

# **Direct Line Insurance plc**

**Annual FSA Insurance Returns for the year ended**

**31 December 2009**

**IPRU(INS) Appendices 9.1, 9.2, 9.5, 9.6**

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**Statement of solvency - general insurance business**Name of insurer **Direct Line Insurance plc**

Global business

Financial year ended **31 December 2009**

Solo solvency calculation

R1	Company registration number	GL/UK/CM	day month year			Units
			31	12	2009	
	1810801	GL				£000
			As at end of this financial year			As at end of the previous year
			1			2

**Capital resources**

Capital resources arising outside the long-term insurance fund	11	747299	654905
Capital resources allocated towards long-term insurance business arising outside the long-term insurance fund	12		
Capital resources available to cover general insurance business capital resources requirement (11-12)	13	747299	654905

**Guarantee fund**

Guarantee fund requirement	21	101430	86390
Excess (deficiency) of available capital resources to cover guarantee fund requirement	22	645869	568515

**Minimum capital requirement (MCR)**

General insurance capital requirement	31	304291	259170
Base capital resources requirement	33	3128	2518
Individual minimum capital requirement	34	304291	259170
Capital requirements of regulated related undertakings	35		
Minimum capital requirement (34+35)	36	304291	259170
Excess (deficiency) of available capital resources to cover 50% of MCR	37	595154	525320
Excess (deficiency) of available capital resources to cover 75% of MCR	38	519081	460527

**Capital resources requirement (CRR)**

Capital resources requirement	41	304291	259170
Excess (deficiency) of available capital resources to cover general insurance business CRR (13-41)	42	443008	395735

**Contingent liabilities**

Quantifiable contingent liabilities in respect of other than long-term insurance business as shown in a supplementary note to Form 15	51		
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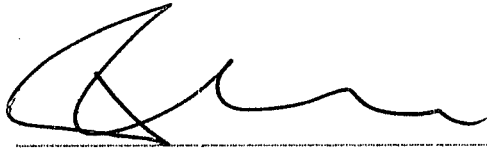
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Form 1

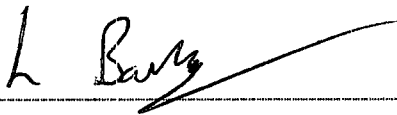
Name of insurer **Direct Line Insurance plc**

Global business


Financial year ended **31 December 2009**



Director



Director



Director

18 March 2010

**Components of capital resources**Name of insurer **Direct Line Insurance plc**

Global business

Financial year ended **31 December 2009**

R3	Company registration number 1810801	GL/UK/CM	day month year			Units £000
			31	12	2009	
		General insurance business 1	Long-term insurance business 2	Total as at the end of this financial year 3	Total as at the end of the previous year 4	

**Core tier one capital**

Permanent share capital	11	155000		155000	155000
Profit and loss account and other reserves	12	641488		641488	521054
Share premium account	13				
Positive valuation differences	14				
Fund for future appropriations	15				
Core tier one capital in related undertakings	16				
Core tier one capital (sum of 11 to 16)	19	796488		796488	676054

**Tier one waivers**

Unpaid share capital / unpaid initial funds and calls for supplementary contributions	21				
Implicit Items	22				
Tier one waivers in related undertakings	23				
Total tier one waivers as restricted (21+22+23)	24				

**Other tier one capital**

Perpetual non-cumulative preference shares as restricted	25				
Perpetual non-cumulative preference shares in related undertakings	26				
Innovative tier one capital as restricted	27				
Innovative tier one capital in related undertakings	28				

<b>Total tier one capital before deductions (19+24+25+26+27+28)</b>	<b>31</b>	<b>796488</b>		<b>796488</b>	<b>676054</b>
Investments in own shares	32				
Intangible assets	33				
Amounts deducted from technical provisions for discounting	34				
Other negative valuation differences	35	30002		30002	20717
Deductions in related undertakings	36				
Deductions from tier one (32 to 36)	37	30002		30002	20717
<b>Total tier one capital after deductions (31-37)</b>	<b>39</b>	<b>766486</b>		<b>766486</b>	<b>655337</b>

## Components of capital resources

Name of insurer **Direct Line Insurance plc**

Global business

Financial year ended **31 December 2009**

	Company registration number	GL/ UK/ CM	day month year			Units
<b>R3</b>	<b>1810801</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2009</b>	<b>£000</b>
		General insurance business	Long-term insurance business	Total as at the end of this financial year	Total as at the end of the previous year	
		<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	

## Tier two capital

Implicit items, (tier two waivers and amounts excluded from line 22)	<b>41</b>				
Perpetual non-cumulative preference shares excluded from line 25	<b>42</b>				
Innovative tier one capital excluded from line 27	<b>43</b>				
Tier two waivers, innovative tier one capital and perpetual non-cumulative preference shares treated as tier two capital (41 to 43)	<b>44</b>				
Perpetual cumulative preference shares	<b>45</b>				
Perpetual subordinated debt and securities	<b>46</b>				
Upper tier two capital in related undertakings	<b>47</b>				
<b>Upper tier two capital (44 to 47)</b>	<b>49</b>				

Fixed term preference shares	<b>51</b>				
Other tier two instruments	<b>52</b>				
Lower tier two capital in related undertakings	<b>53</b>				
<b>Lower tier two capital (51+52+53)</b>	<b>59</b>				

<b>Total tier two capital before restrictions (49+59)</b>	<b>61</b>				
Excess tier two capital	<b>62</b>				
Further excess lower tier two capital	<b>63</b>				
<b>Total tier two capital after restrictions, before deductions (61-62-63)</b>	<b>69</b>				

**Components of capital resources**Name of insurer **Direct Line Insurance plc**

Global business

Financial year ended **31 December 2009**

	Company registration number	GL/ UK/ CM	day month year			Units	
	<b>R3</b>	<b>1810801</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2009</b>	<b>£000</b>
			General insurance business	Long-term insurance business	Total as at the end of this financial year	Total as at the end of the previous year	
			<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	

**Total capital resources**

Positive adjustments for regulated non-insurance related undertakings	<b>71</b>					
<b>Total capital resources before deductions (39+69+71)</b>	<b>72</b>	766486			766486	655337
Inadmissible assets other than intangibles and own shares	<b>73</b>	1379			1379	354
Assets in excess of market risk and counterparty limits	<b>74</b>	17808			17808	78
Deductions for related ancillary services undertakings	<b>75</b>					
Deductions for regulated non-insurance related undertakings	<b>76</b>					
Deductions of ineligible surplus capital	<b>77</b>					
<b>Total capital resources after deductions (72-73-74-75-76-77)</b>	<b>79</b>	747299			747299	654905

**Available capital resources for GENPRU/INSPRU tests**

Available capital resources for guarantee fund requirement	<b>81</b>	747299			747299	654905
Available capital resources for 50% MCR requirement	<b>82</b>	747299			747299	654905
Available capital resources for 75% MCR requirement	<b>83</b>	747299			747299	654905

**Financial engineering adjustments**

Implicit items	<b>91</b>					
Financial reinsurance - ceded	<b>92</b>					
Financial reinsurance - accepted	<b>93</b>					
Outstanding contingent loans	<b>94</b>					
Any other charges on future profits	<b>95</b>					
<b>Sum of financial engineering adjustments (91+92-93+94+95)</b>	<b>96</b>					

## Calculation of general insurance capital requirement - premiums amount and brought forward amount

Name of insurer **Direct Line Insurance plc**

Global business

Financial year ended **31 December 2009**

General insurance business

	Company registration number	GL/UK/CM	day	month	year	Units	
	R11	1810801	GL	31	12	2009	£000
						This financial year 1	Previous year 2
Gross premiums written			11			1780993	1714021
Premiums taxes and levies (included in line 11)			12				
Premiums written net of taxes and levies (11-12)			13			1780993	1714021
Premiums for classes 11, 12 or 13 (included in line 13)			14			4724	2669
Premiums for "actuarial health insurance" (included in line 13)			15				
<b>Sub-total A (13 + 1/2 14 - 2/3 15)</b>			16			1783355	1715355
Gross premiums earned			21			1760018	1714297
Premium taxes and levies (included in line 21)			22				
Premiums earned net of taxes and levies (21-22)			23			1760018	1714297
Premiums for classes 11, 12 or 13 (included in line 23)			24			3832	1441
Premiums for "actuarial health insurance" (included in line 23)			25				
<b>Sub-total H (23 + 1/2 24 - 2/3 25)</b>			26			1761934	1715017
<b>Sub-total I (higher of sub-total A and sub-total H)</b>			30			1783355	1715355
<b>Adjusted sub-total I if financial year is not a 12 month period to produce an annual figure</b>			31				
Division of gross adjusted premiums amount sub-total I (or adjusted sub-total I if appropriate)	x 0.18		32			321004	308764
	Excess (if any) over 57.5M EURO x 0.02		33			34639	33471
<b>Sub-total J (32-33)</b>			34			286365	275292
Claims paid in period of 3 financial years			41			3684042	3542448
Claims outstanding carried forward at the end of the 3 year period	For insurance business accounted for on an underwriting year basis		42				
	For insurance business accounted for on an accident year basis		43			1891865	1564308
Claims outstanding brought forward at the beginning of the 3 year period	For insurance business accounted for on an underwriting year basis		44				
	For insurance business accounted for on an accident year basis		45			1339161	1244930
<b>Sub-total C (41+42+43-44-45)</b>			46			4236747	3861826
Amounts recoverable from reinsurers in respect of claims included in Sub-total C			47			283195	491833
<b>Sub-total D (46-47)</b>			48			3953551	3369993
<b>Reinsurance Ratio (Sub-total D /sub-total C or, if more, 0.50 or, if less, 1.00)</b>			49			0.93	0.87
<b>Premiums amount (Sub-total J x reinsurance ratio)</b>			50			267223	240232
Provision for claims outstanding (before discounting and net of reinsurance)			51			1677877	1396808
Provision for claims outstanding (before discounting and gross of reinsurance) if both 51.1 and 51.2 are zero, otherwise zero			52				
<b>Brought forward amount (See instruction 4)</b>			53			259170	234747
<b>Greater of lines 50 and 53</b>			54			267223	240232



