



Focusing on our customers

Capital Markets Day

21 November 2019

Today's agenda and speakers



Strategy

Penny James
CEO



Brands & Customers

Mark Evans and Harj Johal



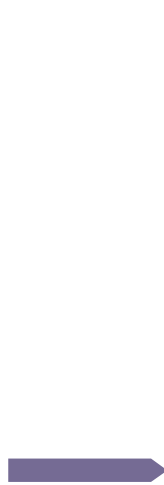
Conduct Pricing

Kate Syred



Pricing and Underwriting

Gus Park



Break



Financials

Tim Harris
CFO



Q&A



Strategy

PENNY JAMES

CEO

Leveraging our customer focus
with new technology

Strategy

Key messages

1

Strengths that
are hard to
replicate

2

Our people
and our
customers are
at the heart
of our business

3

Delivering tools
and
organisational
change to
increase
competitiveness

4

Continuing our
journey to
improve quality
of earnings

5

Strong balance
sheet with
further
opportunities to
improve its
effectiveness

We are a focused UK Retail and SME general insurer with strong foundations

Large scale underwriter

In-force Policies

15.0m

Leading writer of personal lines and SME insurance

GWP

£3.2bn

Strong return on capital

RoTE

21.5%

Strong and robust solvency and fungible capital generation

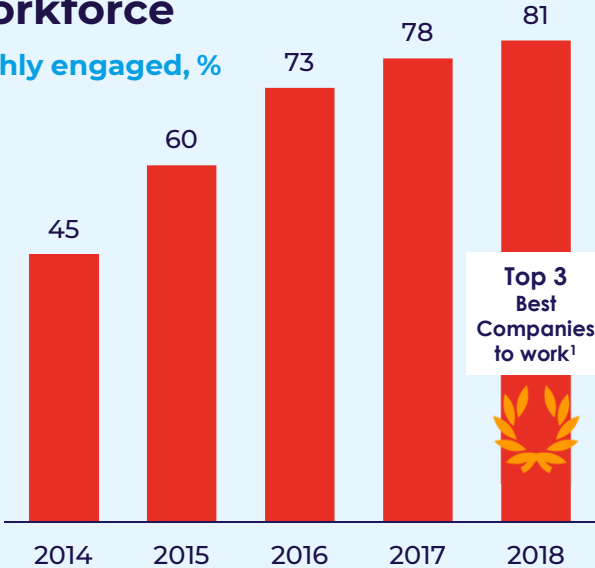
Solvency coverage ratio

170%

Our focus helps us deliver good outcomes for stakeholders

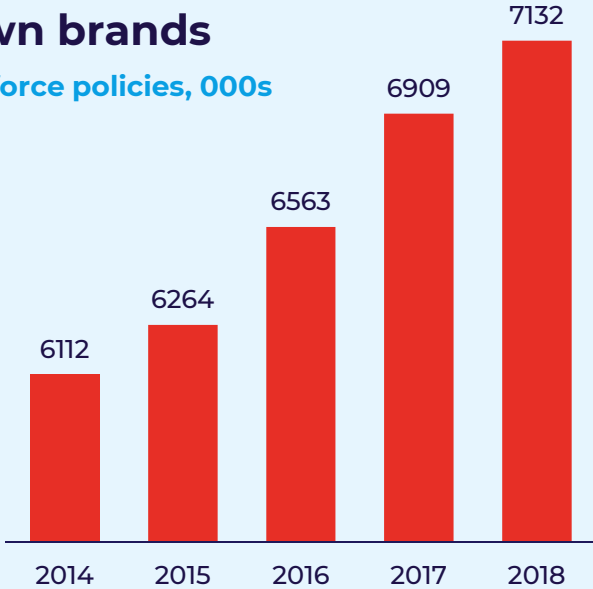
DLG has a highly engaged workforce

Highly engaged, %



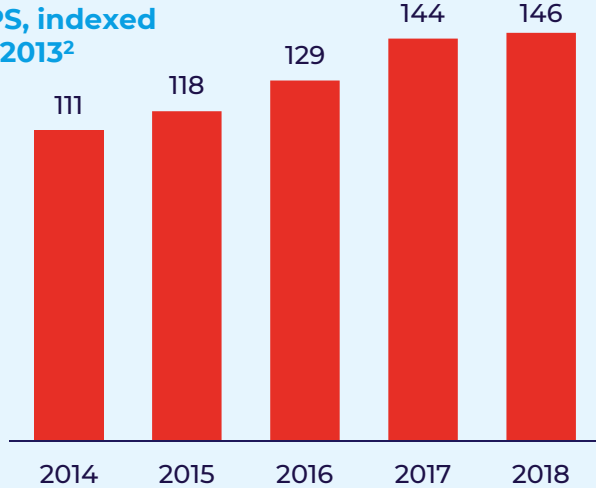
Leading to growth across our direct own brands

