



Focusing on our customers

Commercial webinar



Direct Line®



17 November 2021

Today's speakers

Penny James

CEO of Direct Line Group



Jon Greenwood

**Managing Director of
Commercial**



Sonya Bryson

Managing Director of NIG

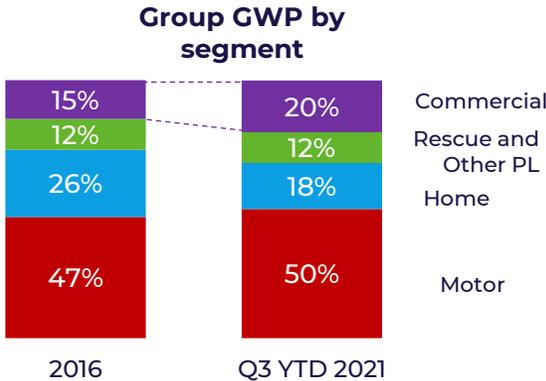
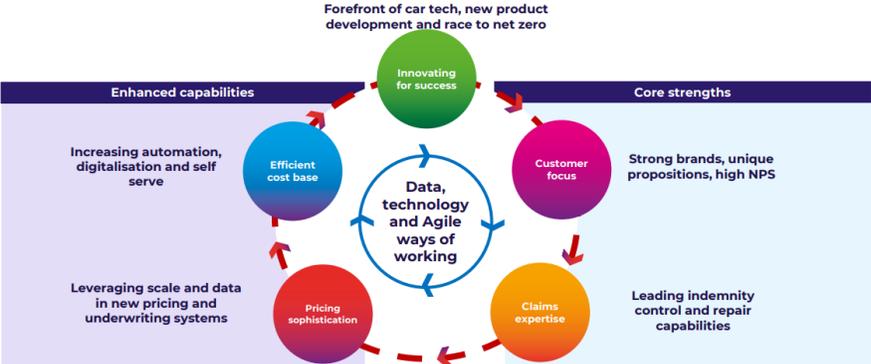


Rebecca Clapham

**Managing Director of Direct
Line for Business**



The reason for today's Commercial investor webinar



Jon Greenwood
Managing Director of
Commercial



*Transforming our
Commercial business*

Commercial: Key messages



1

We operate a multi-product, multi-channel strategy, perfectly suited to cater to the breadth of commercial customers

2

We've transformed the business underpinned by new technology, data architecture and ways of working

3

We have a track record of success and have delivered top line growth alongside improved profitability across all areas of our business

4

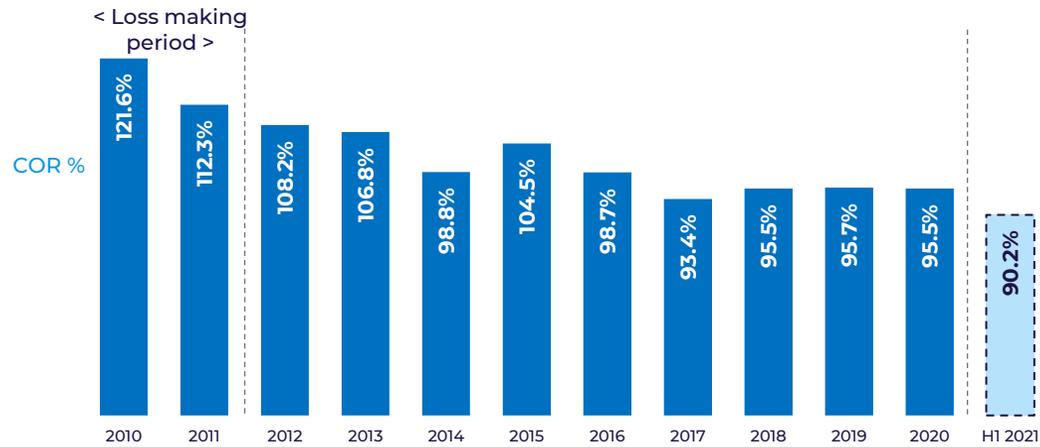
We increasingly serve as an innovation hub for the Group, for example building our expertise in the subscription and electric vehicle markets

5

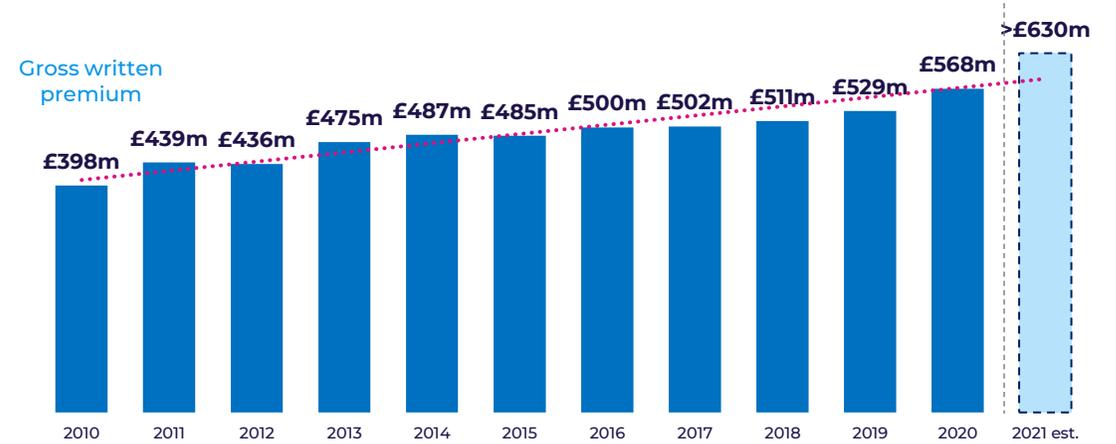
With an estimated Commercial market share of 7% we are confident we can continue to grow profit and premium in an expanding market

Commercial: Since the IPO in 2012, we have a proven track record of delivering growth whilst also improving margins

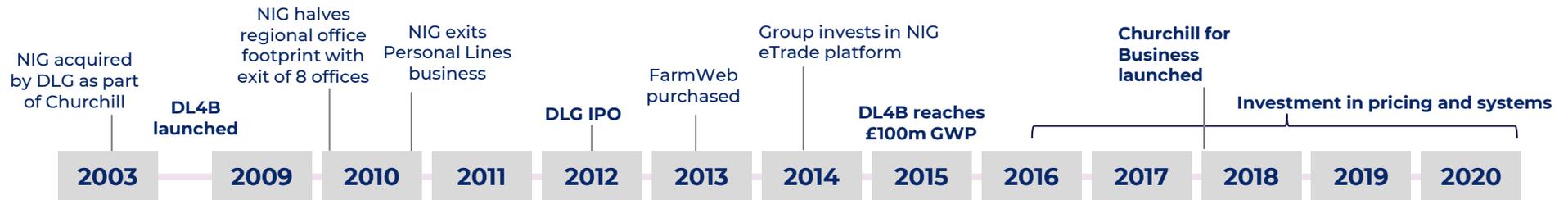
Combined Operating Ratio (COR) has reduced significantly whilst profit has increased¹



