

ISSUER PROFILE

5 July 2018

 Rate this Research

TABLE OF CONTENTS

Company overview	1
Financial highlights	2
Business description	2
Distribution channels	3
Ownership structure	4
Company management	4
Company history	5
Peer group	5
Subsidiaries rated by Moody's	5
Related websites and information sources	5
Moody's related research	5

Contacts

Charles Isselin-Pontet +44.20.7772.5573
Associate Analyst
charles.isselin-pontet@moodys.com

Dominic Simpson +44.20.7772.1647
VP-Sr Credit Officer
dominic.simpson@moodys.com

CLIENT SERVICES

Americas 1-212-553-1653
Asia Pacific 852-3551-3077
Japan 81-3-5408-4100
EMEA 44-20-7772-5454

Direct Line Insurance Group plc

Key Facts and Statistics - FY December 2017

Company overview

Direct Line Insurance Group Plc (DLG) is a UK-based insurer that provides personal and small and medium-size enterprise (SME) commercial insurance. The company's primary general insurance underwriting subsidiary is U K Insurance Limited.

DLG sells insurance policies directly using phone and the internet, as well as through price comparison websites (PCWs), brokers and partnerships.

In the financial year ended 31 December 2017 (2017), the company reported gross premiums written of £3.4 billion and net income of £434.0 million. As of 31 December 2017, it had total assets of £9.9 billion and shareholders' equity of £2.7 billion.

Source: Company reports (annual report Dec 2017 and Dec 2012), Company data, London Stock Exchange, Moody's research

Financial highlights

Overview

Note: The financials presented below are those reported by the Group and are not adjusted for Moody's analytic purposes. For Moody's generated ratios on Direct Line Insurance Group Plc, please see <[Direct Line Insurance Group Plc](#) page on [moody's.com](#)>.

Exhibit 1

Latest full-year results¹

Direct Line Insurance Group Plc

(in £ Million)	31-Dec-17	31-Dec-16	31-Dec-15	31-Dec-14	31-Dec-13
Gross Premiums Written	3,392	3,274	3,153	3,099	3,230
Net Premiums Written ²	3,187	3,072	2,963	2,942	3,070
Net Income	434	279	580	373	313
Loss Ratio (%)	57.4	60.9	59.5	59.6	60.9
Commission Ratio (%)	9.1	11.5	10.9	11.8	10.6
Expense Ratio (%)	25.3	25.3	23.6	23.6	23.7
Combined Ratio (%)	91.8	97.7	94.0	95.0	95.2
Total Assets	9,948	10,122	9,957	11,226	11,788
Total Debt ³	665	595	582	596	542
Shareholders' Equity	2,715	2,522	2,630	2,811	2,790

Notes: 1) Based on consolidated figures

2) Net Premiums Written has been calculated by deducting Reinsurance Premiums from Gross Premiums Written.

3) Total Debt includes Subordinated Liabilities, Borrowings, and Tier 1 notes issued in 2017.

Source: Company reports (annual report Dec 2017, Dec 2016, Dec 2015 and Dec 2014)

Business description

DLG provides personal insurance and SME commercial insurance. It operates through four key segments: Motor; Home; Rescue and Other Personal Lines; and Commercial. It also has a portfolio, which is in run-off, consisting of policies previously written through the personal broker channel and the Tesco business. In 2017, the largest contributor to the company's gross premiums written was the Motor segment.

Motor: This segment provides personal car insurance in the UK against third-party liability, fire, theft and accidental damage. Additionally, it provides motor legal protection, guaranteed hire car and protection for no-claims discount. These products are sold directly under the Direct Line, Churchill, Privilege and partnerships brands, as well as PCWs. This segment is the largest contributor to the company's gross premiums written, equating to 49.2% in 2017.

Home: This segment provides home insurance in the UK. It provides cover for buildings, accidental damage, contents and personal possessions. Additionally, it provides family legal and home emergency protection. These products are also sold directly under the Direct Line, Churchill, Privilege and partnerships brands, as well as PCWs. This segment is the second-largest contributor to the company's gross premiums written, equating to 23.6% in 2017.

Rescue and Other Personal Lines: This segment comprises rescue and recovery insurance products and other personal lines business, including travel, pet and creditor insurance. The rescue insurance policies include basic roadside rescue. The insurance policies are sold either as standalone products under the Green Flag brand, as insurance add-ons to all DLG brands and certain partner motor policies, or as components of packaged bank accounts sold through the company's bank partnership channel. The other personal insurance lines are sold under the Direct Line, Churchill, and partnership brands. This segment accounted for 12.4% of the company's gross premiums written in 2017 and includes products such as pet and travel offered through Churchill and Direct Line.

Commercial: This segment provides commercial insurance for SMEs in the UK. Its products include commercial property, general liability, business interruption, personal accident and commercial motor insurance. These products are sold under both the Group's own

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on [www.moody's.com](#) for the most updated credit rating action information and rating history.

brands – NIG and Direct Line for Business – and through its partnerships with Royal Bank of Scotland and National Westminster Bank Plc (NatWest). This segment accounted for 14.8% of the company's gross premiums written in 2017.

