

DIRECT LINE INSURANCE GROUP PLC

TRADING UPDATE FOR Q3 2024¹

Early operational progress towards our targets

Adam Winslow, CEO of Direct Line Group, commented:

"We delivered double-digit premium growth year on year in Motor, Home and Commercial Direct. However, we are in the early stages of a significant turnaround and our Q3 trading is not yet fully reflective of the actions we have taken. In Motor, trading conditions have been challenging although we continued to grow policy count on price comparison websites ("PCW") and have worked at pace on the launch of the Direct Line brand in this channel.

"We are making good progress against our gross cost savings target, with around £50 million expected to be delivered in 2025 from improvements in procurement, technology rationalisation and simplifying our operating model.

"I'm pleased with the strategic and operational progress we are making across the business. I'm delighted that Jane Poole recently joined as CFO and is already focused on reviewing our financial strategies, policies and controls. In total we have hired eight² new Executive leadership team members, six of whom have already started. This reinforced and refreshed team will help us unlock the potential of DLG and deliver the strategy we set out at the Capital Markets Day in July.

"We believe the steps we are taking will position the company for enhanced profitability and growth as we build on our strong foundations to become the customers' insurer of choice."

Operational and strategic update: Early progress towards our targets

- **Motor:** Product build for launch of Direct Line on PCW is well developed and a PCW launch partner has been selected.
- **Home:** Further progress made with re-platforming which brings new capability and supports simplification. Privilege is live on four leading PCWs and Churchill is live on the largest.
- **Rescue:** Green Flag recently signed two new contracts, including a collaboration with Apple, becoming the only UK breakdown brand to offer rescue services as part of Apple's roadside assistance via satellite.
- **Cost saving programme:** A series of initiatives aimed at simplifying the organisation is projected to deliver £50 million gross costs savings in 2025, showing material progress towards our target of at least £100 million gross cost savings by the end of 2025, on a run rate annualised basis. Our drive to create a leaner and more efficient operating model is advancing, with consultations currently taking place as part of a proposed reduction of around 550 roles.

Trading update

- Gross written premium and associated fees from ongoing operations grew 11.8% year on year supported by growth of 11.4% in Motor and 12.9% in Non-Motor. As a reminder, 2024 reflects six months of Motability³ premiums compared with seven months in 2023.
- Motor own brands delivered premium growth of 2.9% year on year due to higher average premiums. In-force policies declined across Q3, however we experienced a reduction in the rate of decline and delivered 3% growth in the PCW channel.
- In Motor, trading conditions were competitive in Q3 and we remained disciplined in both pricing and risk selection. We experienced a higher level of large bodily injury claims in Q3, with experience in H1 and Q4 to date in line with expectations.
- Non-Motor premium growth was strong at 12.9%. Home own brands delivered 21.6% growth in gross written premium year on year and a fourth consecutive quarter of policy count growth. Commercial Direct and Rescue premiums were 11.8% and 0.7% higher year on year respectively.

Outlook

We continue to target 7% to 10% compound annual growth ("CAGR") in gross written premium and associated fees between 2023 and 2026 in Non-Motor, and we reiterate our net insurance margin target for ongoing operations, normalised for event weather, of 13% in 2026.

Trading summary

	9 months 2024 £m	9 months 2023 £m	Change
Gross written premium and associated fees			
Own brands ^{4,5}	1,213.7	1,179.3	2.9%
Partnerships ^{3,5}	551.9	406.2	35.9%
Motor	1,765.6	1,585.5	11.4%
Own brands ⁴	353.4	290.7	21.6%
Partnerships	110.5	106.4	3.9%
Home	463.9	397.1	16.8%
Rescue: Green Flag	70.7	68.6	3.1%
Rescue: Linked	25.8	28.0	(7.9%)
Rescue: Partners and other	13.9	13.0	6.9%
Rescue	110.4	109.6	0.7%
Commercial Direct⁴	203.7	182.2	11.8%
Non-Motor	778.0	688.9	12.9%
Ongoing operations⁶	2,543.6	2,274.4	11.8%
Non-core and Run-off⁶	149.8	204.4	(26.7%)
Brokered commercial insurance⁶	438.4	491.0	(10.7%)
Total Group	3,131.8	2,969.8	5.5%
	30 Sep 2024	31 Dec 2023	Change to 31 Dec 2023
In-force policies - ongoing operations^{6,7}(thousands)	8,975	9,339	(3.9%)

For further information, please contact

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APPENDIX 1: Gross written premium and associated fees

