

## DIRECT LINE INSURANCE GROUP PLC TRADING UPDATE FOR Q1 2023<sup>1</sup>

### Trading summary

	3 months 2023 £m	3 months 2022 £m	Change
<b>Adjusted gross written premium<sup>2</sup></b>			
Motor direct own brands <sup>3</sup>	<b>352.9</b>	338.5	4.3%
Motor partnerships	<b>5.8</b>	8.8	(34.1%)
<b>Motor</b>	<b>358.7</b>	347.3	3.3%
Home direct own brands <sup>3</sup>	<b>94.4</b>	91.8	2.8%
Home partnerships	<b>34.6</b>	34.6	0.0%
<b>Home</b>	<b>129.0</b>	126.4	2.1%
Green Flag Rescue	<b>19.4</b>	19.3	0.5%
Other Rescue and other personal lines - ongoing operations <sup>4</sup>	<b>45.3</b>	46.8	(3.2%)
<b>Rescue and other personal lines - ongoing operations<sup>4</sup></b>	<b>64.7</b>	66.1	(2.1%)
Commercial direct own brands <sup>3</sup>	<b>62.4</b>	52.9	18.0%
NIG and other	<b>156.9</b>	119.0	31.8%
<b>Commercial</b>	<b>219.3</b>	171.9	27.6%
<b>Run-off partnerships<sup>4</sup></b>	<b>34.0</b>	22.6	50.4%
<b>Total Group</b>	<b>805.7</b>	734.3	9.7%
Of which: ongoing operations <sup>4</sup>	<b>771.7</b>	711.7	8.4%
Of which: direct own brands <sup>3</sup>	<b>529.1</b>	502.5	5.3%
	<b>31 Mar 2023</b>	31 Dec 2022	Change
<b>In-force policies - ongoing operations<sup>4</sup> (thousands)</b>	<b>9,535</b>	9,689	(1.6%)
Of which: direct own brands <sup>3</sup> (thousands)	<b>7,136</b>	7,245	(1.5%)

### Trading update

During the quarter we continued to take pricing action in Motor to improve our margins and made good progress towards target margins across the Motor portfolio. As a result, average renewal premiums in Q1 increased by 19% compared to Q1 2022, reflecting premium rate increases during 2022 and in Q1 2023. Focusing on margin led to a reduction of in-force policies of 2.5% across the quarter and despite this gross written premium increased by 3.3% in Q1 2023.

In Commercial, the strong premium growth seen in 2022 continued in Q1 2023 with gross written premium growth of 27.6% in Q1 driven by both direct own brands and NIG and other. In Home, we observed significant price increases across the market. Our Home gross written premium grew by 2.1% with policy count stable across Q1.

### Claims and reserving

We have experienced further adverse claims development in respect of late 2022 and early 2023 in Motor (including Commercial Motor) particularly in relation to damage. This is expected to put pressure on earnings in 2023 including from prior-year reserve releases.

We incurred modest weather event claims during the first quarter, well within the 2023 full year assumption of £80 million.

Our forward view of claims inflation remains unchanged at high single digits across Motor and Home, albeit there continues to be a range of potential outcomes depending on future economic conditions.

### Investments

Group total investment return was £70.9 million in Q1 of which £37.0 million related to net investment income and £33.9 million related to the movement in realised and unrealised gains. The annualised investment income yield was 3.2% as at the end of March 2023.

### Capital

The Group's estimated solvency capital ratio on 31 March was broadly unchanged compared with year end, as the majority of credit spread narrowing early in the quarter unwound during March. As previously set out, we expect to benefit from several capital tailwinds, including a reduction in ineligible capital on the adoption of IFRS 17 and the pull to par effect on our bond portfolio, which are now expected to be recognised over the remainder of 2023. In addition, self-help actions continue to be explored, as we set out with our full year results.

## JON GREENWOOD, ACTING CEO OF DIRECT LINE GROUP, COMMENTED

"Trading has been positive over the first quarter with premium growth across Motor, Home and Commercial and this trend has continued into April. Our focus continues to be on restoring the capital strength of the Group and improving Motor margins, where we have made good progress. Whilst 2023 earnings outlook continues to be challenging, the Group has many strengths, and we continue to take the actions required to drive business performance. Our ambition over time to generate a net insurance margin of above 10% remains."