### Calculation of general insurance capital requirement - claims amount and result

Name of insurer **Direct Line Insurance plc**

Global business

Financial year ended **31 December 2009**

General insurance business

		Company registration number	GL/ UK/ CM	day month year			Units	
		<b>R12</b>	<b>1810801</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2009</b>	<b>£000</b>
				This financial year 1			Previous year 2	
Reference period (No. of months) See INSPRU 1.1.63R				<b>11</b>	<b>36</b>		<b>36</b>	
Claims paid in reference period				<b>21</b>	<b>3684042</b>		<b>3542448</b>	
Claims outstanding carried forward at the end of the reference period	For insurance business accounted for on an underwriting year basis			<b>22</b>				
	For insurance business accounted for on an accident year basis			<b>23</b>	<b>1891865</b>		<b>1564308</b>	
Claims outstanding brought forward at the beginning of the reference period	For insurance business accounted for on an underwriting year basis			<b>24</b>				
	For insurance business accounted for on an accident year basis			<b>25</b>	<b>1339161</b>		<b>1244930</b>	
Claims incurred in reference period (21+22+23-24-25)				<b>26</b>	<b>4236747</b>		<b>3861826</b>	
Claims incurred for classes 11, 12 or 13 (included in 26)				<b>27</b>	<b>4945</b>		<b>1137</b>	
Claims incurred for "actuarial health insurance" (included in 26)				<b>28</b>				
<b>Sub-total E (26 +1/2 27 - 2/3 28)</b>				<b>29</b>	<b>4239219</b>		<b>3862395</b>	
<b>Sub-total F - Conversion of sub-total E to annual figure (multiply by 12 and divide by number of months in the reference period)</b>				<b>31</b>	<b>1413073</b>		<b>1287465</b>	
Division of sub-total F (gross adjusted claims amount)	x 0.26			<b>32</b>	<b>367399</b>		<b>334741</b>	
	Excess (if any) over 40.3M EURO x 0.03			<b>33</b>	<b>41312</b>		<b>37746</b>	
<b>Sub-total G (32-33)</b>				<b>39</b>	<b>326087</b>		<b>296995</b>	
<b>Claims amount Sub-total G x reinsurance ratio (11.49)</b>				<b>41</b>	<b>304291</b>		<b>259170</b>	
Higher of premiums amount and brought forward amount (11.54)				<b>42</b>	<b>267223</b>		<b>240232</b>	
<b>General insurance capital requirement (higher of lines 41 and 42)</b>				<b>43</b>	<b>304291</b>		<b>259170</b>	

**Analysis of admissible assets**Name of insurer **Direct Line Insurance plc**

Global business

Financial year ended **31 December 2009**Category of assets **Total other than long term insurance business assets**

	Company registration number	GL/UK/CM	day month year			Units	Category of assets
	R13	1810801	GL	31	12	2009	£000
						As at end of this financial year	As at end of the previous year
						1	2
Land and buildings				11		78044	91083

**Investments in group undertakings and participating interests**

UK insurance dependants	Shares	21		
	Debts and loans	22		
Other insurance dependants	Shares	23		
	Debts and loans	24		
Non-insurance dependants	Shares	25		
	Debts and loans	26		
Other group undertakings	Shares	27		
	Debts and loans	28	70463	41978
Participating interests	Shares	29		
	Debts and loans	30		

**Other financial investments**

Equity shares	41	480	369737	
Other shares and other variable yield participations	42			
Holdings in collective investment schemes	43	129128	238919	
Rights under derivative contracts	44			
Fixed interest securities	Approved	45	657444	110450
	Other	46	899567	358117
Variable interest securities	Approved	47		
	Other	48	543435	401230
Participation in investment pools	49			
Loans secured by mortgages	50			
Loans to public or local authorities and nationalised industries or undertakings	51			
Loans secured by policies of insurance issued by the company	52			
Other loans	53			
Bank and approved credit & financial institution deposits	One month or less withdrawal	54	100006	219769
	More than one month withdrawal	55	310900	542668
Other financial investments	56			
Deposits with ceding undertakings	57			
Assets held to match linked liabilities	Index linked	58		
	Property linked	59		

**Analysis of admissible assets**Name of insurer **Direct Line Insurance plc**

Global business

Financial year ended **31 December 2009**Category of assets **Total other than long term insurance business assets**

Company registration number	GL/UK/CM	day	month	year	Units	Category of assets	
R13	1810801	GL	31	12	2009	£000	1
					As at end of this financial year	As at end of the previous year	
					1	2	

**Reinsurers' share of technical provisions**

Provision for unearned premiums	60	20908	18159
Claims outstanding	61	134502	167500
Provision for unexpired risks	62		
Other	63		

**Debtors and salvage**

Direct insurance business	Policyholders	71	541002	541013
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75	10847	6781
Dependants	due in 12 months or less	76		
	due in more than 12 months	77		
Other	due in 12 months or less	78		
	due in more than 12 months	79		

**Other assets**

Tangible assets	80		
Deposits not subject to time restriction on withdrawal with approved institutions	81	5671	16877
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83	29153	
Accrued interest and rent	84	2264	7736
Deferred acquisition costs (general business only)	85	62258	72767
Other prepayments and accrued income	86	26483	18861

Deductions from the aggregate value of assets	87		
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Grand total of admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (11 to 86 less 87)	89	3622555	3223645
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**Analysis of admissible assets**Name of insurer **Direct Line Insurance plc**

Global business

Financial year ended **31 December 2009**Category of assets **Total other than long term insurance business assets**

	Company registration number	GL/ UK/ CM	day	month	year	Units	Category of assets
R13	1810801	GL	31	12	2009	£000	1
						As at end of this financial year	As at end of the previous year
						1	2

**Reconciliation to asset values determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting**

Total admissible assets after deduction of admissible assets in excess of market risk and counterparty limits (as per line 89 above)	91	3622555	3223645
Admissible assets in excess of market and counterparty limits	92	17808	78
Inadmissible assets directly held	93	1379	354
Capital resources requirement deduction of regulated related undertakings	94		
Ineligible surplus capital and restricted assets in regulated related insurance undertakings	95		
Inadmissible assets of regulated related undertakings	96		
Book value of related ancillary services undertakings	97		
Other differences in the valuation of assets (other than for assets not valued above)	98		
Deferred acquisition costs excluded from line 89	99		
Reinsurers' share of technical provisions excluded from line 89	100		(39243)
Other asset adjustments (may be negative)	101		
Total assets determined in accordance with the insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (91 to 101)	102	3641742	3184834

Amounts included in line 89 attributable to debts due from related insurers, other than those under contracts of insurance or reinsurance	103		
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**Liabilities (other than long term insurance business)**Name of insurer **Direct Line Insurance plc**

Global business

Financial year ended **31 December 2009**

R15	Company registration number	GL/UK/CM	day month year			Units
			31	12	2009	
	<b>1810801</b>	<b>GL</b>				<b>£000</b>
			As at end of this financial year			As at end of the previous year
			1			2

**Technical provisions (gross amount)**

Provisions for unearned premiums		<b>11</b>	841678	820703
Claims outstanding		<b>12</b>	1812379	1564308
Provision for unexpired risks		<b>13</b>		
Equalisation provisions	Credit business	<b>14</b>		
	Other than credit business	<b>15</b>	30002	20717
Other technical provisions		<b>16</b>		
<b>Total gross technical provisions (11 to 16)</b>		<b>19</b>	2684059	2405728

**Provisions and creditors**

Provisions	Taxation	<b>21</b>	8266	7222
	Other risks and charges	<b>22</b>	33586	30836
Deposits received from reinsurers		<b>31</b>		
Creditors	Direct insurance business	<b>41</b>	190	564
	Reinsurance accepted	<b>42</b>		
	Reinsurance ceded	<b>43</b>	22894	16698
Debenture loans	Secured	<b>44</b>		
	Unsecured	<b>45</b>		
Amounts owed to credit institutions		<b>46</b>	113	101
Creditors	Taxation	<b>47</b>		11861
	Foreseeable dividend	<b>48</b>		
	Other	<b>49</b>	124747	100253
Accruals and deferred income		<b>51</b>	1401	2098
<b>Total (19 to 51)</b>		<b>59</b>	2875256	2575361
Provision for "reasonably foreseeable adverse variations"		<b>61</b>		
Cumulative preference share capital		<b>62</b>		
Subordinated loan capital		<b>63</b>		
<b>Total (59 to 63)</b>		<b>69</b>	2875256	2575361

Amounts included in line 69 attributable to liabilities to related insurers, other than those under contracts of insurance or reinsurance	<b>71</b>		
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Amounts deducted from technical provisions for discounting	<b>82</b>		45864
Other adjustments (may be negative)	<b>83</b>	(30002)	(20717)
Capital and reserves	<b>84</b>	796488	676054
<b>Total liabilities under insurance accounts rules or international accounting standards as applicable to the firm for the purpose of its external financial reporting (69-82+83+84)</b>	<b>85</b>	3641742	3184834

**Profit and loss account (non-technical account)**Name of insurer **Direct Line Insurance plc**

Global business

Financial year ended **31 December 2009**

		Company registration number	GL/ UK/ CM	day	month	year	Units	
		<b>R16</b>	<b>1810801</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2009</b>	<b>£000</b>
				This financial year		Previous year		
				1		2		
Transfer (to)/from the general insurance business technical account	From Form 20		11	(128246)		139536		
	Equalisation provisions		12	(9286)		(8949)		
Transfer from the long term insurance business revenue account			13					
Investment income	Income		14	174207		203913		
	Value re-adjustments on investments		15	62468				
	Gains on the realisation of investments		16	45332				
Investment charges	Investment management charges, including interest		17			256		
	Value re-adjustments on investments		18	10775		152432		
	Loss on the realisation of investments		19			39508		
Allocated investment return transferred to the general insurance business technical account			20					
Other income and charges (particulars to be specified by way of supplementary note)			21	(741)		555		
Profit or loss on ordinary activities before tax (11+12+13+14+15+16-17-18-19-20+21)			29	132959		142858		
Tax on profit or loss on ordinary activities			31	21811		79755		
Profit or loss on ordinary activities after tax (29-31)			39	111148		63103		
Extraordinary profit or loss (particulars to be specified by way of supplementary note)			41					
Tax on extraordinary profit or loss			42					
Other taxes not shown under the preceding items			43					
Profit or loss for the financial year (39+41-(42+43))			49	111148		63103		
Dividends (paid or foreseeable)			51					
Profit or loss retained for the financial year (49-51)			59	111148		63103		

