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Direct Line 'surprise' over discount rate won't want wash, says law firm

One of UK's major car insurers has today blamed a reduction in profits on the government's new rate for calculating the money owed to serious injury victims (the discount rate), yet it has still managed to increase its final dividend per share for shareholders.

Direct Line's operating profit from motor insurance was marked down from £338m in 2015 to £149m in 2016, a reduction blamed on 'the recent reduction in the discount rate and a higher level of intangible asset impairment.' They reported an overall operating profit in 2016 of £403.5m, down from £520.7m, however without the discount rate reduction their operating profit would actually have increased by 12% to £578.6m.

Despite blaming the discount rate Direct Line still increased the final dividend per share by 5.4% (compared to the same period in 2015).

"Direct Line and the rest of the insurance industry are cynically throwing their toys out of the pram and objecting to paying out fair compensation to the victims of serious injury yet they knew the discount rate bore no relation to interest rates in the real world. They have been under-paying people with life changing injuries since the interest rate crash in 2008, and knowingly so. And yet they are feigning surprise and claim they are unprepared for the Ministry of Justice's decision. Their shareholders meanwhile have done very nicely indeed," said Tom Jones, head of policy at campaigning law firm Thompsons Solicitors.

Direct Line is a vocal supporter for proposals to remove the rights of over 90% of injury victims, and today's financial report states that 'the Group has been calling for reform in this area for some time and continues to work with Government'.

Direct Line added it does not expect any "material" further impact in 2017 from the updated discount rate, and Paul Geddes, chief executive of Direct Line was unrepentant in saying that it would be passing on the cost of the new discount rate to drivers.

"This is yet another sickening example of insurers using any excuse in the book to wriggle out of their responsibilities and blame everything but their own greed for not paying out what is due. First it's 'fraud', then Insurance Premium Tax, and now it's the discount rate.

“Direct Line have been overpaying profits, dividends and CEO salaries and deliberately failing to put money aside since 2008. They are in the prediction business for God's sake! The suggestion they had no idea they've been underpaying and had no idea what was heading their way is an absolute nonsense. The government must stand firm in the face of yet another cynical misinformation campaign by insurers.”

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