey Hills. Within that constraint, we aim to operate our offices as efficiently as possible, despite our relatively small footprint.

We understand that our responsibilities extend beyond simply operating an efficient office. We also ensure that our environmental consciousness is set through the tone at the top all the way through the business. Our management must be, and be seen to be, aware of our impact on our surroundings, and willing to compromise in order to satisfy our desire to create a positive impact. This is not the preserve of big initiatives, indeed these are not always possible for an organisation of our scale. It is the small, everyday decision-making which will help us make a difference. Going forward, we intend to gauge and steer our staff's engagement through employee lunches and in formal communication with our staff.

The provision of motor insurance, our core operation, is generally environmentally light. Most of our policies are sold online, and administered remotely. However, there are elements of our product offering which can generate a positive impact on our environment. Importantly, we underwrite a significant number of policies for electric and hybrid vehicles. We are happy to take these policies on, and believe that in having done so historically we are able to better price these risks accurately.

Sabre continues to operate a number of measures within its business such as:

- Heating and air conditioning timing management systems to reduce switch on times
- Low energy monitors and other technology
- Recycling bins for paper, plastic, cans and batteries
- Electric charging points for electric and hybrid vehicles

Emissions data

The GHG emissions data for the Group for the period from 1 January 2019 to 31 December 2019 is set out below, alongside prior years. We are pleased to see the continued decline in our GHG emissions.

The emissions data is measured in tonnes of carbon dioxide equivalent ("tCO_2e") and covers:

i. Scope 1 emissions being direct emissions resulting from combustion of fuel and operation of facilities; and

ii. Scope 2 emissions being indirect emissions from purchased grid electricity and other energy for own use.

Tonnes of CO_2e	2019	2018	2017
Scope 1	–	–	–
Scope 2	74	104	138
Total footprint			
(Scope 1 and Scope 2)	74	104	138
Number of employees	166	159	151
tCO_2e per employee	0.5	0.7	0.9

The footprint is calculated in accordance with the GHG Protocol and Carbon Trust ("CT") guidance on calculating organisational footprints. Activity data has been converted into carbon emissions using published emissions factors.

The footprint includes data for the Group's offices in Dorking where its employees are located. The footprint does not include outsourced activities, for example repair shops and third-party suppliers. As the Group does not own any vehicles and business travel through private vehicles is limited, the data is not available or accurate and accordingly transport emissions have been excluded from the reporting scope.

All emission sources have been reported on as required under the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended). The reporting period is in line with the Company's financial year, which is the same as the calendar year.

Our targets

Given Sabre's relatively low impact on the environment, we do not set a pure target CO_2 footprint. We consider that our culture is sufficient to ensure that individual and corporate decision-making will have the net effect of carrying out our activities in the most environmentally friendly way possible. We do, however, aim to reduce our relative use of office consumables, and will look to whether an appropriate measure of such use can be reported in the future.

Global climate change

We recognise that global climate change appears to be having some effect on our environment, and will continue to do so under most plausible scenarios. Much of the activity described above is designed to reduce our impact on our environment and, where possible, to minimise our contribution to the man-made factors which are likely to be driving such change.

We have considered not only our impact on the environment, but also the impact of global climate change on our business. This includes the impact on day to day operations as well as the underwriting risks presented by vehicles which operate within the environment. This is discussed further on page 22 within the Principal risks section of the Strategic Report.

Policies and procedures

Sabre's environmental policy is available on our corporate website, at **https://www.sabreplc.co.uk**

04 CUSTOMERS

Customers are at the heart of Sabre's business model; we aim to provide access to motor insurance for almost everyone, at a fair price, and for all of our customers to experience high-quality customer service.

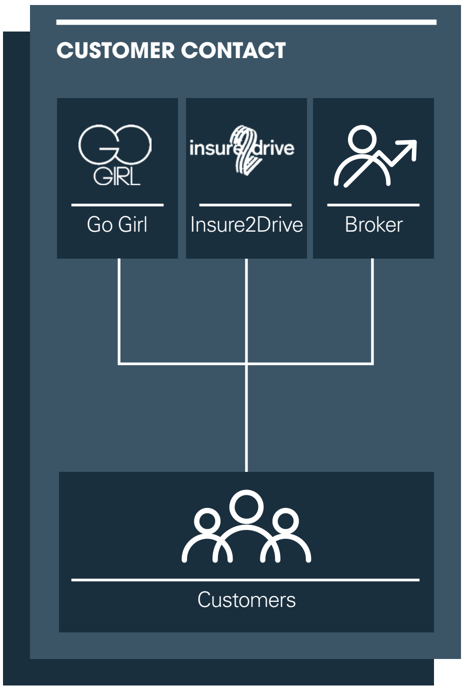
Pricing

We price all of our policies based upon our estimate of the ultimate cost to us of servicing that policy including paying claims and taking a consistent margin regardless of the premium level. This is based upon our view of the risks presented by each individual policy, taking into account both the person and the vehicle insured. This assessment is based on many years of claims data. Because we seek to offer premiums to almost everyone, we have generated a deep pool of data, which allows us to provide the best possible, risk-adjusted prices.

Customer experience

Customers are able to reach us through several channels, either through our extensive broker network or directly through our own brands, Go Girl and Insure2Drive.

However our customers reach us, we strive to ensure they experience easy and straightforward customer service.



Claims

Most customers only experience our service when they make a claim. We understand this can be a stressful process and seek to make the process as easy as we can and "no hassle" for honest customers and third parties. Where we believe individuals are making false or exaggerated clams we will defend our position robustly to allow us to continue offering competitive premiums to all of our customers. We engage with top class partners, over which we apply a strong suite of service-level parameters, which are monitored regularly to ensure customers receive great service at all touch points – whether by our own team or outsourced partners.

05 PARTNERS

Our relationships with partners are designed to be mutually beneficial, fair, and in the best interests of all stakeholders.

Suppliers

We select our suppliers based upon the value that they can bring to the business and consideration of their core business principles. We seek to ensure that all of our suppliers are paid the correct amount, on time.

Commercial terms with our suppliers are negotiated in order to deliver the best value to our shareholders, whilst also ensuring partners can earn a reasonable profit and sustain a mutually beneficial ongoing relationship.

Brokers

Approximately 69% of our premium income is sourced through brokers. Our philosophy when entering into business with brokers is simple: we will provide a fair and sustainable price, available to as many of their customers as possible. In return, they commit to treat their customers fairly, to collect the correct premium from the customer and pass it to us, and to make best efforts to ensure that the policy details provided to us are correct.

We aim to offer fair terms to all brokers, reflecting their long-term profitability to us. We therefore do not offer scheme discounts or other incentives, which might demonstrate preferential treatment in favour of a particular broker.

Our broker on-boarding and audit processes give us the comfort that our brokers are providing customers with a good quality of service while adhering to our high standards.

Outsourced operations

We engage in several key outsourcing arrangements. In each case, we have developed a fair set of measurable service levels and fee structures designed to deliver best value for both parties. We conduct regular reviews of our key outsourced operations to ensure that they reach the expected levels of staff and customer welfare as well as meeting any regulatory requirements.

OUR STAKEHOLDERS

Sabre aims to provide high-quality motor insurance at a fair price

OUR PURPOSE

To provide motor insurance, available to the widest possible range of drivers, based upon a fair, risk-based pricing model that is consistent across all customers. Generate reliable returns and return this to shareholders, or reinvest in the business in order to increase future returns.

SECTION 172 (1) STATEMENT

This section of the Strategic Report describes how the Directors have had regard to the matters set out in section 172 (1) (a) to (f), and forms the Directors' statement required under section 414CZA of the Companies Act 2006.

Stakeholders and our Board

Sabre aims to provide high-quality motor insurance at a fair price, while making attractive returns for its shareholders under any market conditions. This can only be achieved through engagement with, and consideration of, all stakeholders including our employees, customers, suppliers and regulators.

The consideration of stakeholder needs is not new to Sabre, however this year we are taking the opportunity to explain in more detail how we, and in particular our Board, engage with stakeholders, and how stakeholder needs are at the core of our decision-making.

Stakeholder engagement

The Board recognises that the needs and relevance of different groups of stakeholders can vary over time, and as such the Board seeks to understand the needs and priorities of each stakeholder as part of its decision-making. This is integral to the way the Board operates.

Page 39 of the Strategic Report set out who our stakeholders are and how our strategy impacts them. We further discuss how we engage with our key stakeholders, and our own employees, on pages 30-37 of the Strategic Report.

Listening to the needs of stakeholders

Our Board interacts with stakeholders through direct engagement as well as through information provided by management.

Key engagement activities include:

- Appointing a Non-executive Director to be responsible for direct employee engagement, which involves meeting with employees at all levels within the business throughout the year in order to discuss their concerns, ambitions, and views on the business;
- Engaging with shareholders, at the regular management roadshows, attendance at investor conferences and through meetings with the Chairman;
- The Board and management allow time for informal discussions with shareholders before and after the Group's AGM. This is an opportunity to interact with smaller, non-institutional shareholders;
- Regular supervisory meetings between individual Board members and the Group's regulatory supervisory team, which facilitates wider discussion of the issues facing the insurance industry as a whole, as well as Company-specific matters; and
- Reports from executive management to the Board on customer service, including complaints root-cause analysis and whether customer service metrics have been met.

Embedding stakeholder interests within our culture

Through informed discussion at Board level, our Executive Team carries forward stakeholder consideration into and throughout the business. Sabre operates a culture of openness and transparency, with management at all levels working amongst their operational teams, ensuring that the tone from the top is well embedded in the day to day operations of the Company.

Ensuring stakeholder interests are taken into account

The Board is aware of its responsibilities in respect of stakeholders, and ensures that the needs of relevant stakeholder groups are considered in all Board-level decision-making. Consideration is given to the Company's wider purpose, as well as its primary objective to generate value for its shareholders. With the increasing focus on the relationship between stakeholder interests and governance, we take increased care to ensure such considerations are documented, and that the Board receives adequate, appropriate training on its responsibilities.

EXAMPLE: EMPLOYEE ENGAGEMENT LUNCHES — COMMENTARY FROM IAN CLARK, NON-EXECUTIVE DIRECTOR

During 2019, a series of employee lunches were hosted by our Non-executive Director responsible for employee engagement, Ian Clark.

Who attends the employee lunches?

Employees across all departments and at all levels of the business were invited to the lunches. The discussions were open and I am pleased that the questions raised were interesting and helped me get a good feel for the wants and needs of our employees.

What has Sabre and the Board learnt from the employee lunches?

We have been through a period of some change at Sabre, at the corporate level, listing on the London Stock Exchange and the enhanced governance that comes with that. I was very interested to hear if and how those changes had affected the day-to-day lives of our employees. There was, as I would expect, much discussion of the employee review process as well as the Group's performance, and how that filtered down throughout our employee population. Overall, I have taken away some useful talking points, which I have raised with the Executive Team. One of the outcomes was the introduction of the 'Ask Sabre' inbox, which allows employees to email management with questions. The answers are then shared with employees through the Company's Intranet.

How do you process the output from the lunches?

I report back to the Board on my key findings and, where useful, discuss these with the Executive Team. This helps the Board to assess the overall culture at Sabre and provides an opportunity to identify any concerns held by our employees, who continue to be Sabre's most valuable asset.

SHAREHOLDERS

Underwriting performance
Delivering consistent and attractive returns on capital.

Risk management
Minimise volatility in result and maximise available capital.

Growth
Increasing value and absolute returns over time.

Operations
Enhancing operational efficiency and minimising cost.

Distribution
A flexible distribution model allows protection of bottom-line throughout the market cycle and responds to emerging customer demand.

EMPLOYEES

Underwriting performance
Stable business model allows for long-term, rewarding careers.

Risk management
Job security in a supportive, culturally sensitive environment.

Growth
Over time, internal opportunities to develop and grow with the business.

Operations
Skills-based operations allow for fulfilling employment. Conformity with best practice.

Distribution
Broker-led distribution retains technical skills in-house.

CUSTOMERS

Underwriting performance
Provide a quote for almost all potential customers, based upon the expected cost to us in providing that policy, irrespective of the individual's shopping or behavioural habits.

Risk management
Certainty that cover will be honoured and that the Group will retain the means to settle any claims which fall due. Comfort that we operate in line with all applicable laws and regulations.

Growth
Over time, scale benefits allow lower prices without sacrificing margin.

Operations
Efficient, consistent service from our claims and front-end administrative units, along with effective operational controls to allow for fast, accurate transactions.

Distribution
Obtaining a Sabre quote is easy, whether through a broker's branch, Price Comparison Website or direct through our brands, meaning almost everyone has access to a Sabre policy.

PARTNERS

Underwriting performance
Cash-positive business makes Sabre a reliable counterparty.

Risk management
Certainty of liquidity to meet debts as they fall due.

Growth
Become an increasingly valuable trading partner over time.

Operations
Make timely, accurate payments to all suppliers.

Distribution
Fair, consistent terms with our distribution partners.

REGULATORS

Underwriting performance
Only underwrite business that will meet our target margins and generate appropriate regulatory capital.

Risk management
Maintain capital headroom. Minimise conduct risk and ensure full compliance with legal and regulatory landscape.

Growth
Grow when the market allows, without sacrificing profitability or capital security.

Operations
Ensure accurate, timely reporting and close monitoring of regulatory risk areas.

Distribution
Broker audits and on-boarding processes ensure a fully compliant customer journey.

SOCIETY

Underwriting performance
Providing access to insurance to as wide a group as possible, reducing the risk of uninsured drivers.

Risk management
Financial stability and strong balance sheet present lowest possible systemic risk.

Growth
Increasing employment in the local community, while monitoring our impact on the environment.

Operations
Ensuring efficient use of resources and managing the Group's impact on our local environment.

Distribution
Making our product available as widely as possible, at a fair price to all.

CORPORATE GOVERNANCE INTRODUCTION

> The Board is committed to high standards of corporate governance

PATRICK SNOWBALL
Chairman

DEAR SHAREHOLDER

It is my pleasure to present our third Corporate Governance Report. This report explains our current governance framework, how we have applied the provisions of the Code and includes committee reports from the Audit and Risk Committee, Nomination Committee and Remuneration Committee.

Governance

The Board is committed to high standards of corporate governance. The Group is regulated by FCA and PRA and prior to the Listing, the governance practices in place were enhanced with the implementation of the policies and procedures expected of a public limited company following admission to the premium segment of the London Stock Exchange. We have continued to build these policies and procedures during 2019.

The Board has worked hard to ensure application of all of the main principles of the UK Corporate Governance Code. The Company's strategy, culture and purpose, are aligned and discussed at every Board meeting. The Board remains committed to strong corporate governance, and in support of this completed an external Board Effectiveness Review during 2019. More information on the process, the conclusions and the recommendations can be found on page 46 of the report. In addition to this, the Board decided to split the roles of Chief Financial Officer and Chief Risk Officer to ensure robust governance is upheld in all aspects of the business.

The Board

The Board of Directors consists of seven Directors who have the appropriate balance of skills, experience, independence and knowledge of the Company to oversee the strategy of the Group, review management performance and set the Company's values and standards to ensure that its obligations to its shareholders and other stakeholders are met. During the year, there were no changes to the membership of the Board or its Committees. I am pleased to confirm that all of the Non-executive Directors who serve on the Sabre Insurance Group plc Board are independent, in line with good corporate governance.

Further information about our Directors and the experience they bring to the Company is set out on pages 42 and 43 of this Annual Report.

IPO award vesting

In recognition of the important role employees play in the success of Sabre, at the time of the Company's Listing, the Board granted share awards, without performance conditions, to employees, based primarily on their length of service with the Company. I am pleased to announce that during 2019 these awards partially vested, allowing the vast majority of our people to benefit from membership of the Group's share register. I would like to express my thanks to all employees for their continued hard work, time and commitment to the Company.

2020 Annual General Meeting

The Company's 2020 AGM will provide shareholders with the opportunity to vote on the resolutions put to shareholders and, for those shareholders who attend, to ask questions of the Board of Directors, including the Chairs of the Committees. The Notice of Meeting will be sent to shareholders and the result of the AGM voting on all resolutions will be published on the Company's website.

We look forward to engaging with you in the future and to meeting shareholders at our forthcoming AGM, which will be held at 9:30am on 21 May 2020 at the Company's offices at Old House, 142 South Street, Dorking, RH4 2EU.

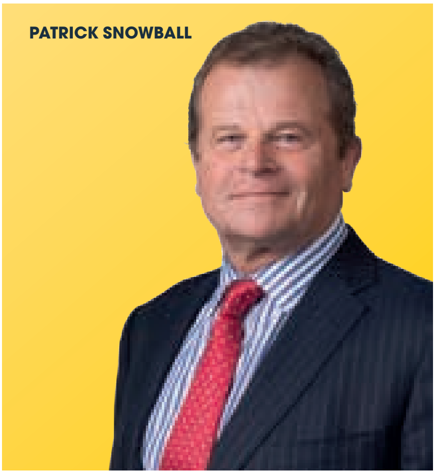
PATRICK SNOWBALL
Chairman
6 April 2020

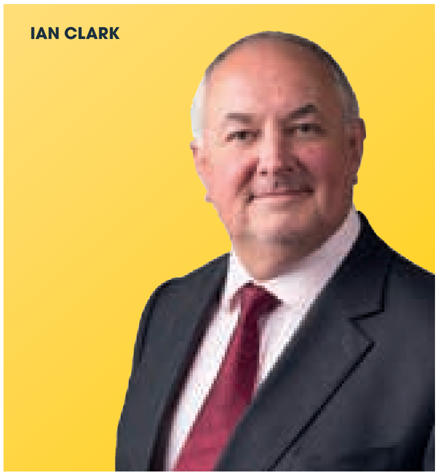
BOARD OF DIRECTORS


REBECCA SHELLEY

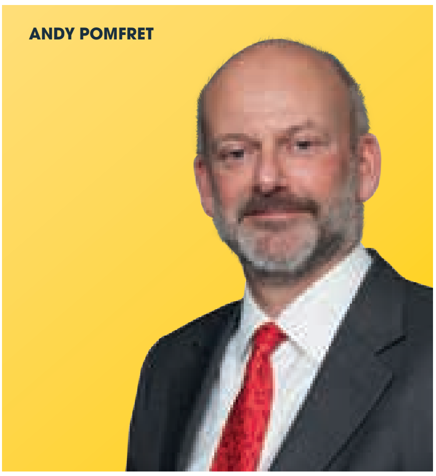

ADAM WESTWOOD


GEOFF CARTER


PATRICK SNOWBALL


IAN CLARK


CATHERINE BARTON


ANDY POMFRET

PATRICK SNOWBALL
Chairman

Experience
Patrick Snowball was appointed a Non-executive Director of Sabre Insurance Group plc in September 2017. He joined the Board in September 2017 and became Chairman in November 2017. In 2018 Patrick was appointed as Non-executive Chairman of Provident Financial plc and served as Chairman of IntegraFin Holdings plc from 2017 to 2018.

Patrick has extensive experience of the insurance industry and has gained a wealth of knowledge of many different aspects of the sector acquired over a 30-year career in financial services. His last executive role was as Chief Executive Officer of Suncorp Group Limited, an ASX20 Australian financial services group, from 2009 until 2015. Prior to that, he was Group Executive Director at Aviva plc from 2001 until 2007 (as well as holding various other positions in the Aviva group and its predecessor companies). He also has significant boardroom experience and was a non-executive director of Jardine Lloyd Thompson Group plc from 2008 to 2009 and Deputy Chairman at Towergate Partnership between 2007 and 2009. He was also a member of the FSA Practitioner Panel from 2006 to 2008. He holds an LL.D from the University of East Anglia and a Masters degree in History and Economics from the University of Oxford.

Committee membership
N

GEOFF CARTER
Chief Executive Officer, Executive Director

Experience
Geoff Carter was appointed Director and Chief Executive Officer of Sabre Insurance Group plc in September 2017 (when the Company was incorporated) and has been a Director of Sabre Insurance Company Limited since December 2015. Geoff joined as Chief Operating Officer in November 2015 and became Chief Executive Officer in May 2017.

Prior to joining the Group, Geoff was Chief Executive Officer of Tesco Underwriting Limited and has over 20 years' experience in managing insurance operations. Prior to that, Geoff was employed by Ageas Insurance UK as Managing Director of Ageas Insurance Solutions Limited. He also spent seven years at Churchill Insurance, both prior to and following its acquisition by Royal Bank of Scotland plc ("RBS"), and was subsequently seconded to TescoCompare.com to launch a joint venture between Tesco plc and RBS. He is a Chartered Insurer and holds a Master of Business Administration degree from Sheffield Business School and a Postgraduate Diploma in Marketing from the Chartered Institute of Marketing.

ADAM WESTWOOD
Chief Financial Officer, Executive Director

Experience
Adam Westwood was appointed Director and Chief Financial Officer of Sabre Insurance Group plc in September 2017 (when the Company was incorporated), has been a Director and Chief Financial Officer of Sabre Insurance Company Limited since September 2016, and joined as Financial Controller in 2014.

Adam is a qualified chartered accountant. Having joined Ernst & Young LLP's insurance audit team in 2006 and qualified as a Chartered Accountant in 2009, Adam has over 10 years' experience of the insurance sector. Adam holds a BSc (Hons) degree in Physics and Business Studies from the University of Warwick.

ANDY POMFRET
Senior Independent Director, Non-Executive Director

Experience
Andy Pomfret was appointed Director and Senior Independent Director of Sabre Insurance Group plc in February 2018. Andy has extensive experience of working in the financial services sector and with UK listed companies both as an executive and non-executive director. After qualifying as an accountant with KPMG he spent over 13 years with Kleinwort Benson as a corporate financier, venture capitalist and finance director of the investment management and private banking division. In 1999 he joined Rathbone Brothers plc as Finance Director, and served as Chief Executive from 2004 until 2014.

Andy has been a non-executive director of several companies (both quoted and unquoted). Previously Andy was Non-executive Director at Beazly plc for eight years, during which he chaired the Audit and Remuneration Committees and served as senior Independent Director. He is currently a director of Sanne Group plc and two investment trusts (Aberdeen New Thai and Miton Micro-cap). He was also a founder member of the Prudential Regulation Authority Practitioner Panel. Andy holds an MA from Queens' College, Cambridge.

Committee membership
A N R

CATHERINE BARTON
Non-executive Director

Experience
Catherine Barton was appointed a Non-executive Director of Sabre Insurance Group plc in October 2017.

Catherine has extensive insurance and actuarial experience. She began her career with Bacon & Woodrow, becoming a fellow of the Institute of Actuaries in 1999, before moving to Deloitte LLP, where she became a partner in 2005 and led the UK and overseas markets retail insurance actuarial team. Between 2010 and 2015, she was a partner within the general insurance actuarial team of Ernst & Young LLP. Catherine's most recent executive experience is from Bupa where she worked as Commercial and Finance Director of the UK business from 2015 to 2017 and as General Manager for Bupa Dental Care in 2018. She has significant and relevant financial experience gained from these roles and she holds a MA (Hons) degree in Mathematics from the University of Oxford.

Committee membership
A N R

IAN CLARK
Non-executive Director

Experience
Ian Clark was appointed a Non-executive Director in September 2017 (when the Company was incorporated) and has been a Non-executive Director of Sabre Insurance Company Limited since May 2014.

A chartered accountant, Ian has a strong finance background and significant recent and relevant accounting experience as well as extensive knowledge of the UK insurance market. Ian was a partner at Deloitte LLP between 2001 and 2014, where he led the Strategy and Corporate Finance practice for the insurance sector. Prior to that, he was an Insurance Partner at Bacon & Woodrow, during which time he spent three years as an independent UK Government appointee on the Insurance Brokers Registration Council, then the regulator of insurance broking in the UK. Ian is Chairman of Mighty Quin Consulting Limited, a company through which he provides strategic advice within the insurance industry.

Committee membership
A N R

REBECCA SHELLEY
Non-executive Director

Experience
Rebecca Shelley was appointed a Non-executive Director of Sabre Insurance Group plc in October 2017.

Rebecca brings extensive commercial and financial services experience to the Board, as well as her background of market-facing roles at listed companies. Having been Investor Relations and Corporate Communications Director at Norwich Union plc from 1998 to 2000, Rebecca moved to Prudential plc in 2000, where she held a number of senior positions, starting as Investor Relations Director, and then becoming Group Communications Director with a seat on their Group Executive Committee. From 2012 to 2016, Rebecca was the Group Communications Director of Tesco plc and a member of their Executive Committee. During this time, she held positions on the board of the British Retail Consortium and was a trustee of the Institute of Grocery Distribution. Rebecca was also at TP ICAP plc as Group Corporate Affairs Director from 2016 to 2019. Rebecca will be appointed Non-executive Director of Hilton Food Group plc with effect 1 April 2020. She holds a BA (Hons) in Philosophy and Literature from the University of Warwick, and an MBA in International Business and Marketing from Cass Business School.

Committee membership
A N R

KEY TO COMMITTEES
- A Audit and Risk Committee
- N Nomination Committee
- R Remuneration Committee
- Chair of Committee

GOVERNANCE

GOVERNANCE REPORT

Committed to high standards of corporate governance

Governance Code compliance

The Board is committed to the high standards of corporate governance across the Group and supports the principles laid down in the UK Corporate Governance Code (the "Code"), as issued by the Financial Reporting Council. The Board considers that the Company were compliant with all of the principles and provisions of the Code during the financial year ended 31 December 2019. To ensure the Group was fully compliant with the principles of the Code, the Board reviewed and addressed its training and development needs by attending various seminars and teach-ins from advisers at Board meetings, and an external Board Effectiveness Review, which evaluated the performance of the Board, its Committees, and the Company Chair was completed.

A copy of the Code is available on the Financial Reporting Council's website at **www.frc.org.uk/directors/corporate-governance-and-stewardship/uk-corporate-governance-code**.

Leadership

The current Board members, details of their experience and the date of their appointment are set out on page 43.

As at 31 December 2019, the Board comprised seven Directors: the Chairman, two Executive Directors, and four Non-executive Directors ("NEDs"), all of whom were independent. During the year there were no changes to the Board.

