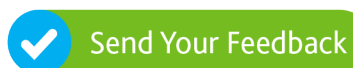


ISSUER COMMENT

29 February 2024



RATINGS

Direct Line Insurance Group plc

Domicile	United Kingdom
Long Term Rating	Baa2
Type	Subordinate - Dom Curr
Outlook	Stable

U K Insurance Limited

Domicile	United Kingdom
Long Term Rating	A2
Type	Insurance Financial Strength
Outlook	Stable

Ageas SA/NV

Domicile	Belgium
Long Term Rating	A1
Type	Insurance Financial Strength - Fgn Curr
Outlook	Stable

Source: Moody's Investors Service

CLIENT SERVICES

Americas	1-212-553-1653
Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454

Direct Line Insurance Group plc

Acquisition by Ageas would be credit positive

On 28 February, [Ageas SA/NV](#) (insurance financial strength rating A1 stable) announced that it was considering an offer to acquire 100% of [Direct Line Insurance Group Plc's](#) (DLG, insurance financial rating of operating subsidiary A2 stable) issued share capital. The announcement has no immediate impact on either company's credit profile as it is subject to a formal offer being made by Ageas and accepted by DLG's shareholders. DLG has advised its shareholders to take no action in relation to the possible offer, saying it significantly undervalued the group and its future prospects, adding that it is confident in DLG's standalone prospects and noting that its new CEO Adam Winslow will take up the role on 1 March.

Although the financial details remain preliminary, a transaction similar to that set out in Ageas' announcement would be credit positive for DLG. The main benefit would be support from a larger, more diversified parent group with better credit quality. Further benefits, such as cost synergies with Ageas' existing UK business, would be recognised over time and subject to DLG's successful integration into the group.

While DLG benefits from a strong position in the UK personal lines market and has powerful brands, its relative concentration in the UK personal motor business has amplified its exposure to recent marketwide challenges. Although market conditions have improved amid recent price rises and moderating claims inflation, the market remains highly competitive and subject to intense regulatory scrutiny.

The transaction would benefit Ageas' UK business profile by improving its market position, franchise and distribution, particularly in the retail motor and home segments. However, its financial profile would deteriorate slightly, as some excess capital would be used to fund the cash component of the acquisition, and financial flexibility would marginally deteriorate given the additional debt issuance. However, the geographic diversification of cash flows at the group's holding company level would improve.

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