	Q3 2024 £m	Q2 2024 £m	Q1 2024 £m	Q4 2023 £m	Q3 2023 £m
Gross written premium and associated fees					
Own brands ^{4,5}	399.1	414.5	400.1	422.0	435.1
Partnerships ^{3,5}	27.1	500.5	24.2	40.3	391.7
Motor	426.2	915.0	424.3	462.3	826.8
Own brands ⁴	131.7	111.1	110.5	118.1	107.2
Partnerships	36.6	37.3	36.8	36.3	37.2
Home	168.3	148.4	147.3	154.4	144.4
Rescue: Green Flag	27.9	22.5	20.3	16.5	27.7
Rescue: Linked ⁸	8.8	8.6	8.4	8.6	9.4
Rescue: Partners and other ⁸	5.7	5.0	3.2	2.6	5.3
Rescue	42.4	36.1	31.9	27.7	42.4
Commercial Direct⁴	68.2	63.8	71.7	58.8	63.0
Non-Motor	278.9	248.3	250.9	240.9	249.8
Ongoing operations⁶	705.1	1,163.3	675.2	703.2	1,076.6
Non-core and Run-off⁶	41.2	46.7	61.9	74.0	68.3
Brokered commercial insurance⁶	89.6	193.7	155.1	174.8	137.5
Total gross written premium and associated fees	835.9	1,403.7	892.2	952.0	1,282.4

APPENDIX 2: In-force policies by segment⁶ (thousands)

	30 Sep 2024	30 Jun 2024	31 Mar 2024	31 Dec 2023	30 Sep 2023	Change from 31 Dec 2023
Own brands ⁴	3,048	3,119	3,235	3,373	3,441	(9.6%)
Partnerships ⁵	885	860	837	808	795	9.5%
Motor	3,933	3,979	4,072	4,181	4,236	(5.9%)
Own brands ⁴	1,751	1,746	1,721	1,706	1,686	2.6%
Partnerships	713	720	729	738	748	(3.4%)
Home	2,464	2,466	2,450	2,444	2,434	0.8%
Rescue: Green Flag	999	1,022	1,036	1,048	1,062	(4.7%)
Rescue: Linked ⁸	583	581	579	604	616	(3.5%)
Rescue: Partners and other ⁸	239	264	289	313	322	(23.6%)
Rescue	1,821	1,867	1,904	1,965	2,000	(7.3%)
Commercial Direct^{4,7}	757	753	753	749	756	1.1%
Non-Motor⁷	5,042	5,086	5,107	5,158	5,190	(2.2%)
Ongoing operations^{6,7}	8,975	9,065	9,179	9,339	9,426	(3.9%)
Non-core and Run-off^{6,7}	307	376	1,020	2,431	2,417	(87.4%)
Brokered commercial insurance⁶	243	272	281	286	291	(15.0%)
Total in-force policies⁷	9,525	9,713	10,480	12,056	12,134	(21.0%)

APPENDIX 3: Motor and Home average premium (£)

£	Q3 2024	Q2 2024	Q1 2024	Q4 2023	Q3 2023
New business	557	588	599	594	588
Renewal	505	514	515	513	480
Motor direct own brands ⁹	521	536	541	537	507
New business	266	255	238	212	214
Renewal	284	276	261	259	257
Home direct own brands	281	272	257	249	250

Notes:

1. The Trading Update relates to the three months and nine months ended 30 September 2024 and contains unaudited information to the date of publication.
2. In addition to the seven new members referred to in the Capital Market Day update in July, a new Chief People Officer is now scheduled to join in early 2025.
3. Motor partnerships includes the Motability partnership, which started on 1 September 2023, and resulted in significant growth in the third quarter of 2023. From 2024, the majority of Motability gross written premium is recognised twice a year on 1 April and 1 October. As the Motability contract is a fleet contract, customer numbers are used to allow a more representative presentation of the Group's in-force policies.
4. Own brands include in-force policies for Motor under the Direct Line, Churchill, Darwin, Privilege and By Miles brands, Home under the Direct Line, Churchill and Privilege brands and Commercial Direct policies under the Direct Line and Churchill brands.
5. Gross written premiums for the By Miles brand which were previously reported within Motor partnerships have been reallocated to own brands. There is no impact on in-force policies.
6. Ongoing operations – the Group's ongoing operations result excludes the results of the Brokered commercial business, that it sold to RSA Insurance Limited in 2023, and its Non-core businesses, announced at the Group's 2024 Capital Markets Day, and three Run-off partnerships that the Group completed its exit from in H1 2024. Relevant prior-year data has been restated accordingly.
7. Total in-force policies have been adjusted as follows: policies associated with bordereaux business on Commercial Direct have been added across all periods, and 1,771,000 policies in Non-core and Run-off as of 31 March 2024, previously included in the Q1 Trading Update, have been removed.
8. A reclassification between Rescue Partners and other and Rescue Linked has been made to reflect how these businesses are managed.
9. Excluding the By Miles brand.

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", "ensures", "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, statement of financial position, financial condition, prospects, growth, net insurance margin, insurance service result, 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 with respect to return on tangible equity, solvency capital ratio, net insurance margin, combined operating ratio, percentage targets for current-year contribution to operating profit, prior-year reserve releases, cost reductions, reduction in net 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:

- changes to law, regulation or regulatory approach following any change in government;
- United Kingdom ("UK") domestic and global economic business conditions, and changes of a geo-political and/or macro-economic nature;
- the terms of the trading and other relationships from time to time between the UK and the EU and between the UK and other countries, and their implementation;
- the impact of the FCA's GIPP 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 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) 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, requirements, interventions, enforcements, fines and requirements and of court, arbitration, regulatory or ombudsman decisions, judgements and awards 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 any 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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