The independence of the NEDs is reviewed annually in accordance with the criteria set out within the Code. The Board considers Catherine Barton, Ian Clark, Andy Pomfret and Rebecca Shelley to be independent in accordance with Provision 10 of the Code. Accordingly, over half the Board excluding the Chair was independent as at 31 December 2019.

All of the Directors bring strong judgement to the Board's deliberations. During the year the Board was of sufficient size and diversity that the balance of skills and experience was considered to be appropriate for the requirements of the business.

The Board

The Board is collectively responsible for setting the Company's strategic aims and providing the leadership to put them into effect through the management of the Group's business within the Company's governance framework. It does this by setting Group strategy and then ensuring that appropriate standards, controls and resources are in place for the Company to meet its obligations, and reviewing management's performance. This includes a Code of Conduct setting out the Group's policy of conducting all business affairs in a fair and transparent manner and maintaining high ethical standards in dealings with all relevant parties (available **www.sabreplc.co.uk/about-us/code-of-conduct/**). Board members recognise the need and importance of acting with integrity, and does so in their roles as Directors of the Company.

In order to ensure there is a clear division of responsibilities between the Board and the running of the business, the Board has a formal schedule of matters specifically reserved for its decision which is reviewed on an annual basis. These reserved matters include the Group's strategic aims; objectives and commercial strategy; governance and regulatory compliance; structure and capital; financial reporting and controls; internal controls and risk management; major capital commitments; major contracts and agreements; shareholder engagement; remuneration of senior executives; material corporate transactions; and any changes to this schedule of reserved matters.

The Board meets six times a year with supplementary meetings as required. There is a planned cycle of activities, managed through a schedule of matters, and a formal agenda for each meeting. Minutes and a follow-up list of matters arising from each meeting are maintained. Verbal updates are provided by each Committee Chair at the following Board meeting. The Company Secretary acts as Secretary to the Board and to all of its Committees. The appointment or removal of the Company Secretary is a matter for the Board as a whole. The Company Secretary assists the Chairman in ensuring that the Board and Directors have the appropriate policies, processes, information, time and resources they need to fulfil their duties and in order to function effectively and efficiently.

Chairman and Chief Executive Officer

The Company considered that Patrick Snowball was independent on his appointment as Chairman.

The roles of the Chairman and the Chief Executive Officer ("CEO") are different and their separate responsibilities are set out in writing, recognised and approved by the Board.

The Chairman's key responsibilities include:

- Providing strong and effective leadership to the Board
- Ensuring the Board as a whole plays a full and constructive part in the development and determination of the Group's strategy and overall commercial objectives
- Facilitating the effective contribution of the NEDs
- Retaining and building an effective and complementary Board with an appropriate balance of skills and, as Chair of the Nomination Committee, considering succession planning for Board appointments
- In conjunction with the CEO and Company Secretary, ensuring that members of the Board receive accurate, timely and clear information
- Ensuring that the performance of individual Directors and of the Board as a whole and its Committees is evaluated regularly
- Ensuring the Company maintains effective communication with shareholders and other stakeholders
- Promoting the highest standards of integrity, probity and corporate governance throughout the Group and particularly at Board level.

The CEO's key responsibilities include:

- Running the Group's business within the authority delegated by the Board
- Proposing and developing the Group's strategy and overall commercial objectives, in close consultation with the Chairman and the Board, and with regard to the Group's

responsibilities to its shareholders, customers, employees and other stakeholders

- Implementing the decisions of the Board and its Committees
- Consulting regularly with the Chairman and Board on matters which may have a material impact on the Group
- Ensuring the development needs of the Group's Senior Management Team are met and that succession planning meets the needs of the Group
- In conjunction with the Chairman and Company Secretary, ensuring the Board receives accurate, timely and clear information
- Promoting and conducting the affairs of the Group with the highest standards of integrity, probity and corporate governance.

The CEO is supported by a strong and experienced Executive Committee chaired by the CEO.

Non-executive Directors

Along with the Chairman and Executive Directors, the NEDs are responsible for ensuring the Board and its Committees fulfil their responsibilities. The NEDs combine broad business and commercial experience, in particular in the financial services and insurance sectors, with independent and objective judgement and they provide independent challenge to the Executive Directors. The balance between Non-executive and Executive Directors enables the Board to provide clear and effective leadership across the Group's business.

Senior Independent Director

Andy Pomfret was appointed as Senior Independent Director (SID) in February 2018. In addition to acting as a sounding board for the Chairman, the role and responsibilities of the SID include:

- Being available to shareholders if they have concerns which contact through the normal channels of Chairman, CEO or CFO has failed to resolve or for which such contact is inappropriate
- Chairing the Nomination Committee when it is considering succession to the role of Chairman of the Board
- Meeting with the NEDs at least once a year to appraise the Chairman's performance and on such other occasions as are deemed appropriate.

Board Committees

In order to provide effective oversight and leadership, the Board has delegated certain aspects of its responsibilities to the following committees of the Board ("Committees"):

- The Audit and Risk Committee
- The Nomination Committee
- The Remuneration Committee
- The Disclosure Committee.

The terms of reference of these Committees were approved by the Board, reviewed annually and are available on the Company's website at **www.sabreplc.co.uk/about-us/corporate-governance/**

The Committee reports are set out on pages 48 to 68. It is noted that the Disclosure Committee did not meet during the year and does not have a Committee Report.

Board and Committee meetings

The attendance of Directors at Board and Committee meetings held in the financial year ended 31 December 2019 are illustrated in the table below.

The activities of the Board during the year are set out below and the reports from each of these Committees (other than the Disclosure Committee) are set out on pages 48 to 68 of this Annual Report.

During the financial year ended 31 December 2019 the Board met nine times, during which it reviewed and approved:

- The performance of the Company
- The announcement relating to the financial year ending 31 December 2018
- The 2018 Annual Report and Accounts, including the Committee reports, viability and going concern statements
- The Notice of Meeting and Proxy Form for the 2019 AGM
- The Half Year Results and Trading Statements
- The Company's strategy
- The payment of the interim dividend
- The results of the Company's Board Effectiveness Review
- The 2020 budget.

In addition to the above, the Board regularly received updates, reports and presentations from other senior employees including the Chief Actuary, the Claims Director, the Head of IT and Business Systems and the Head of HR.

Board effectiveness

Board composition

The Board is structured to provide the Company with an appropriate balance of skills, experience, knowledge and independence to enable it to discharge its duties and responsibilities effectively. Given the nature of the Group's business, insurance, actuarial and accounting experience as well as experience of the financial services sector is clearly of benefit and this is reflected in the composition of the Board and its Committees.

Attendance by Directors at Board and Committee meetings

Director	Board	Audit and Risk Committee	Nomination Committee	Remuneration Committee
Catherine Barton	9/9	5/5	3/3	4/4
Geoff Carter	9/9	n/a	n/a	n/a
Ian Clark	9/9	5/5	3/3	4/4
Andy Pomfret	9/9	5/5	3/3	4/4
Rebecca Shelley	9/9	5/5	3/3	4/4
Patrick Snowball	9/9	n/a	2/3	n/a
Adam Westwood	9/9	n/a	n/a	n/a

Decisions at Board meetings are taken by a majority of the Directors and in the case of an equality of votes the Company's Articles of Association ("Articles") provide that the Chairman has a second or casting vote. The Board considers that no single Director can dominate or unduly influence decision-making. During the year, the Chairman and the NEDs met without the Executive Directors at the end of each Board meeting, and the NEDs met without the Chairman present.

The Board is aware that it currently does not meet best practice regarding the percentage of females on the Board. The Board intends to take steps where possible to rectify this as its refreshment programme progresses.

Induction and ongoing professional development

The Board has developed an induction programme which all new Directors participate in upon joining the Board. This programme is monitored by the Chairman and is the responsibility of the Company Secretary. Depending upon their qualifications and experience, the programme will include presentations and briefings, meetings with Board members, senior management and external advisers, and visits to the Company's office in Dorking, Surrey.

The ongoing professional development of the Directors has been reviewed by the Board and its Committees. The Chairman will review and agree training and development needs with each of the Directors during each year. Directors have the opportunity to highlight specific areas where they feel their skills or knowledge would benefit from development as part of the Board evaluation process, and are encouraged to continue their own professional development through attendance at seminars and conferences. Directors confirm annually that they have received sufficient training to fulfil their duties.

Information and advice

Directors are provided with appropriate documentation a week in advance of each Board and Committee meeting. The Company uses an online platform to distribute its Board and Committee papers. All Directors have access to the advice and services of the Company Secretary for information and guidance, who is responsible for ensuring that all Board procedures have been complied with. Directors may also obtain independent professional advice at the Company's expense if they believe it may be required in the furtherance of their duties. No such advice was sought by any Director during the year.

Time commitment

As part of the appointment process and their annual review the NEDs each confirm that they are able to allocate sufficient time to the Company to discharge their responsibilities effectively and Directors are expected to attend all Board meetings, relevant Committee meetings, the AGM and any general meeting of the Company. The other commitments of the Chairman and the other Directors are as indicated in their profiles on page 43.

Each Director is required to advise the Chairman as early as possible and to seek the agreement of the Board before accepting additional commitments that might affect the time that Director is able to devote to his or her role as a NED of the Company.

The Board is satisfied that the Chairman and each NED are able to allocate sufficient time to enable them to discharge their duties and responsibilities effectively.

Performance evaluation

The Board recognises the importance of evaluating annually the performance and effectiveness of the Board, its Committees, Chairman and individual Directors. During the year a formal annual review of the performance of the Board, its Committees, the Chairman and individual Directors was completed. This year the process consisted of an externally facilitated exercise led by Independent Audit, sponsored by the Chairman and assisted by the Company Secretary. Independent Audit is an independent board evaluator, and has no other connection with the Company. The questionnaire used as part of the process consisted of questions covering the Board, the Committees and Chairman's performance and was completed by all of the Directors of Sabre Insurance Group plc and Sabre Insurance Company Ltd (the Group's operating subsidiary). The individual Director performance was reviewed by the Chairman. It is confirmed that all plc Directors, and the Directors of Sabre Insurance Company Limited fully engaged with the process. The appraisal confirmed that the Board, its Committees and the Chairman were operating effectively. The feedback was discussed with the Board and the Chairman. It was agreed that although the Board and Committees were effective, time during 2020 would be set aside to discuss how best to utilise the Board and Directors' time during Board and Committee meetings.

Appointment of Directors

The Articles provide that Directors may be appointed by the Board or by the Company by ordinary resolution. A Director appointed by the Board may only hold office until the next following AGM of the Company after their appointment and is then eligible for election by the shareholders. The Articles require that each Director shall retire at the third AGM held after they were last elected (and annually when they have been in office for nine years or more), and retiring Directors are eligible to stand for re-election. However, the Board through the Nomination Committee has reviewed and adopted the Code recommendation that all Directors should be subject to annual re-election (in compliance of Code provision 18).

Further details regarding the terms of appointment and remuneration for the Executive Directors and NEDs are set out in the Directors' Remuneration Report (on pages 61 to 68) and their service contracts and terms of appointment are available for inspection in accordance with the Code at the Company's office and at the Company's Annual General Meeting.

Conflicts of interest

The Board has established a procedure to deal with Directors' conflicts of interest which complies with the Company's Articles and the provisions in section 175 of the Companies Act 2006. Schedules of a Director's actual or potential conflicts are compiled based on disclosures made by the Director. These are updated and reviewed on an annual basis in addition to conflicts or potential conflicts being considered at the beginning of Board meetings.

Accountability

The Board, through the Audit and Risk Committee, receives reports regarding the Company's risk management and internal control systems and has reviewed the Company's financial and business reporting, the effectiveness of the Group's systems of risk management and internal control, and the Company's relationship with its auditors, the details of which are set out in the Audit and Risk Committee Report on pages 48 to 51.

Modern Slavery Act 2015

As part of Sabre's commitment to preventing bribery and corruption, the Group has an Anti-Bribery and Corruption Policy, which is reviewed and approved annually by the Board. In addition to this Sabre has considered the Modern Slavery Act 2015. Sabre has a zero-tolerance approach to any form of slavery and human trafficking and confirms to the best of its knowledge that there is no slavery or human trafficking within its supply chain. The Company's Modern Slavery Statement is reviewed and approved by the Board on an annual basis and can be found on the Company's website **https://www.sabreplc.co.uk/about-us/corporate-governance/modern-slavery-statement/**.

Anti-Bribery and Corruption

The Company operates an anti-bribery and corruption policy to prevent and prohibit bribery, in line with the Bribery Act 2010. The Company will not tolerate any form of bribery by, or of, its employees, agents or consultants or any person or body acting on its behalf, and no such incidents occurred in the financial year ending 31 December 2019. Senior management is committed to implementing effective measures to prevent, monitor and eliminate bribery. The policy covers:

- the main areas of liability under the Bribery Act 2010;
- the responsibilities of employees and associated persons acting for, or on behalf of, the Company; and
- the consequences of any breaches of the policy.

Whistleblowing arrangements

The Company has a policy which enables and encourages employees to report in confidence any possible improprieties in either financial reporting or other matters.

Remuneration

Details of the Directors' remuneration and the work of the Remuneration Committee as required by the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended) can be found in the Directors' Remuneration Report on pages 61 to 68.

Relations with shareholders

Through this Annual Report and, as required, through other periodic announcements, the Board is committed to providing shareholders with a clear assessment of the Company's position and prospects.

The Board recognises the importance of engaging constructively with shareholders and, during the year, the CEO, CFO and Company Secretary continue to engage with shareholders through investor presentations, conferences and roadshows, ensuring they are up to date with the views of the Company's shareholders. These views are regularly shared with the Board, and the Chairman and the SID remain available to meet shareholders separately to discuss any issues or concerns they may have. In addition to this, the Chairman hosted a dinner for shareholders during the year, and met with the Company's top shareholders. The Remuneration Committee Chair also met and spoke with the Company's largest shareholders and the Proxy Report Providers regarding the Company's Remuneration Report and Policy.

The Board keeps shareholders informed primarily by way of the Annual Report, Half Year Results, Trading Statements and the AGM. This information and other significant announcements of the Group will be released to the London Stock Exchange and will be available on the Company's website **www.sabreplc.co.uk/investors/regulatory-news/**.

The holdings of our major shareholders can be found on page 71 of this Annual Report.

The share register is managed on the Group's behalf by Equiniti who can be contacted at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA or by telephone on 0371 384 2030 or, if dialling internationally, on +44 121 415 7047.

The Company's 2020 AGM Notice will be issued separately. The AGM will provide shareholders with the opportunity to vote on the resolutions put to shareholders and, for those shareholders who attend, to ask questions of the Board of Directors, including the Chairs of the Committees. The result of the AGM voting on all resolutions will be published on the Company's website.

AUDIT AND RISK COMMITTEE REPORT

CATHERINE BARTON

Audit and Risk Committee Chair

Committee members

The membership as at the date of this report together with such members' appointment dates and attendance record for the year ended 31 December 2019 are set out below:

Committee members
Catherine Barton (Chair) Appointed October 2017
Ian Clark Appointed October 2017
Andy Pomfret Appointed May 2018
Rebecca Shelley Appointed October 2017

Committee meetings in 2019

JAN	FEB	MAR	APR	MAY	JUN
●	○	●	○	○	○

JUL	AUG	SEP	OCT	NOV	DEC
●	○	●	○	●	○

Meeting attendance

Catherine Barton (Chair)	5/5
Ian Clark	5/5
Andy Pomfret	5/5
Rebecca Shelley	5/5

The Committee

The Audit and Risk Committee was in place throughout the financial year ending 31 December 2019, was chaired by Catherine Barton, and comprises the four Non-executive Directors of the Company, all of whom are considered to be free of any relationship that would affect their impartiality in carrying out their responsibilities and were independent as required under the UK Corporate Governance Code (the "Code"). The Board considers that Catherine Barton has the appropriate financial expertise, as required by the Code, as Catherine is a Fellow of the Institute of Actuaries and has held executive roles, including Commercial and Finance Director in another company. In addition to this, both Andy Pomfret and Ian Clark have recent and relevant financial experience, and the make-up of the Committee ensures that it is able to fulfil its duties. Details of the experience of all members of the Committee are included on page 43.

Members of the Committee are appointed by the Board, on the recommendation of the Nomination Committee and the Chair of the Audit and Risk Committee. Appointments are made for an initial period of three years, which can then be followed by an additional two further three-year periods. There were no changes made during the year to the membership of the Committee.

The Company Chair, Chief Executive Officer and Chief Financial Officer are invited to attend meetings, unless they have a conflict of interest. In addition, the External Audit Partner, the Internal Audit Partner, the Chief Risk Officer, the Compliance Manager, the Company Secretary and Head of Internal Audit are invited to attend part or all of the Committee meetings, providing there is no conflict of interest. Other relevant people from the Company may also be invited to attend all or part of a meeting to provide deeper insight into the Company and its issues. Either immediately prior to the meeting or immediately after the meeting, the Committee meets with either the External Audit Partner or the Internal Audit Partner. These private meetings alternate at each meeting and give the external parties access to the committee members. The Committee Chair also separately met with both internal and external Audit partners outside of the Committee meetings.

The Committee Chair also held regular individual meetings with Adam Westwood, who is the Chief Financial Officer and was the Chief Risk Officer for the majority of the year, and Anneka Kingan, who is the Company Secretary and Head of Internal Audit, and was appointed as the Chief Risk Officer in October 2019.

The Chair of the Committee reports to subsequent meetings of the Board and the Board receives a copy of the minutes of each Committee meeting once these have been approved by the Committee.

The Company Secretary acts as the Secretary to the Committee. The terms of reference of the Committee can be found on the Company's website **www.sabreplc.co.uk/about-us/corporate-governance/** or obtained from the Company Secretary.

During the year, the Committee reviewed its effectiveness, as part of the Group's Board Effectiveness Review. The Committee agreed that the Committee was effective.

Committee's role and responsibilities

The Audit and Risk Committee in line with its terms of reference meets at least four times a year, and as and when required. The Committee is responsible for monitoring the integrity of the financial statements of the Company, for providing effective governance over the appropriateness of the Group's financial reporting and advising the Board on the Group's overall risk appetite.

In accordance with its terms of reference the Board has delegated to the Committee responsibility for overseeing key areas of responsibility which include the following:

- **Financial and narrative reporting** – this area of responsibility includes monitoring the integrity and compliance of the Company's financial statements and any formal announcements or publications relating to the Group's financial performance as well as reviewing significant financial reporting issues and judgements made in connection with them.
- **Reserves review** – the establishment of insurance liabilities in respect of reported and unreported claims is the most significant area of judgement within the financial statements. The Committee maintains oversight of the reserving process and assumptions used in setting the level of insurance liabilities, which is assessed by the Group's actuaries on a quarterly basis.
- **Risk management** – this includes reviewing and monitoring the effectiveness of the procedures for the identification, assessment and reporting of risk as well as setting, and monitoring adherence to, a risk appetite that defines the nature and extent of the risks that the Group is facing and should be willing to take in achieving its strategic objectives. It also includes oversight of the processes by which risk-based capital requirements, and the Group's solvency position, are determined and monitored.
- **Compliance** – this includes reviewing the Group's compliance policies and procedures to ensure that the Group complies with relevant regulatory and legal requirements, including the arrangements in place for the reporting and investigation of concerns and for ensuring fair customer outcomes.
- **Internal audit** – this includes monitoring the role and effectiveness of the Group's Internal Audit function including approving the annual programme of internal audit work, monitoring the reports arising from internal audits and the status of actions resulting therefrom and the appointment or removal of the Head of Internal Audit.
- **Whistleblowing** – reviewing arrangements by which employees may in confidence raise concerns about possible improprieties regarding financial reporting and other matters.
- **Internal controls** – this includes reviewing the effectiveness of the Group's system of internal controls and ensuring timely action is taken by management to address matters arising from the risk and internal audit assessments.
- **External audit** – this includes considering and making recommendations to the Board on the appointment of the external auditors (including approving the remuneration and terms of appointment) as well as reviewing the external auditor's annual audit programme and the results therefrom, reviewing the quality and effectiveness of the audit and reviewing and confirming the policy on non-audit services carried out by the external auditors and auditor independence.

The Committee has a planned cycle of activities to ensure that it addresses its responsibilities in the current financial year.

Activities during the year

During the financial year, the Committee held five meetings. During the year, the Committee focused on:

- Financial developments in the business including election to apply IFRS 9 from 1 January 2020
- The External Audit Plan
- A review of the external auditor's work for Half Year, Full Year and regulatory reporting
- Key areas of focus in advance of the commencement of the year-end audit
- The Internal Audit Plan
- Reviewing the Company's risk and compliance functions.

During the year, the Committee addressed its responsibilities by:

- Reviewing the external auditor's plan for the audit of the Group's financial statements, which included key areas of scope of work, key risks on the financial statements, confirmation of auditor independence and the proposed audit fee
- Reviewing the accounting issues and significant judgements related to the financial statements
- Reviewing the process and stress testing undertaken to support the Group's viability and going concern statements
- Reviewing the appropriateness of the Group's accounting policies
- Reviewing reports regarding risk management, compliance and internal audit including the procedures and plan relating to each area
- Reviewing and approving the risk management framework and risk appetite, the corporate risk register and the Group's principal risks and uncertainties
- Reviewing appropriateness of key accounting judgements including the sufficiency of insurance liabilities

- Reviewing reports from the Company's Data Protection Officer
- Reviewing the Group's system of controls and its effectiveness using information drawn from a number of different sources including management, compliance and risk management reports, and independent assurance provided by internal audit (through its annual audit plan) and the external auditors
- Reviewing regulatory correspondence
- Approving external audit and internal audit fees
- Review and recommend to the Board the Company's ORSA
- Review and recommend to the Board the Company's accounts
- Approving the policy on non-audit services carried out by the Group's external auditors
- Recommending to the Board, which agreed to recommend to shareholders, the reappointment of Ernst & Young ("EY") as the Group's external auditor
- Recommending to the Board, which adopted the recommendation, the reappointment of BDO as the Group's outsourced internal audit service provider
- Reviewing and confirming to the Board that, based on its review of the Annual Report and Accounts and internal controls that support the disclosures, the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable and provide the necessary information for the shareholders to assess the Company's position and performance and its business model and strategy
- Reviewing the external auditor effectiveness review
- Reviewing the ongoing professional development of Committee members
- The appointment of a new Chief Risk Officer
- The appointment of a new Compliance Manager
- Reviewing the Committees terms of reference and its Effectiveness Review.

During the year the Financial Reporting Council (FRC) provided the Company with its review of the Company's Report and Accounts for the year ending 31 December 2018. The Committee reviewed the letter and the Company responded accordingly. All relevant comments from the FRC's letter have been incorporated into this Annual Report. The Committee pays particular attention to matters it considers to be important by virtue of their impact on the Group's results, the internal control environment or the level of complexity, and matters of judgement or estimation involved in their application to the Consolidated Financial Statements. The main areas of focus for the period under review are set out below:

1. Valuation of insurance liabilities

The Committee agreed with management's assessment that the most significant area of estimation within the financial statements continues to be the estimation of insurance liabilities. This comprises an estimate of the ultimate cost of claims incurred at the date of the statement of financial position, both reported and not yet reported, along with an estimate of the associated reinsurance recoveries. The Committee reviewed the Company's policy to hold sufficient reserves to meet insurance liabilities as they fall due, plus a risk margin reflective of the uncertainty within such calculation.

The Committee reviewed the Chief Actuary's annual and quarterly reserving report and challenged the appropriateness of the process, key judgements and assumptions supporting the projection of the best estimate claims expense. The Committee also discussed such matters with the Group's external auditor. The Chair of the Committee met with the Group's Chief Actuary without other members of management present. The Committee noted the inherent uncertainty associated with the estimation of claims costs, in particular with reference to the changes in the legal environment and the impact of historically high levels of claims inflation.

2. COVID-19

While not directly pertaining to the period under review, the Committee has discussed in detail the potential impacts of the recent outbreak of COVID-19, on both the viability of the business and the valuation of its assets and liabilities at the reporting date. The Committee is satisfied that there is no material impact on the valuation of assets or liabilities, and that the outbreak, while presenting operational challenges across the industry, does not currently have a material impact on our conclusion as to the viability and going concern of the business.

3. Other matters

The Committee reviewed certain matters which were individually less significant to the financial statements such as the upcoming implementation of new and updated accounting standards, which will impact the recognition, measurement and disclosure of insurance contracts and financial investments.

Extract from FRC letter with respect to the scope and limitation of their review

Our review is based on your annual report and accounts and does not benefit from detailed knowledge of your business or an understanding of the underlying transactions entered into. It is, however, conducted by staff of the FRC who have an understanding of the relevant legal and accounting framework. We support continuous improvement in the quality of corporate reporting and recognise that those with more detailed knowledge of your business, including your audit committee and auditors, may have recommendations for future improvement, consideration of which we would encourage.

This, and any subsequent letter, provides no assurance that your report and accounts are correct in all material respects; the FRC's role is not to verify the information provided but to consider compliance with reporting requirements.

Our letters are written on the basis that the FRC (which includes the FRC's officers, employees and agents) accepts no liability for reliance on them by the company or any third party, including but not limited to investors and shareholders.

Risk management, compliance and internal controls

The Board has delegated to the Committee responsibility for monitoring and reviewing the Group's risk management and compliance frameworks, the risks that the Group should be willing to take in achieving its strategic objectives, and the controls in place within this framework to ensure that the Group has robust procedures for financial reporting and preparing its consolidated accounts. The Committee has reviewed the effectiveness of the Group's risk management, compliance management and internal control systems, and reported on such to the Board. In conducting its review the Committee focused on material risks, including the determination of the nature and extent of the principal risks, and controls in the context of reports it received regarding risk management, compliance and internal audit as well as reports from the Company's external auditor. Details of the Group's principal risks and uncertainties are set out on pages 20 to 24 together with information about the management and mitigation of such risks.

