

DIRECT LINE INSURANCE GROUP PLC
TRADING UPDATE FOR Q3 2023¹
Q3 REFLECTS CONTINUED IMPACT OF MANAGEMENT ACTIONS TO RESTORE
CAPITAL RESILIENCE AND IMPROVE PERFORMANCE IN MOTOR

Trading summary

	Q3 2023	Change to Q3 2022	9 months 2023	Change to 9 months 2022
	£m		£m	
Gross written premium and associated fees²				
Motor direct own brands ³	425.8	13.2%	1,161.5	9.1%
Motor partnerships ⁴	401.0	N/A ⁵	424.0	N/A ⁵
Motor	826.8	115.4%	1,585.5	45.4%
Home direct own brands ³	107.2	2.7%	290.7	1.5%
Home partnerships	37.2	7.5%	106.4	3.4%
Home	144.4	3.9%	397.1	2.0%
Green Flag Rescue	27.7	(3.5%)	68.6	(0.9%)
Other Rescue and other personal lines	48.5	(3.2%)	138.3	(4.8%)
Rescue and other personal lines	76.2	(3.3%)	206.9	(3.5%)
Commercial direct own brands³	63.0	8.2%	182.2	10.8%
Ongoing operations⁶	1,110.4	68.3%	2,371.7	27.6%
Brokered Commercial insurance	137.5	18.3%	491.0	26.6%
Run-off partnerships ⁶	34.5	10.6%	106.8	27.6%
Total Group	1,282.4	58.9%	2,969.5	27.4%
	30 Sep 2023	Change to 30 Jun 2023		Change to 31 Dec 2022
In-force policies - ongoing operations^{6,7} (thousands)	9,518	4.9%		1.3%

Trading update

- Total in force policies for ongoing operations up 4.9% in the third quarter, including around 725,000 Motability customers.
- Growth of 27.6% year to date in gross written premium and associated fees for ongoing operations, driven by premium rate increases in Motor and commencement of the Motability partnership⁴. Motor direct own brands⁸ average premium in Q3 up 37% compared with Q3 2022.
- Other business lines traded in line with previous trends, with premium growth in Home and Commercial Direct.
- Assumption for 2023 claims inflation⁹ for Motor and Home unchanged at high single digits.
- Claims from weather events to date, including recent storms, are currently estimated to be within the Group's annual assumption.
- Shareholder approval obtained for sale of the Group's brokered commercial business to RSA Insurance Limited, with initial consideration of £520 million received on 26 October 2023.

Jon Greenwood, Acting CEO of Direct Line Group, commented

"Throughout Q3 we have continued to address our three key priorities: to restore our capital resilience, improve our performance in Motor and maintain our performance in our other businesses.

"The sale of our brokered commercial business to RSA Insurance Limited strengthens our business strategically and financially.

"In Motor, we can see the pricing actions we have taken come through in strong premium growth during the quarter and we believe we are writing profitably, consistent with a 10% net insurance margin. At the same time, we have continued to progress our strategic agenda, launching Direct Line Essentials in Motor, which improves our competitiveness in the direct market, and we have welcomed around 725,000 Motability customers.

"We are confident that the decisive actions we are taking sets the Group up for improved performance going forward."

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APPENDIX 1: Gross written premium and associated fees²

	Q3 2023 £m	Q2 2023 £m	Q1 2023 £m	Q4 2022 £m	Q3 2022 £m
Gross written premium and associated fees²					
Motor direct own brands ³	425.8	391.3	352.9	333.6	376.1
Motor partnerships ⁴	401.0	8.7	5.8	8.5	7.7
Motor	826.8	400.0	358.7	342.1	383.8
Home direct own brands ³	107.2	89.1	94.4	95.0	104.4
Home partnerships	37.2	34.6	34.6	33.7	34.6
Home	144.4	123.7	129.0	128.7	139.0
Green Flag Rescue	27.7	21.5	19.4	19.0	28.7
Other Rescue and other personal lines	48.5	44.9	45.3	40.4	50.1
Rescue and other personal lines	76.2	66.4	64.7	59.4	78.8
Commercial direct own brands³	63.0	56.8	62.4	54.5	58.2
Ongoing operations⁶	1,110.4	646.9	614.8	584.7	659.8
Brokered Commercial insurance	137.5	196.7	156.9	142.6	116.2
Run-off partnerships ⁶	34.5	38.3	34.0	40.7	31.2
Total Group	1,282.4	881.9	805.7	768.0	807.2

APPENDIX 2: In-force policies by segment⁴ (thousands)