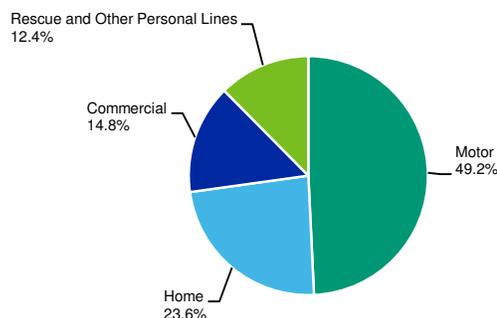
Run-Off: This segment comprises residual claims reserves.

Source: Company report (annual report Dec 2017), Company data, Moody's research

Exhibit 2

Business segment

(% of gross premiums written, consolidated, for 2017)



Source: Company report (annual report Dec 2017, Pg: 139)

Exhibit 3

Direct Line Insurance Group Plc

Segment details

Gross Premiums Written (in £ Million)	2017	2016	2015
Motor	1,670.4	1,539.1	1,406.7
Home	799.1	834.4	866.3
Rescue and Other Personal Lines	421.1	400.8	394.1
Commercial	501.5	499.8	485.3
Consolidated*	3,392.1	3,274.1	3,152.4
Operating Profit/(Loss) (in £ Million)	2017	2016	2015
Motor	364.5	149.1	338.0
Home	128.8	166.7	109.9
Rescue and Other Personal Lines	43.6	45.9	52.0
Commercial	74.0	41.8	20.8
Consolidated*	610.9	403.5	520.7
Combined Ratio (in %)	2017	2016	2015
Motor	91.9	106.3	92.4
Home	89.4	85.0	92.2
Rescue and Other Personal Lines	94.3	93.3	91.2
Commercial	93.4	98.7	104.5
Consolidated	91.8	97.7	94.0

*Excluding the Run-Off segment

Source: Company reports (annual report Dec 2017 and Dec 2016)

Distribution channels

DLG offers its products and services to retail customers and businesses through a multi-brand and multi-distribution model.

The company's key brands include Direct Line, Churchill, Privilege and Green Flag for personal insurance products; and NIG and Direct Line for Business for commercial products.

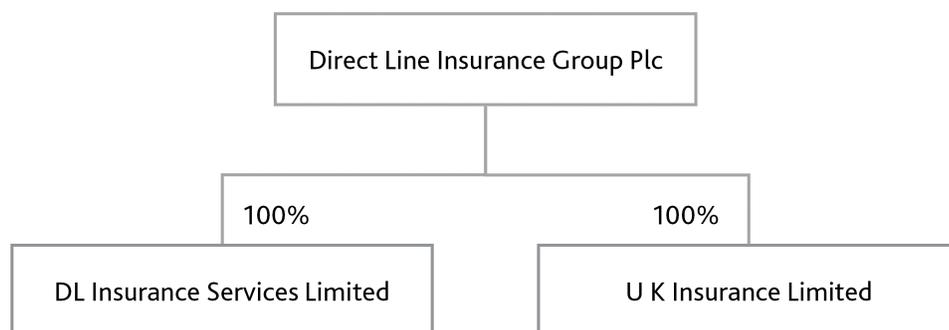
It sells personal line products directly using phone and internet, as well as PCWs and partnerships, including those with the Royal Bank of Scotland, NatWest and Prudential. Its commercial line products are sourced mainly through brokers.

Source: Company report (annual report Dec 2017), Moody's research

Ownership structure

Exhibit 4

Organisational Structure as of 31 December 2017



Source: Company Report (annual report Dec 2017)

Until October 2012, DLG operated as a wholly owned subsidiary of RBS Group. In 2009, RBS Group committed to sell its insurance business, as a condition imposed by the European Commission for receiving state aid. Consequently, in October 2012, DLG was listed on the London Stock Exchange, following the IPO of 35.0% of its share capital that had been held by RBS Group.

In 2013, RBS Group divested a further 36.8% of DLG's share capital and, in February 2014, it sold its remaining interest in DLG.

As of 31 December 2017, DLG had 1,375 million shares outstanding. As of 26 February 2018, the company's major shareholders (owning more than 5.0% of its share capital) were as follows:

Exhibit 5

Direct Line Insurance Group Plc

Shareholder	% Held
BlackRock, Inc.	9.30
Standard Life Aberdeen plc	8.49
Artemis Investment Management LLP	5.32

Source: Company reports (annual report Dec 2017, Dec 2013 and Dec 2012), Company data

Company management

Exhibit 6

Direct Line Insurance Group Plc

Company Management	Current Title
Michael N Biggs	Chairman
Paul Geddes	Chief Executive Officer and Director
Penny James	Chief Financial Officer and Director
Steve Maddock	Chief Operating Officer
José Vazquez	Chief Risk Officer

As of 4 Apr 2018

Source: Company data

Company history

Direct Line was launched in 1985 in partnership with RBS Group. In 2003 the Group acquired Churchill Insurance PLC and the Group became RBS Insurance. In 2008, as a condition to its receipt of State Aid, RBS Group committed to the European Commission to dispose of its interest in the Group. To comply with this requirement, RBS Group was required to cede control of the RBS Insurance by the end of 2013 and fully divest its entire interest by the end of 2014. In February 2012 RBS Insurance was rebranded as Direct Line Group and was listed on the LSE in 2012.