## General insurance business : Summary of business carried on

Name of insurer Direct Line Insurance plc

Global business

Financial year ended 31 December 2009

Category number	FSA return general insurance business reporting category	R20A	Company registration number	GL/UK/CM	day month year			units
					31	12	2009	
		1810801	GL	31	12	2009	£000	
		Gross Premium written in this financial year	Provision for undiscounted gross claims outstanding at the end of this financial year		Provision for gross unearned premium at the end of this financial year			
			Reported	Incurred but not reported				
		1	2	3	4			
1	Total business	1	1780993	1377437	483425	841678		
2	Total primary (direct) and facultative business	2	1780993	1377437	483425	841678		
3	Total treaty reinsurance accepted business	3						
110	Total primary (direct) and facultative accident and health (category numbers 111 to 114)	4	13598	1680	829	4779		
120	Total primary (direct) and facultative personal lines motor business (category numbers 121 to 123)	5	1197111	1266399	421754	580146		
160	Primary (direct) and facultative household and domestic all risks	6	316031	75904	43943	164749		
180	Total primary (direct) and facultative personal lines financial loss (category numbers 181 to 187)	7	237331	27518	12625	83543		
220	Total primary (direct) and facultative commercial motor business (category numbers 221 to 223)	8						
260	Total primary (direct) and facultative commercial lines property (category numbers 261 to 263)	9	12219	3675	2225	6179		
270	Total primary (direct) and facultative commercial lines liability business (category numbers 271 to 274)	10	4703	2261	2049	2282		
280	Total primary (direct) and facultative commercial lines financial loss (category numbers 281 to 284)	11						
330	Total primary (direct) and facultative aviation (category numbers 331 to 333)	12						
340	Total primary (direct) and facultative marine (category numbers 341 to 347)	13						
350	Total primary (direct) and facultative goods in transit	14						
400	Miscellaneous primary (direct) and facultative business	15						
500	Total non-proportional treaty reinsurance business accepted (category numbers 510 to 590)	16						
600	Total proportional treaty reinsurance business accepted (category numbers 610 to 690)	17						
700	Miscellaneous treaty reinsurance accepted business	18						
	Total (lines 4 to 18)	20	1780993	1377437	483425	841678		

## General insurance business : Summary of business carried on

Name of insurer: Direct Line Insurance plc

Global business

Financial year ended: 31 December 2009

		Company registration number	GL/UK/CM	day month year			units
	R20A	1810801	GL	31	12	2009	£000
Category number	FSA return general insurance business reporting category	Gross Premium written in this financial year	Provision for undiscounted gross claims outstanding at the end of this financial year		Provision for gross unearned premium at the end of this financial year		
			Reported	Incurred but not reported			
		1	2	3	4		

## Primary (direct) and facultative personal lines business

111	Medical insurance	21				
112	HealthCare cash plans	22				
113	Travel	23	13576	1680	811	4768
114	Personal accident or sickness	24	22		18	11
121	Private motor - comprehensive	25	1137297	1093327	345877	552585
122	Private motor - non-comprehensive	26	59814	173072	75877	27581
123	Motor cycle	27				
160	Household and domestic all risks (equals line 6)	28	316031	75904	43943	164749
181	Assistance	29	88157	4786	1685	42708
182	Creditor	30	9410	1297	1707	
183	Extended warranty	31				
184	Legal expenses	32	80512	14348	10587	40835
185	Mortgage indemnity	33				
186	Pet insurance	34	59252	7087	(1354)	
187	Other personal financial loss	35				

## Primary (direct) and facultative commercial lines business

221	Fleets	41				
222	Commercial vehicles (non-fleet)	42				
223	Motor other	43				
261	Commercial property	44	11989	3283	2203	6066
262	Consequential loss	45	230	392	22	113
263	Contractors or engineering all risks	46				
271	Employers liability	47				
272	Professional indemnity	48				
273	Public and products liability	49	4703	2261	2049	2282
274	Mixed commercial package	50				
281	Fidelity and contract guarantee	51				
282	Credit	52				
283	Suretyship	53				
284	Commercial contingency	54				

## Primary (direct) and facultative aviation

331	Aviation liability	61				
332	Aviation hull	62				
333	Space and satellite	63				



## General insurance business : Summary of business carried on

Name of insurer Direct Line Insurance plc

Global business

Financial year ended 31 December 2009

		Company registration number	GL/UK/CM	day month year			units	
		R20A	1810801	GL	31	12	2009	£000
Category number	FSA return general insurance business reporting category	Gross Premium written in this financial year	Provision for undiscounted gross claims outstanding at the end of this financial year		Provision for gross unearned premium at the end of this financial year			
			Reported	Incurred but not reported				
		1	2	3	4			
<b>Primary (direct) and facultative marine and transport</b>								
341	Marine liability	64						
342	Marine hull	65						
343	Energy (on and off-shore)	66						
344	Protection and indemnity	67						
345	Freight demurrage and defence	68						
346	War risks	69						
347	Yacht	70						
350	Total primary (direct) and facultative goods in transit (equals line 14)	71						
<b>Primary (direct) and facultative miscellaneous</b>								
400	Miscellaneous primary (direct) and facultative business (equals line 15)	72						
<b>Non-proportional treaty</b>								
510	Non-proportional accident and health	81						
520	Non-proportional motor	82						
530	Non-proportional aviation	83						
540	Non-proportional marine	84						
550	Non-proportional transport	85						
560	Non-proportional property	86						
570	Non-proportional liability (non-motor)	87						
580	Non-proportional financial lines	88						
590	Non-proportional aggregate cover	89						
<b>Proportional treaty</b>								
610	Proportional accident and health	91						
620	Proportional motor	92						
630	Proportional aviation	93						
640	Proportional marine	94						
650	Proportional transport	95						
660	Proportional property	96						
670	Proportional liability (non-motor)	97						
680	Proportional financial lines	98						
690	Proportional aggregate cover	99						
<b>Treaty Reinsurance Miscellaneous</b>								
700	Miscellaneous treaty reinsurance accepted business (equals line 18)	101						
	<b>Total (lines 21 to 101)</b>	<b>111</b>	<b>1780993</b>	<b>1377437</b>	<b>483425</b>	<b>841678</b>		

**General insurance business : Technical account (excluding equalisation provisions)**Name of insurer **Direct Line Insurance plc**

Global business

Financial year ended **31 December 2009****Total business**

		Company registration number	GL/ UK/ CM	day	month	year	Units	Category number	
		<b>R20</b>	<b>1810801</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2009</b>	<b>£000</b>	<b>001</b>
Items to be shown net of reinsurance			This financial year				Previous year		
			1				2		
This year's underwriting (accident year accounting)	Earned premium (21.19.5)	11	1727599	1680184					
	Claims incurred (22.17.4)	12	1360964	1155115					
	Claims management costs (22.18.4)	13	54622	51017					
	Adjustment for discounting (22.52.4)	14							
	Increase in provision for unexpired risks (22.19.4)	15							
	Other technical income or charges (particulars to be specified by way of supplementary note)	16							
	Net operating expenses (22.42.4)	17	330429	313822					
	Balance of year's underwriting (11-12-13+14-15+16-17)	19	(18416)	160230					
Adjustment for prior years' underwriting (accident year accounting)	Earned premium (21.11.5)	21							
	Claims incurred (22.13.4)	22	86115	(2821)					
	Claims management costs (22.14.4)	23	27061	30136					
	Adjustment for discounting (22.51.4)	24	3346	6621					
	Other technical income or charges (particulars to be specified by way of supplementary note)	25							
	Net operating expenses (22.41.4)	26							
Balance (21-22-23+24+25-26)	29	(109830)	(20695)						
Balance from underwriting year accounting	Per Form 24 (24.69.99-99)	31							
	Other technical income or charges (particulars to be specified by way of supplementary note)	32							
	Total	39							
Balance of all years' underwriting (19+29+39)		49	(128246)	139536					
Allocated investment income		51							
Transfer to non-technical account (49+51)		59	(128246)	139536					

**General insurance business : Technical account (excluding equalisation provisions)**Name of insurer **Direct Line Insurance plc**

Global business

Financial year ended **31 December 2009****Total primary (direct) and facultative business**

		Company registration number	GL/ UK/ CM	day	month	year	Units	Category number	
		<b>R20</b>	<b>1810801</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2009</b>	<b>£000</b>	<b>002</b>
Items to be shown net of reinsurance			This financial year				Previous year		
			1				2		
This year's underwriting (accident year accounting)	Earned premium (21.19.5)	11	1727599	1680184					
	Claims incurred (22.17.4)	12	1360964	1155115					
	Claims management costs (22.18.4)	13	54622	51017					
	Adjustment for discounting (22.52.4)	14							
	Increase in provision for unexpired risks (22.19.4)	15							
	Other technical income or charges (particulars to be specified by way of supplementary note)	16							
	Net operating expenses (22.42.4)	17	330429	313822					
	Balance of year's underwriting (11-12-13+14-15+16-17)	19	(18416)	160230					
Adjustment for prior years' underwriting (accident year accounting)	Earned premium (21.11.5)	21							
	Claims incurred (22.13.4)	22	86115	(2821)					
	Claims management costs (22.14.4)	23	27061	30136					
	Adjustment for discounting (22.51.4)	24	3346	6621					
	Other technical income or charges (particulars to be specified by way of supplementary note)	25							
	Net operating expenses (22.41.4)	26							
Balance (21-22-23+24+25-26)	29	(109830)	(20695)						
Balance from underwriting year accounting	Per Form 24 (24.69.99-99)	31							
	Other technical income or charges (particulars to be specified by way of supplementary note)	32							
	Total	39							
Balance of all years' underwriting (19+29+39)		49	(128246)	139536					
Allocated investment income		51							
Transfer to non-technical account (49+51)		59	(128246)	139536					

**General insurance business : Technical account (excluding equalisation provisions)**Name of insurer **Direct Line Insurance plc**

Global business

Financial year ended **31 December 2009****Total primary (direct) and facultative personal lines motor business**

		Company registration number	GL/ UK/ CM	day	month	year	Units	Category number	
		<b>R20</b>	<b>1810801</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2009</b>	<b>£000</b>	<b>120</b>
Items to be shown net of reinsurance			This financial year				Previous year		
			<b>1</b>				<b>2</b>		
This year's underwriting (accident year accounting)	Earned premium (21.19.5)	11	1171632	1147972					
	Claims incurred (22.17.4)	12	1085121	905686					
	Claims management costs (22.18.4)	13	42322	39362					
	Adjustment for discounting (22.52.4)	14							
	Increase in provision for unexpired risks (22.19.4)	15							
	Other technical income or charges (particulars to be specified by way of supplementary note)	16							
	Net operating expenses (22.42.4)	17	177701	179099					
	Balance of year's underwriting (11-12-13+14-15+16-17)	19	(133512)	23824					
Adjustment for prior years' underwriting (accident year accounting)	Earned premium (21.11.5)	21							
	Claims incurred (22.13.4)	22	92772	7148					
	Claims management costs (22.14.4)	23	21283	22694					
	Adjustment for discounting (22.51.4)	24	3346	6621					
	Other technical income or charges (particulars to be specified by way of supplementary note)	25							
	Net operating expenses (22.41.4)	26							
Balance (21-22-23+24+25-26)	29	(110709)	(23221)						
Balance from underwriting year accounting	Per Form 24 (24.69.99-99)	31							
	Other technical income or charges (particulars to be specified by way of supplementary note)	32							
	Total	39							
Balance of all years' underwriting (19+29+39)		49	(244221)	604					
Allocated investment income		51							
Transfer to non-technical account (49+51)		59	(244221)	604					