Internal audit

The Group has a formal process of internal audit, and in 2018 appointed BDO to run the Group's internal audit programme. BDO perform audits on a rolling basis across the Group over a three-year period. The reports are made available to the Committee, the Chief Executive Officer, Chief Financial Officer, Chief Risk Officer, the Company Secretary and Head of Internal Audit, and relevant members of management. BDO re-confirm their independence on an annual basis.

The primary objective of the function is to systematically and objectively assess: (i) the effectiveness of the business controls over the Group's operations, financial reporting, risk and compliance areas and (ii) the adequacy of these systems of control to manage business risk and safeguard the Group's assets and resources. The Committee reviewed and approved the internal audit role and risk-based internal audit plan, and received updates on the internal audit activity and engagement results to help form a view on internal audit effectiveness. Feedback after each audit is obtained from those involved in the audit and fed back to the internal auditor with concerns being raised with the Committee as needed.

External audit effectiveness and independence

The Committee is also responsible for managing the relationship with the Company's external auditor, EY, on behalf of the Board.

Overall effectiveness of the external audit process is dependent upon communication between the Group and the auditor, which allows each party to raise potential accounting and financial reporting issues as and when they arise, rather than limiting this exchange to only during regularly scheduled meetings.

The effectiveness of the financial year ended 31 December 2018 external audit process was formally assessed during the year by the Committee. Feedback was sought from various participants in the process (primarily the Committee, Chief Financial Officer, Chief Executive Officer and the Company's Senior Accountant). The effectiveness of the audit partner, the audit team, their approach to audits, including planning and execution, communication, support and value were assessed and discussed. Overall the effectiveness of the external audit process was assessed as performing as expected.

The Committee has reviewed and approved a policy regarding non-audit work and fees which requires all non-audit work proposed to be carried out by the external auditors to be pre-authorised by the Committee or, if required urgently between Committee meetings, the Chair of the Committee, in order to ensure that the provision of non-audit services does not impair the external auditor's independence or objectivity. Certain services cannot be provided by the external auditor or members of its network without the possibility of compromising its independence and as such are not permitted to be provided by the external auditor. These prohibited non-audit services include, but are not limited to, certain tax services, bookkeeping and payroll services, designing and implementing internal control and risk management procedures or the design or implementation of information technology systems relating to the production of financial statements, valuation services, actuarial valuation services, and the provision of certain legal services, HR services and financing, capital structuring and investment strategy services.

Other types of non-audit work can be undertaken by the external auditors, subject to the implementation of adequate safeguards and the total fees for these non-audit services must not exceed 70% of the average audit fees billed to the Company by the external auditor in the past three years. During the year, EY and its subsidiaries charged the Group £264,000 (2018: £175,000) for audit and audit-related services, and received a total fee during the financial year of £342,000 (2018: £250,000). A summary of fees paid to the external auditors is set out in Note 9 to the Consolidated Financial Statements. In the financial year ending 31 December 2019, the external auditors did not undertake any material non-audit work for the Company.

External audit appointment and tendering

The Committee has concluded that the external auditors have demonstrated appropriate qualifications and expertise and have remained independent of the Group. Accordingly, the Committee recommended to the Board that EY be reappointed as the Group's auditors for a further year. The Board has accepted this recommendation and a resolution to shareholders proposing the reappointment of EY will be set out in the AGM Notice which will be sent separately to shareholders.

The Committee also reviewed EY's engagement letter and determined its remuneration in accordance with its obligations under the Code, such remuneration being considered appropriate by the Committee.

EY have been the auditors of Sabre Insurance Company Limited and of the previous parent companies of Sabre Insurance Company Limited since 2001. Given that Sabre Insurance Company Limited, the principal subsidiary of the Group, is considered a Public Interest Entity ("PIE"), the transitional rules under EU legislation require Sabre Insurance Company Limited to run a tender process for the external audit by 2023, after which Sabre Insurance Company Limited will be required to change its external auditors. Under these regulations, the external audit engagement partner is now required to rotate every five years. The current external audit engagement partner is Stuart Wilson, who was appointed to lead the audit of Sabre Insurance Company Limited in 2016. The Committee has considered the length of time for which EY has carried out the audit of the main trading subsidiary of the Group and concluded that a competitive tender process should be carried out during 2020.

On behalf of the Audit and Risk Committee

CATHERINE BARTON
Chair of the Audit and Risk Committee
6 April 2020

NOMINATION COMMITTEE REPORT

PATRICK SNOWBALL
Nomination Committee Chair

Committee members
The membership as at the date of this report together with such members' appointment dates and attendance record for the year ended 31 December 2019 are set out below:

Committee members
Patrick Snowball (Chair) Appointed October 2017
Catherine Barton Appointed October 2017
Ian Clark Appointed October 2017
Andy Pomfret Appointed May 2018
Rebecca Shelley Appointed October 2017

Committee meetings in 2019

JAN	FEB	MAR	APR	MAY	JUN

JUL	AUG	SEP	OCT	NOV	DEC

Meeting attendance	
Patrick Snowball (Chair)	2/3
Catherine Barton	3/3
Ian Clark	3/3
Andy Pomfret	3/3
Rebecca Shelley	3/3

The Committee
The Committee was in place throughout the financial year ended 31 December 2019, was chaired by the Company Chairman, Patrick Snowball, and comprises the four Non-executive Directors of the Company, all of whom are considered to be free of any relationship that would affect their impartiality in carrying out their responsibilities and were independent as required under section 17 of the 2018 UK Corporate Governance Code. Three Committee meetings were held in the year ended 31 December 2019.

The Chief Executive Officer ("CEO") may also be invited to attend meetings, unless this presents a conflict of interest. During the year, the CEO either attended partially or fully all of the Committee meetings. The Company Secretary and Head of HR may be invited, but only as appropriate and only if this does not present a conflict of interest. The Committee is supported by executive search consultants as and when required.

The Chair of the Committee reports to subsequent meetings of the Board and the Company Secretary acts as the secretary to the Committee.

The terms of reference of the Committee can be found on the Company's website **www.sabreplc.co.uk/about-us/corporate-governance** and are reviewed by the Committee on an annual basis.

Committee's roles and responsibilities
The Committee meets a minimum of twice a year and as required.

The Committee leads the process for:

- reviewing the structure and composition of the Board
- overseeing succession planning for the Directors and other senior executives
- reviewing the Company's policy on diversity
- identifying, evaluating and recommending candidates to join the Board and
- making recommendations regarding their election and re-election by shareholders.

A formal, rigorous and transparent procedure using independent external search consultants or firms is undertaken before candidates are recommended to the Board. The Committee recognises the importance of diversity and, when recruiting, ensures that there are no obstacles to the Committee having visibility of suitable candidates for possible appointment to the Board and, in particular, that such appointments are based on merit regardless of gender, social and ethnic backgrounds.

The Committee has a planned cycle of activities, managed through a schedule of matters, to ensure that it addresses its responsibilities in the current financial year.

Activities during the year
During the financial year ending 31 December 2019, the Committee held three meetings. During these meetings, the Committee:

- Reviewed the position regarding succession planning and talent management for the Executive Directors and senior management of the Company and its principal subsidiary Sabre Insurance Company Limited
- Approved the Nomination Committee Report in the Annual Report for the year ended 31 December 2018
- Reviewed the ongoing professional development of Committee members and the induction of new Directors
- Discussed the balance of skills and experience on the Board and considered if any changes were necessary
- Reviewed and approved the Committee's terms of reference and schedule of matters
- Reviewed and recommended the election of Directors at the Company's 2019 Annual General Meeting
- Reviewed the Board's 360 degree feedback
- Reviewed the annual Committee's evaluation responses.

On behalf of the Nomination Committee

PATRICK SNOWBALL
Chair of the Nomination Committee
6 April 2020

REMUNERATION COMMITTEE REPORT

REBECCA SHELLEY
Remuneration Committee Chair

Committee members
The membership as at the date of this report together with such members' appointment dates and attendance record for the year ended 31 December 2019 are set out below:

Committee members
Rebecca Shelley (Chair) Appointed October 2017
Catherine Barton Appointed October 2017
Ian Clark Appointed October 2017
Andy Pomfret Appointed May 2018

Committee meetings in 2019

JAN	FEB	MAR	APR	MAY	JUN
○	●	●	○	○	○

JUL	AUG	SEP	OCT	NOV	DEC
○	○	●	○	●	○

Meeting attendance	
Rebecca Shelley (Chair)	4/4
Catherine Barton	4/4
Ian Clark	4/4
Andy Pomfret	4/4

On behalf of the Board, I am pleased to present to you the Remuneration Committee's Report for the year ended 31 December 2019. Against a backdrop of competitive market conditions, Sabre's Senior Management Team has delivered on the Group's strategy, generating a creditable underwriting result and continuing to build a solid foundation for profitable growth in future years.

Introduction
This report has been prepared in accordance with the Directors' Remuneration Reporting Regulations for UK incorporated companies set out in Schedule 8 of the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended) and the principles of the UK Corporate Governance Code.

The Committee's role is to ensure that Senior Management is appropriately incentivised to deliver sustainable growth to shareholders over the long term. The Committee has supported this objective by structuring and deploying remuneration in a cost-effective manner, embedding a clear link between pay and performance in the Group's remuneration framework.

What is in this report?
The report is presented in three sections:

- Remuneration Committee Report and the Remuneration Committee Chair's Annual Statement
- The Directors' Remuneration Policy (the "Policy")
- The Annual Report on Remuneration – this sets out the remuneration outcomes for 2019 and how the Policy will be implemented during 2020. This report will be subject to an advisory shareholder vote at the 2020 AGM.

The Remuneration Committee
The Remuneration Committee was in place throughout the financial year ended 31 December 2019, was chaired by Rebecca Shelley, and comprises the four Non-executive Directors of the Company, all of whom are considered to be free of any relationship that would affect their impartiality in carrying out their responsibilities and were independent as required under Provision 32 of the UK Corporate Governance Code. Four Committee meetings were held in the year ended 31 December 2019.

The CEO may also be invited to attend meetings, unless this presents a conflict of interest, for example when his own remuneration is discussed. Members of the Committee do not have any personal interests in the topics discussed at the Committee, except as shareholders in the Company. No Director is involved in the decisions setting his or her own remuneration. During the year, the CEO either attended partially or fully all of the Committee meetings. The Company Secretary and Head of Human Resources may be invited, but only as appropriate and only if this does not present a conflict of interest. The Chair of the Committee also meets separately with the Chief Executive Officer and the Company Secretary.

The Chair of the Committee reports to subsequent meetings of the Board and the Board receives a copy of the minutes of each meeting once these have been approved by the Committee. The Company Secretary acts as the secretary to the Committee.

The terms of reference of the Committee can be found on the Company's website **www.sabreplc.co.uk/about-us/corporate-governance** and are reviewed by the Committee on an annual basis.

Role of the Committee

The Committee meets a minimum of twice a year and as required. The Committee has a planned cycle of activities, managed through a schedule of matters, to ensure that it addresses its responsibilities in the current financial year.

The Committee is responsible for setting the Remuneration Policy for all Executive Directors, senior employees, the Company Secretary and the Company's Chairman, including pension rights and any compensation payments. It is also responsible for reviewing all share incentive plans and setting and approving the achievement of their performance conditions. The fees of the Non-executive Directors are approved by the Company Chairman and the Executive Directors. The Committee also reviews all employee pay arrangements periodically.

Activities during the year

During the financial year ending 31 December 2019, the Committee held four meetings. During these meetings, the Committee:

- Approved the prior year Directors' Remuneration Report, and reviewed shareholder comments and AGM feedback on the report
- Set the grant levels and the financial and individual performance conditions for the awards made under the 2019 Short Term Incentive Plan
- Set the financial performance conditions and grant levels for the awards under the 2019 Long Term Incentive Plan
- Reviewed and approved the payment of bonuses under the 2018 Short Term Incentive Plan, including 50% of the vested award being deferred to the Company's Deferred Bonus Plan
- Reviewed the salaries of the Executive Team and the fees for the Chairman
- Reviewed the Company's Save As You Earn employee contribution levels
- Reviewed the Company's Share Incentive Plan
- Reviewed and approved the Committee's terms of reference
- Reviewed and agreed to publish the Company's Gender Reporting Gap Report
- Reviewed and agreed a revised and more transparent approach to the non-financial measures on which the 2020 Short Term Incentive Plan awards will be partially determined.

Committee advisers

Deloitte LLP ("Deloitte") is the appointed Committee remuneration adviser, and was reappointed by the Committee during the year. Advisers attend the Committee meetings as appropriate, and provide advice on executive remuneration, best practice and market updates. The Committee evaluates the support provided by its advisers annually and is comfortable that the advisers detailed did not have any connection with the Company that may have impaired their independence. The total fees paid to Deloitte in relation to the remuneration advice provided to the Committee during the year were £55,100, excluding VAT (2018: £126,250). Fees were charged on a time and materials basis. During the year the wider Deloitte firm also provided corporate tax advisory services to the Group.

Deloitte is a founder member of the Remuneration Consultants Group and voluntarily operates under the Code of Conduct in relation to executive remuneration consulting in the UK. As such, the Committee is satisfied that the advice provided by Deloitte is independent and objective.

The Remuneration Policy

Following the Company's admission to the premium listing segment of the official list on 11 December 2017 ("Admission") the Committee designed the Company's Remuneration Policy to embed the corporate governance principles shareholders expect of a quoted company. The Policy was approved by over 99% of shareholders at the 2018 Annual General Meeting ("AGM"), and will remain in force for the financial year ending 31 December 2020.

The Policy's key features are:

- Salaries, benefits and pensions at a level to attract, incentivise and retain high-calibre employees
- Annual Bonus Plan to incentivise and reward the delivery of annual corporate and individual, financial and non-financial targets
- Bonus Deferral to ensure the alignment of Executive Directors with shareholders' interests. A portion of the annual bonus is deferred into shares, which are released two years post their grant
- Long Term Incentive Plan ("LTIP") to reward Executive Directors and Senior Management for the creation of long-term and sustainable shareholder value
- Shareholding requirements for Executive Directors to further align Executive Directors with shareholders' interests
- Malus and clawback provisions applied to awards made under the Annual Bonus Plan and LTIP to further embed pay for performance.

Executive remuneration in 2019

The Group has a well-defined strategy, whereby the profitability of business written is prioritised under all market conditions. During 2019, the motor insurance market remained a highly competitive environment, with premium increases being lower than claims inflation. Under these conditions, Sabre's strategy is to maintain pricing discipline in order to optimise margins and build a strong base to allow growth when market prices start to increase. In 2019, as anticipated, Sabre achieved a premium level of 6% below the prior year while keeping the combined operating ratio on business written within our preferred range. The Remuneration Committee discussed and approved the remuneration outcomes in respect of 2019 shortly after the year end. Whilst the Committee has the ability to use discretion to adjust awards made under both the Long Term and Short Term Incentive Plans, the Committee considered the outcomes under the Short Term Incentive Plan for 2019 were aligned with the Company's performance, so the use of discretion was not necessary. Further details and the performance conditions for the awards made under the Company's LTIP and STIP can be found on pages 62 to 64.

Executive remuneration in 2020

When determining the remuneration arrangements for the coming year, the Committee, whilst mindful that base salaries should remain competitive, also took into consideration the strong individual performance of the Executive Directors over the year.

The Committee has reviewed the salary levels of the Executive Directors and concluded that an increase of 2.3% should be made, which is in line with the average employee salary increase to both the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") with effect 1 April 2020.

Reflecting the Committee's commitment to a remuneration framework which aligns Executive Directors interests with long-term value creation, as in prior years, the grants under the 2020 LTIP for the CEO will be 125% of salary, and for the CFO will be 100% of salary. The performance conditions for these awards can be found on page 68.

The Committee has implemented a two-year post-vesting holding period for the awards made to the Executive Directors under the LTIP, for awards made from 1 January 2019, aligning the Company with the UK Corporate Governance Code. The maximum potential award under the 2020 bonus will remain in line with 2019 levels at 125% of salary. During 2018, the Committee reviewed the bonus levels for 2019 under the Company's Short Term Incentive Plan and concluded that both the CEO and CFO's maximum bonus for 2019 should be increased, within policy limits, to 125% of their salary. The Committee determined that this level remains appropriate. Whilst the performance conditions for these awards are deemed to be commercially sensitive, the Committee is satisfied that they are appropriately stretching, and they will be disclosed in the 2020 Annual Remuneration Report.

The Committee regularly monitors developments in corporate governance, the evolution of best practice and updates to regulatory guidance to ensure that its approach remains appropriate.

During 2020, the Committee will undertake a review of the Executive Directors' Remuneration Policy and approach, including the consideration of simplicity, risk and alignment to our corporate culture. The Committee has already made a number of changes to the current executive remuneration policies to reflect the revised Corporate Governance Code, such as the alignment of pension contributions with that of employees for any newly appointed Executive Directors and the introduction of a two-year post vesting holding period on LTIP awards. As we review our policy, the Committee will consider further enhancements. In doing so, we will be cognisant of shareholder views and developing market practice, in particular in relation to pension contributions for incumbent Executive Directors and a formal post-employment shareholding policy.

I look forward to sharing the outcomes of our review and consulting with shareholders over the course of the current year, with a view to seeking approval for a new Directors' Remuneration Policy at the 2021 AGM.

Wider considerations

The Committee believes in the engagement and motivation of the workforce. As a result, in 2018 the Committee decided to increase the maximum employee monthly contribution to the Company's Save As You Earn Plan from £250 to £500. It also expanded the Company's Share Incentive Plan to allow for employee contributions and employer

Statement of shareholder voting

The following table shows the results of shareholder voting relating to the approval of the Remuneration Policy and Remuneration Report at the 2018 AGM, and the approval of the remuneration report at the 2019 AGM:

2018 AGM resolution to approve the Directors' Remuneration Policy

	2018	
	Total number of votes	**% of votes cast**
For (including discretionary)	150,130,716	99.20
Against	1,214,214	0.80
Total votes cast (excluding withheld votes)	151,344,930	100
Votes withheld	665,223	n/a
Total votes cast (including withheld votes)	152,010,153	n/a

AGM resolution to approve the Directors' Remuneration Report

	2019		2018	
	Total number of votes	**% of votes cast**	**Total number of votes**	**% of votes cast**
For (including discretionary)	**201,014,779**	**92.12**	150,021,694	99.96
Against	**17,196,996**	**7.88**	58,822	0.04
Total votes cast (excluding withheld votes)	**218,211,775**	**100**	150,080,516	100
Votes withheld	**–**	**n/a**	1,929,636	n/a
Total votes cast (including withheld votes)	**218,211,775**	**n/a**	152,010,152	n/a

matched shares, at a ratio of 3:1, where for every three shares an employee purchases, the Company matches with one free share. These increases came into effect during 2019.

In line with best practice, the Committee previously appointed Ian Clark as the designated Non-executive Director to represent employees, with the intention of building a greater communication channel for employees to the Board. An engagement programme of meetings and lunches with Ian for employees was held throughout 2019. From these meetings employees' recommendations for improvements in communication have been implemented. In 2019 the Company introduced a new 'Ask Sabre' email facility, inviting employees to email their questions to management; rebuilt the Company's Intranet, to ensure clear communication with employees; increased the maternity and paternity pay with effect from 1 January 2020; and increased the notice periods of some senior employees.

Whilst the Group currently has fewer than 250 employees, and so is not required to submit a formal statement on its gender pay gap, our intention is to be transparent. As such, during 2019 the Company released its Gender Pay Gap Report, which is available on the Company's website **https://www.sabreplc.co.uk/about-us/corporate-governance/gender-pay-gap-report-2019/**. The report will be updated annually.

Shareholder engagement

Sabre and the Remuneration Committee are committed to maintaining an ongoing dialogue with shareholders on the issues of remuneration and welcome any feedback you may have, via the Company Secretary.

We look forward to your support on the resolution relating to remuneration at the Company's Annual General Meeting on 21 May 2020 and to discussing our proposals for a new Directors' Remuneration Policy over the course of the year ahead.

On behalf of the Remuneration Committee

Rebecca Shelley

REBECCA SHELLEY
Chair of the Remuneration Committee
6 April 2020

DIRECTORS' REMUNERATION POLICY

This section of the Directors' Remuneration Report contains the Directors' Remuneration Policy (the "Policy").

Our approach

The Executive Directors' remuneration has five main components: a base salary, benefits, employer pension contributions, a performance-related annual bonus (Short Term Incentive Plan) and awards made under the Company's Long Term Incentive Plan. Directors are also entitled to participate in both the all-employee share plans on the same basis as other Group employees. Detail in relation to each of these elements is set out in the following policy table.

In proposing the structure of the Executive Directors' remuneration, the Committee has been guided by the three following principles:

1 Cost effectiveness

Sabre intends to pay no more than is necessary to attract, retain and incentivise high calibre management, whilst also aligning the interests of employees with those of shareholders and, where appropriate, other key stakeholders.

2 Pay for performance

Performance-related pay will, potentially, make up a significant proportion of the Executive Directors' remuneration packages and will be assessed based on stretching targets.

3 Long-term alignment

There will be an appropriate balance of remuneration to the delivery of longer-term performance targets. In determining the Company's Remuneration Policy, the Committee has taken into account the relevant regulatory and governance principles.

The Policy governing each element of the Executive Directors' pay is outlined below:

Policy table

Element and link to strategy	Operation	Opportunity	Performance measures
Salary			
To attract, incentivise and retain Executive Directors of a high calibre.	Base salaries will be reviewed at least annually taking into account the scope and requirements of the role, the performance and experience of the incumbent Executive Director and the individual's total remuneration package. Account will also be taken of remuneration arrangements at Sabre's peer companies (and other companies of an equivalent size and complexity) and for other Group employees.	The Committee has decided not to set an overall maximum monetary opportunity or increase. However, the Committee intends that Executive Directors' salary increases will normally be in line with salary increases offered to the wider employee population. There are however specific circumstances in which the Committee could award increases outside this range which may include: – A change in the Executive Director's role and/or responsibilities – Performance and/or development in role of the Executive Director – A significant change in the Group's size, composition and/or complexity. Where an Executive Director has been appointed to the Board at a below-market starting salary, larger increases may be awarded as their experience develops, if the Committee considers such increases to be appropriate. Current salaries for the Executive Directors are set out in the Annual Report on Remuneration.	None.
Benefits			
To provide a benefits package to recruit and retain Executive Directors of a high calibre.	The Committee's policy is to provide Executive Directors with competitive levels of benefits, taking into consideration the benefits provided to Sabre's employees and the external market. Benefits currently include (but are not limited to) life insurance and private medical insurance. If an Executive Director is required to relocate as a result of his/her duties the Company may provide the Executive Director with additional benefits such as assistance with relocation, travel, accommodation or education allowances or professional tax advice, along with any associated tax liabilities.	As the costs of benefits are dependent on the Executive Director's individual circumstances, the Committee has not set a maximum monetary value. However, in approving the benefits paid, the Committee will ensure that they do not exceed a level which is, in the Committee's opinion, appropriate given the Executive Director's particular circumstances.	None.
Pension			
To support the Company's strategy of recruiting and retaining Executive Directors of a high calibre for the long term.	The Group may make employer pension contributions to a registered pension plan (or such other arrangement the Committee considers has the same economic effect) set up for the benefit of each of the Executive Directors. Alternatively, an Executive Director may be awarded some/all of the contribution as an equivalent cash allowance in lieu of pension contributions.	The amount of payments made by the Group will not exceed 17% of the individual's salary, less Employer National Insurance Contribution without shareholder approval. Details of the current contribution levels are set out in the Annual Report on Remuneration.	None.

Element and link to strategy	Operation	Opportunity	Performance measures
Short Term Incentive Plan ("STIP") – Annual bonus and Deferred Bonus Plan ("DBP")			
To incentivise and reward the delivery of annual corporate and/or individual financial and non-financial targets. To align the interests of Executive Directors with shareholders through the deferral of a portion of the bonus into shares.	The Committee will set the performance measures and targets (as well as the weighting of the performance targets) for each financial year of the Company. Annual bonus outcomes will be determined by the Committee after the end of each financial year. In exceptional circumstances the Committee may use its discretion to adjust the formulaic outcome of the performance targets to reflect corporate and individual performance during the year. The Committee may defer a proportion of any bonus award (no more than 50%) into a share award under the DBP. DBP awards will normally vest on the second anniversary of grant (or such other date as the Committee determines on grant). Malus and clawback provisions will apply (see section below for further details).	The maximum bonus opportunity for Executive Directors is 125% of base salary. Actual awards made each year to Executive Directors will be set out in the Annual Report on Remuneration in respect of that year.	Bonuses will be subject to a mixture of financial and non-financial performance targets set by the Committee at the start of the financial year to incentivise delivery of the Company's strategy. At least half of the annual bonus will be based on financial measures. Performance measures may include strategic and/or personal objectives. No payments will be made under each performance element of the bonus for less than threshold performance, at which 25% of bonus is payable.
Long Term Incentive Plan ("LTIP")			
To incentivise and reward delivery of the Group's longer-term strategic objectives for the business.	The vesting of awards will be subject to the satisfaction of performance conditions set by the Committee measured over a performance period of at least three years. The Committee may determine that awards may be subject to a post-vesting holding period before any underlying shares may be sold. Malus and clawback provisions will apply to unvested and vested awards respectively (see section below for further details). For awards made under the LTIP, with effect 1 January 2019, the Committee has implemented a two-year post-vesting holding period for awards made to the Executive Directors.	The maximum award in respect of any financial year will be 175% of salary. Actual awards made each year to Executive Directors will be set out in the Annual Report on Remuneration in respect of that year.	The majority of performance measures used to assess performance under the LTIP will be financial. A portion will be based on relative Total Shareholder Return. No payments will be made under each performance condition of the LTIP for less than threshold performance, at which 25% of the award vests, rising to 100% for maximum performance.
All-employee share plans			
To align the Executive Directors with the wider workforce.	Executive Directors are eligible to participate in any all-employee share plans in place, which are operated in line with HMRC guidance. These are currently a share acquisition and free share plan, known as the UK Share Incentive Plan, ("SIP"), and a savings-related share option plan, known as the Save As You Earn ("SAYE") Plan.	Participation in the Group's all-employee share plans will be subject to any applicable maximum limits as set by HMRC.	None.