Source: Company reports (annual report Dec 2015, Dec 2013 and Dec 2012, RBS annual report Dec 2011 and Dec 2009, historical financial information Dec 2011), Company data, Moody's research

Peer group

- » [Aviva Insurance Limited](#)
- » [IF P&C Insurance Company Ltd.](#)
- » [Lansforsakringar Sak Forsakrings AB](#)
- » [The Progressive Corporation](#)
- » [RSA Insurance Group](#)

Subsidiaries rated by Moody's

- » [U K Insurance Limited](#)

Related websites and information sources

For additional information, please see:

The company's website

- » www.directlinegroup.com

MOODY'S has provided links or references to third party World Wide Websites or URLs ("Links or References") solely for your convenience in locating related information and services. The websites reached through these Links or References have not necessarily been reviewed by MOODY'S, and are maintained by a third party over which MOODY'S exercises no control. Accordingly, MOODY'S expressly disclaims any responsibility or liability for the content, the accuracy of the information, and/or quality of products or services provided by or advertised on any third party web site accessed via a Link or Reference. Moreover, a Link or Reference does not imply an endorsement of any third party, any website, or the products or services provided by any third party.

Moody's related research

Issuer page on Moodys.com

- » [Direct Line Insurance Group plc](#)

Credit opinion

- » [Direct Line Insurance Group plc, June 2018](#)

Industry outlook

- » [P&C Insurance – Global: 2018 Outlook stable as further premium growth offsets investment and reserving headwinds \(slides\), December 2017](#)
- » [UK Property & Casualty Outlook Presentation, October 2017](#)

Sector comment

- » [Property & Casualty Insurers - UK: Proposed personal injury and whiplash reforms are credit positive for UK insurers, March 2018](#)
- » [Proposed Discount Rate Reforms Are Credit Positive for UK Motor Insurers and Reinsurers, September 2017](#)

- » [Brexit Impact on Insurance Sector: Moderate and Manageable Risks, May 2017](#)

Rating methodology

- » [Global Property and Casualty Insurers, May 2017](#)

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available on the issuer's page. All research may not be available to all clients.

© 2018 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ISSUED BY MOODY'S INVESTORS SERVICE, INC. AND ITS RATINGS AFFILIATES ("MIS") ARE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND MOODY'S PUBLICATIONS MAY INCLUDE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL, FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS AND MOODY'S OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S PUBLICATIONS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. CREDIT RATINGS AND MOODY'S PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. NEITHER CREDIT RATINGS NOR MOODY'S PUBLICATIONS COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS AND PUBLISHES MOODY'S PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

MOODY'S CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE MOODY'S CREDIT RATINGS OR MOODY'S PUBLICATIONS WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER. ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT.

CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT INTENDED FOR USE BY ANY PERSON AS A BENCHMARK AS THAT TERM IS DEFINED FOR REGULATORY PURPOSES AND MUST NOT BE USED IN ANY WAY THAT COULD RESULT IN THEM BEING CONSIDERED A BENCHMARK.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process or in preparing the Moody's publications.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any rating, agreed to pay to Moody's Investors Service, Inc. for appraisal and rating services rendered by it fees ranging from \$1,500 to approximately \$2,500,000. MCO and MIS also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moody's.com under the heading "Investor Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

Additional terms for Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657 AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors. It would be reckless and inappropriate for retail investors to use MOODY'S credit ratings or publications when making an investment decision. If in doubt you should contact your financial or other professional adviser.

Additional terms for Japan only: Moody's Japan K.K. ("MJJK") is a wholly-owned credit rating agency subsidiary of Moody's Group Japan G.K., which is wholly-owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO. Moody's SF Japan K.K. ("MSFJ") is a wholly-owned credit rating agency subsidiary of MJJK. MSFJ is not a Nationally Recognized Statistical Rating Organization ("NRSRO"). Therefore, credit ratings assigned by MSFJ are Non-NRSRO Credit Ratings. Non-NRSRO Credit Ratings are assigned by an entity that is not a NRSRO and, consequently, the rated obligation will not qualify for certain types of treatment under U.S. laws. MJJK and MSFJ are credit rating agencies registered with the Japan Financial Services Agency and their registration numbers are FSA Commissioner (Ratings) No. 2 and 3 respectively.

MJJK or MSFJ (as applicable) hereby disclose that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MJJK or MSFJ (as applicable) have, prior to assignment of any rating, agreed to pay to MJJK or MSFJ (as applicable) for appraisal and rating services rendered by it fees ranging from JPY200,000 to approximately JPY350,000,000.

MJJK and MSFJ also maintain policies and procedures to address Japanese regulatory requirements.

CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454