**General insurance business : Technical account (excluding equalisation provisions)**Name of insurer **Direct Line Insurance plc**

Global business

Financial year ended **31 December 2009****Primary (direct) and facultative household and domestic all risks**

		Company registration number	GL/ UK/ CM	day	month	year	Units	Category number	
		<b>R20</b>	<b>1810801</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2009</b>	<b>£000</b>	<b>160</b>
Items to be shown net of reinsurance			This financial year 1				Previous year 2		
This year's underwriting (accident year accounting)	Earned premium (21.19.5)	11	294892	287540					
	Claims incurred (22.17.4)	12	183623	165472					
	Claims management costs (22.18.4)	13	7760	7346					
	Adjustment for discounting (22.52.4)	14							
	Increase in provision for unexpired risks (22.19.4)	15							
	Other technical income or charges (particulars to be specified by way of supplementary note)	16							
	Net operating expenses (22.42.4)	17	63780	58201					
	Balance of year's underwriting (11-12-13+14-15+16-17)	19	39729	56521					
Adjustment for prior years' underwriting (accident year accounting)	Earned premium (21.11.5)	21							
	Claims incurred (22.13.4)	22	(7168)	(23107)					
	Claims management costs (22.14.4)	23	3965	5885					
	Adjustment for discounting (22.51.4)	24							
	Other technical income or charges (particulars to be specified by way of supplementary note)	25							
	Net operating expenses (22.41.4)	26							
Balance (21-22-23+24+25-26)	29	3203	17222						
Balance from underwriting year accounting	Per Form 24 (24.69.99-99)	31							
	Other technical income or charges (particulars to be specified by way of supplementary note)	32							
	Total	39							
Balance of all years' underwriting (19+29+39)	49	42932	73743						
Allocated investment income	51								
Transfer to non-technical account (49+51)	59	42932	73743						

**General insurance business : Technical account (excluding equalisation provisions)**Name of insurer **Direct Line Insurance plc**

Global business

Financial year ended **31 December 2009****Total primary (direct) and facultative personal lines financial loss business**

		Company registration number	GL/ UK/ CM	day	month	year	Units	Category number	
		R20	1810801	GL	31	12	2009	£000	180
Items to be shown net of reinsurance				This financial year			Previous year		
				1			2		
This year's underwriting (accident year accounting)	Earned premium (21.19.5)	11	234779	225533					
	Claims incurred (22.17.4)	12	73873	72192					
	Claims management costs (22.18.4)	13	3748	3763					
	Adjustment for discounting (22.52.4)	14							
	Increase in provision for unexpired risks (22.19.4)	15							
	Other technical income or charges (particulars to be specified by way of supplementary note)	16							
	Net operating expenses (22.42.4)	17	65459	60318					
	Balance of year's underwriting (11-12-13+14-15+16-17)	19	91699	89260					
Adjustment for prior years' underwriting (accident year accounting)	Earned premium (21.11.5)	21							
	Claims incurred (22.13.4)	22	538	13708					
	Claims management costs (22.14.4)	23	1637	1455					
	Adjustment for discounting (22.51.4)	24							
	Other technical income or charges (particulars to be specified by way of supplementary note)	25							
	Net operating expenses (22.41.4)	26							
Balance (21-22-23+24+25-26)	29	(2175)	(15163)						
Balance from underwriting year accounting	Per Form 24 (24.69.99-99)	31							
	Other technical income or charges (particulars to be specified by way of supplementary note)	32							
	Total	39							
Balance of all years' underwriting (19+29+39)		49	89524	74097					
Allocated investment income		51							
Transfer to non-technical account (49+51)		59	89524	74097					

**General insurance business : Technical account (excluding equalisation provisions)**Name of insurer **Direct Line Insurance plc**

Global business

Financial year ended **31 December 2009****Balance of all primary (direct) and facultative business**

		Company registration number	GL/ UK/ CM	day	month	year	Units	Category number	
		<b>R20</b>	<b>1810801</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2009</b>	<b>£000</b>	<b>409</b>
Items to be shown net of reinsurance			This financial year				Previous year		
			1				2		
This year's underwriting (accident year accounting)	Earned premium (21.19.5)	11	26296	19140					
	Claims incurred (22.17.4)	12	18347	11765					
	Claims management costs (22.18.4)	13	792	546					
	Adjustment for discounting (22.52.4)	14							
	Increase in provision for unexpired risks (22.19.4)	15							
	Other technical income or charges (particulars to be specified by way of supplementary note)	16							
	Net operating expenses (22.42.4)	17	23489	16204					
Balance of year's underwriting (11-12-13+14-15+16-17)	19	(16332)	(9375)						
Adjustment for prior years' underwriting (accident year accounting)	Earned premium (21.11.5)	21							
	Claims incurred (22.13.4)	22	(27)	(570)					
	Claims management costs (22.14.4)	23	176	103					
	Adjustment for discounting (22.51.4)	24							
	Other technical income or charges (particulars to be specified by way of supplementary note)	25							
	Net operating expenses (22.41.4)	26							
Balance (21-22-23+24+25-26)	29	(149)	467						
Balance from underwriting year accounting	Per Form 24 (24.69.99-99)	31							
	Other technical income or charges (particulars to be specified by way of supplementary note)	32							
	Total	39							
Balance of all years' underwriting (19+29+39)	49	(16481)	(8908)						
Allocated investment income	51								
Transfer to non-technical account (49+51)	59	(16481)	(8908)						

**General insurance business (accident year accounting) : Analysis of premiums**

Name of insurer

**Direct Line Insurance plc**

Global business

Financial year ended

**31 December 2009**

**Total business**

	R21	Company registration number	GL/UK/CM	day month year			Units	Category number
				31	12	2009		
		1810801	GL			£000	001	
		Gross premiums written		Reinsurers' share		Net of reinsurance		
		Earned in previous financial years	Earned in previous financial years	Earned in previous financial years	Earned in previous financial years	Earned in previous financial years	Earned in previous financial years	
		1	3	5	5	5	5	
<b>Premiums receivable during the financial year</b>								
In respect of risks incepted in previous financial years	<b>11</b>							
		Earned in this financial year	Earned in this financial year	Unearned at end of this financial year	Earned in this financial year	Earned in this financial year	Unearned at end of this financial year	
		1	3	4	5	5	6	
In respect of risks incepted in previous financial years	<b>12</b>	(8812)	(276)		(8536)			
In respect of risks incepted in previous financial years	<b>13</b>	6310	15		6295		1419	
For periods of less than 12 months								
In respect of risks incepted in this financial year	<b>14</b>	932138	14521	20908	917617		819351	
For periods of 12 months								
In respect of risks incepted in previous financial years	<b>15</b>	9679			9679			
For periods of more than 12 months								
Premiums receivable (less rebates and refunds) in previous financial years not earned in those years and brought forward to the financial year	<b>16</b>	820703	18159		802544			
Total (12 to 16)	<b>19</b>	1760018	32419	20908	1727599		820770	



**General insurance business (accident year accounting) : Analysis of premiums**

Name of insurer

Direct Line Insurance plc

Global business

Financial year ended

31 December 2009

**Total primary (direct) and facultative business**

	R21	Company registration number	GL/UK/CM	day month year			Units	Category number
				31	12	2009		
		1810801	GL				£000	002
				Reinsurers' share			Net of reinsurance	
<b>Premiums receivable during the financial year</b>		Gross premiums written	Earned in previous financial years	Earned in previous financial years		Earned in previous financial years		
		1	3	5		5		
<b>In respect of risks incepted in previous financial years</b>	<b>11</b>							
		Earned in this financial year	Earned in this financial year	Unearned at end of this financial year	Unearned at end of this financial year	Earned in this financial year	Unearned at end of this financial year	
		1	3	4	5	5	6	
<b>In respect of risks incepted in previous financial years</b>	<b>12</b>		(276)			(8536)		
		For periods of less than 12 months	15			6295	1419	
<b>In respect of risks incepted in this financial year</b>	<b>14</b>		14521	20908		917617	819351	
		For periods of more than 12 months				9679		
<b>Premiums receivable (less rebates and refunds) in previous financial years not earned in those years and brought forward to the financial year</b>	<b>16</b>		18159			802544		
<b>Total (12 to 16)</b>	<b>19</b>		32419	20908		1727599	820770	

## General insurance business (accident year accounting) : Analysis of premiums

Name of insurer

Direct Line Insurance plc

Global business

Financial year ended

31 December 2009

## Total primary (direct) and facultative personal lines motor business

	Company registration number	GL/ UK/ CM	day month year		Units	Category number
			31	12		
<b>R21</b>	<b>1810801</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>£000</b>	<b>120</b>
	Gross premiums written	Reinsurers' share			Net of reinsurance	
	Earned in previous financial years 1	Earned in previous financial years 3			Earned in previous financial years 5	
<b>11</b>	In respect of risks incepted in previous financial years	Unearned at end of this financial year	Unearned at end of this financial year		Earned in this financial year	Unearned at end of this financial year
		1	2	4	5	6
	In respect of risks incepted in previous financial years	(4823)			(4765)	
<b>12</b>	In respect of risks incepted in previous financial years					
	For periods of less than 12 months					
<b>13</b>	In respect of risks incepted in this financial year					
	For periods of 12 months	621788	580146	8217	613172	571929
<b>14</b>	In respect of risks incepted in previous financial years					
	For periods of more than 12 months					
<b>15</b>	Premiums receivable (less rebates and refunds) in previous financial years not earned in those years and brought forward to the financial year	569064			563225	
<b>16</b>	Total (12 to 16)	1186029	580146	8217	1171632	571929

