

DIRECT LINE INSURANCE GROUP PLC TRADING UPDATE FOR Q1 2024¹ A POSITIVE START TO 2024 TRADING

Adam Winslow, CEO of Direct Line Group, commented

"We have seen a positive start to 2024 trading, with double digit gross written premium growth in our Motor, Home and Commercial businesses and overall growth for ongoing operations of 15.0%. Claims trends and Motor margins continue to develop in line with our expectations.

"We have announced a number of significant hires over the last few weeks. I am confident that with the new leadership team in place, we can deliver run-rate annualised cost savings of at least £100 million by the end of 2025 and a net insurance margin, normalised for weather, of 13% in 2026.

"I look forward to sharing our refreshed strategy to deliver higher returns and the progress we have made against the immediate priorities to improve performance at our Capital Markets Day on 10th July 2024."

Trading summary

	3 months 2024 £m	3 months 2023 £m	Change to 3 months 2023
Gross written premium and associated fees			
Motor direct own brands ²	400.1	352.9	13.4%
Motor partnerships ³	24.2	5.8	N/A ³
Motor	424.3	358.7	18.3%
Home direct own brands ²	110.5	94.4	17.1%
Home partnerships	36.8	34.6	6.4%
Home	147.3	129.0	14.2%
Green Flag Rescue	20.3	19.4	4.6%
Other Rescue and other personal lines	43.2	45.3	(4.6%)
Rescue and other personal lines	63.5	64.7	(1.9%)
Commercial direct own brands²	71.7	62.4	14.9%
Ongoing operations⁴	706.8	614.8	15.0%
Brokered commercial insurance ⁴	155.1	156.9	(1.1%)
Run-off partnerships ⁴	30.3	34.0	(10.9%)
Total Group	892.2	805.7	10.7%
	31 Mar 2024	31 Dec 2023	Change to 31 Dec 2023
In-force policies - ongoing operations⁴ (thousands)	9,268	9,442	(1.8%)

Trading update

- Gross written premium and associated fees for ongoing operations up 15.0% on Q1 2023 with strong growth in Motor, Home and Commercial direct.
- In-force policies were 1.8% lower. As expected, Motor volumes were lower due to the continued repricing of the Motor book, whilst Home own brands in-force policies saw modest growth.
- Motor claims trends in line with expectations, with estimated written margins maintained above 10%.
- Q1 saw several periods of adverse weather which led to around £33 million of weather claims in Home, of which £24 million was event related, compared with our annual event assumption in Home of £54 million.

For further information, please contact

PAUL SMITH
DIRECTOR OF BUSINESS PERFORMANCE AND INVESTOR
RELATIONS

Email: paul.r.smith@directlinegroup.co.uk

Mobile: +44 (0)7795 811263

ALAN OLIVER
GROUP COMMUNICATIONS

Email: alan.oliver@directlinegroup.co.uk

Mobile: +44 (0)7385 481295

APPENDIX 1: Gross written premium and associated fees

	Q1 2024 £m	Q4 2023 £m	Q3 2023 £m	Q2 2023 £m	Q1 2023 £m
Gross written premium and associated fees					
Motor direct own brands ^{2,5}	400.1	422.0	435.1	391.3	352.9
Motor partnerships ^{3,5}	24.2	40.3	391.7	8.7	5.8
Motor	424.3	462.3	826.8	400.0	358.7
Home direct own brands ²	110.5	118.1	107.2	89.1	94.4
Home partnerships	36.8	36.3	37.2	34.6	34.6
Home	147.3	154.4	144.4	123.7	129.0
Green Flag Rescue	20.3	16.5	27.7	21.5	19.4
Other Rescue and other personal lines	43.2	42.0	48.5	44.9	45.3
Rescue and other personal lines	63.5	58.5	76.2	66.4	64.7
Commercial direct own brands²	71.7	58.8	63.0	56.8	62.4
Ongoing operations⁴	706.8	734.0	1,110.4	646.9	614.8
Brokered commercial insurance ⁴	155.1	174.7	137.5	196.7	156.9
Run-off partnerships ⁴	30.3	43.3	34.5	38.3	34.0
Total Group	892.2	952.0	1,282.4	881.9	805.7

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

	31 Mar 2024	31 Dec 2023	30 Sep 2023	30 Jun 2023	31 Mar 2023
Motor direct own brands ²	3,235	3,373	3,441	3,607	3,669
Motor partnerships ³	837	808	795	66	72
Motor	4,072	4,181	4,236	3,673	3,741
Home direct own brands ²	1,721	1,706	1,686	1,705	1,731
Home partnerships	729	738	748	759	765
Home	2,450	2,444	2,434	2,464	2,496
Green Flag Rescue	1,036	1,048	1,062	1,093	1,073
Other Rescue and other personal lines	1,069	1,124	1,134	1,196	1,275
Rescue and other personal lines	2,105	2,172	2,196	2,289	2,348
Commercial direct own brands²	641	645	652	645	643
Ongoing operations⁴	9,268	9,442	9,518	9,071	9,228
Brokered commercial insurance ⁴	281	286	291	293	287
Run-off partnerships ⁴	2,543	2,224	2,221	2,199	2,187
Total Group	12,092	11,952	12,030	11,563	11,702

APPENDIX 3: Motor and Home average premium (£)

£	Q1 2024	Q4 2023	Q3 2023	Q2 2023	Q1 2023
New business	599	594	588	532	478
Renewal	515	513	480	412	373
Motor direct own brands ⁶	541	537	507	445	401
New business	238	212	214	204	188
Renewal	261	259	257	249	230
Home direct own brands	257	249	250	243	224

Notes:

- The Trading Update relates to the three months ended 31 March 2024 and contains information to the date of publication.
- Direct 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.
- 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.
- 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 the Rescue and other personal lines partnerships that the Group first excluded from its 2022 results. Relevant prior-year data has been restated accordingly.
- Gross written premiums for the By Miles brand which were previously reported within Motor partnerships have been reallocated to Direct Own Brands. There is no impact on in-force policies.
- 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", "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 which are contained in this document 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:

- United Kingdom ("**UK**") domestic and global economic business conditions;
- 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 involving Israel and Gaza;
- 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 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.

Neither the content of Direct Line Group's website nor the content of any other website accessible from hyperlinks on the Group's website is incorporated into, or forms part of, this document.

LEI: 213800FF2R23ALJQOP04