

Direct Line to launch more affordable car cover after price rises hit sales

Direct Line insurance has revealed plans for a more affordable, basic car insurance policy for struggling motorists in the cost crisis after seeing sales slump following price hikes.

Chief executive Penny James said the new policy will launch by the end of the year for “customers challenged by the cost-of-living crisis”.

The policy, which will launch under its [Churchill](#) brand, will offer cover for the policyholder’s vehicle and third party damage, but strip out many extras, such as car hire, personal belongings, mis-fuelling and loss of keys to make it more affordable for cash-strapped policyholders.

Details of the new basic cover came as Direct Line said new business motor sales tumbled 8.9% to £1.1 billion in the first nine months of 2022 after it raised prices following a surge in claim costs.

Its costs for motor insurance claims are running around 10% higher due to supply chain disruption and unusually high used car prices.

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This saw the group raise new business motor prices by 15% during the first half of the year, which impacted demand from policyholders.

But Direct Line said it was seeing the drop in new business car insurance sales narrow throughout the third quarter as increases in premium rates ramped up across the market, while it added that used car prices had started to ease back.

The firm reported a 3.5% drop in underlying gross written premiums to £2.3 billion across the group over the first nine months, with home insurance new business remaining “very challenging” as sales fell 10.1%.

[Shares](#) fell as much as 8% in early trading on Tuesday, before paring back declines to stand 2% lower.

Penny James, chief executive of Direct Line, said: “The pricing actions we have taken to restore margins in motor led to a reduction in new business sales, however, we were encouraged to see this improve steadily across the quarter as the market hardened.”

She added: “In the fourth quarter, we will launch a new product for customers challenged by the cost-of-living crisis and start rolling out more advanced digital claims capability.

“In these challenging economic conditions, the business is strong and actions we have taken continue to underpin the group’s future earnings power.”