## General insurance business (accident year accounting) : Analysis of premiums

Name of insurer

Direct Line Insurance plc

Global business

Financial year ended

31 December 2009

Primary (direct) and facultative household and domestic all risks

	R21	Company registration number	GL/UK/CM	day month year		Units	Category number
				31	12 2009		
		1810801	GL			£000	160
<b>Premiums receivable during the financial year</b>		Gross premiums written	Reinsurers' share			Net of reinsurance	
		Earned in previous financial years 1	Earned in previous financial years 3			Earned in previous financial years 5	
In respect of risks incepted in previous financial years	11						
		Earned in this financial year 1	Earned in this financial year 3	Unearned at end of this financial year 4	Unearned at end of this financial year 5	Earned in this financial year 5	Unearned at end of this financial year 6
In respect of risks incepted in previous financial years	12	(3989)	(217)			(3772)	
In respect of risks incepted in this financial year	13						
For periods of less than 12 months							
For periods of 12 months	14	155270	4856	12156	150414	152594	
For periods of more than 12 months	15						
Premiums receivable (less rebates and refunds) in previous financial years not earned in those years and brought forward to the financial year	16	160569	12319		148250		
Total (12 to 16)	19	311850	16958	12156	294892	152594	

**General insurance business (accident year accounting) : Analysis of premiums**

Name of insurer

Direct Line Insurance plc

Global business

Financial year ended

31 December 2009

**Total primary (direct) and facultative personal lines financial loss business**

	Company registration number	GL/ UK/ CM	day month year		Units	Category number
			31	12		
<b>R21</b>	<b>1810801</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>£000</b>	<b>180</b>
	Gross premiums written	Reinsurers' share			Net of reinsurance	
<b>Premiums receivable during the financial year</b>	Earned in previous financial years 1	Earned in previous financial years 3			Earned in previous financial years 5	
In respect of risks incepted in previous financial years						
	11					
	Earned in this financial year 1	Earned in this financial year 3	Unearned at end of this financial year 4		Earned in this financial year 5	Unearned at end of this financial year 6
In respect of risks incepted in previous financial years						
	12					
In respect of risks incepted in this financial year	For periods of less than 12 months	1143			3040	1143
	For periods of 12 months	82400			141029	82400
	For periods of more than 12 months	9679			9679	
Premiums receivable (less rebates and refunds) in previous financial years not earned in those years and brought forward to the financial year					81031	
	16				81031	
Total (12 to 16)		83543			234779	83543
	19					

**General insurance business (accident year accounting) : Analysis of premiums**

Name of insurer

Direct Line Insurance plc

Global business

Financial year ended

31 December 2009

**Balance of all primary (direct) and facultative business**

	R21	Company registration number	GL/ UK/ CM	day month year		Units	Category number
				31	12 2009		
<b>Premiums receivable during the financial year</b>		<b>1810801</b>	<b>GL</b>	<b>31</b>	<b>12 2009</b>	<b>£000</b>	<b>409</b>
		Gross premiums written		Reinsurers' share		Net of reinsurance	
		Earned in previous financial years 1		Earned in previous financial years 3		Earned in previous financial years 5	
In respect of risks incepted in previous financial years	<b>11</b>						
		Earned in this financial year 1		Earned in this financial year 3		Earned in this financial year 5	Unearned at end of this financial year 6
In respect of risks incepted in previous financial years	<b>12</b>						
In respect of risks incepted in this financial year							
For periods of less than 12 months	<b>13</b>	3269		15		3254	276
For periods of 12 months	<b>14</b>	14012		1010		13002	12429
For periods of more than 12 months	<b>15</b>						
Premiums receivable (less rebates and refunds) in previous financial years not earned in those years and brought forward to the financial year	<b>16</b>	10040				10040	
Total (12 to 16)	<b>19</b>	27321		1025	535	26296	12705

## General insurance business (accident year accounting) : Analysis of claims, expenses and technical provisions

Name of company **Direct Line Insurance plc**

Global business

Financial year ended **31 December 2009****Total business**

		Company registration number	GL/ UK/ CM	day month year			Units	Category number	
		R22	1810801	GL	31	12	2009	£000	001
				Amount brought forward from previous financial year 1	Amount payable/receivable in this financial year 2		Amount carried forward to next financial year 3	Amount attributable to this financial year 4	
Claims incurred in respect of incidents occurring prior to this financial year	Gross amount	11	1533454	528168	1139443	134157			
	Reinsurers' share	12	167501	17466	198077	48042			
	Net (11-12)	13	1365953	510702	941366	86115			
	Claims management costs	14	30854	36692	21223	27061			
Claims incurred in respect of incidents occurring in this financial year	Gross amount	15		645486	721419	1366905			
	Reinsurers' share	16			5941	5941			
	Net (15-16)	17		645486	715478	1360964			
	Claims management costs	18		44842	9780	54622			
Provision for unexpired risks		19							
Net operating expenses	Commissions	21	1789	10714	1951	10552			
	Other acquisition expenses	22	70979	124374	60309	135044			
	Administrative expenses	23		184833		184833			
	Reinsurance commissions and profit participations	24							
	Total (21+22+23-24)	29	72768	319921	62260	330429			
Adjustments for discounting in respect of the items shown at lines 11 to 18 above	Gross amount	31	45864		79486	33622			
	Reinsurers' share	32	39243		69519	30276			
	Claims management costs	33							
	Total (31-32+33)	39	6621		9967	3346			
Split of line 29	Prior financial years	41							
	This financial year	42	72768	319921	62260	330429			
Split of line 39	Incidents occurring prior to this financial year	51	6621		9967	3346			
	Incidents occurring in this financial year	52							

## General insurance business (accident year accounting) : Analysis of claims, expenses and technical provisions

Name of company Direct Line Insurance plc

Global business

Financial year ended 31 December 2009

## Total primary (direct) and facultative business

		Company registration number	GL/ UK/ CM	day month year			Units	Category number	
		R22	1810801	GL	31	12	2009	£000	002
				Amount brought forward from previous financial year 1	Amount payable/receivable in this financial year 2		Amount carried forward to next financial year 3	Amount attributable to this financial year 4	
Claims incurred in respect of incidents occurring prior to this financial year	Gross amount	11	1533454		528168		1139443	134157	
	Reinsurers' share	12	167501		17466		198077	48042	
	Net (11-12)	13	1365953		510702		941366	86115	
	Claims management costs	14	30854		36692		21223	27061	
Claims incurred in respect of incidents occurring in this financial year	Gross amount	15			645486		721419	1366905	
	Reinsurers' share	16					5941	5941	
	Net (15-16)	17			645486		715478	1360964	
	Claims management costs	18			44842		9780	54622	
Provision for unexpired risks		19							
Net operating expenses	Commissions	21	1789		10714		1951	10552	
	Other acquisition expenses	22	70979		124374		60309	135044	
	Administrative expenses	23			184833			184833	
	Reinsurance commissions and profit participations	24							
	Total (21+22+23-24)	29	72768		319921		62260	330429	
Adjustments for discounting in respect of the items shown at lines 11 to 18 above	Gross amount	31	45864				79486	33622	
	Reinsurers' share	32	39243				69519	30276	
	Claims management costs	33							
	Total (31-32+33)	39	6621				9967	3346	
Split of line 29	Prior financial years	41							
	This financial year	42	72768		319921		62260	330429	
Split of line 39	Incidents occurring prior to this financial year	51	6621				9967	3346	
	Incidents occurring in this financial year	52							

## General insurance business (accident year accounting) : Analysis of claims, expenses and technical provisions

Name of company **Direct Line Insurance plc**

Global business

Financial year ended **31 December 2009****Total primary (direct) and facultative personal lines motor business**

		Company registration number	GL/ UK/ CM	day month year			Units	Category number	
		R22	1810801	GL	31	12	2009	£000	120
				Amount brought forward from previous financial year 1	Amount payable/receivable in this financial year 2		Amount carried forward to next financial year 3	Amount attributable to this financial year 4	
Claims incurred in respect of incidents occurring prior to this financial year	Gross amount	11		1375616	439269		1078497	142150	
	Reinsurers' share	12		164872	17672		196578	49378	
	Net (11-12)	13		1210744	421597		881919	92772	
	Claims management costs	14		29678	30540		20421	21283	
Claims incurred in respect of incidents occurring in this financial year	Gross amount	15			480834		609656	1090490	
	Reinsurers' share	16					5369	5369	
	Net (15-16)	17			480834		604287	1085121	
	Claims management costs	18			33430		8892	42322	
Provision for unexpired risks		19							
Net operating expenses	Commissions	21		1494	6144		1252	6386	
	Other acquisition expenses	22		36283	61452		29643	68092	
	Administrative expenses	23			103223			103223	
	Reinsurance commissions and profit participations	24							
	Total (21+22+23-24)	29		37777	170819		30895	177701	
Adjustments for discounting in respect of the items shown at lines 11 to 18 above	Gross amount	31		45864			79486	33622	
	Reinsurers' share	32		39243			69519	30276	
	Claims management costs	33							
	Total (31-32+33)	39		6621			9967	3346	
Split of line 29	Prior financial years	41							
	This financial year	42		37777	170819		30895	177701	
Split of line 39	Incidents occurring prior to this financial year	51		6621			9967	3346	
	Incidents occurring in this financial year	52							



## General insurance business (accident year accounting) : Analysis of claims, expenses and technical provisions

Name of company **Direct Line Insurance plc**

Global business

Financial year ended **31 December 2009**

## Primary (direct) and facultative household and domestic all risks

		Company registration number	GL/ UK/ CM	day month year			Units	Category number	
		R22	1810801	GL	31	12	2009	£000	160
				Amount brought forward from previous financial year 1	Amount payable/receivable in this financial year 2		Amount carried forward to next financial year 3	Amount attributable to this financial year 4	
Claims incurred in respect of incidents occurring prior to this financial year	Gross amount	11	109475	61432	39538	(8505)			
	Reinsurers' share	12	2629	(207)	1499	(1337)			
	Net (11-12)	13	106846	61639	38039	(7168)			
	Claims management costs	14	780	4271	474	3965			
Claims incurred in respect of incidents occurring in this financial year	Gross amount	15		103886	80309	184195			
	Reinsurers' share	16			572	572			
	Net (15-16)	17		103886	79737	183623			
	Claims management costs	18		7223	537	7760			
Provision for unexpired risks		19							
Net operating expenses	Commissions	21	287	2132	699	1720			
	Other acquisition expenses	22	19030	32241	15869	35402			
	Administrative expenses	23		26658		26658			
	Reinsurance commissions and profit participations	24							
	Total (21+22+23-24)	29	19317	61031	16568	63780			
Adjustments for discounting in respect of the items shown at lines 11 to 18 above	Gross amount	31							
	Reinsurers' share	32							
	Claims management costs	33							
	Total (31-32+33)	39							
Split of line 29	Prior financial years	41							
	This financial year	42	19317	61031	16568	63780			
Split of line 39	Incidents occurring prior to this financial year	51							
	Incidents occurring in this financial year	52							