Gross Written Premium (GWP) has increased at a CAGR of 4% since 2010



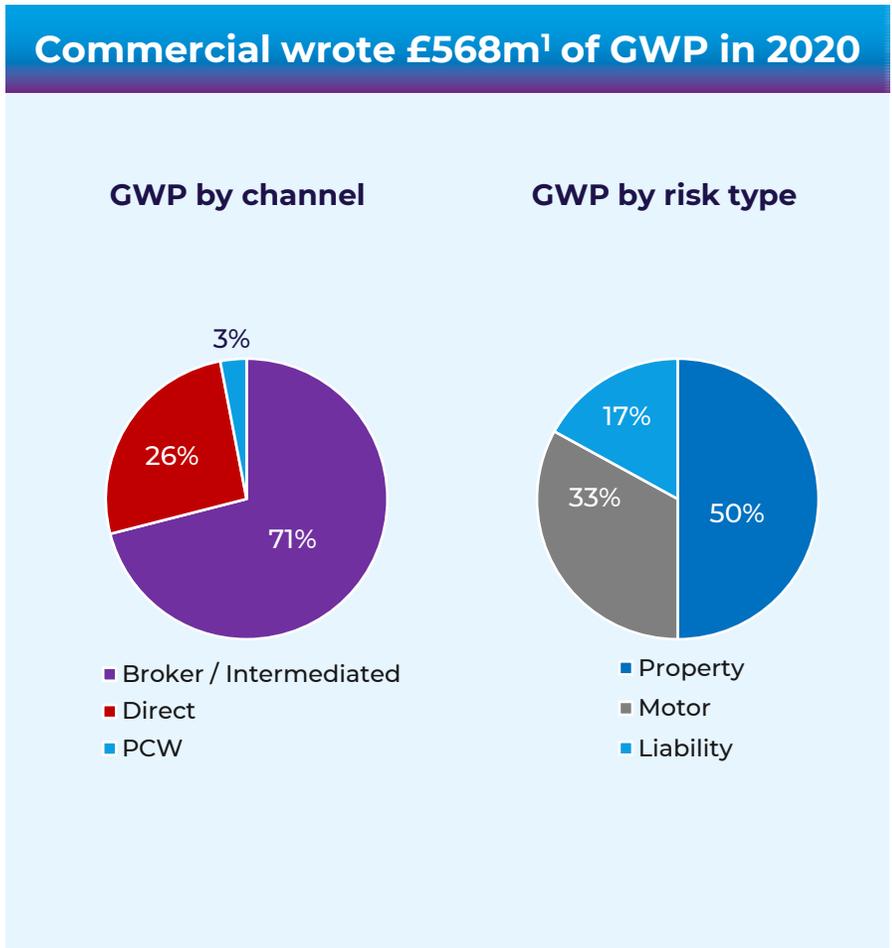
Timeline of significant events



1. As reported in the Group's published accounts, includes impacts of weather and Ogden rate changes

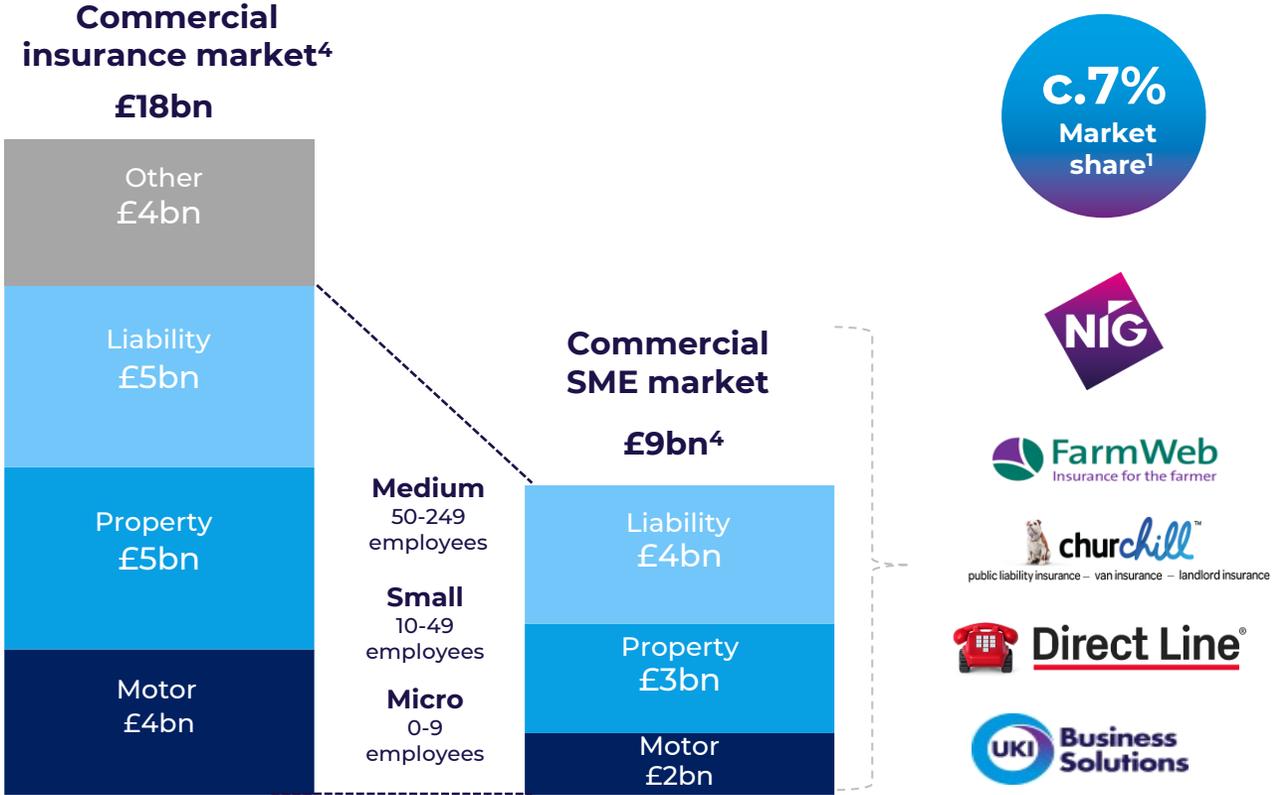
Commercial: A multi-brand, multi-product, multi-channel approach to SME insurance

