



Trading Update for the first quarter of 2018¹

2 May 2018

Continued progress towards strategic and financial targets

Paul Geddes, CEO of Direct Line Group, commented:

"We are pleased with our continued strategic progress and the momentum of the Group in Q1, growing our direct own brands in-force policies by 5.0%.

"The freezing weather earlier this year hit many drivers, households and businesses hard, and I am proud of the way our people helped our customers during this difficult period, demonstrating the value of our insurance cover and service. We estimate the claims associated with the major freeze event will utilise the Group's full annual weather budget.

"In Motor, the premium rises in the first half of 2017 have now largely reversed as customers benefitted from last year's favourable claims environment. On partnerships, Royal Bank of Scotland Home returned to policy growth for the first time since 2012, benefitting from our investment in digital capabilities, and Volkswagen² joined our portfolio of Motor partnerships.

"We are pleased we were able to grow while maintaining our discipline on loss ratios and we reiterate our full year targets."

Results summary	Q1 2018 £m	Q1 2017 £m	Change
Gross written premium:			
Motor	404.0	392.7	+2.9%
Home: own brands	96.0	95.6	+0.4%
Home: partnerships	47.3	99.2	(52.3%)
Rescue and other personal lines	103.6	104.2	(0.6%)
Commercial	119.0	118.6	+0.3%
Total	769.9	810.3	(5.0%)
Of which direct own brands ³	530.5	506.7	+4.7%
	31 Mar 2018 '000	31 Mar 2017 '000	Change
In-force policies:	15,469	15,818	(2.2%)
Of which direct own brands ³	6,966	6,635	+5.0%

Highlights

- The Group continued to differentiate its Direct Line proposition to customers, recently launching a 'Fast Response' proposition for Home customers, and in Motor a "Fair claim commitment" which protects customers from losing their no claims discount for a range of common non-fault claims.
- Motor own brands premiums grew by 5.3% and in-force policies grew by 5.0% compared to the prior year, with Direct Line particularly strong. Average premiums were higher than in Q1 2017, albeit the increase year on year reduced.
- Home own brands premiums grew by 0.4% and in-force policies grew by 1.8% compared to prior year as the price comparison website channel saw strong growth, while the Royal Bank of Scotland partnership achieved its first quarter on quarter policy growth since 2012. The exit from the Nationwide and Sainsbury's partnerships reduced premiums by £48.8 million compared to Q1 2017.
- Direct Line for Business and Green Flag, the direct businesses in our Commercial and Rescue categories, continued their progress growing premiums by 8.6% and 9.6% respectively. NIG premiums fell 2.2%, although it saw underlying rate increases ahead of claims inflation, while Rescue partners continued their declining trend.
- Claims associated with the major freeze in Q1 2018 are expected to be in the region of £50 million post tax, resulting in the annual weather claims budget⁴ being broadly utilised in Q1.
- The Group's final solvency capital ratio at 31 December 2017 included in its Solvency and Financial Condition Report is 165% for the full year (estimate in Annual Report & Accounts 2017: 162%).

Notes:

1. Direct Line Group's Trading Update relates to the three months ended 31 March 2018, and contains information to the date of publication.
2. Volkswagen Insurance Service (Great Britain) Limited, which covers five well-known brands – Volkswagen, Audi, SEAT, SKODA and



Volkswagen Commercial Vehicles.

3. Direct own brands includes in-force policies for Home and Motor under the Direct Line, Churchill and Privilege brands, Rescue policies under the Green Flag brand and Commercial under the Direct Line for Business brand.
4. The Group's current assumption of a normal annual level of claims costs from major weather events in 2018 is approximately £55 million for Home and £20 million for Commercial pre-tax and before profit commission.

For further information, please contact:

Andy Broadfield
Director of Investor Relations
Tel: +44 (0)1651 831022

Lisa Tremble
Head of External Affairs
Tel: +44 (0)1651 834211

Corporate information

Direct Line Insurance Group plc is a public limited company registered in England & Wales, number 02280426. The address of the registered office is Churchill Court, Westmoreland Road, Bromley BR1 1DP.

The Annual Report & Accounts 2017 is available at: www.directlinegroup.com

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