Non-executive Directors

Approach to fees	Operation	Opportunity	Other items
Fees paid to the Chairman and Non-executive Directors			
To attract Non-executive Directors of an appropriate calibre and with sufficient experience to ensure the effective management of the Company.	Fee levels will normally be reviewed (though not necessarily increased) annually. Fees will be set with reference to the time commitment and responsibilities of the position. The fee for the Chairman will be determined by the Committee. Fees for Non-executive Directors will be determined by the Chairman and the Executive Directors.	Details of the current fee of the Chairman and the fee levels for the Non-executive Directors are set out in the Annual Report on Remuneration. There is no prescribed maximum fee or annual increase. Total fees will not exceed the limit set out in the Company's Articles of Association. Further fees may be paid for additional responsibilities (such as being a member of or chairing a Board Committee or acting as the Senior Independent Director) or for an increased time commitment during the year.	Each Non-executive Director will be entitled to be reimbursed for all reasonable costs incurred in the course of his/her duties, including travel and accommodation expenditure, along with any related tax liabilities.

Notes to the policy table

Prior arrangements

The Board reserves the right to make any remuneration payments and/or payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the Policy set out on the prior pages where the terms of the payment were agreed (i) before the Policy came into effect; or (ii) at a time when the relevant individual was not a Director of the Group and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Group. For these purposes "payments" includes the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are "agreed" at the time the award is granted.

Selection of performance conditions

For the Short Term Incentive Plan ("STIP"), the Committee believes that a mix of financial and non-financial targets is most appropriate. Strategic and personal objectives may be included where appropriate to ensure delivery of key business milestones. Targets are set by the Committee taking into account internal and external forecasts.

For the Long Term Incentive Plan ("LTIP"), the Committee believes that awards should be linked to the value created for shareholders over the period. Therefore, the majority of performance measures used to assess performance under the LTIP will be financial, with a portion based on relative Total Shareholder Return ("TSR").

Terms common to the DBP and LTIP

Awards under the DBP and LTIP may:

- be granted as conditional share awards or nil-cost options or in such other form that the Committee determines has the same economic effect
- have any performance conditions applicable to them amended or substituted by the Committee if an event occurs which causes the Committee to determine an amended or substituted performance condition would be more appropriate and not materially less difficult to satisfy
- incorporate the right to receive an amount (in cash or additional shares) equal to the value of dividends which would have been paid on the shares under an award that vests up to the time of vesting (or, where the award is subject to a holding period, the end of that holding period). This amount may be calculated assuming that the dividends have been reinvested in the Company's shares on a cumulative basis
- be settled in cash at the Committee's discretion
- be adjusted in the event of any variation of the Company's share capital or any demerger, delisting, special dividend or other event that may materially affect the current or future value of the Company's shares.

Malus and clawback

Malus and clawback applies to all awards granted under the STIP and LTIP. These provisions may be invoked at the Committee's discretion at any time prior to the third anniversary of the grant of a cash bonus or DBP award, or to the fifth anniversary of the grant of an LTIP award. In these circumstances, the Committee may reduce or impose additional conditions on an award or require that the participant returns some or all of the value acquired under the award.

The Committee has the discretion to invoke these provisions where there has been:

- A material misstatement of any Group member's audited accounts
- An error in assessing the relevant performance conditions or the information or assumptions on which the award was granted or vested
- Misconduct on the part of the Executive Director
- Serious reputational damage to, or a material failure of risk management by, a member or business unit of the Group.

Within the period beginning on:

- In the case of LTIP awards, the start of the performance period and ending on the fifth anniversary of the date of grant
- In the case of STIP (cash bonus and DBP awards), the start of the financial year in respect of which the award is granted and ending on the third anniversary of the date of grant.

The Board will retain the discretion to calculate the amount to be recovered, including whether or not to claw back such amount gross or net of any tax or social security contributions applicable to the award.

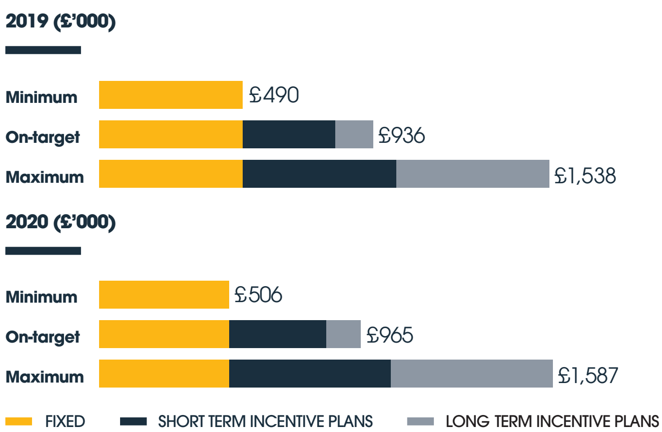
Remuneration scenario charts

The charts below illustrate the potential remuneration for each of the Executive Directors, using a range of assumptions, for the forthcoming year. The charts show the potential value of the current Executive Directors' remuneration under three scenarios: minimum, maximum and on-target, based on the following assumptions:

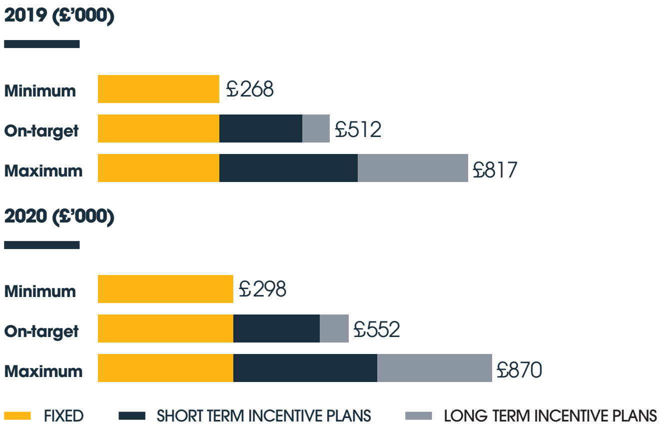
Pay scenario	Basis of calculation
Minimum	Fixed pay only consisting of salary, benefits and pension
On-target	Fixed pay, plus the potential value of the annual bonus at target (60% of the maximum for 2020) and the LTIP award vesting at threshold (25% of the maximum)
Maximum	Fixed pay, plus the maximum potential opportunity for the annual bonus (100% of the maximum) and the LTIP award vesting (100% of the maximum)

Remuneration scenario graph for illustrative purposes, based on the remuneration package of the Executive Directors:

CEO's remuneration package:



CFO's remuneration package:



All scenarios exclude share price growth and dividends.

These graphs are for illustrative purposes. They include the LTIP grants, which will be made in 2020 but will not vest until 2023.

Remuneration Policy for new Executive Directors

The Committee intends to set any new Executive Director's remuneration package in line with the Policy outlined earlier in this section. In recognition of the changes in the corporate governance environment, the Committee will align the Company's pension contributions for any newly appointed Executive Director with those of the average employee. For the financial year ended 31 December 2019, the average Company employee pension contribution was 7.47%.

When determining the design of the total package in a recruitment scenario, the Committee will consider the size and scope of the role, the candidate's skills and experience and the market rate for such a candidate, in addition to the importance of securing the preferred candidate. In some circumstances, the Board may be required to take into account common remuneration practices in another country and, if applicable, may consider awarding payments in respect of relocation costs. In line with the Policy, in relation to annual bonus and LTIP awards, maximum variable remuneration will not exceed 300% of salary.

In the event that Sabre wishes to hire a candidate with unvested long-term incentives accrued at a previous employer which would be forfeited on the candidates leaving that company, the Committee retains the discretion to grant awards with vesting on a comparable basis to the likely vesting of the previous employer's award. The LTIP rules have been drafted to permit the grant of recruitment awards on this basis to an individual on one occasion (which will not be counted towards the annual 175% LTIP limit and which will be subject to such vesting schedules and performance conditions (if any) as the Committee may determine). If it is not possible or practical to grant recruitment awards under the LTIP, the Committee may rely on the provisions of Listing Rule 9.4.2 to grant the awards. For internal candidates, LTIP awards granted in respect of the prior role would be allowed to vest according to their original terms, or adjusted if appropriate to take into account the appointment.

For the appointment of a new Chairman or Non-executive Director, the fee would be set in accordance with the Policy. The length of service and notice periods would be set at the discretion of the Committee, taking into account market practice, corporate governance considerations and the skills and experience of the particular candidate at that time.

Service agreements and exit payment policy

In line with the UK Corporate Governance Code Provision 18, all Directors are subject to re-election annually at the Company's Annual General Meeting.

Director	Date of appointment	Notice period	Unexpired term
Geoff Carter	21/09/2017	12 months	–
Adam Westwood	21/09/2017	12 months	–
Patrick Snowball	21/09/2017	3 months	9 months
Andy Pomfret	28/02/2018	3 months	14 months
Catherine Barton	04/10/2017	3 months	9 months
Ian Clark	21/09/2017	3 months	9 months
Rebecca Shelley	04/10/2017	3 months	9 months

Shareholders may inspect the Executive Directors' contracts or the Non-executive Directors' terms of appointment at the Company's registered office.

Both Geoff Carter and Adam Westwood have written service contracts with the Company with no fixed end date but which are terminable by either the Company or the Executive Director on not less than 12 months' notice.

In the event notice is given to terminate an Executive Director's contract, the Company may make a payment in lieu of notice equal to the value of the Executive Director's salary for the notice period. Any such payments may be made, at the Committee's discretion, as a lump sum or in instalments, subject to mitigation by the Executive Director. It is the Committee's intention that the service contracts for any new Executive Directors will contain equivalent provisions. In the event that an Executive Director leaves the Group, entitlement they have to any variable pay will be determined in accordance with the relevant incentive plan rules.

The Chairman and each of the independent Non-executive Directors have a notice period of three months and may receive fees in respect of any notice period.

Short Term Incentive Plan ("STIP") – Annual Bonus and Deferred Bonus Plan ("DBP")

Executive Directors will not have any automatic entitlement to a bonus for the financial year in which they leave the Group. The Committee may however pay a bonus if it considers it appropriate, which will normally be time pro-rated to reflect the proportion of the financial year served. Any such bonus may be paid out in such proportions of cash and share awards as the Committee considers appropriate.

Unvested DBP awards will normally lapse when an Executive Director leaves the Group. However, if an Executive Director's departure is a result of their ill-health, injury, disability or redundancy or their employing company or business being sold out of the Group, or in such other circumstances as the Committee may determine (excluding gross misconduct) (known as "Good Leaver Reasons"), their award will normally vest on the original vesting date, although the Committee has the discretion to allow awards to vest earlier if the Committee considers it appropriate.

Long Term Incentive Plan ("LTIP")

Unvested LTIP awards will also normally lapse when an Executive Director leaves the Group. However, if the Executive Director's departure is as a result of a Good Leaver Reason, their LTIP awards will normally vest (and be released from any applicable holding period) on the original timetable set, although the Committee has the discretion to accelerate the vesting and release of awards. The extent to which unvested LTIP awards vest in these circumstances will be determined by the Committee, taking into account the extent to which the relevant performance conditions have, in its opinion, been satisfied (over the original performance period, where the vesting of the award is not being accelerated) and, unless the Committee determines otherwise, the proportion of the performance period that has elapsed at the time the Executive Director leaves.

If an Executive Director leaves the Group holding vested LTIP awards which are subject to a holding period, these awards will normally be released at the end of the original holding period, unless the Committee allows the holding period to be shortened. However, if the Executive Director is dismissed for gross misconduct, all his or her LTIP awards will lapse.

If an Executive Director dies, their DBP and LTIP awards will normally vest (and be released from any holding periods) as soon as reasonably practicable after their death. The extent to which unvested LTIP awards vest in these circumstances will be determined by the Committee in the same way as for other Good Leaver Reasons described above.

The Committee reserves the right to make any other payments in connection with a Director's cessation of office or employment where the payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of settlement of any claim arising in connection with the cessation of a Director's office or employment. Any such payments may include but are not limited to paying any fees for outplacement assistance and/or the Director's legal and/or professional advice fees in connection with his cessation of office or employment.

Change of control

In the event of a change of control of the Company, LTIP and DBP awards will normally vest and be released early. The proportion of any unvested LTIP awards which vest will be determined by the Committee, taking into account the extent to which it determines that any performance conditions have been satisfied at the time, and, unless the Committee determines otherwise, the proportion of the performance period that has elapsed. DBP awards will normally vest in full.

Alternatively, the Board may permit an Executive Director to exchange their awards for equivalent awards of shares in a different company (including the acquiring company). If the change of control is an internal reorganisation of the Group or in other circumstances where the Committee considers it appropriate, Executive Directors may be required to exchange their awards.

If other corporate events occur such as a winding-up of the Company, demerger, delisting, special dividend or other event which, in the opinion of the Committee, may materially affect the current or future value of the Company's shares, the Committee may determine that awards will vest and be released on the same basis as for a change of control.

Consideration of shareholder views

The terms of the Policy are in line with those set out in the Company's Prospectus which was issued on 23 November 2017.

The Committee will consult with major shareholders prior to any significant changes to the Policy and will continue to value their views when deciding on future executive remuneration strategy.

Consideration of employment conditions at Sabre

In setting the Policy which would apply for Executive Directors, the Committee was led by the same principles which determined all employee remuneration: cost effectiveness, pay for performance and long-term alignment.

These principles evidence themselves in all employee remuneration as follows:

- **Cost effectiveness** – As with the Directors, in setting compensation across the Group, Sabre intends to pay no more than is necessary to attract, retain and incentivise high-calibre individuals, setting remuneration competitively but not excessively.
- **Pay for performance** – Many full time Group employees are eligible to participate in some form of share-based incentive. Key individuals below Board level have been invited to participate in the LTIP, in order for there to be alignment between senior management and the Executive Directors' objectives.
- **Long-term alignment** – Following Admission, in line with our philosophy of encouraging our workforce to be investors in the Group, all eligible employees were offered an award of free shares under the Share Incentive Plan. The Company operates both a Save As You Earn ("SAYE") Plan and a Share Incentive Plan ("SIP") to further facilitate employee investment in the Group and their long-term alignment.

Although the Committee has not formally consulted employees on the Policy, the Committee appreciates the importance of an appropriate relationship between the remuneration levels of the Executive Directors, senior executives, managers and other employees within the Group.

When reviewing and determining pay for Executive Directors, the Committee takes into account the level and structure of remuneration, as well as salary budgets, for other employees in the Group.

In addition, as a result of the implementation of the all-employee share plans referred to above, many of the Group's employees are Sabre shareholders and therefore have the opportunity to express their views through the same means as any other shareholder. The Company has also appointed Ian Clark as the designated Non-executive Director to represent employee opinions at the Board.

This section of the Directors' Remuneration Report sets out the remuneration paid to Sabre's Directors in respect of the year ending 31 December 2019.

In line with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended in 2013) the following parts of the Annual Report on Directors' Remuneration are audited:

– The single total figure of remuneration for each Director, including pension entitlements, STIP and LTIP outcomes for the financial year ended 31 December 2019
– Share plan awards granted during the year ended 31 December 2019
– Directors' external appointments
– Payments to past Directors and payments for loss of office
– Directors' shareholdings and share interests.

All other parts of the Annual Report on Directors' Remuneration are unaudited.

Single figure of remuneration (audited)

The table below sets out the total remuneration received by Executive Directors and Non-executive Directors in respect of the financial year ended 31 December 2019.

£'000s

	Salary		Taxable benefits		Pension		Short Term Incentive Plan[1]		Long Term Incentive Plan[2]		Total remuneration	
Individual	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019[3]**	**2018**	**2019**	**2018**	**2019**	**2018**
Executive Directors												
Geoff Carter	**419**	400	**2**	15	**69**	53	**330**	292	**–**	–	**820**	760
Adam Westwood	**244**	225	**1**	2	**24**	20	**192**	165	**–**	–	**461**	412
Executive Director Total	**663**	625	**3**	17	**93**	73	**522**	457	**–**	–	**1,281**	1,172
Non-executive Directors												
Patrick Snowball	**150**	150	**–**	–	**–**	–	**–**	–	**–**	–	**150**	150
Andy Pomfret	**70**	59	**–**	–	**–**	–	**–**	–	**–**	–	**70**	59
Catherine Barton	**70**	70	**–**	–	**–**	–	**–**	–	**–**	–	**70**	70
Ian Clark	**80[6]**	60	**–**	–	**–**	–	**–**	–	**–**	–	**80**	60
Rebecca Shelley	**70**	70	**–**	–	**–**	–	**–**	–	**–**	–	**70**	70
Non-executive Director Total	**440**	409	**–**	–	**–**	–	**–**	–	**–**	–	**440**	409
Total	**1,103**	1,034	**3**	17	**93**	73	**522**	457	**–**	–	**1,721**	1,581

1 Awards made under the STIP will be subject to recovery and withholding provisions in line with the Company's Remuneration Policy.
2 Awards made under the LTIP will be subject to recovery and withholding provisions in line with the Company's Remuneration Policy. There were no awards under the Company's LTIP due to vest during the financial year ended 31 December 2019.
3 Awards made under the STIP are paid for performance over the relevant financial year. Details of the performance targets and performance against the targets for the 2019 STIP awards are detailed on pages 62 and 63. Consistent with the terms of the 2018 Remuneration Policy, 50% of the bonus earned in relation to the financial year ended 31 December 2019 is deferred into the Company's shares for two years, with the balance payable in cash. These shares will be held in the Sabre Group Employees' Share Trust.
4 Taxable benefits include private medical insurance and payment in lieu of holiday not taken.
5 The Company operates a Share Incentive Plan (SIP) which is open to all employees. "Other" is the value of matching SIP shares attributable to the year. In 2019 Geoff Carter participated in the SIP up to the maximum extent permitted by HMRC. The Company offers a 1:3 match for partnership shares purchased by employees and this amounted to £301.08.
6 The amount paid to Mr Clark in 2019 includes £10,000 in back pay in respect to 2018.

Base salary

The annual salary paid to the Executive Directors, with effect from 1 April 2019, is shown in the table below. During the year, the Committee reviewed Executive Director salaries, taking into account the individual's role and experience and pay for the broader employee population. The Committee has decided to increase Executive Director base salaries for the year ending 31 December 2020 in line with the average employee increase, with effect 1 April 2020. Details of the salaries that will apply in 2020 are provided on page 67.

Base salary	Annual salary (£) with effect 1 April 2019
Geoff Carter	£425,000
Adam Westwood	£250,000

2019 Short Term Incentive Plan

Framework and outcomes for the financial year ended 31 December 2019

For the financial year ended 31 December 2019, the Executive Directors were eligible to participate in the Company's Short Term Incentive Plan ("STIP") with performance conditions aligned with Sabre's strategic priorities. The maximum annual bonus opportunity was 125% of salary for Geoff Carter and 125% for Adam Westwood. The STIP was based 60% on financial targets and 40% on non-financial targets. Awards were made subject to the maintenance of a satisfactory risk, compliance and internal control environment during the performance period.

The range of personal targets set for Geoff Carter and Adam Westwood and the Committee's assessment of their performance against them are detailed below.

Geoff Carter	Weighting as a % of personal/ strategic bonus opportunity	Actual performance
Objective		
Continued development of governance processes and investor relations. Evidenced by a positive annual IR survey outcome and enhanced risk and compliance approach.	25%	85%
Progress against strategic objectives, including: – Maintaining focus on the core principles underlying the Company's strategy in challenging market conditions, and reviewing underwriting processes to ensure appropriateness as the Company evolves. – Monitoring and responding appropriately to civil liability/Ogden reforms. – Enhancement in core car product through expansion of the quotability footprint, utilising new data sets and implementing additional fraud controls. – Progressing opportunities to develop the business such as the Saga agreement which was signed in November 2019. – Responding effectively to the FCA pricing review through extensive analysis and engagement with the regulator and trade bodies. – Development of an agreed medium-term capital plan and more effective investment approach with appointment of new investment manager for 2020. – Review and optimisation of expenses in the post-IPO environment.	75%	85%
Total % of personal/strategic objectives	100%	85%

Adam Westwood	Weighting as a % of personal/ strategic bonus opportunity	Actual performance
Objective		
Reviewing the deployment of the Group's capital resources to ensure optimal return and risk profile for the Group's shareholders, including new investment strategy agreed with Board and newly-appointed asset manager.	45%	85%
Developing further automation within the Group's Finance function in order to increase efficiency and reduce cost. New enhanced BACS-based processing of claims delivered to plan to support risk/fraud reduction and faster processing of claims payments.	45%	85%
Building good relationships with all covering and potential investment analysts, and engage with analysts to ensure consensus remains appropriate.	10%	90%
Total % of personal/strategic objectives	100%	86%

Committee Chair commentary on Executive Directors' personal performance

Sabre is predominantly a technical underwriting and claims management business. The Company strategy is therefore centred on maintaining a Combined Operating Ratio between 70% and 80% throughout all market conditions, treating volume as an output not a target. The strategy does not currently envisage material product development, merger and acquisition activity or territorial expansion.

As such the Committee considers the effective implementation of the strategy to be characterised by the quality of ongoing pricing, claims management and underwriting activity, and primarily assesses Executive performance against these measures.

As outlined in this report, 2019 was a challenging year for motor insurers, with a number of regulatory reviews and ongoing competitive market conditions. Within this context, the Committee considers the 2019 results to be creditable, with particular reference to COR targets being achieved whilst accepting that this would deliver lower premium levels.

Management have been forthright in assessing a claims inflation rate of around 7-8% throughout 2019, with many competitors only latterly referencing these levels. In a similar manner Sabre has maintained, and publicised, a prudent position on the ongoing civil liability reforms which at the time of writing appears to be correct.

The individual performance objectives detailed above for both Geoff Carter and Adam Westwood were determined by the Committee to have been achieved at 85% and 86% respectively. The Committee reviewed its ability to use discretion on the achievement of the awards, and felt that based on the Company and individuals' performance, that the awards made were in line with expectations. The Committee concluded that awards of 63.1% to the CEO and 63.2% to the CFO of the maximum opportunity of 125% should be made.

Awards under the STIP for 2020 will be based on a combination of financial and non-financial measures as described on page 68.

The range of financial targets set and actual performance against the targets is detailed below:

Financial measure	Weighting as a % of total bonus opportunity	Threshold	Target	Stretch	Actual performance	Actual bonus payable as a % of total bonus opportunity
Adjusted Profit After Tax	40%	£42.5m	£50m	£57.5m	£45.9m	16%
Return on tangible equity ("ROTE")	20%	37.47%	44.08%	50.69%	42%	9.37%

The range of non-financial targets set and actual performance against the targets is detailed below:

Non-financial measure	Weighting as a % of total bonus opportunity	Threshold	Target	Stretch	Actual performance	Actual bonus payable as a % of total bonus opportunity
Customer	25	>9/12 months standards achieved	10/12 months standards achieved	12/12 months standards achieved	12	25%
Individual	15	Page 62	Page 62	Page 62	Page 62	Page 62

Long Term Incentive Plan ("LTIP")

Vesting of awards under the LTIP in the financial year ended 31 December 2019

Shortly prior to Admission, shareholders approved the introduction of the Sabre 2017 LTIP. No awards under the LTIP were due to vest in 2019 because the first LTIP award was granted in 2018 and is due to vest in 2021.

Granting of awards under the LTIP in the financial year ended 31 December 2019

In line with the Company's Directors' Remuneration Policy, both Geoff Carter and Adam Westwood were granted awards (125% and 100% of salary respectively) under the Company's LTIP during the financial year ended 31 December 2019.

The performance conditions applicable to these awards are detailed below. 50% of the award is subject to a challenging cumulative underlying Earnings Per Share ("EPS") target to be achieved in the financial year ended 31 December 2021. 50% of the award is subject to a performance target comparing the Company's Total Shareholder Return ("TSR") against the TSR of the companies of the FTSE 250, excluding investment trusts and companies in the extractive industries over the three years commencing 1 January 2019. The awards were granted as nil cost conditional awards.

Details of awards granted on 11 April 2019:

Executive Director	Basis of award	Face value	Shares over which awards were granted[1]	Threshold vesting (% of award)	Performance period	Performance measure
Geoff Carter	125% of salary	£531,250	183,575	25%	1 January 2019 to 31 December 2021	Cumulative underlying EPS (50%) and relative TSR performance condition (50%)
Adam Westwood	100% of salary	£250,000	86,388	25%	1 January 2019 to 31 December 2021	Cumulative underlying EPS (50%) and relative TSR performance condition (50%)

1 The number of shares granted was calculated on the average share price of the five working days immediately preceding the date of grant of £2.894.

The performance targets for the 2019 LTIP are detailed below:

EPS

Vesting %	Cumulative underlying EPS
Threshold – 25%	54.5 pence
Target – 60%	60.6 pence
Maximum – 100%	66.7 pence
Straight line basis	Between Threshold and Target and Target and Maximum

TSR

Vesting %	Sabre TSR vs TSR comparators
Threshold – 25%	Median
Maximum – 100%	Upper quartile
Straight line basis	Between Threshold and Maximum

Awards will be subject to malus and clawback provisions.

With regards to the choice of metrics, EPS aligns the Executive Directors with delivering key long-term profitable growth, with TSR providing alignment with shareholders in that vesting will only take place for creating above median returns.

External appointments (audited)

Neither of the Executive Directors currently holds a paid external appointment.

Payments to past Directors (audited)

There were no payments to past Directors in the year.

Payments for loss of office (audited)

There were no payments to Directors for loss of office in the year.

Sourcing of shares (dilution limits)

The terms of the Group's share plans set limits on the number of newly issued shares that may be issued to satisfy awards. In accordance with guidance from the Investment Association, these limits restrict overall dilution under all plans (the LTIP, the DBP, the Save As You Earn ("SAYE") Plan, the Share Incentive Plan and any other employee share scheme adopted by the Group) to under 10% of the Company's issued share capital over a ten-year period. Furthermore, the LTIP and DBP set a further limitation that not more than 5% of the Company's issued share capital may be issued in any 10-year period on discretionary plans. As at 31 December 2019, Sabre was operating within these limits.

