Direct Line sees return to profit fall short and motor customers quit

Insurer Direct Line Group has announced lower-than-expected half-year profits, and said it shed 488,000 motor customers after increasing the cost of cover by as much as 31%.

The firm returned to a pre-tax profit, with a surplus of £61.6 million for the six months to June 30, against losses of £76.3 million a year ago.

But this was below the £85 million forecast by most analysts, sending shares 2% lower in Wednesday trading.

Direct Line, which has been hiking the price of its insurance as it looks to turn around its performance and offset industry-wide cost pressures, said that in-force policies were 3.1% lower than at the end of December last year.

Its motor insurance division has been the hardest hit, with own-brand policies 7.5% lower across the first half as car cover customers saw steep rises in premiums.

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Chief executive Adam Winslow

Direct Line said that average premiums for new customers rose 16% year on year in the first half to £592, while existing customers saw renewal prices surge 31% to £514.

Overall, own-brand average motor premiums were 27% higher at £538.

This saw the number of direct own-brand motor policies slump by 488,000 year on year to 3.1 million in the first half.

But the raising of premiums helped the division claw its way out of the red, with first-half operating profits of £3.1 million against losses of £180.4 million a year ago.

It said the wider market began reducing car insurance premiums during the second quarter, down 2% across the industry, but that Direct Line held its nerve on pricing.

Direct Line said: “Against this backdrop, we continued to focus on disciplined underwriting and this led to a 7.5% reduction in own brand policy count during the first half.

“In the second quarter, as motor began to go through the anniversary of the previous year’s significant rate increases, retention improved and the rate of policy count loss slowed.”

Direct Line, which recently fended off a £3.1 billion takeover attempt by Belgian rival Ageas, said it remained on track to cut annual costs by at least £100 million by the end of 2025.

Recently-hired chief executive Adam Winslow, who took on the job earlier this year, said: “The actions we have taken are beginning to make a difference but there is more to do.

“We will continue to drive business transformation during the second half of 2024 and into 2025, as our new high calibre management team continues to arrive.”