In-force policies, 000s



Driving improved net promoter scores

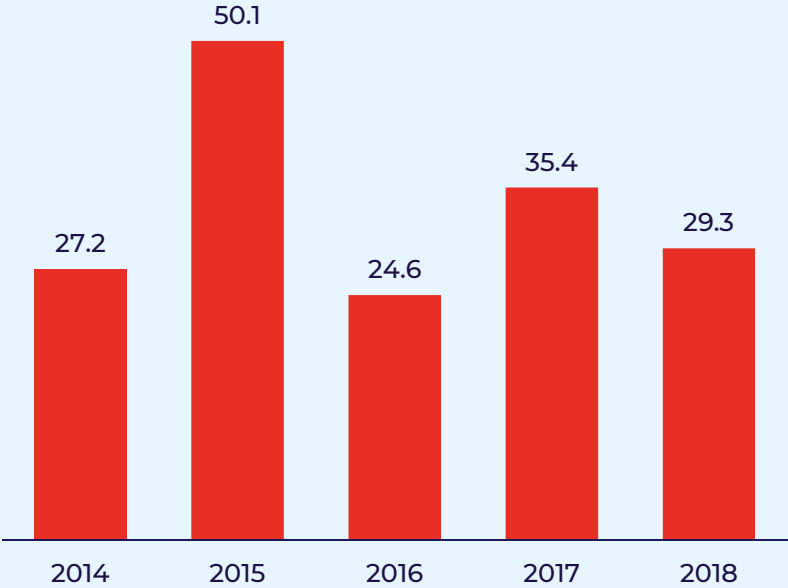
Direct Line NPS, indexed to 2013²



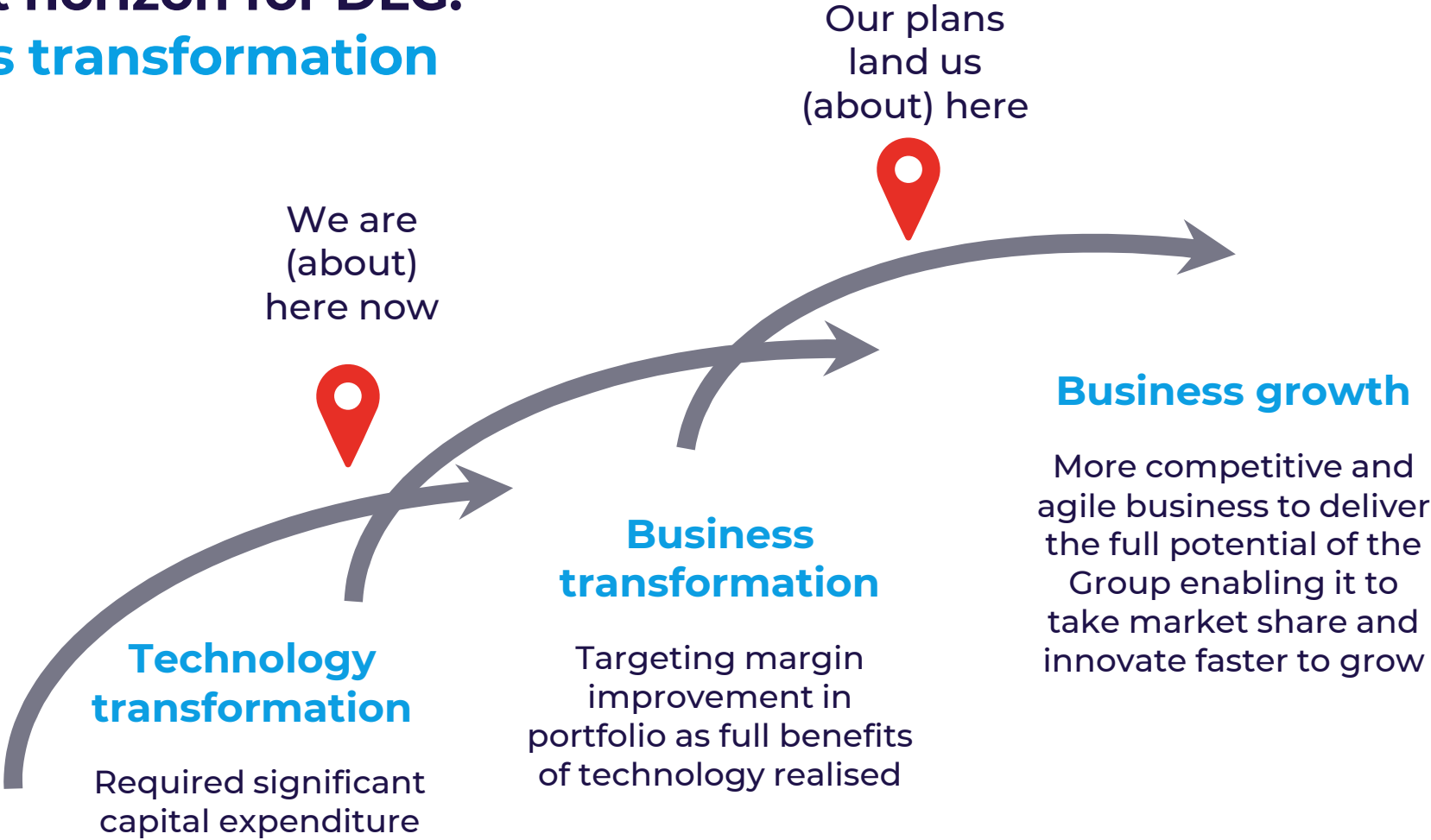
1. The 25 Best Big Companies Sunday Times list 2019
 2. Net promoter score on an aggregated 12 months rolling basis with 2013 indexed to 100