Share awards and other outstanding share awards granted during the year ending December 2019 (audited)

Details of awards granted during the year are detailed below. The LTIP is subject to performance targets, which are detailed to the left of this page.

Long Term Incentive Plan ("LTIP")

Director		Holding on 1 January 2019	Granted during the year	Option price (£)	Exercised during the year	Lapsed	Market price at exercise date (£)	Holdings on 31 December 2019	Date of grant	Share price on date of grant (£)	Vesting date	Gain on exercise (£'000)
Geoff Carter	2018	186,289	0	n/a	0	0	n/a	186,289	21 June 2018	2.67	After the release of the results for the year ended 31 December 2020	n/a
	2019	0	183,575	n/a	0	0	n/a	183,575	11 April 2019	2.884	After the release of the results for the year ended 31 December 2021	n/a
	Total	**186,289**	**183,575**	**n/a**	**0**	**0**	**n/a**	**369,864**	**–**	**–**	**–**	**n/a**
Adam Westwood	2018	83,830	0	n/a	0	0	n/a	83,830	21 June 2018	2.67	After the release of the results for the year ended 31 December 2020	n/a
	2019	0	86,388	n/a	0	0	n/a	86,388	11 April 2019	2.884	After the release of the results for the year ended 31 December 2021	n/a
	Total	**83,830**	**86,388**	**n/a**	**0**	**0**	**n/a**	**170,218**	**–**	**–**	**–**	**n/a**

Deferred Bonus Plan ("DBP")

Director	Number of shares granted during the year	Share price used at date of grant[1] (£)	Face value of award at grant[2] (£)	Date of grant	Release date
Geoff Carter	50,421	£2.894	£145,918	11/4/19	11/4/21
Adam Westwood	28,362	£2.894	£82,080	11/4/19	11/4/21

1 The share price of £2.894 represents the average share price of the five working days immediately prior to the date of grant.
2 Represents 50% of the 2018 bonus award that was deferred into shares.

Save As You Earn ("SAYE") Plan

Director		Holding on 1 January 2019	Granted during the year	Option price (£)	Exercised during the year	Lapsed	Market price at exercise date (£)	31 December 2019	Date of grant	Share price on date of grant (£)	Exercisable period	Gain on exercise (£'000)
Geoff Carter	2018	4,293	–	2.096	–	–	n/a	4,293	24 May 2018	2.650	1 July 2021 to 31 December 2021	n/a
	2019	–	3,174	2.268	–	–	n/a	3,174	30 April 2019	2.660	1 July 2022 to 31 December 2022	n/a
	Total	**4,293**	**3,174**	**n/a**	**–**	**–**	**n/a**	**7,467**	**–**	**–**	**–**	**n/a**
Adam Westwood	2018	4,293	–	2.096	–	–	n/a	4,293	24 May 2018	2.650	1 July 2021 to 31 December 2021	n/a
	Total	**4,293**	**–**	**n/a**	**–**	**–**	**n/a**	**4,293**	**–**	**–**	**–**	**n/a**

Share Incentive Plan ("SIP")

Director	Purchased during the year	Granted during the year in the form of matching shares	Exercised during the year	Lapsed	31 December 2019	Vesting date	Gain on exercise (£'000)
Geoff Carter	318	108	–	–	426	Shares can be exercised with effect from the third anniversary of their grant	n/a
Total	**318**	**108**	**–**	**–**	**426**		**n/a**

Directors' shareholdings and share interests (audited)

To further align Executive Directors with shareholders, the Committee has shareholding requirements for the Executive Directors. Executive Directors will be expected to build and hold shareholding having a value of at least 200% of their base salary. To support the implementation of this measure Executive Directors will be required to retain 50% of any share awards vesting (after settling any tax liability) until the 200% requirement is met.

Shareholding requirements and the number of shares held by Directors during the year and as at 31 December 2019 are set out in the table below:

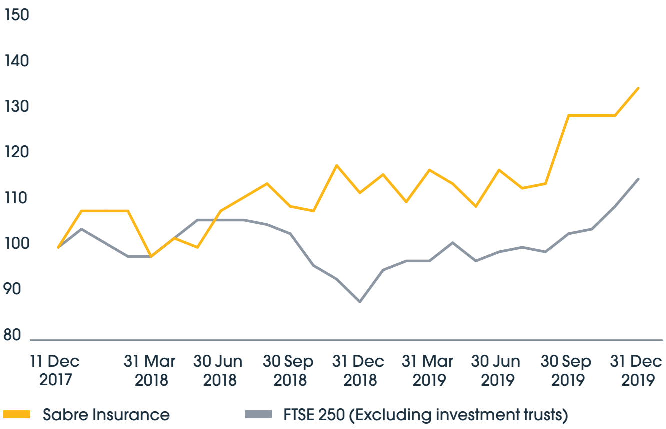
Director	Number of unvested shares subject to performance as at 31 December 2019	Number of unvested shares not subject to performance as at 31 December 2019[1]	Number of shares held under the Deferred Bonus Plan as at 31 December 2019	Number of shares held as at 31 December 2019	Number of shares held as at 31 December 2018	Shareholding requirement as a % of salary	Shareholding as a % of salary achieved at 31 December 2019[2]
Current Directors							
Geoff Carter	369,864	7,785	50,421	1,545,372	1,965,372	200%	1134%
Adam Westwood	170,218	4,293	28,362	652,303	842,303	200%	822%
Patrick Snowball	n/a	n/a	n/a	105,288	105,288	n/a	n/a
Andy Pomfret	n/a	n/a	n/a	43,478	43,478	n/a	n/a
Catherine Barton	n/a	n/a	n/a	7,312	–	n/a	n/a
Ian Clark	n/a	n/a	n/a	265,761	265,761	n/a	n/a
Rebecca Shelley	n/a	n/a	n/a	7,309	–	n/a	n/a

1 These awards relate to share options and share awards under the Company's SIP and SAYE Plans.
2 Calculated using a share price of £3.075 (as at 31 December 2019).

Company performance – relative Total Shareholder Return

The graph below shows Sabre's relative Total Shareholder Return ("TSR") performance from Admission to 31 December 2019 against the TSR performance of the FTSE 250 Index (excluding investment trusts and extractive industries). This is a broad equity market index, which the Committee considered to be the most appropriate comparator.

TSR PERFORMANCE VS FTSE 250 EXCLUDING INVESTMENT TRUSTS SINCE IPO

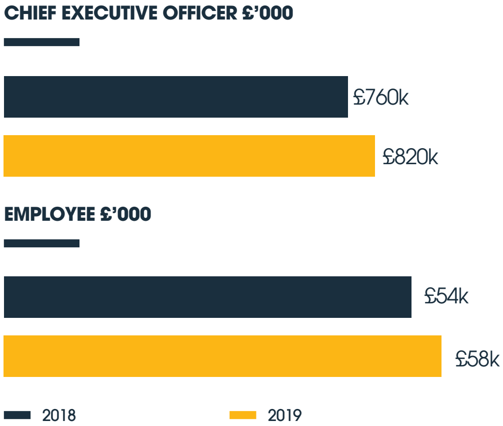


The following table shows the Chief Executive Officer's remuneration for current and prior years:

	2019 (£)	2018 (£)	2017 (£)
Single figure of remuneration	820K	760K	251K
Annual bonus pay out (as a % of maximum opportunity)	63.1%	73.0%	n/a
LTIP vesting (as a % of maximum opportunity)	n/a	n/a	n/a

Percentage change in Chief Executive Officer's remuneration

The graph below shows the change in CEO annual cash, defined as salary, taxable benefits, and annual bonus, compared to the average employee for 2018 and 2019.



CEO annual cash	2019 £'000	2018 £'000	% Change (annualised)	Average for other employees % change
Salary and pension	**488**	453	7.67%	3.41%
Taxable benefits	**2**	15	(86.67%)	6.32%
Annual variable	**330**	292	13.01%	18.99%
Total	**820**	760	7.86%	6.02%

Arrangements for the wider workforce

The Committee seeks to align the remuneration of the Executive Directors and Senior Management with consistency in reward practices throughout the Group. In 2018 the Committee increased the maximum monthly contribution under the SAYE Plan and expansion of the SIP to include employee contributions, which is matched by the Company at a 3:1 ratio. These changes came into effect in the financial year ended 31 December 2019. All employees receive a salary at or above the National Living Wage, and all full time employees are eligible to receive a performance-related bonus.

CEO ratio

The ratio compares the total remuneration of Geoff Carter, the Chief Executive Officer, as set out in the Directors' Remuneration Report, against the remuneration of the median employee, as well as employees in the lower and upper quartiles. We will build up our reporting of these figures over time to cover a ten-year rolling basis.

The ratios were calculated using the Option A methodology, which uses the pay and benefits of all UK employees. The employee pay data used was based on the total remuneration of all of Sabre's full time employees as at 31 December 2019. The CEO's pay is as per the single total figure of remuneration for 2019, as disclosed on page 66.

The Committee has considered the pay data and believes that the pay of the CEO fairly reflects pay at the relevant quartiles among Sabre's employees.

2018	CEO's remuneration (£'000)	25th percentile	50th percentile	75th percentile
Pay ratio	760	29.4: 1.0	19.5: 1.0	13.2: 1.0
Remuneration values		£25,849	£39,107	£57,667
2019	**CEO's remuneration (£'000)**	**25th percentile**	**50th percentile**	**75th percentile**
Pay ratio	820	33.2:1	21.8:1	13.2:1
Remuneration values		£24,719	£37,561	£62,020

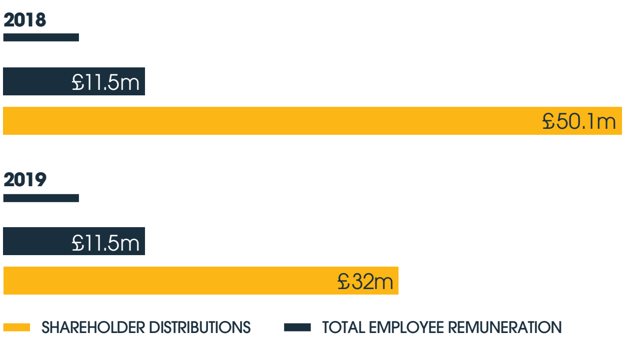
Relative importance of spend on pay

The following table illustrates total remuneration for all employees compared to distributions to shareholders in respect of the last two financial years.

Measure	2019	2018
Shareholder distributions	£32m	£50.1m[3]
Total employee remuneration[1]	£11.5m	£11.5m

1 Total personnel cost.
2 Includes the interim and final dividends declared in respect of the financial year ended 31 December 2019.
3 Includes the interim, special and final dividends declared in respect of the financial year ended 31 December 2018.

RELATIVE IMPORTANCE OF SPEND ON PAY £'000



Implementation of the Policy in 2020

It is intended that during 2020 remuneration arrangements will continue to be implemented in line with our Remuneration Policy.

Salaries

The Executive Directors' salaries were reviewed during the year. The Committee decided to increase the salaries for Geoff Carter and Adam Westwood in line with the average increase given to employees across the Group. The revised salaries, with effect from 1 April 2020, are £434,775 for Geoff Carter, and £255,750 for Adam Westwood. The Committee was comfortable setting base salaries at these levels given the size of the roles and the experience and calibre of the individuals. As per the Policy, the Committee will continue to review salaries on an annual basis, and may make further increases in future years, in line with the Policy.

	Salary as at 1 April 2020	Salary as at 31 December 2019	Increase
Geoff Carter	£434,775	£425,000	2.3%
Adam Westwood	£255,750	£250,000	2.3%

Chairman and Non-executive Director fees

During the year, the Committee reviewed the Chairman's fee in light of the time commitment required of the role, and agreed to no change in 2020.

During the year the Chairman, Chief Executive Officer and Chief Financial Officer reviewed the Non-executive Directors' fees in light of the time commitment required of the role, and agreed to no change in 2020.

The fees which will apply in 2020 are as follows:

Role	Fee (£) 2020	Fee (£) 2019
Chairman fee (all-inclusive fee)	£150,000	£150,000
Non-executive Director base fee	£60,000	£60,000
Senior Independent Director fee	£10,000	£10,000
Committee Chairman fee	£10,000	£10,000
Designated Employee Representative Non-executive Director	£10,000	£10,000
Committee member fee	None	None

The Chairman and Non-executive Directors' fees for the financial year ended 31 December 2020 are therefore:

Director	Reason for fee	Total annual fee (£)
Patrick Snowball	Company Chairman	150,000
Andy Pomfret	Non-executive Director Senior Independent Director	70,000
Catherine Barton	Non-executive Director Audit and Risk Committee Chair	70,000
Ian Clark	Non-executive Director Designated Non-executive Director for Employee Engagement	70,000
Rebecca Shelley	Non-executive Director Remuneration Committee Chair	70,000

Pension

The maximum employer contribution is 17% of salary. For 2020, the Chief Executive Officer will receive cash in lieu of pension equal to 17% of salary less Employer National Insurance Contributions, and the Chief Financial Officer will receive a contribution of 10% of salary as a combination of plan contribution and cash in lieu. The Committee will keep under review the contribution levels to Executive Directors in comparison to the workforce, as part of a wider review of the Directors' Remuneration Policy ahead of the next Policy vote at the 2021 AGM.

Benefits

These will be awarded in line with the Policy.

Annual bonus

The Chief Executive Officer and the Chief Financial Officer will be entitled to a maximum annual bonus equal to 125% of salary for 2020. This is within the Company's Remuneration Policy. The award for on-target performance will be 60% of maximum. The Committee considers it appropriate to maintain the maximum and on-target awards for 2020 as the bonus targets are appropriately stretching. Although performance conditions are deemed commercially sensitive, they will be disclosed in the 2020 Annual Remuneration Report.

The performance measures approved by the Committee at the beginning of the performance period will be as follows:

Element	Measure	Weighting
Financial	Adjusted profit after tax	40%
	Return on Tangible Equity	20%
Non-financial	Assessment of performance against key corporate objectives to include: – Strategic objectives – Customer and partners – Environmental, social and governance objectives – Risk & Compliance – People – Development of the business	25%
	Personal performance objectives	15%

The Committee considers that by using a combination of financial and broad ranging non-financial performance measures, it is incentivising the Executive Directors to drive sustainable growth.

Having reviewed the customer measures which have previously determined 25% of annual bonus outcomes, the Committee concluded that these measures were not rigorous enough. Taking into account investor expectations and the other key elements which are important to the business and its strategy, the Committee has decided to incorporate other key performance indicators and increase the level of transparency. The Committee has determined that the Company-focused non-financial objectives for the 2020 award will be Strategy, Customer and Partners, Risk and Compliance, ESG, People and Development of the Business.

In respect of personal performance, each individual Executive will be assessed against their own personal objectives covering a wide range of priorities such as specific strategic developments, automation and enhancement of the Executive Team and Board effectiveness.

The details of the performance targets are commercially sensitive and will be disclosed retrospectively in the 2020 Directors' Remuneration Report.

50% of any bonus earned will be deferred into shares under the Deferred Bonus Plan, vesting on the second anniversary of the grant.

Long Term Incentive Plan

The maximum LTIP opportunity under the Policy is 175% of salary. The Committee intends to award shares of 125% of salary to the Chief Executive Officer and 100% of salary to the Chief Financial Officer in 2020.

We recognise that the share price has declined recently due to factors which the Remuneration Committee believe are not specific to Sabre Insurance Group plc but rather events relating to COVID-19. It is noted that under the LTIP rules for Executive Directors, the Committee has full discretion to ensure that the final outcomes are warranted based on the performance of the Group in light of all relevant factors and that there have not been any windfall gains.

The vesting of the awards will be assessed against a combination of cumulative underlying EPS growth and relative TSR. The conditions will operate independently. Awards will vest after three years and will be further subject to a two-year holding period post-vesting to align with the UK Corporate Governance Code. In order for awards to vest under the LTIP, the Committee must be satisfied that a satisfactory risk and control environment has been maintained.

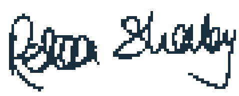
The EPS condition will be measured based on total EPS for the three years ending 31 December 2022 with the TSR condition measuring Sabre's relative performance versus the companies in the FTSE 250 (excluding investment trusts and extractive industries). The EPS condition (50% of the award) approved by the Committee at the beginning of the performance period will be as follows:

Vesting % of EPS element	EPS at 31 December 2022
Threshold – 25%	48.6p
Target – 60%	54p
Maximum – 100%	59.4p
Straight line basis	Between Threshold and Target And Target and Maximum

The TSR condition (50% of the award) approved by the Committee at the beginning of the performance period will be as follows:

Vesting % of TSR element	Three-year TSR relative to the FTSE 250 (excluding investment trusts and extractive industries) constituents at 31 December 2022
Threshold – 25%	Median
Maximum – 100%	Upper quartile
Straight line basis	Between Threshold and Maximum

With regards to the choice of metrics, EPS aligns the Executive Directors with delivering key long-term profitable growth, with TSR providing alignment with shareholders in that vesting will only take place for creating above median returns.



REBECCA SHELLEY
Chair of the Remuneration Committee
6 April 2020

DIRECTORS' REPORT

The Directors' Report for the period ended 31 December 2019 comprises the report set out on pages 69 to 72 and the Directors' and Officers' Responsibility Statement on page 73 together with the following sections of this Annual Report which are included by reference:

The Strategic Report set out on pages 1 to 39 which includes:

- the Chairman's Letter on pages 8 to 9;
- the CEO's Review on pages 12 to 15; and
- the Principal Risks and Uncertainties on pages 20 to 24;
- the Viability Statement on page 25;
- the CFO's Review on pages 26 to 29 and
- the Corporate Social Responsibility report on pages 30 to 39.

The Chairman's Governance Letter and the Governance Report on pages 40 to 47 and including the reports of the Audit and Risk, Nomination and Remuneration Committees on pages 48 to 68.

Corporate structure and principal activity

The Company's principal and only trading subsidiary is a motor insurance underwriter. Sabre Insurance Group plc is a public company limited by shares and was incorporated in England and Wales on 21 September 2017 with registered number 10974661. Its registered office and principal place of business is at Sabre House, 150 South Street, Dorking, Surrey RH4 2YY. The Company has no branches.

The Company is the holding company of the Sabre Group of companies. Details of the Company's subsidiaries are set out in Note 29 of the Parent Company Financial Statements contained in this Annual Report.

Directors

The Directors who served throughout the year are as follows:

Executive Directors

Geoff Carter – Chief Executive Officer

Adam Westwood – Chief Financial Officer

Non-executive Directors

Patrick Snowball – Chairman

Catherine Barton

Ian Clark

Andy Pomfret

Rebecca Shelley

The members of the Board of Directors, their biographical details and the dates of their appointment are set out on page 43 of this Annual Report.

Appointment and replacement of Directors

The appointment and replacement of Directors is governed by the Company's Articles, the Companies Act 2006 (the "Companies Act") and related legislation. The Articles provide that Directors may be appointed by ordinary resolution of the shareholders or by the Board. The Board has decided to comply with best corporate governance practice, and all Directors will seek re-election at each AGM. In addition to any powers of removal conferred by the Companies Act, the Company may by special resolution remove any Director before the expiration of his period of office. The Nomination Committee is responsible for overseeing the recruitment of Directors and recommending appointments for approval by the Board of Directors. Further details regarding the appointment and replacement of Directors is set out in the Governance and Nomination Committee reports on pages 44 to 47 and page 52 of this Annual Report, respectively.

Powers

Subject to the provisions of the Articles, the Companies Act and related legislation, and any directions given by special resolution of the shareholders, the business of the Company shall be managed by the Board, which may exercise all the powers of the Company including the Company's powers to borrow money and to issue new shares.

Executive Directors' service contracts

Executive Directors are employed under the terms of their service contracts. Details of the effective dates of the service contracts for the current Executive Directors as well as their compensation are set out in the Directors' Remuneration Report on pages 56 to 68 and the contracts are available for inspection by shareholders at the Company's registered office.

Non-executive Director appointments

Non-executive Directors are appointed pursuant to a letter of appointment. Such appointments are for an initial period of three years, which is renewable. A Non-executive Director's appointment is terminable by the Non-executive Director or the Company by giving written notice. Details of the effective dates of the letters of appointment for the current Non-executive Directors as well as their fees are set out in the Directors' Remuneration Report and the terms of appointment are available for inspection by shareholders at the Company's registered office.

Directors' indemnities

Each of the Company's Directors has been granted a qualifying third party indemnity pursuant to which the Company agrees to indemnify the Directors against any liabilities that they may incur as a result of their office as Director, to the extent permitted by the Companies Act.

Directors' and Officers' Liability Insurance

Directors' and Officers' liability insurance is provided for all Directors of the Company.

Compensation for loss of office

The Company does not have arrangements with any Director that would provide compensation for loss of office or employment resulting from a takeover, except that provisions of the Company's share plans may cause options and awards granted under such plans to vest on a takeover. Further information is provided in the Directors' Remuneration Report on pages 56 to 68 of this Annual Report. No such payments were made during the financial year ended 31 December 2019.

Articles of Association

The Company may alter its Articles by special resolution of the shareholders at a general meeting of the Company. The Articles are available on the Company's website at **www.sabreplc.co.uk**.

Share capital

Shares

The Company has one class of ordinary voting shares in issue. As at 31 December 2019, the issued share capital of the Company comprised 250,000,000 ordinary shares of £0.001 each, all of which are fully paid ("ordinary shares").

Rights and obligations attaching to shares

The rights and obligations attached to the Company's shares are governed by the Articles and prevailing legislation. Each ordinary share ranks equally and carries the same rights to receive all shareholder documentation (including notices of general meetings), attend, speak and vote at general meetings, and participate in any distribution of income or capital. All shareholders entitled to attend and vote at a general meeting may appoint a proxy or proxies to attend, speak and vote in their place. None of the ordinary shares carry any special rights with regard to control of the Company and there are no specific restrictions on voting rights, save where the Company is legally entitled to impose such restrictions (for example, where the shareholder is in default of an obligation to the Company). Major shareholders have the same voting rights per share as all other shareholders.

Restrictions on transfer

There are no restrictions on the transfer or holding of shares in the Company other than (i) as set out in the lock up arrangements described below; (ii) as set out in the Articles; and (iii) certain restrictions which may from time to time be imposed by laws and regulations and pursuant to the Listing Rules of the Financial Conduct Authority (the "Listing Rules") whereby Directors and certain officers and employees of the Company require approval to deal in the ordinary shares in accordance with the Company's share dealing policies and the Market Abuse Regulation.

Distributions

During the year to 31 December 2019, the Directors became aware that the interim dividend of £17,951k paid during 2018 had been paid in technical infringement of the Companies Act 2006 because interim accounts showing the requisite level of distributable profits had not been filed at Companies House prior to payment. At the upcoming Annual General Meeting of the Company's shareholders, to be held on 21 May 2020, a resolution will be proposed which ratifies, and authorises the appropriation of distributable profits to, the payment of that interim dividend and releases any right for the Company to pursue shareholders or Directors for repayment of that unlawful dividend. This constitutes a related party transaction under IAS 24. It is intended that by passing the resolution, all parties will be returned to the position they would have been in had the dividend been paid in full compliance with the Act.

Power to allot and purchase shares

By a resolution passed at the Annual General Meeting (the "Meeting") of the Company on 23 May 2019, the Company was granted a general authority to allot shares up to the lower of (i) an aggregate nominal amount of £83,333 and (ii) 33.33% of the Company's ordinary share capital. At the Meeting, the Company was also granted authority to allot shares up to the lower of (i) an aggregate nominal amount of £166,666 and (ii) 66.67% of the Company's ordinary share capital by way of a rights issue to ordinary shareholders in proportion to their existing shareholdings (with such amount to be reduced to the extent that the general authority is utilised (if any)). The Company also received authority to allot shares for cash on a non pre-emptive basis up to the lower of (i) an aggregate nominal amount of £12,500 and (ii) 5% of the Company's ordinary share capital. As at the date of this report, no shares have been issued under these authorities. These authorities will expire at the conclusion of the 2020 AGM and, accordingly, the Board is proposing to renew these authorities at that AGM.

The Company was granted authority by its shareholders at the General Meeting to purchase up to the lower of (i) 25,000,000 ordinary shares and (ii) 10% of the Company's maximum ordinary share capital immediately following the Listing. This authority will expire at the conclusion of the 2020 AGM. No shares have been bought under this authority. The Board is proposing to renew this authority at the 2020 AGM, however the Company does not have any current intention to purchase any of its own ordinary shares.

Directors' interests in shares

The Directors who held office as at 31 December 2019 had the following interests (including family interests) in the ordinary shares of the Company:

Name of Director	31 December 2019	31 December 2018
Catherine Barton	**7,312**	–
Geoff Carter	**1,545,372**	1,965,372
Ian Clark	**265,761**	265,761
Andy Pomfret	**43,478**	n/a
Rebecca Shelley	**7,309**	–
Patrick Snowball	**105,288**	105,288
Adam Westwood	**652,303**	842,303

The Directors, as employees and potential beneficiaries, have an interest in 631,051 shares held by the Sabre Insurance Group Employee Benefit Trust (offshore) and the Company's SIP Trust (onshore) as at 31 December 2019. As at 31 December 2019, the Sabre Insurance Group Employee Benefit Trusts held 726,344 shares and the Company's SIP Trust held 209,826 shares. It is anticipated that these ordinary shares will be used to satisfy awards made under the Company's employee incentive plans. Further details regarding the Company's employee incentive plans can be found in the Directors' Remuneration Report on pages 56 to 68 of this Annual Report.

There were no changes in the interests of Directors between 31 December 2019 and 6 April 2020. In line with the Company's Remuneration Policy, half of the value received under the Group's Bonus Plan by Geoff Carter and Adam Westwood for the year ended 31 December 2019 will be deferred into shares, held in the Sabre Insurance Group Employee Benefit Trust.