Commercial overview				
Brand	 			
Channel	Broker	Direct	Direct & PCW	Partnerships
2020 GWP	NIG: £351m FarmWeb: £45m	£147m	£16m	£8m
Products	<ul style="list-style-type: none"> • Packaged products • Commercial combined • Contractors • Fleet • Motor trade • Property owners • Van Agricultural products: <ul style="list-style-type: none"> • Farm combined • Farm motor 	<ul style="list-style-type: none"> • Landlord • Van • 'SME' – pick and choose covers for a range of segments: <ul style="list-style-type: none"> • Tradesperson • Retail • Office & professionals • Hospitality 	<ul style="list-style-type: none"> • Landlord • Van • Tradesperson 	<ul style="list-style-type: none"> • SME • Landlord • Subscription • Van



Commercial: With an estimated 7% market share we have the opportunity to grow in an expanding market

We estimate the UK SME market is worth c. £9bn of GWP¹



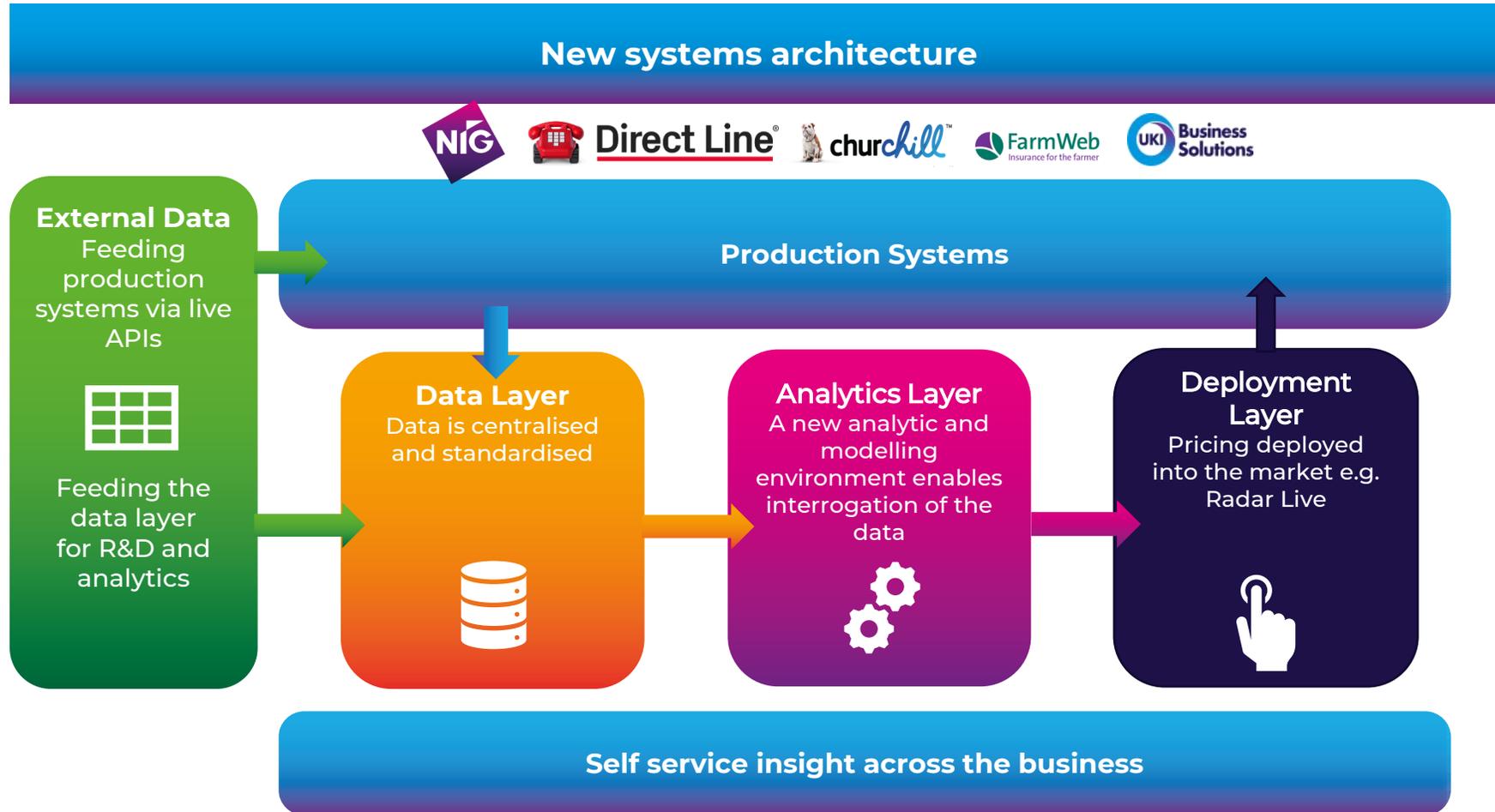
Key takeaways

- 6.0m private business in the UK and more than 99.8% were SMEs²
- Companies with no employees continue to drive growth in the direct channel
- Growth in medium businesses (50-249 employees) exceeded growth in small and micro³
- Growth is expected to slow but we see further opportunity to grow in the traditional broker channel, serving the 'M' in SME
- An estimated 7%¹ market share provides significant headroom to grow