Our focus helps us deliver good outcomes for stakeholders

Dividends paid, pence



The next horizon for DLG: Business transformation



Our Vision, Purpose and Strategy



Strategic objective: Best at direct

What?

To be the UK's leading direct player because we anticipate our customers' needs and develop services and products they want to buy.



Why?

A direct relationship with our customers provides: opportunity for profitable growth by meeting a broader set of customer needs; and the foundation for future product and service innovation.

Key drivers

Strong brand power

Outstanding customer service

Valuable and differentiated propositions

Unique data insights

Strategic objective: Win on Price Comparison Websites

What?

Deliver a step change in our pricing and trading capability so that our leading PCW brands win customers from our competitors.

Why?

PCWs will continue to be the biggest market for new business and therefore our primary route for profitable growth.

The PCW market is large and focused on price and risk selection

We want to deliver profitable growth in this market ahead of our competitors

We need to improve our focus on trading capability and ways of working...

And to develop further our pricing and underwriting capability

Key drivers

Strong risk and margin pricing

Faster modelling and deployment

Fast and flexible use of primary and third party data

Strong brand recognition

Strategic objective:

Extend our reach

What?

Utilise our investments to win more customers through acquisitions and partnerships.

Why?

Our new platform makes it easier for us to onboard new books of business. We will use this to explore inorganic growth opportunities through partnerships and acquisitions.

We have a track record working closely with partners

Our new technology is robust and scalable

We provide great customer service and have strong brands

We are seeking innovative routes to market

Key drivers

Ability to integrate data and customer journeys with partners

Flexible and scalable platforms to integrate portfolios

Excellent service and brands to support partner strategies

Strategic objective: Nimble and cost efficient

What?

Transform into an agile, cost effective business to drive efficiency and simplicity for us and our customers.

Why?

To bring our cost base in line with the market to compete better, in particular through PCWs and partnerships. We will introduce new ways of working to exploit our advantages within each product and channel.

Our cost base is too high and it is hard for us to make changes

We are investing in new platforms, digitisation and new ways of working

To bring our cost base into line with our more efficient competitors

As the pace of innovation accelerates, we will improve our capacity for change

Key drivers

Increasing pace of change needed to respond to changes in our markets and consumer behaviour

Increasing demand for more simple, easy to use and flexible products

Strategic objective: Technical edge

What?

Use our data, scale, skill and insight across claims, pricing and underwriting to deliver value to customers.

Why?

We will create a great experience for our customers and sustainable competitive advantage for us by better utilising our scale advantage in repair, data and claims insight and management.

Our focus and scale enable us to build on our current capabilities & extend our advantages

We can underwrite and price better and maintain our claims competitive advantage

We will create an enhanced experience and value for our customers

As technology driven change accelerates, we will build a stronger lead in these key areas

Key drivers

Real insight and expertise

Strong, timely data

Control and delivery of the value chain

Strategic objective: Great people

What?

A home for empowered people who celebrate difference, and challenge the status quo to deliver for our customers.

Why?

As disruption in our market increases, we need to become brilliant at innovation and change. We can only do this by empowering and developing the best people.