Major interests in shares

Information on major interests in shares notified to the Company under the Disclosure Guidance and Transparency Rules ("DTRs") of the UK Listing Authority is published via a Regulatory Information Service and on the Company's website **www.sabreplc.co.uk/investors/regulatory-news/**.

At 31 December 2019, the Company had been notified, in accordance with Chapter 5 of the DTRs, of the following voting rights in respect of 3% or more of the issued share capital of the Company.

Shareholder	Number of ordinary shares	% of voting rights
Aviva plc and its subsidiaries	23,709,427	9.48%
AXA Investment Managers	12,597,136	5.04%
Companies owned by Old Mutual	12,870,464	5.14%
Kayne Anderson Rudnick Investment Management	16,277,574	6.51%
M&G plc	14,953,230	5.98%

During the period between 31 December 2019 and 6 April 2020, being the latest practicable date prior to publication of this Annual Report, there were no reported changes to the above table.

Results and dividends

The audited accounts for the year ended 31 December 2019 are set out on pages 78 to 113. The Group profit for the year after tax was £45.7m (2018: £49.6m).

The Directors recommend a final dividend of 8.1 pence (2018: 6.8 pence). The total dividend for the year, including the proposed final is 12.8 pence (2018: 20 pence).

Significant agreements and change of control

The Group is not a party to any material agreements that would take effect, alter or terminate upon a change of control of the Group following a takeover bid.

Employees and communities

Less than 250 individuals were employed by the Company in each week during the financial year to which this Annual Report relates (further details regarding the Company's employees are set out in the Corporate Social Responsibility report on pages 30 and 39 of this Annual Report).

Environment and emissions

Information on the Group's greenhouse gas emissions is set out in the Corporate Social Responsibility report on page 35 of this Annual Report. During the year the Board appointed Adam Westwood as the Executive Director responsible for Environmental, Social and Governance issues.

Research and development

The Group does not undertake any material activities in the field of research and development.

Financial instruments and risk management

The Group's financial risk management objective and policies, including information about its use of financial instruments, are contained in Note 3 to the Consolidated Financial Statements on page 87 of this Annual Report.

Events after the balance sheet date

Refer to Note 32 of the Consolidated Financial Statements on page 109 for information on events after the balance sheet date.

Charitable and political donations

The donations made by the Group to the charities referred to on page 34 of this Annual Report amounted, in aggregate, to £15,698.40 (2018: £4,512). The Group made no political donations during the year (2018: £0).

The Annual General Meeting (the "AGM")

The 2020 AGM will be held at 9:30am on Thursday 21 May 2020. Full details about the 2020 AGM, including the venue and explanatory notes, will be contained in the Notice of AGM which will be sent to shareholders in a separate document. The Notice of AGM will set out the resolutions to be proposed at the AGM and an explanation of each resolution. All documents relating to the AGM will be available on the Company's website at **www.sabreplc.co.uk/investors/annual-general-meeting/**

The AGM is the Company's principal forum for communication with shareholders and the Directors will be available to answer shareholders' questions at the meeting.

Independent auditor

The auditor of the Company, Ernst & Young LLP ("EY"), has indicated their willingness to continue in office, and resolutions to appoint EY and to authorise the Directors to fix their remuneration will be proposed at the 2020 AGM.

Statement of disclosure of information to the auditor

Each of the Directors who held office at the date of the approval of this Annual Report confirms that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each Director has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act.

Requirements of Listing Rule 9.8.4

Information to be included in the Annual Report and Accounts under Listing Rule 9.8.4 mar be found as follows:

Listing Rule	Description	Page
9.8.4 (4)	Details of long term incentive schemes required by Listing Rule 9.4.3	63
9.8.4 (12) 9.8.4 (13)	Details of dividends waived	96

Supplier payment policy

The Group's policy is to agree payment terms with suppliers when entering into each transaction to ensure that suppliers are made aware of the terms of payment and abide by the terms of payment. Trade creditors of the Group (consolidated) at 31 December 2019 were 23 days (2018: 21 days) purchases, based on the average daily amount invoiced by suppliers during the year.

Going concern

The Board has considered the business activities of the Group and the factors likely to affect its future performance as well as the Group's principal risks and uncertainties, including the Directors' statement on the viability of the Group over a three-year period which is set out in the Strategic Report on page 25 of this Annual Report and, on the basis of these considerations, the Directors have a reasonable expectation that the Group has adequate resources to continue in operation for at least the next 12 months from the date of this report and that therefore it is appropriate to adopt a going concern basis for the preparation of the financial statements.

By order of the Board

ANNEKA KINGAN
Company Secretary
6 April 2020

DIRECTORS' AND OFFICERS' RESPONSIBILITIES STATEMENT

Responsibility and accountability

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the financial statements, comprising the Consolidated Financial Statements and the Company financial statements, in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and the Company's financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and applicable law.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of each of the Group and the Company for that period. In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgements and accounting estimates that are reasonable and prudent
- State whether applicable IFRSs as adopted by the European Union and applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and that the Group financial statements comply with Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group, including taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

Each of the Directors, whose names and functions are listed on page 43 of this Annual Report, confirms that, to the best of their knowledge:

- The Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and loss of the Group
- The Strategic Report and Directors' Report contained in this Annual Report include a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance and position, business model and strategy.

This responsibility statement was approved by the Board of Directors on 6 April 2020 and is signed on its behalf by:

GEOFF CARTER
Chief Executive Officer

ADAM WESTWOOD
Chief Financial Officer

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SABRE INSURANCE GROUP PLC

Opinion

In our opinion:

– Sabre Insurance Group plc's Group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2019 and of the Group's profit for the year then ended;

– the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;

– the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006; and

– the financial statements have been prepared in accordance with the requirements of the Companies Act 2006, and, as regards the Group financial statements, Article 4 of the IAS Regulation.

We have audited the financial statements of Sabre Insurance Group plc which comprise:

Group	**Parent company**
Consolidated Statement of Comprehensive Income for the year then ended	
Consolidated Statement of Financial Position as at 31 December 2019	Statement of Financial Position as at 31 December 2019
Consolidated Statement of Changes in Equity for the year then ended	Statement of Changes in Equity for the year then ended
Consolidated Statement of Cash Flows for the year then ended	Statement of Cash Flows for the year then ended
Related notes 1 to 32 to the financial statements, including a summary of significant accounting policies	Related notes 1 to 9 to the financial statements, including a summary of significant accounting policies

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standards as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to principal risks, going concern and viability statement

We have nothing to report in respect of the following information in the annual report, in relation to which the ISAs (UK) require us to report to you whether we have anything material to add or draw attention to:

– the disclosures in the annual report set out on page 20 that describe the principal risks and explain how they are being managed or mitigated;

– the Directors' confirmation set out on page 22 in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity;

– the Directors' statement set out on page 72 in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least 12 months from the date of approval of the financial statements;

– whether the Directors' statement in relation to going concern required under the Listing Rules in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit; or

– the Directors' explanation set out on page 25 in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Overview of our audit approach

Key audit matters	– Valuation of insurance liabilities (gross and net) – Adequate consideration of COVID-19 in respect of the Group and as an event after the reporting period
Audit scope	– We performed an audit of the complete financial information of the whole Group function and Sabre Insurance Company Limited. – The components where we performed full audit procedures accounted for 100% of Profit before tax, 100% of Revenue and 100% of Total assets.
Materiality	– Overall Group materiality of £2.8m which represents 5% of profit before tax ("PBT").

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk
Valuation of insurance liabilities (£212.2m gross and £135.8m net, PY comparative £242.4m gross and £139.4m net of reinsurance value).
Refer to the Audit and Risk Committee Report (page 48); Accounting policies (page 84); and Note 22 of the Consolidated Financial Statements (page 99).
Management is required to make an estimation of insurance liabilities (which includes both IBNR and outstanding loss reserves.) This estimate consists of a provision for additional development of the insurance liabilities reported by insureds, as well as a provision for claims which have occurred but which have not yet been reported. There is a risk that inappropriate assumptions or projections are used in determining the insurance liabilities. This could lead to these liabilities not falling within a reasonable range of possible estimates, resulting in a misstatement in the financial statements. Furthermore, insurance liabilities are subject to manipulation, as up until the closure of a case reserve, an element of estimation is required to account for these liabilities. Additionally there is a risk of using f inaccurate underlying data. These balances, by nature, are also subject to a risk of management manipulation. Given the magnitude of the balance, a small manipulation of an assumption could have a significant impact on the financial statements.

Our response to the risk
Utilising EY actuarial specialists as part of our team, we performed the following procedures: **Control design and implementation:** We gained a detailed understanding of the end to end reserving and case reserve process and assessed the design and implementation of key controls within the process, in respect of initiation and setting of case reserves. We tested the operational effectiveness of the key controls over the claims management process. **Market knowledge and benchmarking:** We evaluated management's methodology against market practice and challenged management's assumptions and their assessment of major sensitivities, based on our market knowledge and industry data where available. **Independent re-projections and sensitivity analysis:** We independently re-projected the Insurance liabilities on both a gross and net of reinsurance basis, we investigated differences between our projections and those of management and we then considered whether the insurance liabilities held as at 31 December 2019 fall within a reasonable range of possible estimates. Additionally, we have reviewed management's potential exposure to Periodic Payment Orders, we have assessed the potential impact of differences in the inflation and claimant longevity changes to the assumptions used. **Test of details:** To assess the completeness and accuracy of the paid, reinsurance recoveries and incurred claims data used to project insurance liabilities. We re-performed reconciliations between the claims paid, reinsurance recoveries and outstanding data recorded in the policy administration systems and the data used in the actuarial calculations. For a sample of paid and outstanding claims we corroborated the gross and net of reinsurance claims to supporting 3rd party evidence. For paid claims this included claim notifications, which we traced back to bank payment. For reinsurance we agree recoveries calculation back to the underlying Reinsurance contract terms and for a sample of outstanding claims we obtained supporting calculations and 3rd party correspondence to corroborate the year-end balances. We also held discussions with claims handlers to further understand the background of the claims.

Key observations communicated to the Audit Committee
We consider that management's judgements in respect of the valuation of insurance liabilities are reasonable. The Group's booked insurance liabilities lie within what we consider to be a reasonable range of estimates. In addition we consider that the disclosures made are satisfactory, and they provide information that assists in understanding the uncertainty inherent in the valuation of insurance liabilities.

Risk
Adequate consideration of COVID-19 in respect of the Group and as an event after the reporting period.
This is a new Key Audit Matter for the current year. Refer to the Viability Statement (page 25); Audit and Committee Report (page 48); Going Concern (page 72) and Note 32 of the Consolidated Financial Statements (page 109)
The unprecedented events of the recent weeks in respect of COVID-19 mean that it is important that due consideration is given by management and the Board on how these events should be reflected in their disclosures. In particular, in accordance with Provision 31 of the UK Corporate Governance Code 2018, the Directors have assessed the Group's prospects and viability for the three-year period to 31 December 2022, taking into account the Group's current position and the potential impact of the principal risks. Additionally, in preparing the financial statements, the Directors are required to consider if it is appropriate to adopt the going concern basis of accounting in preparing them, and make a statement on going concern in accordance with Listing Rule 9.8.6R(3). Additionally, the Group also need to consider how the situation that has developed in respect of COVID-19 since 31 December 2019 should be reflected in the financial statements. The Group has determined that the valuation of assets and liabilities at 31 December 2019 are not altered since the current conditions in the UK did not exist at the end of the reporting period. It is still necessary to consider the adequacy of disclosures regarding COVID-19 as a non-adjusting event after the reporting period.

Our response to the risk
To assess the robustness of Management's viability and going concern assessments we performed the following: – We obtained the forecast used by management in assessing the Group's viability for the three-year period to 31 December 2022 – We assessed the reasonableness of management's forecast and appropriateness of the inputs and key assumptions used in the model. As part of this assessment, we re-projected our own assessment using different key assumptions for the three- year period to 31 December 2022 – We requested that management performed an additional assessment considering plausible severe downside stresses as a result of COVID-19. We considered the appropriateness of the revised key assumptions used in the model and requested that management performed further, more extreme scenario. – Independent of the model used by management we considered further alternative stresses to the viability of the Group for the three-year period to 31 December 2022. – Furthermore, in addition to our stress testing of assumptions used in management's forecast, with support from our EY actuarial specialists, we considered the potential impact of COVID-19 specifically on the insurance liabilities and capital requirements of the Group. – We recommended additional clarifying disclosures on COVID-19 in the Annual Report, including the viability statement, which were made. In respect of the financial statements, we considered the requirements of IAS *10 Events after the Reporting Period.*

Key observations communicated to the Audit Committee
We have nothing material to add or draw attention to in respect of the published viability statement and going concern statement. We are satisfied that the valuation of assets and liabilities at 31 December 2019 do not need to be revised as a result of the developments regarding COVID-19 since the year end date. We are satisfied that the subsequent events disclosures in respect of COVID-19 are adequate.

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, we have selected Sabre Insurance Company Limited, which is the principal trading entity within the Group, and Group function. We performed an audit of the complete financial information of Sabre Insurance Company Limited and Group function ("full scope components"), which were selected based on their size or risk characteristics, representing 100% of profit before tax, revenue and assets.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £2.8 million (2018: £3.1 million): which is 5% of profit before tax. We base our materiality on Profit before tax as this is the key metric used by management in measuring and reporting on the performance of the business. This provided a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

During the course of our audit, we reassessed initial materiality and concluded that materiality assessed at the planning stages of our audit remained appropriate.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 75% (2018: 75%) of our planning materiality, namely £2.1 million (2018: £2.3 million). Our objective in adopting this approach is to ensure that total uncorrected and undetected audit difference do not exceed our materiality of £2.8 million for the financial statements as a whole.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.1 million (2018: £0.2 million), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report set out on pages 1 - 73, other than the financial statements and our auditor's report thereon. Other information in the annual report comprises the Strategic Report and the Governance Report, the latter of which includes:

- Chairman's Governance Letter
- Board of Directors
- Governance Report
- Audit & Risk Committee Report
- Nomination Committee Report
- Directors' Remuneration Report
- Directors' Report and Responsibilities Statement

The Directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard. In this context, we also have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- **Fair, balanced and understandable set out on page 73** – the statement given by the Directors that they consider the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy, is materially inconsistent with our knowledge obtained in the audit; or
- **Audit and Risk Committee reporting set out on page 48**; or
- **Directors' statement of compliance with the UK Corporate Governance Code set out on page 44** – the parts of the Directors' statement required under the Listing Rules relating to the company's compliance with the UK Corporate Governance Code containing provisions specified for review by the auditor in accordance with Listing Rule 9.8.10R(2) do not properly disclose a departure from a relevant provision of the UK Corporate Governance Code.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement set out on page 73, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

- The objectives of our audit, in respect to fraud, are: to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and to respond appropriately to fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.
- In respect of irregularities – considered to be non-compliance with laws and regulations – our objective is to obtain sufficient appropriate audit evidence regarding compliance with the provisions of those laws and regulations generally recognised to have a direct effect on the determination of material amounts and disclosures in the financial statements ('direct laws and regulations'), and perform other audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements. We are not responsible for preventing non-compliance with laws and regulations and our audit procedures cannot be expected to detect non-compliance with all laws and regulations.

Our approach was as follows:

- We obtained a general understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the direct laws and regulations related to elements of company law and tax legislation, and the financial reporting framework. Our consideration of other laws and regulations that may have a material effect on the financial statements included permissions and supervisory requirements of the Prudential Regulation Authority ('PRA'), the Financial Conduct Authority ('FCA'), and the UK Listing Authority Rules.
- We obtained a general understanding of how the Group complies with these legal and regulatory frameworks by making enquiries of management, internal audit, and those responsible for legal and compliance matters. We also reviewed correspondence between the Group and UK regulatory bodies; reviewed minutes of the Board and Executive Risk Committee; and gained an understanding of the Company's approach to governance, demonstrated by Board's review of the Group's risk management framework and internal control processes.
- For direct laws and regulations, we considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statement items.
- For both direct and other laws and regulations, our procedures involved: making enquiry of those charged with governance and senior management for their awareness of any non-compliance of laws or regulations, inquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees, inquiring about the Group's methods of enforcing and monitoring compliance with such policies, inspecting significant correspondence with the FCA and PRA.
- The Group operates in the insurance industry which is a highly regulated environment. As such the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur, by considering the controls that the Group has established to address risks identified by the entity, or that otherwise seek to prevent, deter or detect fraud. We also considered areas of significant judgement, complex transactions, performance targets, economic or external pressures and the impact these have on the control environment. Where this risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free from fraud or error.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at **www.frc.org.uk/auditorsresponsibilities**. This description forms part of our auditor's report.

Other matters we are required to address

- We were appointed by the company on 8 March 2018 to audit the financial statements for the year ending 31 December 2017 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments is three years, covering the years ending 31 December 2017 to 31 December 2019.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the parent company and we remain independent of the Group and the parent company in conducting the audit.
- The audit opinion is consistent with the additional report to the Audit and Risk Committee.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

STUART WILSON (SENIOR STATUTORY AUDITOR)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
6 April 2020

1. The maintenance and integrity of the Sabre Insurance plc website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2019

	Notes	2019 £'k	2018 £'k
Gross earned premium	4	**203,680**	208,622
Reinsurance premium ceded	4	**(20,442)**	(20,387)
Net earned premium		**183,238**	188,235
Investment return	5	**2,405**	777
Instalment income		**4,093**	4,143
Other operating income	6	**1,240**	1,761
Total income		**190,976**	194,916
Insurance claims	7	**(110,301)**	(72,245)
Insurance claims recoverable from reinsurers	7	**8,311**	(25,616)
Net insurance claims		**(101,990)**	(97,861)
Finance cost	8	**(18)**	–
Commission expenses		**(15,741)**	(16,429)
Operating expenses	9	**(16,748)**	(18,762)
Total expenses		**(32,507)**	(35,191)
Operating profit before amortisation of intangible assets		**56,479**	61,864
Amortisation of intangible assets		**–**	(501)
Profit before tax		**56,479**	61,363
Tax charge	10	**(10,768)**	(11,795)
Profit for the year attributable to the equity holders of the parent		**45,711**	49,568
Other comprehensive Income *Items that will not be reclassified to profit and loss*			
Revaluation gain on owner-occupied property	13	**–**	620
Tax charge on other comprehensive income	10	**–**	(118)
Total other comprehensive income for the year		**–**	502
Total comprehensive income for the year attributable to the equity holders of the parent		**45,711**	50,070
Basic earnings per share (pence per share)	**30**	**18.35**	19.90
Diluted earnings per share (pence per share)	**30**	**18.22**	19.77

The attached notes on pages 82 to 109 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2019

	Notes	2019 £'k	2018 £'k
Assets			
Goodwill	20	**156,279**	156,279
Property, plant and equipment	13	**4,568**	4,370
Right-of-use asset	23	**189**	–
Reinsurance assets	14	**83,931**	82,435
Deferred tax assets	11	**210**	217
Deferred acquisition costs	15	**16,211**	15,761
Insurance and other receivables	16	**37,785**	37,788
Prepayments, accrued income and other assets	17	**3,627**	4,538
Financial investments	18	**263,629**	287,142
Cash and cash equivalents	19	**31,791**	22,823
Total assets		**598,220**	611,353
Equity			
Issued ordinary share capital	21	**250**	250
Own shares		**(1,061)**	(1)
Merger reserve		**48,525**	48,525
Share-based payments reserve	28	**1,362**	1,036
Retained earnings		**218,341**	215,338
Total equity		**267,417**	265,148
Liabilities			
Insurance liabilities	22	**212,167**	215,757
Unearned premium reserve	22	**99,877**	106,517
Lease liability	23	**194**	–
Trade and other payables including insurance payables	24	**12,475**	13,623
Current tax liabilities		**4,884**	5,798
Accruals	25	**1,206**	4,510
Total liabilities		**330,803**	346,206
Total equity and liabilities		**598,220**	611,353

The attached notes on pages 82 to 109 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 6 April 2020.

Signed on behalf of the Board of Directors by:

ADAM WESTWOOD
Chief Financial Officer

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

as at 31 December 2019

	Notes	Ordinary shareholders' equity £'k	Share premium account £'k	Own shares £'k	Merger reserve £'k	Share-based payment reserve £'k	Retained earnings £'k	Total equity £'k
As at 1 January 2018		250	205,241	(1)	48,405	–	(21,902)	231,993
Profit for the year		–	–	–	–	–	49,568	49,568
Other comprehensive income		–	–	–	–	–	502	502
Total comprehensive income		–	–	–	–	–	50,070	50,070
Charge in respect of share-based payment		–	–	–	–	1,036	–	1,036
Capital reduction		–	(205,241)	–	120	–	205,121	–
Dividends	12	–	–	–	–	–	(17,951)	(17,951)
At 31 December 2018		250	–	(1)	48,525	1,036	215,338	265,148
Effect of adoption of IFRS 16 'Leases'	23	–	–	–	–	–	–	–
Adjusted total equity at 1 January 2019		250	–	(1)	48,525	1,036	215,338	265,148
Profit for the period		**–**	**–**	**–**	**–**	**–**	**45,711**	**45,711**
Other comprehensive income		**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive income		**–**	**–**	**–**	**–**	**–**	**45,711**	**45,711**
Charge in respect of share-based payments	28	**–**	**–**	**–**	**–**	**1,106**	**–**	**1,106**
Settlement of share-based payments	28	**–**	**–**	**–**	**–**	**(780)**	**780**	**–**
Own shares purchased	28	**–**	**–**	**(1,060)**	**–**	**–**	**–**	**(1,060)**
Share scheme transfer to retained earnings		**–**	**–**	**–**	**–**	**–**	**135**	**135**
Dividends	12	**–**	**–**	**–**	**–**	**–**	**(43,623)**	**(43,623)**
At 31 December 2019		**250**	**–**	**(1,061)**	**48,525**	**1,362**	**218,341**	**267,417**

The attached notes on pages 82 to 109 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2019

	Notes	2019 £'k	2018 £'k
Net cash generated from operating activities before investment of insurance assets		**28,208**	48,744
Cash generated from/(used by) investment of insurance assets		**25,919**	(42,334)
Net cash generated from operating activities	27	**54,127**	6,410
Cash flows from investing activities			
Purchases of property, plant and equipment		**(365)**	(61)
Net cash used by investing activities		**(365)**	(61)
Cash flows from financing activities			
Payment of principal portion of lease liabilities		**(246)**	–
Net cash used in acquiring and disposing of own shares		**(925)**	–
Dividends paid		**(43,623)**	(17,951)
Net cash used by financing activities		**(44,794)**	(17,951)
Net increase/(decrease) in cash and cash equivalents		**8,968**	(11,602)
Cash and cash equivalents at the beginning of the year		**22,823**	34,425
Cash and cash equivalents at the end of the year		**31,791**	22,823

The attached notes on pages 82 to 109 form an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2019

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 Group's parent company's principal activity is that of a holding company.

1. Accounting policies
1.1 Basis of preparation
The financial statements of the Group have been prepared in accordance and fully comply with International Financial Reporting Standards ("IFRSs"), as issued by the International Accounting Standards Board ("IASB") and adopted by the EU.

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 settled the liabilities 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.

1.2 New and amended standards and interpretations adopted by the Group
The Group has adopted the new accounting pronouncements which have become effective for its annual reporting period commencing 1 January 2019 and are as follows:

IFRS 16 – Leases
The Group has changed its accounting policies as a result of adopting IFRS 16. The Group elected to adopt the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 'Leases' and IFRIC 4 'Determining whether an Arrangement contains a Lease'. The details of accounting policies under IAS 17 and IFRIC 4 are disclosed separately if they are different from those under IFRS 16 and the impact of changes is disclosed below. The cumulative effect of adopting IFRS 16 is being recognised in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated.

The adoption of this new Standard has resulted in the Group recognising a right-of-use asset and related lease liability in connection with all former operating leases except for those identified as low-value or having a remaining lease term of less than 12 months from the date of initial application.

For contracts in place at the date of initial application, the Group has elected to apply the definition of a lease from IAS 17 and IFRIC 4 and has not applied IFRS 16 to arrangements that were previously not identified as leases under IAS 17 and IFRIC 4.

The Group has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of IFRS 16, being 1 January 2019. At this date, the Group has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets the Group has applied the optional exemptions not to recognise the right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

The Group had no finance leases at the date of initial application.

On transition to IFRS 16 the weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 was 5.36%.

The Group has benefited from the use of hindsight for determining the lease term when considering options to extend and terminate leases.

The lease liabilities as at 1 January 2019 can be reconciled to the opening lease commitments as of 31 December 2018 as follows:

	1 January 2019 £'k
Operating lease commitments as at 31 December 2018	**476**
Less:	
Commitments relating to assets not qualifying as leases under IFRS 16	**(14)**
Add:	
Adjustments on adoption of IFRS 16	–
Total lease commitments under IFRS 16 as at 31 December 2018	**462**
Weighted average incremental borrowing rate as at 1 January 2019	**5.36%**
Lease liabilities as at 1 January 2019	**440**

The effect of adopting IFRS 16 as at 1 January 2019 is:

	1 January 2019 £'k
Assets	
Right-of-use-assets	**440**
Total assets	**440**
Equity	
Retained earnings	–
Total equity	–
Liabilities	
Lease liabilities	**440**
Total liabilities	**440**

There is no impact on the consolidated statement of comprehensive income.

1.3 New standards, amendments and interpretations not yet effective and not early adopted

At the date of authorisation of these financial statements, the following Standards and Interpretations were assessed to be relevant and are effective for annual periods beginning on or after 1 January 2020:

Description	Effective date (period beginning)
IFRS 9 Financial Instruments	1 January 2021* (Early adopting – 1 January 2020)
IFRS 17 Insurance Contracts	1 January 2021

* = Effective 1 January 2018, deferred under IFRS 4 till 1 January 2021. (IASB proposal for effective date 1 January 2022 has not been endorsed by the EU)

With the exception of IFRS 9, the Group intends to adopt the Standards and Interpretations in the reporting period when they become effective. The Board does not anticipate that the adoption of these Standards and Interpretations in future periods will materially impact the Group's financial results in the period of initial application although there will be revised presentations to the financial statements and additional disclosures.