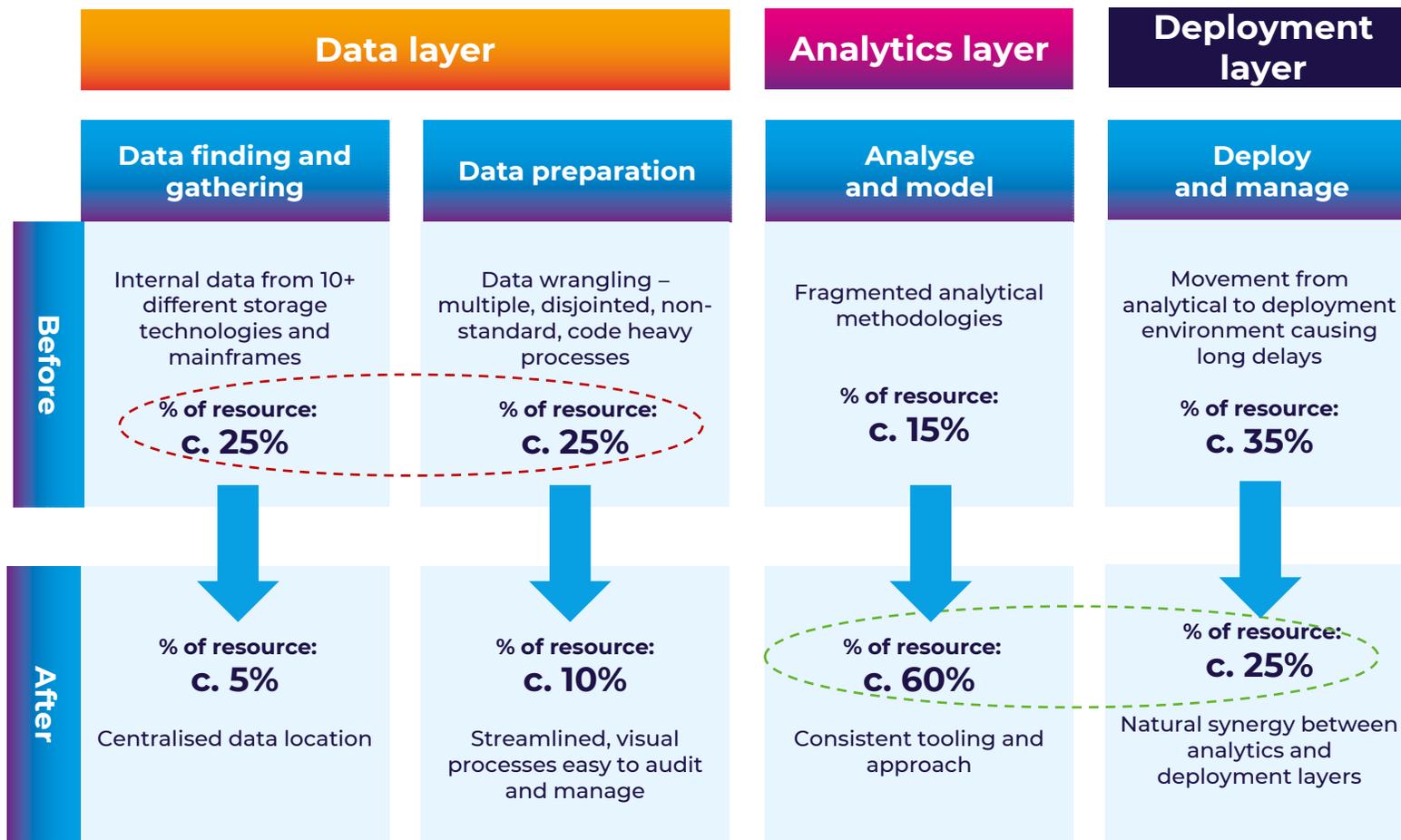


1. Management estimate
 2. Source: the Department for Business, Energy and Industrial Strategy, published 8 October 2020, 'Business population estimates for the UK and regions 2020: statistical release'.
 3. Source: Department for Business, Energy and Industrial Strategy, published 8 October 2020. Indexed growth of UK business in the private sector by number of employees (2000-2020).
 4. Source: KPMG 'SME market perspectives', June 2021

Commercial: We have transformed our technology and data architecture



Commercial: New systems architecture has delivered a step change in our pricing and trading capabilities



Key benefits

Amount of resource focused on valuable analysing and modelling of data increased from c.15% to c.60%. This enables;

- Improved pricing accuracy** - increased number of pricing models from 15 to over 90.
- Improved pricing speed** – new technology alongside agile ways of working enabling faster model refreshes from yearly to several per week
- Designed for the future** – utilising machine learning techniques and more granular pricing datasets

7.2 ppt improvement in current year attritional loss ratio 2018 to 2020

Sonya Bryson

**Managing Director of
NIG**



Winning in the broker channel

NIG: Well known broker brand recognised for strong customer service. Over recent years we have improved profitability whilst delivering top line growth

NIG has been on a journey of improving profitability

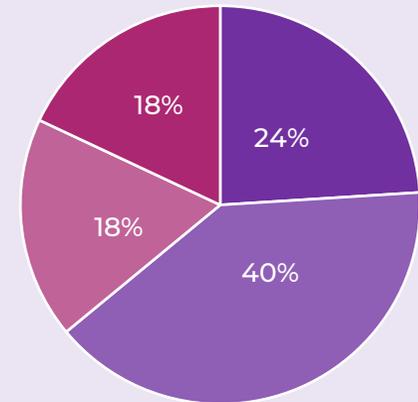
- NIG has improved its profitability whilst also delivering gross written premium growth
- Focused on rate carry alongside exiting unprofitable lines
- Forensic targeting of underperforming sectors
- Underpinned by new technology and data architecture

NIG portfolio is made up of 4 main sectors

1. **Complex** covers wide range of risks including: property, liability, contractors, motor trade and terrorism. Covers are individually negotiated and traded through regional broker network
2. **Niche** business including Schemes, FarmWeb agricultural insurance and Municipal Housing
3. **eTrade** is NIG's online system that enables brokers to self serve
4. **Motor** business ranges from single vehicle policies to fleets of over 1,000 vehicles

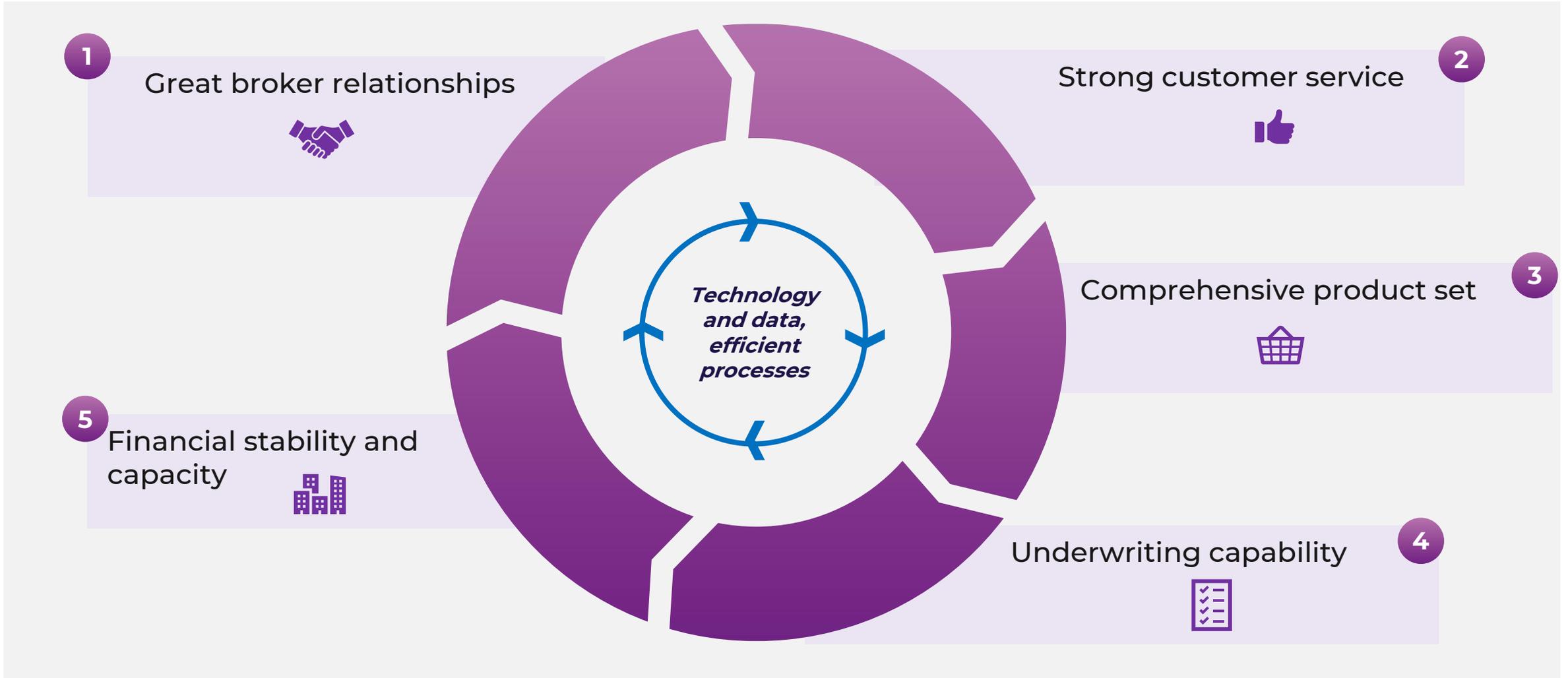
Complex is the largest component of our portfolio

