

Hastings Group Holdings plc

Trading update for the 9 months ended 30 September 2019

25 October 2019

Hastings Group Holdings plc ('the Group', or 'Hastings'), the technology driven insurance provider, today provides an update on its trading performance for the 9 months ended 30 September 2019.

Financial and Operational review

- **Live customer policies ('LCP') up 5% year on year to 2.84 million** as at 30 September 2019. Policy growth has been supported by continued strong retention rates.
- **Gross written premiums up 2% to £753.1m** for the 9 months ended 30 September 2019. The increase in premium prices have been offset by a change in the risk mix of business that is aimed at lower risk segments and a reduction in younger drivers.
- **The Group has continued to prioritise pricing discipline in the third quarter**, applying rates in line with the first half claims inflation and ahead of the market. The market has remained competitive, with market premiums continuing to lag claims inflation, and the Group's new business competitiveness has therefore fallen.
- **Claims inflation has elevated in the third quarter to 7%-8%** with inflation experienced across third party credit hire cost, repair costs and mid-range bodily injury costs.
- **Calendar year loss ratio of 79.1%** for the 9 months ended 30 September 2019, before the impact of the Ogden rate change.
- **Net revenue down by 2% to £563.8m** for the 9 months ended 30 September 2019 due to the impact of lower earned premiums and lower reinsurance commissions.
- **Growth in Home to 200,000 LCP**, as the Group's in-house Home underwriting continues to be embedded along with the support of the third party panel members.
- **The Group is supportive of the interim FCA report on general insurance pricing practices.** The Group's agile business model, technology, and focus on price comparison distribution should leave the Group well positioned to respond to the FCA's final recommendations.
- **Successful transition to the Group's new repair service providers**, with an improved customer experience. The final stage of this transition, with non-fault claims services moving to Enterprise Rent-A-Car, remains on track to complete in the fourth quarter.
- **Continued execution of the Group's digital and technology strategy** with a 15% reduction in customer service calls per LCP and around 60% of total loss claims now being settled digitally. Investment spend will continue in the rest of 2019 and in 2020 in line with the Group's strategic initiatives and digital proposition.
- **Continued commitment to diversity**, with a 10% increase in senior female leaders in 2019, the Group is on track to achieve the 30% Club female leadership commitment target set by the end of 2020.

Toby van der Meer, Chief Executive Officer of Hastings Group Holdings plc, commented:

"I am pleased with the progress the Group continues to make on its strategic initiatives and digital investments. We have successfully transitioned to our new repair partners to benefit customers, while the ongoing digitalisation of the business has been continued by the increasing popularity of our mobile app, with 430,000 downloads since its launch.

The market remained competitive in the third quarter, with market premium inflation continuing to lag claims inflation. We maintained focus on pricing discipline, applying rates ahead of the market, in line with our stated targets and strategy. We are confident that continuing to invest in our growth opportunities whilst navigating these current market conditions is the right thing to do. As always, I would like to thank the entire Hastings team for their commitment and hard work for customers."

Outlook

The Group continues to monitor claims trends and apply price increases to remain within the full year 75%-79% target range. The full year loss ratio outlook will however be dependent upon claims experience during the fourth quarter and the loss ratio, before the impact of the Ogden rate change, could move from the top of the target range to slightly above should elevated claims inflation continue.

Looking ahead, the Group continues to invest in its future and has made good progress on its strategic initiatives including pricing, claims and anti-fraud and maintaining the Group's position as an agile, technology driven, low cost operator. These initiatives will ensure the Group is well placed to capitalise on its long term profitable growth opportunities.

Group performance

	9 months ended		
	30 September 2019	30 September 2018	Change
Gross written premiums (£m)	753.1	738.5	2%
Net revenue (£m)	563.8	574.1	(2)%

	As at		
	30 September 2019	30 September 2018	Change
Live customer policies (million)	2.84	2.70	5%
UK Private car market share (%)	7.8%	7.5%	30 bps

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About Hastings

Founded in 1996 in Bexhill-on-Sea on the Sussex coast, the Hastings Group is one of the leading general insurance providers to the UK market, with 2.84 million live customer policies and employing over 3,200 colleagues at sites in Bexhill, Leicester, Gibraltar and London.

Hastings provides straightforward products and services to UK car, bike, van and home insurance customers with around 90% of policies directly underwritten by Group's Gibraltar based Underwriting business, Advantage Insurance Company Limited.

Hastings Direct is a trading name of Hastings Insurance Services Limited, the Group's UK broker, which also trades via 'Hastings Premier', 'Hastings Essential', 'Hastings Direct SmartMiles', 'People's Choice' and 'insurePink'.

The Group operates as an insurance provider with two separate businesses. The Group's Retail business, Hastings Insurance Services Limited, is responsible for the end customer pricing, fraud management, product design, distribution and management of the underlying customer relationships. The Group's Underwriting business, Advantage Insurance Company Limited, engages in risk selection, underlying technical pricing, reserving and claims handling.

Retail is supported by, and benefits from, Underwriting's prudent approach to risk and reserving and also benefits from a panel of insurance partners who provide additional underwriting capacity. The Group's integrated model deliberately separates underlying product manufacturing from its distribution.

Forward-looking statements

This trading update may contain forward-looking statements about current expectations, intentions or forecasts of future events, including statements about market trends and our strategy, investments, future operations, industry forecasts and regulatory framework. Forward-looking statements include statements about expectations, beliefs, plans, objectives, intentions, assumptions and other statements that are not statements of historical fact. Words or phrases such as "anticipate", "believe", "continue", "ongoing", "estimate", "expect", "intend", "may", "plan", "potential", "predict", "project", "target", "seek" or similar words or phrases, or the negatives of those words or phrases, may identify forward-looking statements, but the absence of these words does not necessarily mean that a statement is not forward-looking.

Forward-looking statements are subject to known and unknown risks and uncertainties and are based on potentially inaccurate assumptions that could cause actual results to differ materially from those expected or implied by the forward-looking statements. Our actual results could differ materially from those anticipated in our forward-looking statements for many reasons, including the factors described in the section entitled "Managing our risks" in our 2018 Annual Report. In addition, even if our actual results are consistent with the forward-looking statements, those results or developments may not be indicative of results or developments in subsequent periods.