IFRS 9 – Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9, and which was endorsed by the EU in 2016. IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets and is effective for annual periods beginning on or after 1 January 2018. The Board does not anticipate that the introduction of this standard will have a material impact on the Group's financial results.

In September 2016, the IASB published amendments to IFRS 4 Insurance Contracts that address the accounting consequences of the application of IFRS 9 to insurers prior to the adoption of IFRS 17, the forthcoming accounting standard for insurance contracts. The amendments to IFRS 4 include a deferral approach that provides an entity, if eligible, with a temporary exemption from applying IFRS 9. The Group is eligible to apply the temporary exemption from IFRS 9 because its activities are entirely connected with insurance. The Group has previously elected to defer the implementation of IFRS 9. As at 31 December 2015, all the Group's gross liabilities arising from contracts were within the scope of IFRS 4. Since 31 December 2015 there has been no change in the activities of the Group that requires reassessment of the use of the temporary exemption.

During 2019 the Group has revisited its investment policy and appointed a new Asset Manager in January 2020. As part of the new investment mandate, a decision was taken to waive the deferral of the implementation of IFRS 9 in line with IFRS 4. The effective implementation date of IFRS 9 is 1 January 2020. The Group does not expect material impact on opening balances upon implementation.

The table below presents an analysis of the fair value of classes of financial assets as at the end of the 2019 reporting period. The movement in the year represents the change in fair value during the reporting period. The financial assets are divided into two categories:

- Assets for which their contractual cash flows represent solely payments of principal and interest (SPPI)
- All financial assets other than those specified in SPPI

	Fair value £'k	Fair value change £'k
Financial assets managed and evaluated on a fair value basis		
Corporate	–	(7)
Sovereign	263,629	(5,728)
Total financial assets managed and evaluated on a fair value basis	263,629	(5,735)
Financial assets meeting the SPPI test		
Cash and cash equivalents	31,791	–
Total financial assets meeting SPPI test	31,791	–

IFRS 17 – Insurance Contracts

The effective date for IFRS 17 is 1 January 2021. 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 2019, 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. As part of this process various decisions have also been made such as unit of account and the model to use for recognising insurance contracts. A more detailed update will be provided after the full assessment has been completed.

1.4 Summary of significant accounting policies

(a) Premiums

Insurance and reinsurance 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 and reinsurance premiums are adjusted by an unearned premium provision which represents the proportion of premiums that relate to periods of cover after the balance sheet date as described in (b) overleaf.

1. Accounting policies continued

(b) Insurance liabilities

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.

(i) 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.

(ii) The provision for claims outstanding includes the following:

- individual case estimates;
- an incurred but not reported ("IBNR") provision; and
- a provision for related claims handling costs.

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.

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

IBNR 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" and
- **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 Company refers to these collectively as "IBNR" and unless stated otherwise, when referring to IBNR this always includes both elements.

These reserves are calculated using standard actuarial modelling techniques such as Chain Ladder and Bornhuetter–Ferguson methods. The 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.

Claims handling costs

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.

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 consolidated statement of comprehensive income. Claims provisions are not discounted, with the exception of PPOs (periodic payment orders), which are discussed more fully in Note 2.1.

(iii) 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. Any deficiency is immediately charged to the statement of profit or loss, initially by writing off DAC and subsequently by establishing a provision for losses arising from the liability assessments ("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) Investment income, realised and unrealised investment gains and losses

Investment income consists of interest receivable for the year. Income is credited to the statement of comprehensive income at the amounts receivable, with no associated tax credit for income from the United Kingdom. Interest receivable is accounted for on an accruals basis.

Net realised gains / (losses) on investments are calculated as the difference between net sales proceeds and the cost of acquisition.

Unrealised gains and losses on investments represent the difference between the carrying value at the year end and the carrying value at the previous year end or purchase value during the year. Net movements in the year are taken to the statement of comprehensive income and disclosed as unrealised gains / (losses) on investments.

(e) Investment expenses and charges

Investment expenses and charges consist of the expenses relating to the management of the investment portfolio.

(f) Taxation

The taxation charge in the statement of comprehensive income is based on the taxable profits for the year. It is Company policy to relieve profits where possible by the surrender of losses from Group companies with payment for value.

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.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

(g) Valuation of investments

Listed securities and equities are shown in the balance sheet at market bid price at the date of the statement of financial position less accrued interest where applicable.

Financial investments are classified according to their nature and use. All financial investments held by the Group are classified as being held at fair value through profit and loss. While it is the Group's intention to hold the bonds within its portfolio to maturity, the Group recognises that certain assets may be sold in the normal course of business in order to enhance short-term liquidity. The Group invests only in financial assets which are quoted on liquid markets, therefore all investments are classified as "Level 1" under the IFRS hierarchy.

(h) Property, plant and equipment

Expenditure on computer equipment and fixtures and fittings is capitalised and depreciated over five years, the estimated useful economic lives of the assets on a straight line basis. Depreciation is charged to the consolidated statement of comprehensive income and is included in administrative expenses. 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.

(i) Goodwill

Goodwill only arises upon a business combination and is initially measured as the residual cost of the business combination after recognising the acquiree's identifiable assets, liabilities and contingent liabilities. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

(j) Pensions

For staff who were employees on 8 February 2002, the Group operates a non-contributory defined contribution Company 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 Company 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 statement of comprehensive income in the period in which they become payable.

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and demand deposits with banks together with short-term highly liquid investments that are readily convertible to known amounts of cash and subject to insignificant risk of change in value.

(l) Insurance and other receivables

Insurance and other 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 statement of comprehensive income.

(m) Trade and other payables, including insurance payables

Trade and other payables consist primarily of reinsurance balances and indirect taxes due. Reinsurance payables represent premiums payable to reinsurers in respect of contracts which have been entered into at the date of the financial position.

(n) Instalment income

Instalment income comprises the interest income earned on policyholder receivables, where outstanding premiums are settled by a series of instalment payments. Interest is earned over the term of the policy and accounted for under the effective interest method.

(o) Other operating income

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.

(p) Basis of consolidation

The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are entities over which the Group has control. Subsidiary companies are consolidated using the acquisition method. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtained control, and continue to be consolidated until the date when such control ceases. In preparing these consolidated financial statements, any intra-group balances, unrealised gains and losses or income and expenses arising from intra-group trading are eliminated. Where accounting policies used in individual financial statements of a subsidiary company differ from Group policies, adjustments are made to bring these policies in line with Group policies.

1. Accounting policies continued

(q) 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 statement of comprehensive income, 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.

(r) Earnings per share

Basic earnings per share are calculated by dividing profit after tax attributable to equity shareholders of the parent company by the weighted average number of ordinary shares in issue during the period. Diluted earnings per share requires that the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. These arise from awards made under share-based incentive schemes. Share awards with performance conditions attaching to them are not considered to be dilutive unless these conditions have been met at the reporting date. Shares held in employee share trusts are excluded from the weighted average number of shares in issue until they have vested unconditionally with the employees.

(s) Leases – new accounting policy applicable from 1 January 2019

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; and
- 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.

2. Critical accounting estimates and judgements

2.1 Valuation of 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 claims reserve and estimate of the sufficiency of these reserves (through the calculation of an Incurred But Not Enough Reported estimate, and for the expected ultimate cost of claims incurred, but not yet reported, at the reporting date. It can take a significant period of time before the ultimate claims cost can be established with certainty.

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.

The gross carrying value at the reporting date of insurance liabilities is £212,167k (2018: £215,757k).

Liability claims may be settled through a Periodic Payment Order, 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 outstanding claims reserve. 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. Once the level of projected PPO activity, and the volume of historical data available for modelling, becomes sufficient the firm will apply statistical modelling in respect of PPOs within the IBNR reserve.

3. Risk management

3.1 Risk and 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. From 1 January 2016, the Group has considered its capital position to be its net assets on a Solvency II basis and monitors this in the context of the Solvency II SCR. As at 31 December 2019, the Group holds significant excess Solvency II capital.

The Group's IFRS capital comprised:

	As at 31 December 2019 £'k	As at 31 December 2018 £'k
Equity		
Issued ordinary share capital	**250**	250
Own shares	**(1,061)**	(1)
Merger reserve	**48,525**	48,525
Share-based payments reserve	**1,362**	1,036
Retained earnings	**218,341**	215,338
Total	**267,417**	265,148

The Solvency II position of the Group is given below:

	As at 31 December 2019 £'k	As at 31 December 2018 £'k
Total tier 1 capital	**127,086**	130,019
SCR	**59,495**	60,995
Excess capital	**67,591**	69,024
Solvency coverage ratio (%)	**214%**	213%

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

	As at 31 December 2019 £'k	As at 31 December 2018 £'k
Adjusted IFRS net assets	**111,138**	108,869
Unearned premium reserve	**99,877**	106,517
Deferred acquisition costs	**(16,211)**	(15,761)
Solvency II premium provision	**(69,493)**	(71,092)
IFRS risk margin (1)	**12,003**	12,550
Discount claims provision	**1,769**	3,134
Solvency II risk margin	**(8,255)**	(9,237)
Change in deferred tax	**(3,742)**	(4,961)
Solvency II net assets	**127,086**	130,019

(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 above have been made for the following reasons:

- **Adjusted IFRS net assets:** Equals Group net assets on an IFRS basis, less goodwill and intangibles.
- **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.

3. Risk management continued

– **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.

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

	As at 31 December 2019			As at 31 December 2018		
	£'k	£'k	£'k	£'k	£'k	£'k
Interest rate risk			1,019			484
Equity risk			–			–
Property risk			1,014			1,014
Spread risk			–			83
Currency risk			470			240
Concentration risk			–			–
Correlation impact			(840)			(555)
Market risk		1,663			1,265	
Counterparty risk		2,211			2,682	
Underwriting risk		55,149			57,633	
Correlation impact		(2,395)			(2,305)	
Basic SCR	56,628			59,275		
Operating risk	6,609			6,681		
Loss absorbing effect of deferred taxes	(3,742)			(4,961)		
Total Solvency Capital Requirement	59,495			60,995		

The Group's capital management objectives are:

– to ensure that the Group will be able to continue as a going concern; and

– to maximise the income and capital return to its equity

The Board monitors and reviews 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.

3.2 Principal risks from insurance activities and the use of financial instruments

Detailed below is the Group's risk exposure arising from its insurance activities and use of financial instruments specifically in respect of insurance risk, market risk and counterparty risk.

3.2.1 Underwriting

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 12 months' 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 £1 million, 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 net loss ratio applied to all underwriting years which have a material outstanding claims reserve, a 10% increase in net outstanding claims across all underwriting years, taking into account the impact of an increase in the operational costs associated with handling those claims.

A substantial increase in individually large claims which are over our reinsurance retention limit generally will have no impact on profit before tax.

	Increase/(decrease) in profit before tax		Increase/(decrease) in total equity	
At 31 December	**2019 £'k**	**2018 £'k**	**2019 £'k**	**2018 £'k**
Insurance risk				
Impact of a 10% increase in net loss ratio	(13,422)	(13,899)	(10,872)	(11,258)
Impact of a 10% increase in net outstanding claims and claims provision	(11,309)	(11,713)	(9,160)	(9,488)

3.2.2 Financial risks

(1) Counterparty credit risk

Counterparty credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. The two main sources of counterparty risk for the Group are investment counterparties and reinsurance recoveries.

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

- A company 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 Audit and 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.

3. Risk management continued

The following tables demonstrate the Group's exposure to credit risk in respect of overdue debt and counterparty creditworthiness.

Overdue debt

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	**83,931**	–	–	–	**83,931**
Deferred tax assets	**210**	–	–	–	**210**
Insurance and other receivables	**37,700**	**85**	–	–	**37,785**
UK government debt	**263,629**	–	–	–	**263,629**
Cash and cash equivalents	**31,791**	–	–	–	**31,791**
Total	**417,261**	**85**	–	–	**417,346**

At 31 December 2018	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	82,435	–	–	–	82,435
Deferred tax assets	217	–	–	–	217
Insurance and other receivables	37,786	–	2	–	37,788
Corporate bonds	518	–	–	–	518
UK government debt	286,624	–	–	–	286,624
Cash at cash equivalents	22,823	–	–	–	22,823
Total	430,403	–	2	–	430,405

There were no material financial assets that would have been past due or considered for impairment at the year-end.

Exposure by credit rating

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	–	**62,492**	**21,439**	–	–	–	**83,931**
Deferred tax asset	–	–	–	–	–	**210**	**210**
Insurance and other receivables	–	–	–	–	–	**37,785**	**37,785**
UK government debt	–	**263,629**	–	–	–	–	**263,629**
Cash and cash equivalents	–	**18,840**	–	**12,951**	–	–	**31,791**
Total	–	**344,961**	**21,439**	**12,951**	–	**37,995**	**417,346**

At 31 December 2018	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	–	62,696	19,739	–	–	–	82,435
Deferred tax assets	–	–	–	–	–	217	217
Insurance and other receivables	–	–	–	–	–	37,788	37,788
Corporate bonds	–	–	–	518	–	–	518
UK government debt	–	286,624	–	–	–	–	286,624
Cash and cash equivalents	–	93	–	22,730	–	–	22,823
Total	–	349,413	19,739	23,248	–	38,005	430,405

Credit rating is determined with reference to external credit rating agencies.

(2) 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.

At 31 December 2019	Total £'k	Within 1 year £'k	1 - 3 years £'k	3 - 5 years £'k	5 - 10 years £'k	Over 10 years £'k
Reinsurance assets	**83,931**	**43,034**	**29,428**	**9,653**	**1,816**	**–**
UK government debt	**263,629**	**154,079**	**78,340**	**22,640**	**8,570**	**–**
Cash and cash equivalents	**31,791**	**31,791**	**–**	**–**	**–**	**–**
Total	**379,351**	**228,904**	**107,768**	**32,293**	**10,386**	**–**

At 31 December 2019	Total £'k	Within 1 year £'k	1 - 3 years £'k	3 - 5 years £'k	5 - 10 years £'k	Over 10 years £'k
Insurance liabilities	**270,568**	**120,203**	**96,846**	**42,492**	**11,027**	**–**
Lease liabilities	**194**	**194**	**–**	**–**	**–**	**–**
Trade and other payables including insurance payables	**12,475**	**12,475**	**–**	**–**	**–**	**–**
Total	**283,237**	**132,872**	**96,846**	**42,492**	**11,027**	**–**

At 31 December 2018	Total £'k	Within 1 year £'k	1 - 3 years £'k	3 - 5 years £'k	5 - 10 years £'k	Over 10 years £'k
Reinsurance assets	82,435	38,109	29,302	9,712	5,312	–
Corporate bonds	518	518	–	–	–	–
UK government debt	286,624	182,923	81,768	17,879	4,054	–
Cash and cash equivalents	22,823	22,823	–	–	–	–
Total	392,400	244,373	111,070	27,591	9,366	–

At 31 December 2018	Total £'k	Within 1 year £'k	1 - 3 years £'k	3 - 5 years £'k	5 - 10 years £'k	Over 10 years £'k
Insurance liabilities	275,230	127,236	97,832	32,425	17,739	(2)
Trade and other payables including insurance payables	13,623	13,623	–	–	–	–
Total	288,853	140,859	97,832	32,425	17,739	(2)

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.

(3) 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.

The Group's portfolio consists primarily of UK government debt, therefore the risk of government default does exist, however the likelihood is extremely remote. The Group continues to monitor the strength and security of these government bonds.

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

At 31 December 2019	Corporate £'k	Sovereign £'k	Total £'k
UK	**–**	**263,629**	**263,629**
Total	**–**	**263,629**	**263,629**

At 31 December 2018	Corporate £'k	Sovereign £'k	Total £'k
UK	518	286,624	287,142
Total	518	286,624	287,142

(4) Interest rate risk

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.

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.

	Increase/(decrease) in profit after tax		Increase/(decrease) in total equity	
At 31 December	**2019 £'k**	**2018 £'k**	**2019 £'k**	**2018 £'k**
Interest rate				
Impact of a 100 basis point increase in interest rates on financial investments	**(2,157)**	(2,350)	**(2,157)**	(2,350)
Owner-occupied property				
Impact of a 15% decrease in property markets	**–**	–	**(493)**	(493)

3.2.3 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.

4. Net earned premium

	2019 £'k	**2018 £'k**
Gross earned premium		
Gross written premium	**197,040**	210,017
Movement in unearned premium reserve	**6,640**	(1,395)
	203,680	208,622
Reinsurance premium ceded		
Premium payable	**(19,780)**	(21,129)
Movement in unearned premium reserve	**(662)**	742
	(20,442)	(20,387)
Total	**183,238**	188,235

5. Investment return

	2019 £'k	2018 £'k
Statement of comprehensive income		
Investment income		
Interest income from debt securities	**8,163**	7,992
Cash and cash equivalent interest income	**64**	91
Investment fees	**(87)**	(79)
	8,140	8,004
Net realised losses		
Debt securities at fair value through profit and loss	**(8,403)**	(1,210)
	(8,403)	(1,210)
Net unrealised gains/(losses)		
Debt securities at fair value through profit and loss	**2,668**	(6,017)
	2,668	(6,017)
Total	**2,405**	777
Other comprehensive income		
Revaluation gain on owner-occupied property	**–**	620
Total	**2,405**	1,397

6. Other operating income

	2019 £'k	2018 £'k
Marketing fees	**1,061**	1,334
Fee income from the sale of auxiliary products and services	**123**	136
Administration fees	**56**	291
Total	**1,240**	1,761

7. Net insurance claims

	2019			2018		
	Gross £'k	Reinsurance £'k	Net £'k	Gross £'k	Reinsurance £'k	Net £'k
Current accident year claims paid	**61,839**	**–**	**61,839**	52,429	–	52,429
Prior accident year claims paid	**52,052**	**(6,153)**	**45,899**	46,447	(3,179)	43,268
Movement in insurance liabilities	**(3,590)**	**(2,158)**	**(5,748)**	(26,631)	28,795	2,164
Total	**110,301**	**(8,311)**	**101,990**	72,245	25,616	97,861

Claims handling expenses for the year ended 31 December 2019 of £7,558k (2018: £6,536k) have been included in the above.

8. Finance costs

	2019 £'k	2018 £'k
Interest on lease liabilities (Note 23)	**18**	–
Total	**18**	–

9. Operating expenses

	2019 £'k	2018 £'k
Staff costs	**5,979**	6,219
Property costs	**154**	152
IT expense including IT depreciation	**4,898**	4,334
Other depreciation	**45**	46
Industry levies	**1,812**	3,224
Policy servicing costs	**2,334**	2,759
Other operating expenses	**1,526**	2,028
Total	**16,748**	18,762

During the year a provision for industry levies was released. Refer to Note 25.

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

	2019	2018
Operations	**131**	129
Support	**29**	25
Total	**160**	154

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

	2019 £'k	2018 £'k
Wages and salaries	**3,845**	4,199
Issue of share-based payments	**1,106**	1,036
Social security costs	**662**	594
Pension costs	**253**	246
Other staff costs	**113**	144
Total	**5,979**	6,219

Wages and salaries of £5,528k (2018: £4,199k) have been classified as part of claims handling expenses (Note 7). Wages and salaries include a net movement in deferred acquisition costs (Note 15) of £1,072k (2018: £407k).

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

	2019 £'k	2018 £'k
Fees for audit services		
Audit of these financial statements	**56**	41
Audit of financial statements of subsidiaries of the Group	**208**	134
Total audit fees	**264**	175
Fees for non-audit services		
Audit related assurance services	**78**	75
Total non-audit fees	**78**	75
Total auditor remuneration	**342**	250

Amounts paid to Directors are disclosed within the Remuneration Committee Report on page 53 of the Annual Report and Accounts.

10. Tax charge

	2019 £'k	2018 £'k
Current taxation		
Charge for the year	**10,761**	11,992
	10,761	11,992
Deferred taxation (Note 11)		
Origination and reversal of temporary differences	**7**	(197)
Over-provision in respect of the previous year	**–**	–
	7	(197)
Current taxation	**10,761**	11,992
Deferred taxation (Note 11)	**7**	(197)
Tax charge for the year	**10,768**	11,795

Tax recorded in other comprehensive income is as follows.

	2019 £'k	2018 £'k
Current taxation	**–**	118
	–	118

The actual income tax charge differs from the expected income tax charge computed by applying the standard rate of UK corporation tax of 19% (2018: 19.25%) as follows:

	2019 £'k	2018 £'k
Profit before tax	**56,479**	61,363
Expected tax charge	**10,731**	11,659
Effect of		
Expenses not deductible for tax purposes	**14**	13
Adjustment of deferred tax to average rate of 19%	**22**	–
Amortisation of intangible assets	**–**	95
Adjustment in respect of prior periods	**–**	–
Income/loss not subject to UK taxation	**10**	–
Other income tax adjustments	**(9)**	28
Tax charge for the year	**10,768**	11,795
Effective income tax rate	**19.07%**	19.22%

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11. Deferred tax

The following are the deferred tax liabilities recognised by the Group, and the movements thereon, during the current and prior reporting years.

	Provisions and other temporary differences £'k	Depreciation in excess of capital allowances £'k	Share-based payments £'k	Total £'k
At 1 January 2018	25	(5)	–	20
(Debit)/Credit to the statement of comprehensive income on continuing operations	(8)	8	197	197
At 31 December 2018	17	3	197	217
(Debit)/Credit to the statement of comprehensive income on continuing operations	**2**	**(44)**	**35**	**(7)**
At 31 December 2019	**19**	**(41)**	**232**	**210**

	2019 £'k	2018 £'k
Per statement of financial position:		
Deferred tax assets	**251**	217
Deferred tax liabilities	**(41)**	–
	210	217

Under current legislation, the UK corporation tax rate is due to reduce from 19% to 17% from 1 April 2020. All closing deferred tax attributes are recognised with reference to the enacted tax rate of 17%. In March 2020, the Chancellor announced that he intends to cancel the reduction in corporation tax rate from 19% to 17%. As this announcement was made after the end of the reporting period, deferred taxes at the balance sheet date continue to be measured at the enacted tax rate of 17%. The impact of the corporation tax rate change on the closing deferred tax balance is immaterial.

12. Dividends

	2019		2018	
	Pence per share[1]	£'k	Pence per share	£'k
Amounts recognised as distributions to equity holders in the period				
Interim dividend in respect of the current year	**4.7**	**11,710**	7.2	17,951
Final dividend paid in respect of the prior year	**12.8**	**31,913**	–	–
	17.5	**43,623**	7.2	17,951
Proposed dividends				
Final dividend [2]	**8.1**	**20,250**	–	–

1) The dividend per share calculation is based on the number of equity shares registered on the ex-dividend date.
2) Subsequent to 31 December 2019, the Directors declared a final dividend for 2019 of 8.1 pence per ordinary share. This dividend will be paid on 28 May 2020. It will be accounted for as an appropriation of retained earnings in the year ended 31 December 2020 and is not included as a liability in the Consolidated Statement of Financial Position as at 31 December 2019.

The trustees of the employee share trusts waived their entitlement to dividends on shares held in the trusts to meet obligations arising on share incentive schemes, which reduced the dividends paid for the year ended 31 December 2019 by £127k (2018: £49k).

13. Property, plant and equipment

	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**
Accumulated depreciation and impairment				
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**
Carrying amount				
As at 31 December 2019	**4,055**	**95**	**418**	**4,568**

	Owner-occupied £k	Fixtures and fittings £k	Computer equipment £k	Total £k
Cost / Valuation				
At 1 January 2018	3,950	703	1,953	6,606
Additions	–	17	44	61
Disposals	–	–	–	–
Revaluation	620	–	–	620
At 31 December 2018	4,570	720	1,997	7,287
Accumulated depreciation and impairment				
At 1 January 2018	515	554	1,663	2,732
Depreciation charge for the year	–	45	140	185
Disposals	–	–	–	–
Impairment losses on revaluation	–	–	–	–
At 31 December 2018	515	599	1,803	2,917
Carrying amount				
As at 31 December 2018	4,055	121	194	4,370

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 16 October 2018 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 property of £4,055k (2018: £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	2019 £'k	2018 £'k
At 31 December	**4,055**	3,435
Purchase	**–**	–
Revaluation	**–**	620
At 31 December	**4,055**	4,055

14. Reinsurance assets

	2019 £'k	2018 £'k
Reinsurers' share of general insurance liabilities	**76,361**	74,203
Reinsurers' share of UPR	**7,570**	8,232
Total	**83,931**	82,435

15. Deferred acquisition costs

	2019 £'k	2018 £'k
At 1 January	**15,761**	14,673
Net increase during the year	**450**	1,088
At 31 December	**16,211**	15,761

16. Insurance and other receivables

	2019 £'k	2018 £'k
Receivables arising from insurance and reinsurance contracts		
Due from brokers and intermediaries	**15,328**	16,234
Due from policyholders	**22,526**	21,542
Impairment of broker and intermediary receivables	**(100)**	(100)
Other loans and receivables		
Other debtors	**31**	112
Total	**37,785**	37,788

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.

17. Prepayments, accrued income and other assets

	2019 £'k	2018 £'k
Accrued interest	**2,445**	3,467
Prepayments and accrued income	**1,182**	1,071
Total	**3,627**	4,538

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.

18. Financial investments

	2019 £'k	2018 £'k
Debt securities held at fair value through profit and loss		
Corporate	**–**	518
Sovereign	**263,629**	286,624
Total	**263,629**	287,142

All financial investments are classified as Level 1 under the fair value hierarchy. The fair value classification of owner-occupied property is discussed in Note 13.

19. Cash and cash equivalents

	2019 £'k	2018 £'k
Cash and cash equivalents	**31,791**	22,823
Total	**31,791**	22,823

20. Goodwill

On 3 January 2014 the Group acquired Binomial Group Limited, the parent of Sabre Insurance Company Limited, for 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 assessment as at 31 December 2019 and 31 December 2018. The Group considers the relationship between its market capitalisation and its book value, among other factors, when performing its annual assessment. As at 31 December 2019 and 31 December 2018, 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 2019 of £770,000k (2018: £682,500k).