## General insurance business (accident year accounting) : Analysis of claims, expenses and technical provisions

Name of company Direct Line Insurance plc

Global business

Financial year ended 31 December 2009

## Total primary (direct) and facultative personal lines financial loss business

		Company registration number	GL/ UK/ CM	day month year			Units	Category number	
		R22	1810801	GL	31	12	2009	£000	180
				Amount brought forward from previous financial year 1	Amount payable/receivable in this financial year 2		Amount carried forward to next financial year 3	Amount attributable to this financial year 4	
Claims incurred in respect of incidents occurring prior to this financial year	Gross amount	11	42856	24587	18807	538			
	Reinsurers' share	12							
	Net (11-12)	13	42856	24587	18807	538			
	Claims management costs	14	316	1681	272	1637			
Claims incurred in respect of incidents occurring in this financial year	Gross amount	15		52538	21335	73873			
	Reinsurers' share	16							
	Net (15-16)	17		52538	21335	73873			
	Claims management costs	18		3617	131	3748			
Provision for unexpired risks		19							
Net operating expenses	Commissions	21	8	2342		2350			
	Other acquisition expenses	22	6681	15237	7695	14223			
	Administrative expenses	23		48886		48886			
	Reinsurance commissions and profit participations	24							
	Total (21+22+23-24)	29	6689	66465	7695	65459			
Adjustments for discounting in respect of the items shown at lines 11 to 18 above	Gross amount	31							
	Reinsurers' share	32							
	Claims management costs	33							
	Total (31-32+33)	39							
Split of line 29	Prior financial years	41							
	This financial year	42	6689	66465	7695	65459			
Split of line 39	Incidents occurring prior to this financial year	51							
	Incidents occurring in this financial year	52							

## General insurance business (accident year accounting) : Analysis of claims, expenses and technical provisions

Name of company **Direct Line Insurance plc**

Global business

Financial year ended **31 December 2009**

## Balance of all primary (direct) and facultative business

		Company registration number	GL/ UK/ CM	day month year			Units	Category number	
		R22	1810801	GL	31	12	2009	£000	409
				Amount brought forward from previous financial year 1	Amount payable/receivable in this financial year 2		Amount carried forward to next financial year 3	Amount attributable to this financial year 4	
Claims incurred in respect of incidents occurring prior to this financial year	Gross amount	11	5507	2880			2601	(26)	
	Reinsurers' share	12		1				1	
	Net (11-12)	13	5507	2879			2601	(27)	
	Claims management costs	14	81	200			57	176	
Claims incurred in respect of incidents occurring in this financial year	Gross amount	15		8228			10119	18347	
	Reinsurers' share	16							
	Net (15-16)	17		8228			10119	18347	
	Claims management costs	18		572			220	792	
Provision for unexpired risks		19							
Net operating expenses	Commissions	21		96				96	
	Other acquisition expenses	22	8985	15444			7102	17327	
	Administrative expenses	23		6066				6066	
	Reinsurance commissions and profit participations	24							
	Total (21+22+23-24)	29	8985	21606			7102	23489	
Adjustments for discounting in respect of the items shown at lines 11 to 18 above	Gross amount	31							
	Reinsurers' share	32							
	Claims management costs	33							
	Total (31-32+33)	39							
Split of line 29	Prior financial years	41							
	This financial year	42	8985	21606			7102	23489	
Split of line 39	Incidents occurring prior to this financial year	51							
	Incidents occurring in this financial year	52							

**General insurance business (accident year accounting) : Analysis of net claims and premiums**

Name of insurer **Direct Line Insurance plc**

Global business

Financial year ended **31 December 2009**

**Total business**

Accident year ended	Month	Year	1	2	3	4	Claims outstanding carried forward		Claims outstanding brought forward		GL	day month year		Units	Category number
							Reported (net)	Incurred but not reported (net)	Reported (net)	Incurred but not reported (net)		31	12		
R23															
Company registration number <b>1810801</b>															
GL/UK/CM															
Deduction for discounting from claims outstanding carried forward (net)															
Claims incurred (latest year) or developed (other years) during this financial year (4+5+6+7-8)															
Claims paid (net) during this financial year															
Total claims paid (net) since the end of the accident year, but prior to this financial year															
Claims outstanding (net) as at the end of the accident year															
Claims paid (net) during the accident year															
Claims outstanding brought forward															
Deterioration/(surplus) of original claims reserve %															
Claims ratio %															
12	2009	11				645486	445191	270287			10	11	12	2009	001
12	2008	12	602470	552647		277860	242087	80024	164570	47324		1680183			78.8
12	2007	13	475518	619687	309901	85173	200225	51390	44852	34680		1434189			71.6
12	2006	14	482882	436039	224176	52916	126435	25403	43838	11741	3992	1325157			78.2
12	2005	15	492608	437076	247291	39458	80732	13858	21624	(3922)		1350925			64.7
12	2004	16	382004	373709	271442	30466	37565	4354	11358	(6123)	2769	1168020			62.1
12	2003	17	356036	294026	208433	13501	29759	6933	8074	1056	3171	972182			63.2
12	2002	18	310528	252290	182487	4941	11547	2753	2112	566		802328			63.8
12	2001	19	259670	255054	172518	1873	9549	1407	2365	1721	36	704521			63.2
12	2000	20	292930	244053	189175	2405	3663	218	607	(304)		679972			71.8
Prior accident years			21			2109	12282	1182	2533	(624)					
Reconciliation			22												
Total (11 to 22)			29			1156188	1199035	457809	301933	1447079	9968				

## General insurance business (accident year accounting) : Analysis of net claims and premiums

Name of insurer Direct Line Insurance plc

Global business

Financial year ended 31 December 2009

## Total primary (direct) and facultative business

Accident year ended	Company registration number		GL/UK/CM	day month year			Units	Category number									
	R23	1810801		GL	31	12			2009	£000	002						
Month	Year	1	2	3	4	Claims outstanding brought forward		5	6	7	8	9	10	11	12	13	
		Claims paid (net) during the accident year	Claims outstanding (net) as at end of the accident year	Total claims paid (net) since the end of the accident year, but prior to this financial year	Claims paid (net) during this financial year	Reported (net)	Incurred but not reported (net)	Reported (net)	Incurred but not reported (net)	Reported (net)	Incurred but not reported (net)	Claims incurred (latest year) or developed (other years) during this financial year (4+5+6-7-8)	Deduction for discounting from claims outstanding carried forward (net)	Earned premiums (net)	Deterioration/ (surplus) of original claims reserve %	Claims ratio %	
12	2009	11			645486	445191	270287					1360964		1727599		78.8	
12	2008	12	552647		277860	242087	80024	388077	164570			47324		1680183	8.6	71.6	
12	2007	13	619687	309901	85173	200225	51390	257256	44852			34680		1434189	4.4	78.2	
12	2006	14	436039	224176	52916	126435	25403	149175	43838			11741	3992	1325157	(1.6)	68.8	
12	2005	15	437076	247291	39458	80732	13658	116346	21624			(3922)		1350925	(12.8)	64.7	
12	2004	16	373709	271442	30466	37565	4354	67150	11358			(6123)	2769	1168020	(8.0)	62.1	
12	2003	17	294026	208433	13501	29759	6933	41063	8074			1056	3171	972182	(12.0)	63.2	
12	2002	18	252290	182487	4941	11547	2753	16563	2112			566		802328	(20.0)	63.8	
12	2001	19	255054	172518	1873	9549	1407	8743	2365			1721	36	704521	(27.3)	63.2	
12	2000	20	244053	189175	2405	3663	218	5983	607			(304)		679972	(19.9)	71.8	
Prior accident years		21			2109	12282	1182	13664	2533			(624)					
Reconciliation		22															
Total (11 to 22)		29			1156188	1199035	457809	1064020	301933			1447079	9968				

## General insurance business (accident year accounting) : Analysis of net claims and premiums

Name of insurer Direct Line Insurance plc

Global business

Financial year ended 31 December 2009

## Total primary (direct) and facultative personal lines motor business

Accident year ended	Company registration number		GL/UK/CM	day month year			Units	Category number								
	R23	1810801		GL	31	12			2009	£000	120					
Month	Year	1	2	3	4	Claims outstanding brought forward		5	6	7	8	9	10	11	12	13
		Claims paid (net) during the accident year	Claims outstanding (net) as at end of the accident year	Total claims paid (net) since the end of the accident year, but prior to this financial year	Claims paid (net) during this financial year	Reported (net)	Incurred but not reported (net)	Reported (net)	Incurred but not reported (net)	Reported (net)	Incurred but not reported (net)	Claims incurred (latest year) or developed (other years) during this financial year (4+5+6+7-8)	Deduction for discounting from claims outstanding carried forward (net)	Earned premiums (net)	Deterioration/ (surplus) of original claims reserve %	Claims ratio %
12	2009	11			480834	372763	231524					1085121		1171632		92.6
12	2008	12	457666		213672	227014	72244	324194	133472	324194	133472	55264		1147972	12.1	83.7
12	2007	13	485687	212943	70921	191259	45886	238139	39149	238139	39149	30778		981667	7.3	87.3
12	2006	14	367946	359669	47047	119707	21549	138761	38489	138761	38489	11053	3992	902952	(1.9)	79.8
12	2005	15	362733	367912	36884	77348	12150	110168	19637	110168	19637	(3423)		927595	(14.4)	73.0
12	2004	16	289941	321150	217408	36153	3337	65092	9616	65092	9616	(6058)	2769	799491	(10.9)	72.0
12	2003	17	271811	244264	163228	28795	5428	39331	5993	39331	5993	2052	3171	685475	(13.8)	70.4
12	2002	18	229358	201464	151392	11011	2592	15801	1757	15801	1757	769		566247	(15.8)	70.5
12	2001	19	192455	205002	142496	9434	1314	8509	1861	8509	1861	2157	36	473490	(24.4)	73.4
12	2000	20	214979	189523	145810	3555	228	5659	388	5659	388	147		426895	(19.8)	86.0
Prior accident years		21			1846	11829	1085	12946	1781	12946	1781	33				
Reconciliation		22														
Total (11 to 22)		29			902431	1088868	397337	958600	252143	958600	252143	1177893	9968			