2020 GWP mix



- Niche
- Complex
- Motor
- eTrade

NIG: Our long history means we understand what it takes to win in this channel...



NIG:and through our transformation we have been able to optimise these attributes, all underpinned with our award winning technology



<p>1</p> <p>Great broker relationships</p> 	<p>Empowered underwriters with regional footprint Award winning eTrade platform utilising AI and automation</p> 	<p>75% of NIG IFPs are eTraded</p>
<p>2</p> <p>Strong customer service</p> 	<p>Improved digital journeys including first notification of loss Same day payment on some claims Supporting customers through the pandemic</p>	<p>91% customer satisfaction¹</p>
<p>3</p> <p>Comprehensive product set</p> 	<p>New cyber and professional indemnity products launched Launched NIG Risk Assist online advice and training portal helping to win and retain customers</p>	<p>6,500 users of online toolkit</p>
<p>4</p> <p>Underwriting capability</p> 	<p>Artificial intelligence driving increased conversion Re-platform of legacy systems delivering pricing agility</p>	<p>28% increase in new business premiums²</p>
<p>5</p> <p>Financial stability and capacity</p> 	<p>Lead and Follow lines Expansion into medium size businesses</p>	<p>15% gross written premium growth in H1 2021³</p>



1. Web chat customer satisfaction score, September 2021, calculated as the % of customers scoring webchat conversations either 'Excellent' or 'Good'.
2. NIG new business average premiums increase between H1 2020 and H1 2021, excluding Farm Web
3. NIG gross written premium growth between H1 2020 and H1 2021

NIG: Our transformation has improved profitability whilst delivering growth and we have opportunities to go further