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 2019.

21. Share capital

	2019 £'k	2018 £'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.

22. Insurance liabilities, unearned premium reserve

	2019 £'k	2018 £'k
Insurance liabilities		
Gross insurance liabilities (including unearned premium reserve)		
Gross insurance liabilities	**212,167**	215,757
Unearned premium reserve	**99,877**	106,517
Total	**312,044**	322,274
Reinsurers' share of insurance liabilities (including unearned premium reserve)		
Reinsurers' share of insurance liabilities	**(76,361)**	(74,203)
Unearned premium reserve	**(7,570)**	(8,232)
Total	**(83,931)**	(82,435)
Net insurance liabilities (including unearned premium reserve)		
Net insurance liabilities	**135,806**	141,554
Unearned premium reserve	**92,307**	98,285
Total	**228,113**	239,839

The development of gross and net general insurance liabilities is shown below.

22. Insurance liabilities, unearned premium reserve continued

Gross insurance liabilities

Accident year	2010 £'k	2011 £'k	2012 £'k	2013 £'k	2014 £'k	2015 £'k	2016 £'k	2017 £'k	2018 £'k	2019 £'k	Total £'k
Estimate of ultimate claims costs											
At the end of the accident year	77,415	98,735	103,139	84,939	75,649	103,599	111,518	165,707	120,077	126,981	
One year later	74,349	95,818	103,989	70,567	65,639	90,133	100,935	131,803	108,089		
Two years later	77,740	90,631	94,297	63,197	62,039	82,537	94,294	123,651			
Three years later	73,686	84,962	92,478	65,313	60,301	79,845	91,336				
Four years later	72,141	81,715	97,170	68,763	59,149	77,095					
Five years later	71,540	80,514	94,150	64,290	58,367						
Six years later	74,822	80,738	88,795	63,153							
Seven years later	72,660	80,511	88,016								
Eight years later	72,656	80,502									
Nine years later	72,289										
Current estimate of cumulative claims	72,289	80,502	88,016	63,153	58,367	77,095	91,336	123,651	108,089	126,981	
Cumulative payments to date	(69,323)	(80,203)	(82,861)	(59,592)	(56,075)	(71,777)	(76,324)	(70,715)	(71,583)	(54,216)	
Liability recognised in balance sheet	**2,966**	**299**	**5,155**	**3,561**	**2,292**	**5,318**	**15,012**	**52,936**	**36,506**	**72,765**	**196,810**
2009 and prior											**11,588**
Claims handling provision											**3,769**
Total											**212,167**

Net insurance liabilities

Accident year	2010 £'k	2011 £'k	2012 £'k	2013 £'k	2014 £'k	2015 £'k	2016 £'k	2017 £'k	2018 £'k	2019 £'k	Total £'k
Estimate of ultimate claims costs											
At the end of the accident year	61,912	94,171	89,901	77,316	74,609	97,288	104,808	106,478	111,433	115,011	
One year later	69,055	90,742	81,403	64,071	65,639	85,814	93,664	96,446	99,649		
Two years later	72,475	87,494	75,938	59,301	60,953	81,164	87,824	91,806			
Three years later	69,649	81,950	73,606	57,739	59,741	77,869	85,243				
Four years later	68,001	78,509	74,304	56,947	59,008	76,409					
Five years later	67,100	77,534	72,731	56,892	58,259						
Six years later	66,926	77,496	76,624	56,593							
Seven years later	66,791	77,266	72,296								
Eight years later	66,791	77,256									
Nine years later	66,829										
Current estimate of cumulative claims	66,829	77,256	72,296	56,593	58,259	76,409	85,243	91,806	99,649	115,011	
Cumulative payments to date	(65,641)	(76,957)	(72,101)	(54,333)	(56,075)	(71,689)	(76,225)	(70,715)	(71,583)	(54,216)	
Liability recognised in balance sheet	**1,188**	**299**	**195**	**2,260**	**2,184**	**4,720**	**9,018**	**21,091**	**28,066**	**60,795**	**129,816**
2009 and prior											**2,221**
Claims handling provision											**3,769**
Total											**135,806**

Movements in insurance liabilities, unearned premium reserve and reinsurance assets

	Gross £'k	Reinsurance £'k	Net £'k
At 1 January 2018	242,388	(102,998)	139,390
Cash paid for claims during the year	(92,434)	3,177	(89,257)
Increase/(decrease) in liabilities:			
Arising from current-year claims	122,100	(8,645)	113,455
Arising from prior-year claims	(56,297)	34,263	(22,034)
At 31 December 2018	215,757	(74,203)	141,554
Claims reported	284,491	(96,138)	188,353
Incurred but not reported	(72,236)	21,935	(50,301)
Claims handling provision	3,502	–	3,502
At 31 December 2018	215,757	(74,203)	141,554
Cash paid for claims during the year	**(106,268)**	**6,153**	**(100,115)**
Increase/(decrease) in liabilities:			
Arising from current-year claims	**129,155**	**(11,970)**	**117,185**
Arising from prior-year claims	**(26,477)**	**3,659**	**(22,818)**
At 31 December 2019	**212,167**	**(76,361)**	**135,806**
Claims reported	**290,964**	**(97,789)**	**193,175**
Incurred but not reported	**(82,566)**	**21,428**	**(61,138)**
Claims handling provision	**3,769**	**–**	**3,769**
At 31 December 2019	**212,167**	**(76,361)**	**135,806**

23. Leases

Company as a lessee

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 13).

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 (either RPI or 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 follow:

	Computer equipment £'k	Total £'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:

	2019 £'k	2018 £'k
As at 1 January (adjusted for 1 January 2019)	**440**	–
Additions	**–**	–
Accretion of interest	**18**	–
Payments	**(264)**	–
As at 31 December 2019	**194**	–
Current	**194**	–
Non-current	**–**	–

The following are the amounts recognised in the statement of comprehensive income:

	2019 £'k	2018 £'k
Depreciation expense of right-of-use assets	**251**	–
Interest expense on lease liabilities	**18**	–
Expenses relating to short-term leases (included in IT expenses)	**6**	–
Expenses relating to low-value assets (included in other operating expenses)	**14**	–
Variable lease payments	**–**	–
Total	**289**	–

The Group had total cash outflows for leases of £284k in 2019 (2018: £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 contain variable payments.

The Group's lease contract includes extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Limited judgement is required in determining whether these options are reasonably certain to be exercised.

Set out below are the undiscounted potential future rental payments relating to periods following the exercise date of extension and terminations that are not included in the lease term:

	Within five years £'k	More than five years £'k	Total £'k
Extension options expected to be exercised	**264**	–	**264**
Termination options expected to be exercised	**–**	–	**–**
	264	–	**264**
Extension options expected not to be exercised	**264**	–	**264**
Termination options expected not to be exercised	**–**	–	**–**
Total	**264**	–	**264**

The Group is not expected to exercise the termination option before the end of the current lease. If the lease is extended, the extended contract will not contain a termination option.

24. Trade and other payables, including insurance payables

	2019 £'k	2018 £'k
Insurance creditors	**1,073**	1,017
Due to reinsurers	**4,936**	6,171
Trade and other creditors	**1,053**	675
Other taxes	**5,413**	5,760
Total	**12,475**	13,623

The carrying value of trade and other payables, including insurance payables, approximates to fair value. There are no amounts expected to be settled more than 12 months after the reporting date.

25. Accruals

	2019 £'k	2018 £'k
Accruals	**1,206**	4,510
Total	**1,206**	4,510

All accruals are due to be paid within one year.

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.

26. Fair value

Fair value hierarchy

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);

There have been no transfers between levels during the year (2018: no transfers).

The following table summarises the classification of financial instruments:

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**
Owner-occupied land and buildings (Note 13)	**–**	**–**	**4,055**	**4,055**
Total assets	**263,629**	**–**	**4,055**	**267,684**

As at 31 December 2018	Level 1 £'k	Level 2 £'k	Level 3 £'k	Total £'k
Assets held at fair value				
Financial investments	287,142	–	–	287,142
Owner-occupied land and buildings (Note 13)	–	–	4,055	4,055
Total assets	**287,142**	**–**	**4,055**	**291,197**

27. Notes to the cash flow statement

	2019 £'k	2018 £'k
Profit before tax for the year	**56,479**	61,363
Adjustments for:		
Depreciation of property, plant and equipment	**165**	185
Depreciation of right-of-use assets	**251**	–
Amortisation of intangible assets	**–**	501
Share-based payment expense	**1,106**	1,036
Investment return	**(2,405)**	(777)
Operating cash flows before movements in working capital	**55,596**	62,308
Movements in working capital:		
Change in reinsurance assets	**(1,496)**	28,053
Change in insurance and other receivables	**3**	1,020
Change in prepayments and other assets	**911**	(1,684)
Change in insurance liabilities including DAC and UPR	**(10,680)**	(26,324)
Change in trade and other payables	**(4,452)**	(7,410)
Cash generated from	**39,882**	55,963
Taxes paid	**(11,674)**	(7,219)
Net cash flow used by operating activities before investment of insurance assets	**28,208**	48,744
Interest and investment income received	**8,148**	8,004
Purchases of invested assets	**(206,131)**	(152,162)
Proceeds from sale of invested assets	**223,902**	101,824
Total	**54,127**	6,410

28. 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.

Employee schemes shares

	Free shares donated at listing			Shares bought/sold on open market			Total
	Number of shares	**Average price (pence)**	**£**	**Number of shares**	**Average price (pence)**	**£**	**£**
As at 21 September 2017	–	–	–	–	–	–	–
Corporate reorganisation	869,566	0.001	870	–	–	–	870
As at 31 December 2017	**869,566**	**0.001**	**870**	**–**	**–**	**–**	**870**
Shares purchased	–	–	–	–	–	–	–
Shares vested	–	–	–	–		–	–
As at 31 December 2018	**869,566**	**0.001**	**870**	**–**	**–**	**–**	**870**
Shares purchased	–	–	–	395,587	268.073	1,060,462	1,060,462
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**	**1,060,462**	**1,061,003**

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

28. Share-based payments continued

The Group recognised a total expense in the statement of comprehensive income for the year ending 31 December 2019 of £1,106k (2018: £1,036k), relating to equity settled share-based plans.

Share-based payments reserve

	£'k
As at 1 January 2018	–
Charge in respect of share-based payment	1,036
As at 31 December 2018	**1,036**
Charge in respect of share-based payment	1,106
Settlement of share-based payments	(780)
As at 31 December 2019	**1,362**

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%).

LTIP Awards with performance conditions

During 2019, 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 2019. 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.

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

The tables below detail the movement in the LTIP:

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

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

	LTIP without performance conditions		LTIP with performance conditions	
	Number and WAEP		Number and WAEP	
	Number	£	Number	£
Outstanding at 1 January 2018	576,169	NIL	–	–
Granted	–	–	572,649	NIL
Forfeited	(6,639)	NIL	–	–
Vested	–	–	–	–
Outstanding at 31 December 2018	569,530	–	572,649	NIL

Deferred Bonus Plan ("DBP")

To encourage behaviour which does not benefit short-term profitability over longer-term value, Executive Directors were awarded 145,317 shares in lieu of a bonus (2018: NIL), with an estimated fair value of £418,513k (2018: £NIL) to be deferred for two years, using the market value at the grant date. These are subject to a two-year service period and are not subject to performance conditions.

The DBP is recognised in the statement of comprehensive income 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 is unconditional for participants still in service at the vesting date. Participants will also receive Dividend Shares which represent the value of reinvested dividends which would have accrued over the vesting period on the shares in the Free Share award.

The fair value of the Sabre Share Incentive Plan awards is equal to the share price on the date of grant. Dividends are not deducted in the calculation of fair value because dividends will be accumulated over the vesting period and repaid against equivalent dividend shares.

As at 31 December 2019, 166,698 (2018: 179,928) shares were held on behalf of employees with an estimated fair value of £513,430k (2018: £491,203k). The average unexpired life of Free Shares awards is one year (2018: two years).

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 one free matching share for every three 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 Dividend 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 2019, 2,875 (2018: NIL) matching shares were granted to employees with an estimated fair value of £9k (2018: £NIL).

As at 31 December 2019, 2,875 (2018: NIL) matching shares were held on behalf of employees with an estimated fair value of £9k (2018: £ NIL). The average unexpired life of Matching Share awards is 2.3 years (2018: NIL years).

Save as You Earn

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.

29. 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	Principal 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	13-14 Esplanade, St Helier, Jersey, JE1 1EE
Barb MidCo Limited	Non-trading	13-14 Esplanade, St Helier, Jersey, JE1 1EE
Barb BidCo Limited	Non-trading	13-14 Esplanade, St Helier, Jersey, JE1 1EE
Barb HoldCo Limited	Non-trading	13-14 Esplanade, St Helier, Jersey, JE1 1EE
Other controlled entities		
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. The UK registered EBT holds the all-employee Share Incentive Plan ("SIP") in which each employee of Sabre Insurance Company Limited was issued with £3,600 of shares on listing. The Jersey-registered EBT holds the Long Term Incentive Plan ("LTIP") discretionary shares awarded on IPO.

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 EBTs were set up by the Group with the sole purpose of assisting in the administration of these schemes, and are in essence controlled by the Group and therefore consolidated.

During the period ended 31 December 2019, the Group donated no shares to the EBTs (2018: 1,315,538). While an amount of these shares was sold on admission, 213,792 shares were retained in the UK EBT in relation to the SIP and 576,169 shares were retained in the Jersey EBT in relation to the LTIP. The total value of the shares gifted to the EBTs by Sabre Insurance Group plc on admission was £3,025k.

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 56 to 58.

	2019 £'k	2018 £'k
Salaries and other short-term benefits	**2,282**	2,682
Employer pension	**10**	13
Shares granted under LTIP	**350**	466
Fees	**-**	23
Total	**2,642**	3,183

30. Earnings per share

Basic earnings per share

	2019		2018	
	After tax £'k	**Per share pence**	**After tax £'k**	**Per share** pence
Profit for the year attributable to equity holders	**45,711**	**18.35**	49,568	19.90

Diluted earnings per share

	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**	**(0.13)**
Total diluted earnings		**250,940**	**18.22**

	2018		
	After tax £'k	**Weighted average number of shares £'k**	**Per share pence**
Profit for the year attributable to equity holders	49,568	249,126	19.90
Net shares under options allocable for no further consideration		1,578	(0.13)
Total diluted earnings		250,704	19.77

31. 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.

32. Events after the balance sheet date

The global outbreak of COVID-19 presents various operational, market, counterparty and insurance risks to the Group. The Directors continue to monitor these risks closely and take all appropriate steps to manage the impact on policyholders, employees and other stakeholders. This is discussed in more detail in the Chief Executive Officer's Report, on page 13 of the Strategic Report. The Directors do not consider this event to have any bearing on the valuation of assets or liabilities at year-end.

PARENT COMPANY STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 £'k	2018 £'k
Assets			
Investments	2	**578,142**	577,037
Prepayments		**33**	29
Cash and cash equivalents		**1,121**	1,208
Total assets		**579,296**	578,274
Equity			
Issued share capital	4	**250**	250
Own shares		**(1,061)**	(1)
Merger reserve		**369,515**	369,515
Share based payments reserve	7	**1,362**	1,036
Retained earnings		**207,743**	206,960
Total equity		**577,809**	577,760
Liabilities			
Creditors: Amounts falling due within one year	3	**1,487**	514
Total liabilities		**1,487**	514
Total equity and liabilities		**579,296**	578,274

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 £43,491k (2018: £23,836k).

The attached notes on pages 112 to 113 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 6 April 2020.

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 2019

	Notes	Share capital £'k	Share premium £'k	Own shares £'k	Merger reserve £'k	Share-based payment reserve £'k	Retained earnings £'k	Total equity £'k
As at 1 January 2018		250	205,241	(1)	369,396	–	(4,047)	570,839
Profit for the year		–	–	–	–	–	23,836	23,836
Capital reduction		–	(205,241)	–	119	–	205,122	–
Share-based payment reserve		–	–	–	–	1,036	–	1,036
Dividends		–	–	–	–	–	(17,951)	(17,951)
At 31 December 2018		**250**	**–**	**(1)**	**369,515**	**1,036**	**206,960**	**577,760**
Profit for the year		**–**	**–**	**–**	**–**	**–**	**43,491**	**43,491**
Share-based payment reserve	8	**–**	**–**	**–**	**–**	**1,106**	**–**	**1,106**
Settlement of share-based payments		**–**	**–**	**–**	**–**	**(780)**	**780**	**–**
Own shares purchased		**–**	**–**	**(1,060)**	**–**	**–**	**–**	**(1,060)**
Share scheme transfer to retained earnings		**–**	**–**	**–**	**–**	**–**	**135**	**135**
Dividends		**–**	**–**	**–**	**–**	**–**	**(43,623)**	**(43,623)**
At 31 December 2019		**250**	**–**	**(1,061)**	**369,515**	**1,362**	**207,743**	**577,809**

PARENT COMPANY STATEMENT OF CASH FLOWS
for the year ended 31 December 2019

	2019 £'k	2018 £'k
Profit after tax	**43,491**	23,836
Movement in working capital		
Change in debtors	**–**	1,870
Change in prepayments	**(4)**	(29)
Change in creditors	**973**	(6,518)
Net cash flow generated by operating activities	**44,460**	19,159
Net cash used in acquiring and disposing own shares	**(924)**	–
Dividends paid	**(43,623)**	(17,951)
Net cash used by financing activities	**(44,547)**	(17,951)
Net (decrease)/increase in cash and cash equivalents	**(87)**	1,208
Cash and cash equivalents at the beginning of the year	**1,208**	–
Cash and cash equivalents at the end of the year	**1,121**	1,208

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS
for the year ended 31 December 2019

1. Accounting policies

1.1 Basis of preparation

These financial statements present the Sabre Insurance Group plc company financial statements for the period ended 31 December 2019, 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 Group have been prepared in accordance and fully comply with International Financial Reporting Standards (IFRSs), as issued by the International Accounting Standards Board (IASB) and adopted by the EU. 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.

1.2 Summary of significant accounting policies

(a) Investment in subsidiaries

Investment in subsidiaries is stated at cost less any impairment.

(b) Dividend income

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

2. Investments

Investment in subsidiary undertakings

	2019 £'k	2018 £'k
As at 1 January	**577,036**	576,000
Additions	**1,106**	1,037
As at 31 December	**578,142**	577,037

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 29 of the consolidated Group accounts.

3. Creditors

	2019 £'k	2018 £'k
Due within one year		
Amounts owed to Group undertakings	**1,487**	514
As at 31 December	**1,487**	514

4. Share capital and reserves

Full details of the share capital and capital reserves of the Company are set out in Note 21 to the consolidated financial statements.

5. Dividends

Full details of the dividends paid and proposed by the Company are set out in Note 12 to the consolidated financial statements.

6. Related parties

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:

	2019 £'k	2018 £'k
Due to		
Sabre Insurance Company Limited	1,005	32
Barbados TopCo Limited	482	482
As at 31 December	1,487	514

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.

7. Share–based payments

Full details of share-based compensation plans are provided in Note 28 to the consolidated financial statements.

8. 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.

9. 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 are set out in Note 8 to the consolidated financial statements, the compensation for key management is set out in Note 9 to the consolidated financial statements 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 2019

Adjusted Profit Before Tax

	2019 £'k	2018 £'k	2017 £'k
Profit before tax	**56,479**	61,363	55,512
Add:			
Amortisation of intangible assets	**–**	501	887
Exceptional items	**–**	–	7,542
Adjusted profit before tax	**56,479**	61,864	63,941

Adjusted Profit After Tax

	2019 £'k	2018 £'k	2017 £'k
Profit after tax	**45,711**	49,568	45,343
Add:			
Amortisation of intangible assets	**–**	501	887
Exceptional items	**–**	–	7,542
Tax on exceptional items	**–**	–	(484)
Adjusted profit after tax	**45,711**	50,069	53,288

Net Loss Ratio

	2019 £'k	2018 £'k	2017 £'k
Net insurance claims	**101,990**	97,861	92,912
Less: Claims handling expenses	**(7,558)**	(6,536)	(6,044)
Net claims incurred	**94,432**	91,325	86,868
Net earned premium	**183,238**	188,235	186,866
Net loss ratio	**51.5%**	48.5%	46.5%

Expense Ratio

	2019 £'k	2018 £'k	2017 £'k
Total expenses	**32,507**	35,191	34,994
Plus: Claims handling expenses	**7,558**	6,536	6,044
Net operating expenses	**40,065**	41,727	41,038
Net earned premium	**183,238**	188,235	186,866
Expense ratio	**21.9%**	22.1%	22.0%

Combined Operating Ratio

	2019 £'k	2018 £'k	2017 £'k
Total expenses	**32,507**	35,191	34,994
Net insurance claims	**101,990**	97,861	92,912
	134,497	133,052	127,906
Net earned premium	**183,238**	188,235	186,866
Combined operating ratio	**73.4%**	70.6%	68.5%

Solvency Coverage Ratio – Pre Dividend

	2019 £'k	2018 £'k	2017 £'k
Solvency II net assets	**127,086**	130,019	97,873
Solvency capital requirement	**59,495**	60,995	61,087
Solvency coverage ratio	**213.6%**	213.3%	160.2%

Solvency Coverage Ratio – Post Dividend

	2019 £'k	2018 £'k	2017 £'k
Solvency II net assets	**127,086**	130,019	97,873
Less: Final dividend	**(20,250)**	(32,000)	–
Solvency II net assets (post dividend)	**106,836**	98,019	97,873
Solvency capital requirement	**59,495**	60,995	61,087
Solvency coverage ratio – post dividend	**179.6%**	160.8%	160.2%

Return on Tangible Equity

	2019 £'k	2018 £'k	2017 £'k
IFRS net assets at year end	**267,417**	265,148	231,993
Less:			
Intangible assets at year end	**–**	–	(501)
Goodwill at year end	**(156,279)**	(156,279)	(156,279)
Closing tangible equity	**111,138**	108,869	75,213
Opening tangible equity	**108,869**	75,213	55,149
Average tangible equity	**110,004**	92,064	65,181
Adjusted profit after tax	**45,711**	50,069	53,290
Return on tangible equity	**41.6%**	54.4%	81.8%

Return on Opening SCR

	2019 £'k	2018 £'k	2017 £'k
Opening SCR	**60,995**	61,087	57,852
Adjusted profit after tax	**45,711**	50,069	53,290
Return on SCR	**74.9%**	82.0%	92.1%

SHAREHOLDER INFORMATION

Shareholder profile as at 31 December 2019

Range of holdings	Number of shareholders	% of total shareholders	Ordinary shares	% of issued share capital
1-100	9	2.45%	531	0.00%
101-1,000	41	11.17%	22,400	0.01%
1,001-10,000	86	23.43%	313,670	0.13%
10,001-100,000	86	23.43%	2,969,716	1.19%
100,001-1,000,000	102	27.79%	38,978,920	15.59%
1,000,001- highest	43	11.72%	207,714,763	88.09%
Total	**367**	**100%**	**250,000,000**	**100%**

Category	Number of shareholders	% of total shareholders	Ordinary shares	% of issued share capital
Private individuals	31	8.45%	542,842	0.22%
Nominee companies	248	67.57%	206,862,263	82.74%
Limited and public limited companies	64	17.44%	37,612,062	15.04%
Other organisations and banks	24	6.54%	4,982,833	1.99%
Total	**367**	**100%**	**250,000,000**	**100%**

Share price

London Stock Exchange, pence per 0.01 pence share.

Highest	324 pence (13 December 2019)
Lowest	251 pence (15 January 2019)

Financial calendar

Full Year Results	7 April 2020
Trading Update	21 May 2020
Annual General Meeting	21 May 2020
Half Year Results	28 July 2020
Trading Update	13 October 2020

Dividend calendar

Final dividend 2019	
Ex-dividend date	23 April 2020
Record date	24 April 2020
Payment date	28 May 2020

Interim dividend 2020	
Ex-dividend date	20 August 2020
Record date	21 August 2020
Payment date	17 September 2020

Dividend mandates

Shareholders who wish dividends to be paid directly into a bank or building society should contact the Company's Registrar, Equiniti Limited, for a dividend mandate form. This method of payment removes the risk of delay or loss of dividend cheques in the post and ensures that your account is credited on the due date.

Share dealing services

The Company's Registrar, Equiniti Limited, offers a telephone and internet dealing service, Shareview, which provides a simple and convenient way of buying and selling shares. For telephone dealings call 03456 037 037 between 8.00am and 4.30pm, Monday to Friday, and for internet dealings log onto **www.shareview.co.uk/dealing**

Electronic communications

Shareholders can elect to receive shareholder documents electronically by registering with Shareview at **www.shareview.co.uk**. This will save on printing and distribution costs, creating environmental benefits. When you register, you will be sent an email notification to say when shareholder documents are available on our website and you will be provided with a link to that information. When registering you will need your shareholder reference number which can be found on your share certificate or proxy form. Please contact Equiniti Limited if you require any assistance or further information. Equiniti Limited's shareholder helpline is 0371 384 2030 (UK), +44 121 415 7047 (International) and 0371 384 2255 (Mini Com).

Cautionary note regarding forward-looking statements

This Annual Report includes statements that are forward-looking in nature. Forward-looking statements involve known and unknown risks, assumptions, uncertainties and other factors which may cause the actual results, performance or achievements of the Group to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Except as required by the Listing Rules, Disclosure and Transparency Rules and applicable law, the Company undertakes no obligation to update, revise or change any forward-looking statements to reflect events or developments occurring on or after the date of this Annual Report.

DIRECTORS, ADVISERS AND OTHER INFORMATION

Directors

Patrick Snowball
Chairman

Geoff Carter
Chief Executive Officer

Adam Westwood
Chief Financial Officer

Andy Pomfret
Senior Independent Director
and Non-executive Director

Catherine Barton
Non-executive Director

Ian Clark
Non-executive Director

Rebecca Shelley
Non-executive Director

Company Secretary

Anneka Kingan

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