**General insurance business (accident year accounting) : Analysis of net claims and premiums**

Name of insurer **Direct Line Insurance plc**

Global business

Financial year ended **31 December 2009**

**Primary (direct) and facultative household and domestic all risks**

Accident year ended	Month	Year	1	2	3	4	Claims outstanding carried forward		Claims outstanding brought forward		GL	day month year			Units	Category number	
							Reported (net)	Incurred but not reported (net)	Reported (net)	Incurred but not reported (net)		31	12	2009			£000
			1	2	3	4	5	6	7	8	1810801	9	10	11	12	13	160
	12	2009				103886	53757	25980			183623			294892			62.3
	12	2008	98044	67429	77496	45408	8705	4276	48442	18987	(9040)			287540	(13.4)		54.4
	12	2007	93126	115525	77496	10254	5086	4917	12649	3949	3659			236350	(15.4)		80.8
	12	2006	73658	56242	39456	3372	3736	3324	6165	4429	(162)			221234	(11.3)		55.8
	12	2005	88902	53955	42601	1505	1822	1612	3306	1622	11			219213	(11.9)		62.2
	12	2004	59923	41471	39808	493	628	952	766	1004	303			191982	1.0		53.0
	12	2003	55594	34929	33032	193	517	1488	1059	1683	(544)			149539	0.9		60.7
	12	2002	46572	29141	20247	169	293	104	437	303	(174)			105821	(28.6)		63.7
	12	2001	36094	22908	16884	71	42	36	50	438	(339)			98497	(25.6)		53.9
	12	2000	53425	31860	29631	(38)	43	(26)	64	181	(266)			123074	(7.1)		67.5
Prior accident years		21				212	405	82	589	724	(614)						
Reconciliation		22															
Total (11 to 22)		29				165525	75034	42743	73527	33320	176455						

**General insurance business (accident year accounting) : Analysis of net claims and premiums**

Name of insurer **Direct Line Insurance plc**

Global business

Financial year ended **31 December 2009**

**Total primary (direct) and facultative personal lines financial loss business**

Accident year ended	Month	Year	1	2	3	4	Claims outstanding brought forward		5	6	Claims outstanding carried forward		7	8	9	10	day month year		Units	Category number				
							Reported (net)	Incurred but not reported (net)			Reported (net)	Incurred but not reported (net)					31	12			2009	£000		
			R23													1810801		GL				180		
																Claims incurred (latest year) or developed (other years) during this financial year (4+5+6-7-8)		Deduction for discounting from claims outstanding carried forward (net)		Earned premiums (net)		Deterioration/ (surplus) of original claims reserve %		Claims ratio %
12	2009	11				52538	12307	9028					7	8	9	10		11	12		13			
12	2008	12	49905	22288		15996	5440	2313				12141	10147	1461				225532			31.5			
12	2007	13	41020	16319	17805	3934	3862	578				6398	1754	222				201979			32.7			
12	2006	14	36773	18320	18587	2470	2769	423				4189	920	553				187038			33.3			
12	2005	15	35844	13184	15356	1060	1532	81				2832	365	(524)				190378			32.6			
12	2004	16	28037	9873	13123	809	756	52				1236	738	(357)				165378			28.3			
12	2003	17	24685	13684	11261	156	438	13				664	398	(455)				129003			25.9			
12	2002	18	30854	19344	9805	92	242	56				374	52	(36)				121471			28.3			
12	2001	19	27490	25290	12341	16	63	52				174	66	(109)				122954			33.8			
12	2000	20	19588	20455	12303	32	65	18				245	38	(168)				116870			32.5			
Prior accident years						22	42	12				97	28	(49)								27.4		
Reconciliation																								
Total (11 to 22)						77125	27516	12626				28350	14506	74411										



**General insurance business (accident year accounting) : Analysis of net claims and premiums**

Name of insurer **Direct Line Insurance plc**

Global business

Financial year ended **31 December 2009**

**Balance of all primary (direct) and facultative business**

Accident year ended	Month	Year	1	2	3	4	Claims outstanding forward		5	6	Claims outstanding brought forward		9	GL	day month year		Units	Category number		
							Reported (net)	Incurred but not reported (net)			Reported (net)	Incurred but not reported (net)			31	12			2009	£000
									<b>R23</b>			<b>1810801</b>			<b>GL</b>					
12	2009					8228	6364	3755					18347						409	
12	2008		6500	5264		2784	928	1191	3300	1964			(361)						69.8	
12	2007		5043	2156	1657	64	18	9	70			21							59.6	
12	2006		4505	1809	1447	27	223	107	60			297							47.9	
12	2005		5129	2025	928	9	30	15	40			14							45.3	
12	2004		4103	1215	1102	4	28	13	56			(11)							44.5	
12	2003		3946	1149	911	(1)	9	4	9			3							47.0	
12	2002		3744	2341	1042	(44)	1	1	(49)			7							59.6	
12	2001		3631	1854	797	7	10	5	10			12							54.0	
12	2000		4938	2215	1431				15			(15)							46.5	
Prior accident years						29	6	3	32			6							48.5	
Reconciliation																				
Total (11 to 22)						11107	7617	5103	3543	1964		18320								



## General insurance business (accident year accounting) : Analysis of gross claims and premiums by risk category for direct insurance and facultative reinsurance

Name of insurer **Direct Line Insurance plc**Currency **British Pound**Global business **United Kingdom other than home foreign**Financial year ended **31 December 2009****Assistance**

Accident year ended	Month	Year	Number of claims		Gross claims paid		Gross claims outstanding carried forward		Gross claims outstanding brought forward		Monetary units	Category number	Currency code	Reporting territory code
			Closed at some cost during this or previous financial years	Reported claims outstanding	In previous financial years	In this financial year	Reported	In this financial year	Reported	In this financial year				
			1	2	3	4	5	6	7	8				
12	2009	11	316156	42167	23016	2296	1449	26761	89112	30.0	181	AA		
12	2008	12	47480	21336	21889	1775	543	206	2653	175	(304)	27.0		
12	2007	13	38149	18854	26250	371	623	20	1294	91036	(280)	29.9		
12	2006	14	41302	17930	27072	7	572	3	589	89950	(7)	30.7		
12	2005	15	33991	14116	26759		366	2	366	86210	2	31.5		
12	2004	16	21756	6323	25831		236	1	236	81574	1	32.0		
12	2003	17	2113	655	25483		135	1	135	74930	1	34.2		
12	2002	18			27415		13		13	67028		40.9		
12	2001	19	2	31	20258		3	2	3	47889	2	42.3		
12	2000	20			13282					30004		44.3		
Prior accident years														
Total (11 to 21)				121412		25169	4787	1684	5289	175	26176			
Line 29 expressed in sterling						25169	4787	1684	5289	175	26176			

**General insurance business (accident year accounting) : Analysis of gross claims and premiums for motor vehicle direct insurance and facultative reinsurance**

Name of insurer

**Direct Line Insurance plc**

Currency

**British Pound**

Global business

Reporting Territory

**United Kingdom other than home foreign**

Financial year ended **31 December 2009**

**Private motor - comprehensive**

Reporting territory code

**AA**

Company registration number

**1810801**

GL/UK/CM

**GL**

Monetary units

**000**

Category number

**121**

Currency code

**GBP**

Accident year ended	Month	Year	Number of claims		Gross claims paid		Gross claims outstanding carried forward		Gross claims outstanding brought forward		Claims incurred (latest year) or developed (other years) during this financial year (4+5+6-7-8)	Gross earned premiums	Claims ratio %	Vehicle years (000's)	Claims frequency %
			1	2	3	4	5	6	7	8					
12	2009	11	354022	148741		463245	345197	207431			1015873	1113609	91.2	3142	16.0
12	2008	12	456589	22554	427460	189163	206252	61780	294462	123662	39071	1071314	82.6	2922	16.4
12	2007	13	501569	9340	636223	60254	169958	40737	207788	36802	26359	1037688	87.4	2970	17.2
12	2006	14	519525	4004	650748	39838	143691	13581	118178	35857	43075	1036309	81.8	3023	17.3
12	2005	15	510989	1490	661357	31048	74892	10218	101794	17084	(2720)	1059620	73.4	3034	16.9
12	2004	16	527576	671	679847	27570	46318	3325	77682	7484	(7953)	1041746	72.7	3013	17.5
12	2003	17	545561	507	686875	8419	43775	4593	30294	5223	21270	1029826	72.2	3016	18.1
12	2002	18	547729	313	739289	6369	8427	2295	16750	1260	(919)	1019072	74.2	3039	18.0
12	2001	19	480480	169	609354	4161	31648	1184	19043	1690	16260	850730	76.0	2683	17.9
12	2000	20	476665	98	631873	775	4049	136	6696	97	(1833)	730350	87.2	2645	18.0
Prior accident years		21		72		2009	19120	597	21692	783	(749)				
Total (11 to 21)		29		187959		832851	1093327	345677	894379	229942	1147734				
Line 29 expressed in sterling		30				832851	1093327	345677	894379	229942	1147734				

## General Insurance business (accident year accounting) : Analysis of gross claims and premiums for motor vehicle direct insurance and facultative reinsurance

Name of insurer

Direct Line Insurance plc

Currency

British Pound

Global business

Reporting Territory

United Kingdom other than home foreign

Financial year ended 31 December 2009

Private motor - non-comprehensive

Company registration number

1810801

GL/UK/CM

GL

day month year

31 12 2009

Monetary units

000

Category number

122

Currency code

GBP

Reporting territory code

AA

Accident year ended	Month	Year	Number of claims		Gross claims paid		Gross claims outstanding carried forward		Gross claims outstanding brought forward		Claims incurred (latest year) or developed (other years) during this financial year (4+5+6-7-8)	Gross earned premiums	Claims ratio %	Vehicle years (000's)	Claims frequency %
			Closed at some cost during this or previous years	Reported claims outstanding	In previous financial years	In this financial year	Reported	In this financial year	Reported	In this financial year					
			1	2	3	4	5	6	7	8	9	10	11	12	13
	12	2009	4884	5970	17589	27604	29424				74617	72420	103.0	162	6.7
	12	2008	12372	2156	20561	24509	15501	35550	17243	14425	93596	93.8	254	5.7	
	12	2007	17781	1156	51538	10667	12094	38349	10363	6700	141312	75.7	330	5.7	
	12	2006	20590	486	60976	11703	30770	61672	6600	(14534)	119085	96.3	374	5.6	
	12	2005	22806	192	60764	5835	8160	13743	6167	(1853)	125482	62.8	357	6.4	
	12	2004	26256	85	69612	7251	9422	15191	3005	(371)	124592	70.2	378	7.0	
	12	2003	27927	79	69578	5799	17714	18400	1624	4503	129706	72.6	383	7.3	
	12	2002	31724	42	90374	594	6334	7278	712	(638)	128351	76.1	388	8.2	
	12	2001	29253	33	83713	474	685	1109	62	126	107149	79.3	364	8.0	
	12	2000	28428	12	67929	1914	1512	3869	156	(508)	91987	77.7	341	8.3	
	Prior accident years			32	918	713	427	2441							
	Total (11 to 21)			10243	87253	173072	75878	204936	46359	84908					
	Line 29 expressed in sterling				87253	173072	75878	204936	46359	84908					

