



## Trading Update for Q1 2019<sup>1</sup>

8 May 2019

### Operational delivery on track

Penny James, CFO and CEO-designate of Direct Line Group, commented:

"The first quarter was characterised by significant operational progress in a tough trading environment. The motor market remained highly competitive, with market premiums failing to keep pace with claims inflation. Our response, as usual, was to focus on achieving our target loss ratios and continuing to improve pricing effectiveness. The home market has been slightly less challenging than motor but remained competitive. Elsewhere, Green Flag and Direct Line for Business continued their growth, increasing premiums by 15.8% and 8.1% respectively.

"As we said at the full year results, 2019 is a pivotal year for the delivery of our technology transformation programme and I'm delighted that we've had a successful start with the launch of our new PCW focused brand Darwin and the start of the roll-out of our new Motor and Travel systems. We are in the early stages of our plan to progressively roll out the new systems across our brands, products and channels so as to improve our competitiveness and customer experience.

"We remain on track to achieve our 2019 operating expenses target of less than £700m and we reiterate our target to achieve a 93% to 95% combined operating ratio in 2019 and over the medium term<sup>2</sup>."

Results summary	Q1 2019 £m	Q1 2018 £m	Change
<b>Gross written premium:</b>			
Motor	<b>386.9</b>	404.0	(4.2%)
Home: own brands	<b>96.6</b>	96.0	0.6%
Home: partnerships	<b>44.6</b>	47.3	(5.7%)
Rescue and other personal lines	<b>105.4</b>	103.6	1.7%
Commercial	<b>120.4</b>	119.0	1.2%
<b>Total</b>	<b>753.9</b>	769.9	(2.1%)
Of which direct own brands <sup>3</sup>	<b>520.6</b>	530.5	(1.9%)
	31 Mar 2019 '000	31 Dec 2018 '000	Change
<b>In-force policies:</b>	<b>14,920</b>	15,032	(0.7%)
Of which direct own brands <sup>3</sup>	<b>7,165</b>	7,132	0.5%

### Highlights

- Motor in-force policies were flat quarter on quarter as the Group's pricing initiatives helped mitigate some of the pressure from market premium inflation not reflecting claims inflation. Lower Motor average premiums were primarily due to reduced risk mix arising from these pricing initiatives. Overall gross written premium reduced by 4.2% year-on-year. Claims inflation was at the upper end of the Group's long-term expectations of 3% to 5%, primarily due to the continuation of higher Motor third-party property damage costs.
- Home own brands premiums were broadly stable compared with prior year. Q1 weather was benign compared to the major weather in Q1 2018. Home partnerships premiums reduced by 5.7% year-on-year, primarily as a result of the continued run-off of certain partnership contracts.
- Rescue and other personal lines premiums grew by 1.7% year-on-year, with the Group's direct own brand Green Flag growing premiums by 15.8%. The new Travel IT system started to roll out in April supporting the Group's partnerships and enabling the Group's first fully automated Travel claim payment.
- Commercial premiums grew by 1.2% year-on-year, reflecting 8.1% growth in the Group's direct brand, Direct Line for Business, partially offset by a 1.3% reduction in NIG & Other.
- The Group reiterates its target of achieving a combined operating ratio in the range of 93% to 95%, normalised for weather, in 2019 and over the medium term. The Group is also on track to achieve its target of operating expenses of less than £700 million in 2019.

#### Notes:

<sup>1</sup> Direct Line Group's Trading Update relates to the three months ended 31 March 2019 and contains information to the date of publication.

<sup>2</sup> Target to achieve a 93% to 95% combined operating ratio in 2019 and over the medium term normalised for weather.

<sup>3</sup> Direct own brands include in-force policies for Home and Motor under the Direct Line, Churchill and Privilege brands, Rescue policies under the Green Flag brand and Commercial policies under the Direct Line for Business brand.

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**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 2018 is available at: [www.directlinegroup.co.uk](http://www.directlinegroup.co.uk)

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