Fewer car sales and new drivers cut Churchill car insurer Direct Line’s claims

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hurchill car insurer Direct Line today said motor premiums had stabilised and claims frequency levels were returning to normal after the easing of lockdown restrictions.

The group’s gross written premium figure for motor insurance fell 6.2% in the first half of the year, but with the reduction moderating to 1.5% in the second quarter.

Fewer new car sales and a reduction in new drivers had reduced its claims frequency, but Direct Line said July’s figure was back close to the level assumed in its pricing.

Cleaning costs and higher used car prices drove claims inflation to above the 3% to 5% target, but this has since moderated as some of these factors unwind.

The group believes it is now well placed to benefit from more normal conditions, having lost competitiveness after deciding not to reduce prices by as much as some of its rivals during the pandemic.

Across the group, which also includes the brands Green Flag and Privilege, pre-tax profits rose 10.5% to £261.3 million in the first half of the year.

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This followed a return to growth in overall written premiums in the second quarter amid strong performances in its commercial, home insurance and rescue divisions.

Shares rose 8p to 307.5p.

Direct Line also revealed it had so far has raised £950,000 for Mind, NSPCC and the UK Sepsis Trust after its offer of customer refunds for reduced mileage during the lockdown was paid as a refund or via donations to charity.

Elsewhere in the insurance industry, Hiscox returned to profit with a surplus of $133.4 million (£96 million) after written premiums increased by 8.5% in the half year.

It follows a bruising few months after the Supreme Court ruled that seven major insurers including Hiscox should make business interruption payments totalling around £1.2 billion.

The company revealed today its Covid-19 loss estimate remains unchanged for 2020 at $475 million (£341.7 million), and is now $17 million (£12.2 million) for 2021 lockdowns, in line with earlier guidance of less than $40 million (£28.8 million).