Direct Line premiums set to be hiked due to repairs and parts issues

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otorists experiencing the most savage cost of living crisis in recent memory are about to be hit hard as top three UK insurer Direct Line said it would increase premiums by a potential 10%.

CEO Penny James said that the and that insurance premiums “need to reflect” issues from supply chain problems as a result of the coronavirus pandemic and the Ukraine conflict that made it harder to find parts and had delayed repairs.

Announcing its first half results to the 18 July, the company said its “short term profitability” had been challenged by a number of factors including heightened claims inflation and macroeconomic uncertainty, but that it would still return a dividend to shareholders “in line with 2021”.

Operating profit dived by 47% to £195.5 million from the first half of the year. Profit before tax dipped 31.8% to £178.1 million.

The insurer also said that it had been damaged by regulatory changes brought in this year by the FCA that prevented them from charging what has been called a ‘loyalty penalty’ to longstanding customers.

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Penny James, CEO of Direct Line, said: “Uniquely complex motor market conditions during the first half, due to significant regulatory changes, heightened claims inflation and macroeconomic uncertainty, have challenged our short-term profitability.

“Through pricing action, steps taken in our garage repair network and through deployment of enhanced pricing capability, we have now returned to writing at our target margins based on latest claims assumptions.”

She added: “We remain ahead of our long-term return on tangible equity target despite the challenges.. We are announcing an interim dividend in line with 2021 and are confident in the sustainability of our regular dividends as we look ahead to the full year and beyond.”