Our people
are highly
engaged

We celebrate
diversity in all
its forms

We can do
more to empower
our people

We aim to attract
and retain talent
with the skills for
a digital age

*Key
drivers*

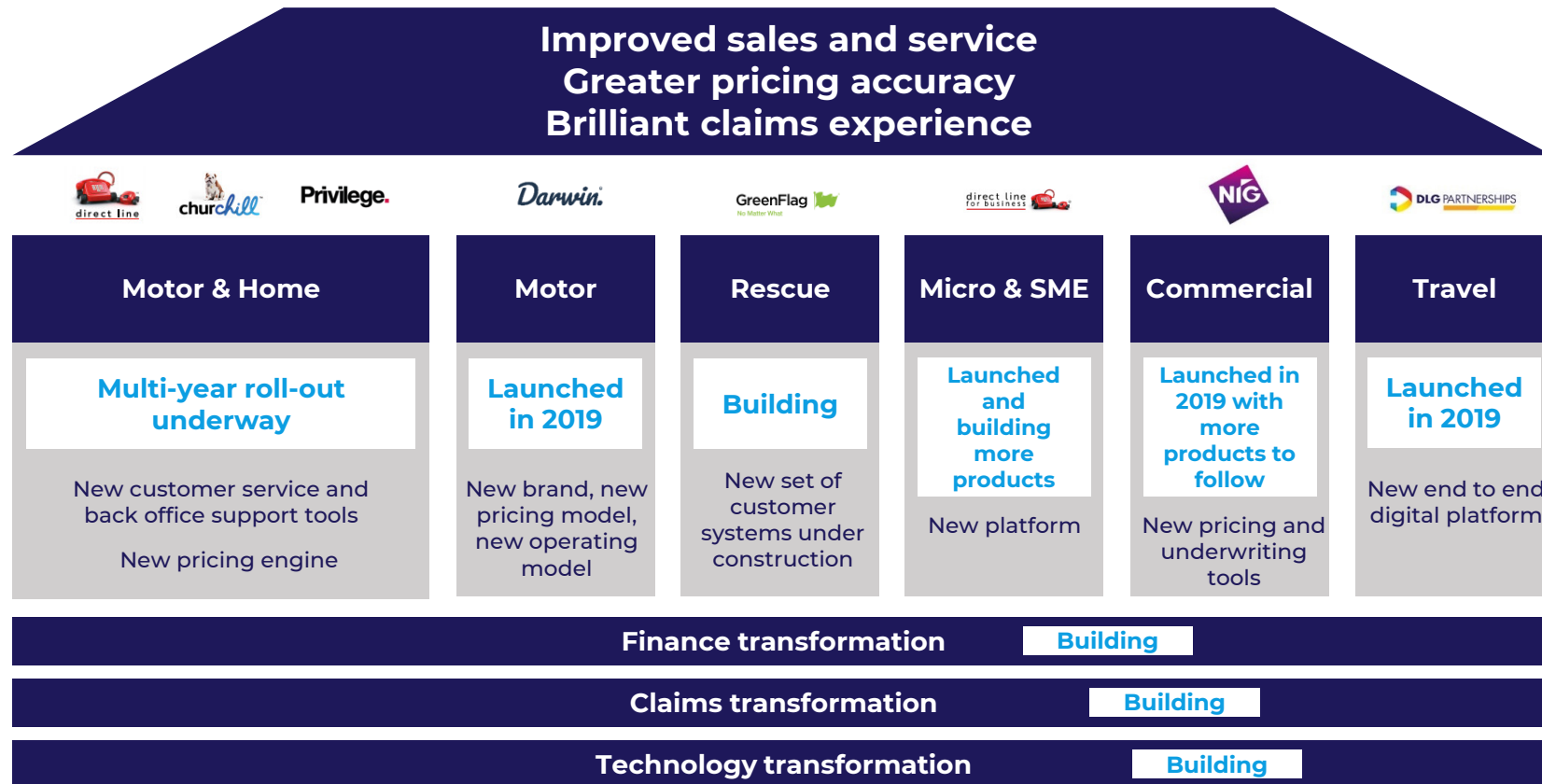
Importance of diverse skillsets required to win
e.g. data and analytics, digital, technicians that can deal with evolving car
technology

Strategy

Current market context

- Motor premium inflation has been slowly turning, although not keeping pace with claims inflation – **we continued to price for claims inflation**
- We expect claims inflation between **3%-5%** in line with our long term expectation, and recent experience remained towards the top of that range
- November floods – very early estimate of **approx. £10m** across Home and Commercial
- FCA continuing a constructive dialogue with us and the industry and **we feel well prepared to adapt to any changes**

Building a better business: Technology is a key enabler across all our brands and channels



Investment case

Improved quality of earnings and competitiveness

1 Increase the current year contribution to operating profit¹ from approx. a third in 2018 to more than a half by 2021

2 Improve the operating expense ratio to 20% by end of 2023 supported by a reduction in operating expenses²

3 Continue to achieve combined operating ratio between 93%-95% through the medium term³

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Our Vision, Purpose and Strategy



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