### For further information, please contact

#### PAUL SMITH

DIRECTOR OF BUSINESS PERFORMANCE, REPORTING AND INVESTOR RELATIONS

Mobile: +44 (0)7795 811263

#### WILL SHERLOCK

GROUP CORPORATE AFFAIRS AND SUSTAINABILITY DIRECTOR

Mobile: +44 (0)7786 836562

## APPENDIX 1: Adjusted gross written premium<sup>2</sup>

	Q1 2023 £m	Q4 2022 £m	Q3 2022 £m	Q2 2022 £m	Q1 2022 £m
<b>Adjusted gross written premium<sup>2</sup></b>					
Motor direct own brands <sup>3</sup>	352.9	333.6	376.1	350.3	338.5
Motor partnerships	5.8	8.5	7.7	9.2	8.8
<b>Motor</b>	<b>358.7</b>	<b>342.1</b>	<b>383.8</b>	<b>359.5</b>	<b>347.3</b>
Home direct own brands <sup>3</sup>	94.4	95.0	104.4	90.3	91.8
Home partnerships	34.6	33.7	34.6	33.7	34.6
<b>Home</b>	<b>129.0</b>	<b>128.7</b>	<b>139.0</b>	<b>124.0</b>	<b>126.4</b>
Green Flag Rescue	19.4	19.0	28.6	21.3	19.3
Other Rescue and other personal lines - ongoing operations <sup>4</sup>	45.3	40.4	50.2	48.1	46.8
<b>Rescue and other personal lines - ongoing operations<sup>4</sup></b>	<b>64.7</b>	<b>59.4</b>	<b>78.8</b>	<b>69.4</b>	<b>66.1</b>
Commercial direct own brands <sup>3</sup>	62.4	54.5	58.2	53.3	52.9
NIG and other	156.9	142.6	116.2	152.6	119.0
<b>Commercial</b>	<b>219.3</b>	<b>197.1</b>	<b>174.4</b>	<b>205.9</b>	<b>171.9</b>
<b>Run-off partnerships<sup>4</sup></b>	<b>34.0</b>	<b>40.7</b>	<b>31.2</b>	<b>30.0</b>	<b>22.6</b>
<b>Total Group</b>	<b>805.7</b>	<b>768.0</b>	<b>807.2</b>	<b>788.8</b>	<b>734.3</b>
Of which: ongoing operations <sup>4</sup>	771.7	727.3	776.0	758.8	711.7
Of which: direct own brands <sup>3</sup>	529.1	502.1	567.3	515.2	502.5

## APPENDIX 2: In-force policies by segment (thousands)

	31 Mar 2023	31 Dec 2022	30 Sep 2022	30 Jun 2022	31 Mar 2022
Motor direct own brands <sup>3</sup>	3,669	3,756	3,766	3,846	3,854
Motor partnerships	72	80	88	98	100
<b>Motor</b>	<b>3,741</b>	<b>3,836</b>	<b>3,854</b>	<b>3,944</b>	<b>3,954</b>
Home direct own brands <sup>3</sup>	1,731	1,732	1,758	1,792	1,825
Home partnerships	765	769	775	779	783
<b>Home</b>	<b>2,496</b>	<b>2,501</b>	<b>2,533</b>	<b>2,571</b>	<b>2,608</b>
Green Flag Rescue	1,073	1,106	1,136	1,156	1,167
Other Rescue and other personal lines - ongoing operations <sup>4</sup>	1,275	1,318	1,336	1,356	1,345
<b>Rescue and other personal lines - ongoing operations<sup>4</sup></b>	<b>2,348</b>	<b>2,424</b>	<b>2,472</b>	<b>2,512</b>	<b>2,512</b>
Commercial direct own brands <sup>3</sup>	663	651	644	623	613
NIG and other	287	277	268	261	265
<b>Commercial</b>	<b>950</b>	<b>928</b>	<b>912</b>	<b>884</b>	<b>878</b>
<b>Run-off partnerships<sup>4</sup></b>	<b>2,187</b>	<b>2,188</b>	<b>3,315</b>	<b>3,320</b>	<b>3,339</b>
<b>Total Group</b>	<b>11,722</b>	<b>11,877</b>	<b>13,086</b>	<b>13,231</b>	<b>13,291</b>
Of which: ongoing operations <sup>4</sup>	9,535	9,689	9,771	9,911	9,952
Of which: direct own brands <sup>3</sup>	7,136	7,245	7,304	7,417	7,459

### APPENDIX 3: Average premium

#### Motor average premiums

£	Q1 2023	Q4 2022	Q1 2022
New business	<b>491</b>	475	533
Renewal	<b>373</b>	363	313
Motor	<b>402</b>	393	362

#### Home average written premiums

£	Q1 2023	Q4 2022	Q1 2022
New business	<b>192</b>	209	216
Renewal	<b>232</b>	221	220
Home	<b>227</b>	220	220

#### Notes:

1. Direct Line Group's Trading Update relates to the three months ended 31 March 2023 and contains information to the date of publication.
2. Adjusted gross written premium includes the impact of a contractual change to Green Flag Rescue premium such that a portion of income that was previously included in gross written premium is now included in service fees. The measure supports comparability with prior period gross written premium. This measure was introduced with effect from 1 January 2022.
3. Direct own brands include in-force policies for Home and Motor under the Direct Line, Churchill, Darwin and Privilege brands, Rescue policies under the Green Flag brand and Commercial policies under the Direct Line for Business and Churchill brands.
4. Ongoing operations – the Group has excluded a number of Rescue and other personal lines partnerships from its ongoing operations results. The run-off partnerships relate to a Rescue partnership with NatWest Group that expired in December 2022 and Travel partnerships with NatWest Group and Nationwide Building Society which expire in 2024, and which the Group has already indicated that it will not be seeking to renew. Relevant prior-year data has been restated accordingly.

## 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, financial condition, prospects, growth, 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, combined operating ratio, percentage targets for current-year contribution to operating profit, prior-year reserve releases, cost reductions, reduction in 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 direct and indirect impacts and implications of the coronavirus Covid-19 pandemic on the economy, nationally and internationally, on the Group, its operations and prospects, and on the Group's customers and their behaviours and expectations;
- 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 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;
- 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 or made in response to the Covid-19 pandemic and its impact on the economy and customers) 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, interventions, enforcements, fines and requirements and of court, arbitration, regulatory or ombudsman decisions, judgements and awards (including in any of the foregoing in connection with the Covid-19 pandemic) 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.

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