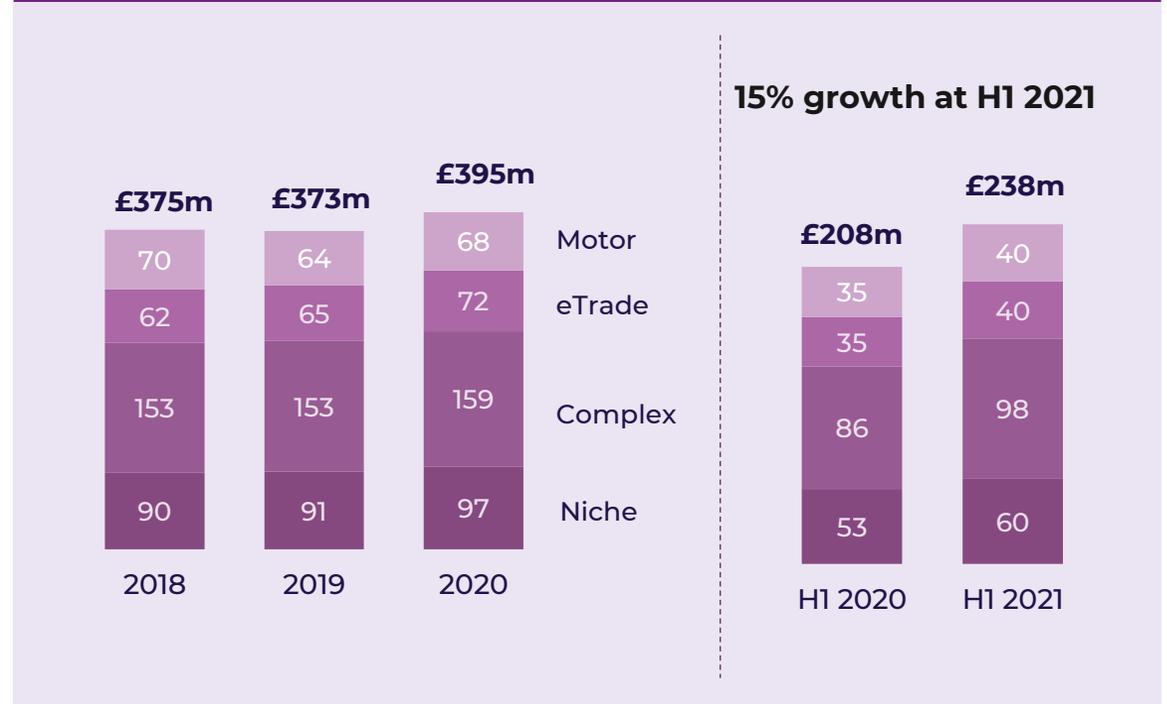
Key messages

1 Our transformation has combined strong broker relationships and great customer service, with award winning technology

2 We have improved profitability whilst delivering strong growth, with premiums increasing 16% in H1 2021

3 We have opportunities to grow further through new propositions and increasing into larger SME business

NIG and other GWP progression

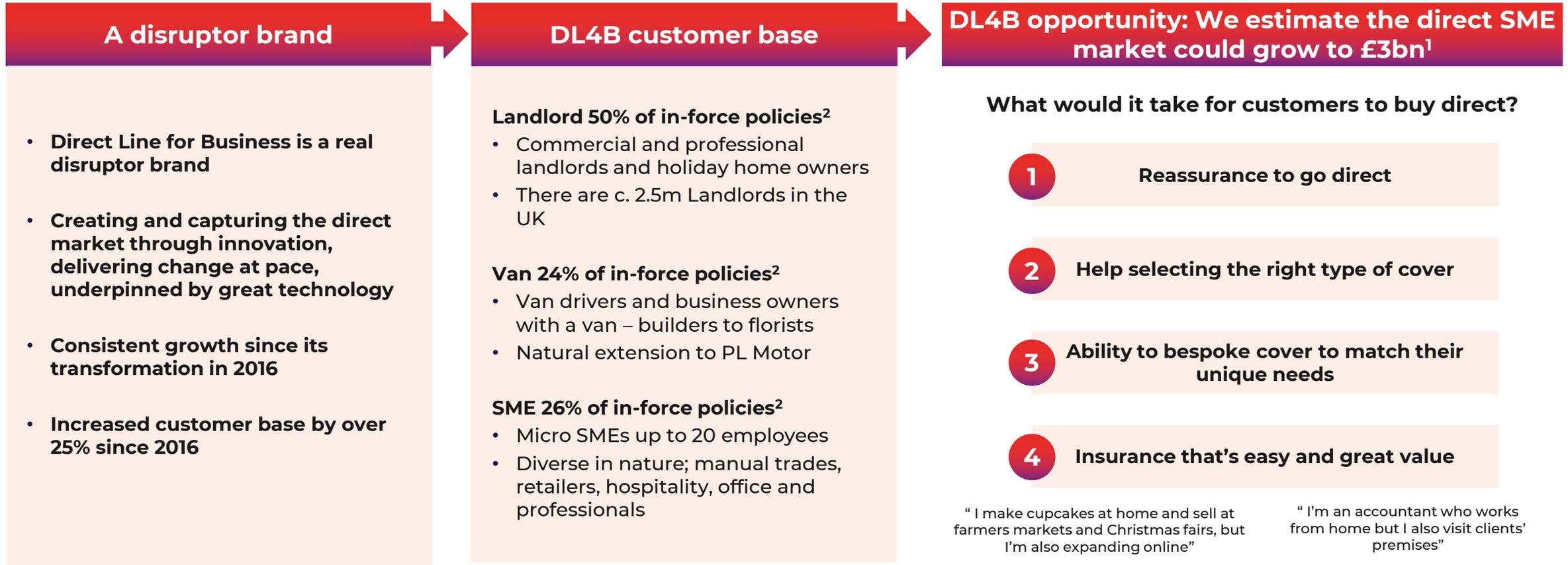


Rebecca Clapham
Managing Director of
Direct Line for Business



*Creating and capturing the
SME direct Market*

Direct Line for Business: We are a disruptor brand, with a mission to create and capture the SME direct market



1. Management estimate, includes Van, Landlord and small and micro business
2. In-force policies as at 31 September 2021

Direct Line for Business: to achieve this vision we needed new tools and capabilities to build on the strong Direct Line for Business brand



We identified and delivered new tools and capabilities to deliver our vision

Modular flexible products



- Expand product suite to match NIG
- Close product gaps
- Modular products with flexible cover sections
- No admin fees to allow flexibility

New customer journeys



- Simple and dynamic questions
- Wizard tool to enable customers to tailor products
- Transparency in pricing and Plain English documentation
- Omni channel contact centre

Data and trading capabilities



- Improved data and insight capabilities
- Team of front line underwriters to streamline decisions
- Segment aligned, cross disciplined and empowered trading squads

Targeted marketing



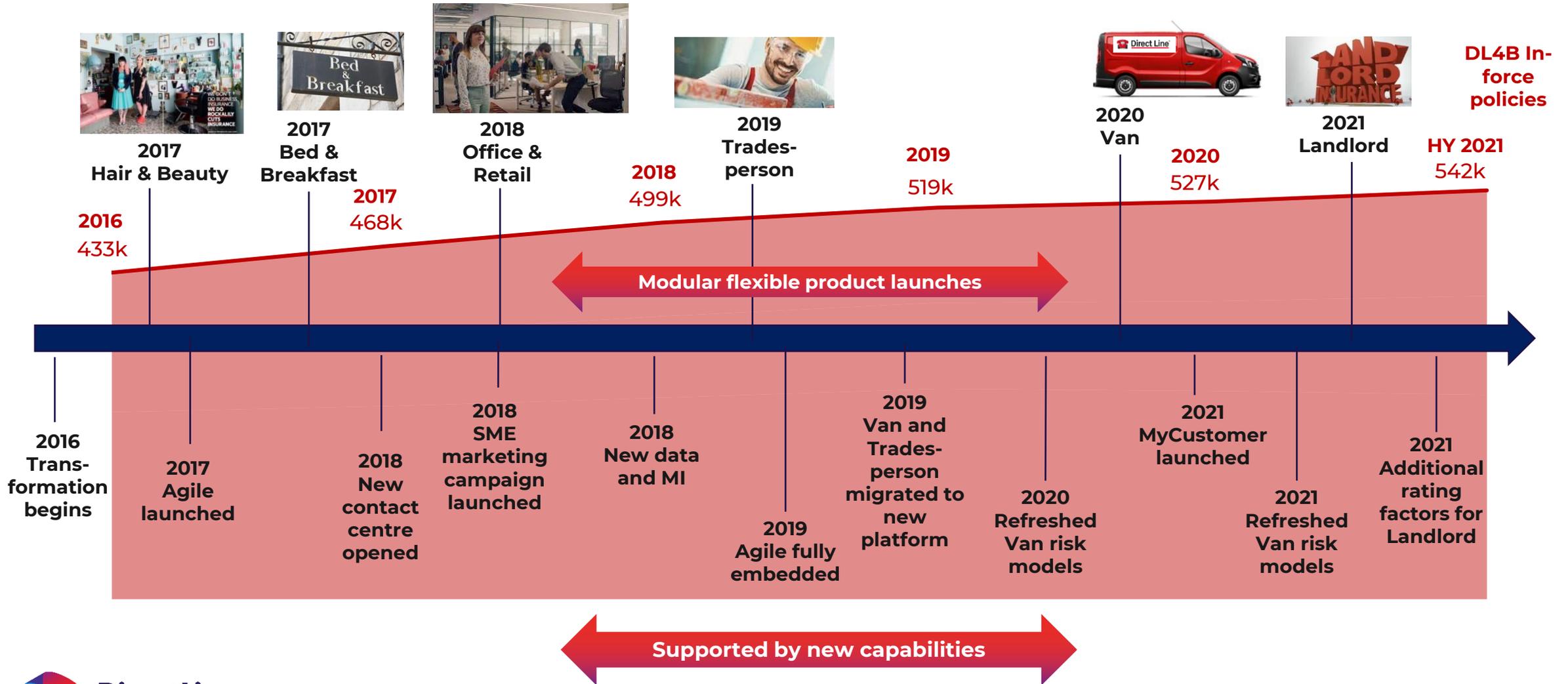
- Build the tools to effectively scale segmented campaigns
- Effective use of emerging tailored marketing methods