	30 Sep 2023	30 Jun 2023	31 Mar 2023	31 Dec 2022	30 Sep 2022
Motor direct own brands ³	3,441	3,607	3,669	3,756	3,766
Motor partnerships ⁴	795	66	72	80	88
Motor	4,236	3,673	3,741	3,836	3,854
Home direct own brands ³	1,686	1,705	1,731	1,732	1,758
Home partnerships	748	759	765	769	775
Home	2,434	2,464	2,496	2,501	2,533
Green Flag Rescue	1,062	1,093	1,073	1,106	1,136
Other Rescue and other personal lines	1,134	1,196	1,275	1,318	1,336
Rescue and other personal lines	2,196	2,289	2,348	2,424	2,472
Commercial direct own brands^{3,7}	652	645	643	636	644
Ongoing operations^{6,7}	9,518	9,071	9,228	9,397	9,503
Brokered Commercial insurance	291	293	287	277	268
Run-off partnerships ⁶	2,221	2,199	2,187	2,188	3,315
Total Group	12,030	11,563	11,702	11,862	13,086

APPENDIX 3: Motor and Home average premium (£)

£	Q3 2023	Q2 2023	Q1 2023	Q4 2022	Q3 2022
New business	588	532	478	474	472
Renewal	480	412	373	362	343
Motor direct own brands ⁸	507	445	401	392	372
New business	214	204	188	201	214
Renewal	257	249	230	226	215
Home direct own brands	250	243	224	223	215

Notes:

1. Direct Line Group's Trading Update relates to the three months and nine months ended 30 September 2023 and contains information to the date of publication.
2. The total premiums from insurance contracts that were inceptioned during the period, including the impact of a contractual change to Green Flag premium such that a portion of income that was previously included in gross written premium is now included in service fee income.
3. Direct own brands include in-force policies for Home and Motor under the Direct Line, Churchill, Darwin, Privilege and By Miles brands and Commercial policies under the Direct Line for Business and Churchill brands.
4. Motor partnerships includes the Motability partnership, which has an initial term of 7 months from 1 September 2023. Subsequently, Motability premiums are repriced twice a year on 1 April and 1 October with gross written premium recognised twice a year on the same dates. As the Motability contract is a fleet contract, Motability customer numbers are used to allow a more representative presentation of the Group's in-force policies.
5. As stated in footnote 4, above, the Motability partnership started on 1 September 2023, with no comparatives available resulting in significant distortion in comparatives for Motor partnerships as a whole.
6. Ongoing operations – the Group has excluded a number of Rescue and other personal lines partnerships from its ongoing operations results. The run-off partnerships relate to a Rescue partnership with NatWest Group that expired in December 2022 and Travel partnerships with NatWest Group and Nationwide Building Society which expire in 2024, and which the Group has already indicated that it will not be seeking to renew. Relevant prior-year data has been restated accordingly.
7. In-force policies as at 31 December 2022 and 31 March 2023 have been restated to remove 14,500 and 19,700 direct own brand policies respectively that were previously included in the reported amounts in error.
8. Excluding the ByMiles brand.
9. Based on attritional claims.

Forward-looking statements disclaimer

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", "vision", "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 may appear in several places throughout this document and include statements regarding intentions, beliefs or current expectations, including of the Directors, concerning, among other things: the Group's results of operations, financial condition, prospects, growth, net insurance margin, strategies, the industry in which the Group operates and the Group's approach to climate-related matters. Examples of forward-looking statements include financial targets which are contained in this document with respect to return on tangible equity, solvency capital ratio, combined operating ratio, percentage targets for current-year contribution to operating profit, prior-year reserve releases, cost reductions, reduction in expense ratio, investment income yield, net realised and unrealised gains, capital expenditure and risk appetite range; and targets, goals and plans relating to climate and the Group's approach and strategy in connection with climate-related risks and opportunities. 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 and/or they rely on assumptions that may or may not transpire to be correct. 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 Cooperation Agreement between the UK and the European Union ("**EU**") regarding the terms 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's PPR regulations and Consumer Duty regulations and of responses by insurers, customers and other third parties and of interpretations of such rules by any relevant regulatory authority;
- market-related risks such as fluctuations in interest rates, exchange rates and credit spreads, including those created or exacerbated by the war in Ukraine following the Russian invasion and/or the conflict in the Middle East;
- the policies and actions and/or new principles, rules and/or regulations, of regulatory authorities and bodies, and of changes to, or changes to interpretations of, principles, rules and/or regulations (including changes made directly or indirectly as a result of Brexit or related to capital and solvency requirements or related to the Ogden discount rates or made in response to the Covid-19 pandemic and its impact on the economy and customers) and of 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, enforcements, fines and requirements and of court, arbitration, regulatory or ombudsman decisions, judgements and awards (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.

The forward-looking statements contained in this document reflect knowledge and information available as of the date of preparation of this document. The Group and the Directors expressly disclaim any obligation or undertaking to update or revise publicly any forward-looking statements, whether because of new information, future events or otherwise, unless required to do so by applicable law or regulation. Nothing in this document constitutes or should be construed as a profit forecast.

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