New technology and ways of working

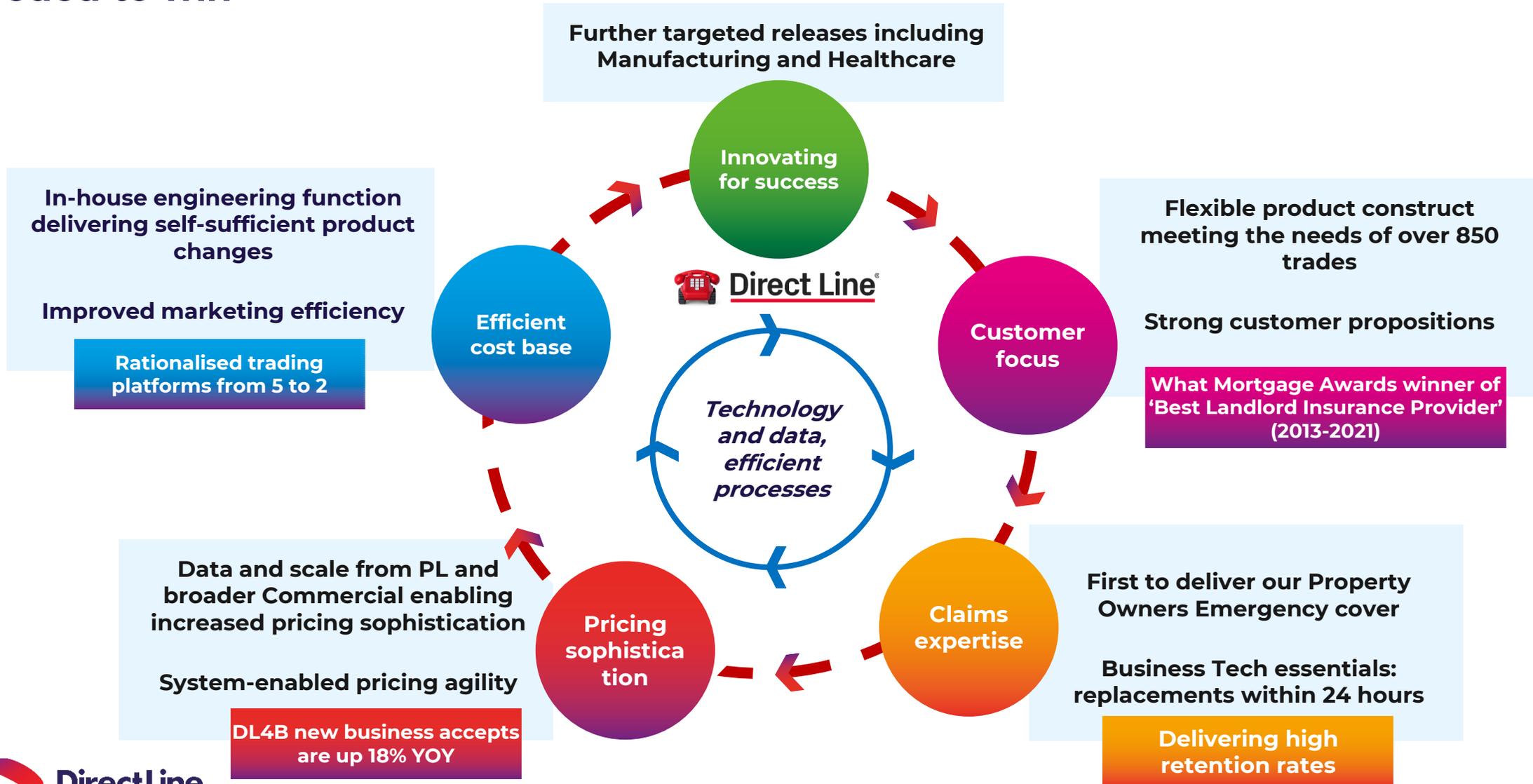


- Single end-to-end-technology stack
- Creation of an in-house development team
- Automated and efficient back office

Direct Line for Business: We have transformed every element of our business



Direct Line for Business: We now have the core strengths and enhanced capabilities needed to win



Direct Line for Business: New capabilities and products have delivered growth



Key messages

1

We are a disruptor brand, delivering change at pace supported by an agile way of working and underpinned by new technology

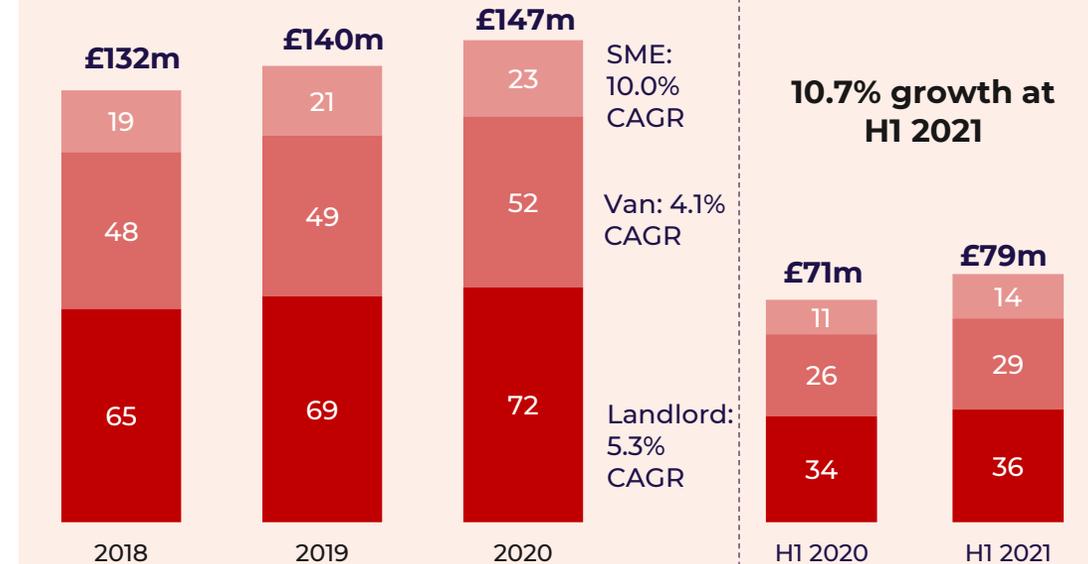
2

Our transformation has delivered consistent growth as we continue to create the direct market

3

We will continue to innovate and with a potential market size of £3 billion we have significant opportunity for future growth

GWP progression



Jon Greenwood
Managing Director of
Commercial



*Transforming our
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Key messages

1

We combined the Churchill brand strength with our PCW trading capabilities and agile principles to deliver direct insurance to SMEs

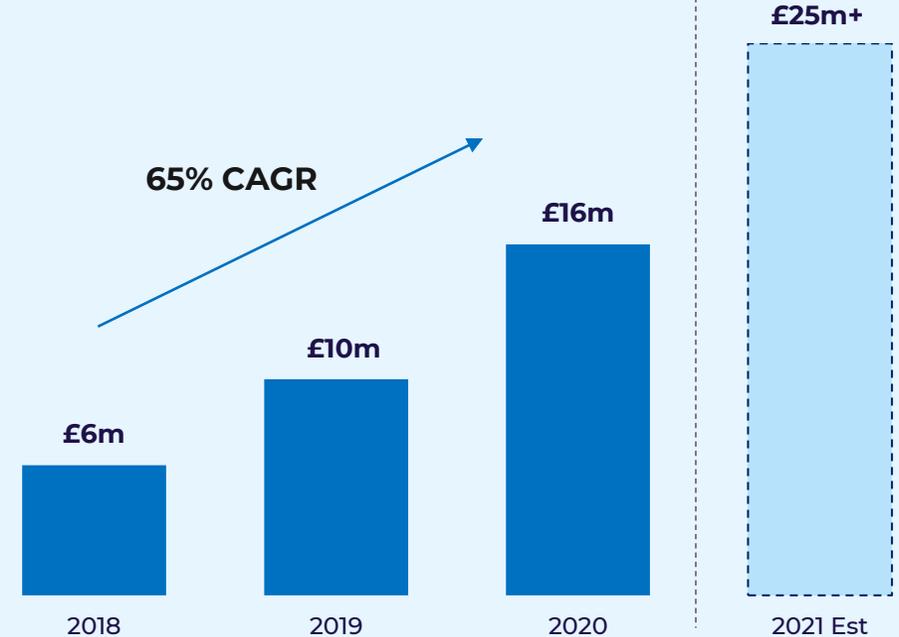
2

Delivered 65% CAGR with 2021 gross written premiums expected to be above £25 million

3

Significant future growth potential, complementing Direct Line for Business strategy of growing the direct market

GWP progression 2018-2021 est.



Innovating for sustainability: Commercial as an innovation hub for the wider Group



CAZOO



Growth through new Partnerships: Cazoo

Strategic partnerships provide an opportunity to build capability across different distribution channels

Specific focus in the on demand, electric mobility and salary sacrifice arenas

New contract to provide flexible subscription insurance for customers of online Car retailer **Cazoo**

Dedicated squad established to target growth in partnerships and propositions within the subscription and flexible fleet channel

Growth through new products: Electric Vehicles

Electric vehicle agile squad established to 'make electric easy'

Utilised our B2B2C experience and agile ways of working to partner with 3rd parties and launched our first EV proposition

Enhanced our existing EV insurance offering through access to charging services and EV specific content, to help drivers transition away from petrol and diesel cars

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With an estimated Commercial market share of 7% we are confident we can continue to grow profit and premium in an expanding market



Focusing on our customers

Commercial webinar Q&A



Direct Line®



17 November 2021

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Forward-looking statements

Certain information contained in this document, including any information as to the Group's strategy, plans or future financial or operating performance, constitutes "forward-looking statements". These forward-looking statements may be identified by the use of forward-looking terminology, including the terms "aims", "ambition", "anticipates", "aspire", "believes", "continue", "could", "estimates", "expects", "guidance", "intends", "may", "mission", "outlook", "over the medium term", "plans", "predicts", "projects", "propositions", "seeks", "should", "strategy", "targets", "will" or "would" or, in each case, their negative or other variations or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. They appear in several places throughout this document and include statements regarding the intentions, beliefs or current expectations of the Directors concerning, among other things: the Group's results of operations, financial condition, prospects, growth, strategies and the industry in which the Group operates. Examples of forward-looking statements include financial targets and guidance which are contained in this document specifically with respect to the return on tangible equity, solvency capital ratio, the Group's combined operating ratio, percentage targets for current-year contribution to operating profit, prior-year reserve releases, cost reductions, reductions in expense and commission ratios, investment income yield, net realised and unrealised gains, capital expenditure and risk appetite range. By their nature, all forward-looking statements involve risk and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future and/or are beyond the Group's control. Forward-looking statements are not guaranteeing future performance.

The Group's actual results of operations, financial condition and the development of the business sector in which the Group operates may differ materially from those suggested by the forward-looking statements contained in this document, for example directly or indirectly as a result of, but not limited to:

- United Kingdom ("**UK**") domestic and global economic business conditions;
- the direct and indirect impacts and implications of the coronavirus Covid-19 pandemic on the economy, nationally and internationally, on the Group, its operations and prospects, and on the Group's customers and their behaviours and expectations;
- the Trade and Co-operation Agreement between the UK and the European Union ("**EU**") regarding the terms, following the end of the Brexit transition period, of the trading relationships between the UK and the EU and its implementation, and any subsequent trading and other relationship arrangements between the UK and the EU and their implementation;
- the terms of trading and other relationships between the UK and other countries following Brexit;
- the impact of the FCA pricing practices report and any new rules and regulations arising as a result of that report and of responses by insurers, customers and other third parties;
- market-related risks such as fluctuations in interest rates, exchange rates and credit spreads;
- the policies and actions and/or new principles, rules and/or changes to, or changes to interpretations of existing principles, rules and/or regulations, of regulatory authorities and bodies (including changes related to capital and solvency requirements or to the Ogden discount rate or rates or in response to the Covid-19 pandemic and its impact on the economy and customers) and changes to law and/or understandings of law and/or legal interpretation following the decisions and judgements of courts;
- the impact of competition, currency changes, inflation and deflation;
- the timing, impact and other uncertainties of future acquisitions, disposals, partnership arrangements, joint ventures or combinations within relevant industries; and
- the impact of tax and other legislation and other regulation and of regulator expectations, interventions and requirements and of court, arbitration, regulatory or ombudsman decisions and judgements (including in any of the foregoing in connection with the Covid-19 pandemic) in the jurisdictions in which the Group and its affiliates operate.

In addition, even if the Group's actual results of operations, financial condition and the development of the business sector in which the Group operates are consistent with the forward-looking statements contained in this document, those results or developments may not be indicative of results or developments in subsequent periods.

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