**Equalisation provisions**Name of insurer **Direct Line Insurance plc**

Global business

Financial year ended **31 December 2009**

	Company registration number					GL/UK/CM			day month year			Units
	<b>R37</b>	<b>1810801</b>	<b>GL</b>	<b>31</b>	<b>12</b>	<b>2009</b>	<b>£000</b>					
<b>Calculation of the maximum provision</b>	Business grouping A (property)	Business grouping B (business interruption)	Business grouping C (marine and aviation)	Business grouping D (nuclear)	Business grouping E (non-proportional treaty)	All business groupings						
	1	2	3	4	5	6						7
Total net premiums written in the previous 4 years	11	148										
Net premiums written in the current year	12	207										
Maximum provision	13	14								52507		

**Calculation of the transfer to/from the provision**

Equalisation provision brought forward	21											20717
Transfers in	22	9294	6									9300
Total abnormal loss	23		391									
Provisional transfers out	24		14									14
Excess of provisional transfer out over fund available	25											
Provisional amount carried forward (21+22-24+25)	26											30002
Excess, if any, of 26 over 13	27											
Equalisation provision carried forward (26-27)	28											30002
Transfer in/(out) for financial year (28-21)	29											9286



**Supplementary notes to the Return**

Name of Company **Direct Line Insurance plc**  
 Global Business  
 Financial year ended **31 December 2009**

**\*0101\* Modification to the Return**

This return has been prepared in accordance with the Accounts and Statements Rules as modified by the following written concession:

Rule INSPRU 2.1.22R is amended by the addition of the following new subparagraph (7): "(7) For the purpose of this rule, a group of persons is not closely related by reason of the relationship described in INSPRU 2.1.40R(1) if control is exercised by, or on behalf of, HM Treasury."

This direction is given by the FSA under section 148 of the Financial Services and Markets Act 2000 ("the Act"). The direction takes effect from 16 June 2009 and ends on 31 March 2012.

**\*0301\* Reconciliation of Net Admissible Assets to Available Capital Resources**

	2009 £000s	2008 £000s
Form 13 line 89	3,622,555	3,223,645
Form 15 line 69	(2,875,256)	(2,575,361)
Net admissible assets	747,299	648,284
Class 1 adjustment for discounting (form 22 line 39)	-	6,621
Form 3 line 79	747,299	654,905

**\*0310\* Net Valuation Differences**

The following net valuation differences have been included in form 3 to the return:

	2009 £000s	2008 £000s
Line 35 - other negative valuation differences	30,002	20,717

The other negative valuation differences represent a claims equalisation reserve of £30,002,000 which has been included in the Company's financial statements as Other Reserves.

**\*0313\* Reconciliation of Movement in Net Profit to Retained Profit for the Year**

	2009 £000s
Form 3 col 3 Line 12 (Reserves c/f)	641,488
Form 3 col 4 Line 12 (Reserves b/f)	(521,054)
Movement on Reserves	120,434
Movement On Claims equalisation reserve.	(9,286)
Form 16 Line 59 Profit and Loss retained.	111,148

**\*1104\* Discounting**

Provisions for claims outstanding at Form 11 line 51 are shown net of discounting for Class 1 business.

**\*1301\* Aggregate Value of Unlisted Investments and Other Securities**

As at 31 December 2009 the Company held the following investments:

	2009 £000s
Unlisted equity holding (Form 13 line 41)	480
Holdings in collective investment schemes (Form 13 line 43)	129,128
	129,608

**\*1305\* Maximum Counterparty Limits**

The Company's investment guideline regarding counterparty exposures is that the maximum exposure to any one approved counterparty, is continually reviewed and set as appropriate.



**Supplementary notes to the Return**

Name of Company **Direct Line Insurance plc**  
 Global Business  
 Financial year ended **31 December 2009**

**\*1306\* Exposure To Large Counterparties**

The Company had the following exposure to large counterparties at the year end:

	2009 £000s
Banco Santander SA	106,972
Lloyds Banking Group (Long term deposits and bonds )	107,037
RBS Group (Bonds, long term and short term deposits)	277,511

**\*1315\* Other Assets**

	2009 £000s
Current Tax Asset	29,153
Form 13 line 83	29,153

**\*1501\* Provision For Reasonably Foreseeable Adverse Variations**

No provision is required in respect of foreseeable adverse variations. The Company has no derivatives contracts and all obligations to deliver an asset or make a payment were felt to be prudently provided in the accounts.

**\*1502\* Other Than Long Term Business Assets/Liabilities**

- a) No charge has been made on the assets of the Company to secure the liabilities of any other person
- b) There is no potential capital gains tax liability
- c) There are no guarantees, indemnities or other contractual commitments, effected other than in the ordinary course of insurance business, in respect of related companies
- d) There are no other contingent liabilities
- e) There are no fundamental uncertainties

**\*1507\* Other Adjustments to Liabilities**

An amount of £30,002,000 has been included in Form 15 line 83 in respect of claims equalisation reserves. The claims equalisation reserve is regarded as part of Capital and Reserves in Form 15 line 84. If the adjustment had not been made in Form 15 Line 83 then the equalisation reserves would be double-counted as they are also shown in Form 15 Lines 14/15.

**\*1601\* Basis Of Conversion**

Assets and liabilities denominated in foreign currencies are included within the return at exchange rates ruling at the end of the accounting period. Items of income and expenditure denominated in foreign currencies are included within the return at exchange rates ruling at the end of the month in which the income or expenditure arose.

**\*1603\* Other Income And Charges**

	2009 £000s	2008 £000s
Loss on sale of property	(741)	-
Interest received on settled court cases.	-	350
Foreign exchange gains/(losses)	-	205
	<u>(741)</u>	<u>555</u>

**\*1700\* Derivative Contracts**

No Form 17 has been presented as the Company did not enter into any derivative contracts during the year, and no such contract was outstanding at year end.

**Supplementary notes to the Return**

Name of Company	Direct Line Insurance plc
Global Business	
Financial year ended	31 December 2009

\*20Ab\* Risk categories

The following risk categories include contracts of insurance against risk of death of or injury to passengers:

- 121 - Private motor comprehensive
- 122 - Private motor non comprehensive
- 113 - Travel

\*20Ae\* Facultative Business.

There is no facultative reinsurance business included.

\*20Af\* Balances Reported Under Category 113

All the balances reported under Category 113 relate to category 1 Accident and Health under IPRU(INS) Annex 11.2 Part ii.

\*20Ag\* Gross Premiums Written Attributable to Overseas Countries

All gross premiums written are attributable to the UK.

\*2007\* Particulars Of Material Connected Party Transactions

The Company has entered into banking arrangements with The Royal Bank of Scotland Group plc. The exposure to the Royal Bank of Scotland plc is detailed in Note 1306. Additionally the Company has purchased UK treasury bonds also detailed in Note 1306.

A fellow subsidiary, RBS Insurance Services Limited (RBSIS), provides staff/administration services to the Company. During the course of 2009, an amount of £352,300,000 was recharged to the Company by RBSIS. At 31 December 2009, the Company owed an amount of £34,300,000 to RBSIS in respect of these services.

\*2102\* Provision For Unearned Premium

The provision for unearned premiums accounted on an accident year basis is calculated on a daily or 24ths basis, depending on the type of business written. This method is employed as being the most accurate possible given the Company's data and existing systems.

\*2202\* Claims Management Expenses

The costs of administering claims are specifically identified within the Company's costing system and these, together with the appropriate share of support costs, make up the claims handling costs stated in the Return. Claims handling expenses are carried forward based on an estimate of the likely costs to be incurred in settling all outstanding claims.

\*2204\* Acquisition Costs

The costs of acquiring business are specifically identified within the Company's costing system and these, together with the appropriate share of support costs, make up the non commission acquisition costs stated in the Return. Such acquisition costs are carried forward as a percentage of unearned premiums, derived as the ratio of non commission acquisition costs incurred to gross premiums written.

\*2205\* Unexpired Risk Reserve

In setting an unexpired risk reserve the Company offsets surpluses in one class of business against deficits in other classes within the same business segment on the grounds that all business classes within each business segment are managed together. In setting the reserve investment income is taken into consideration. No provision is required at 31 December 2009.

**Supplementary notes to the Return**

Name of Company	<b>Direct Line Insurance plc</b>
Global Business	
Financial year ended	<b>31 December 2009</b>

\*3000\* Expected Income and Yield from Admissible Assets Covering Discounted Provisions

Form 30 has been omitted as in the case of Sheet 2, the provision for claims outstanding being discounted (before deduction for discounting) does not exceed 25% of the total provision for claims outstanding (before deduction for discounting). Additionally for Sheet 1, there is no requirement, as those currencies for which the provisions for claims outstanding being discounted, (before deduction for discounting) do not exceed 25% of the total provision for that currency for claims outstanding (before deduction for discounting).

Returns under the Accounts and Statement Rules of the Interim Prudential Sourcebook for Insurers  
**Statement in accordance with Rule 9.25 – Additional information on general business: Major Treaty Reinsurers**

◦ Name of Company **Direct Line Insurance plc**  
 Global Business  
 Financial year ended **31 December 2009**

Reinsurer details	Connection	Proportional Reinsurance Treaties	Non Proportional Reinsurance Treaties	Debts outstanding included at F13L75	Deposits received included at F15L31	Anticipated recoveries
As required by Rule 9.25:		£000	£000	£000	£000	£000
Caisse Centrale de Reassurance 31 Rue de Courcelles 75008 Paris France	none	-	571	75	-	4,818
General Reinsurance UK Limited The Corn Exchange 55 Mark Lane London, England	none	-	2,154	232	-	-
Headrow Reinsurance Ltd Post Office Box 33 Maison Trinity Trinity Square St Peter Port Guemsey GY1 4AT	Wholly owned subsidiary of RBS Group, the Company's ultimate parent. Proportional Treaty commuted as at 30/09/07	-	10,600	2,765	-	13,390
Lloyd's of London One Lime Street London EC3M 7HA	none	-	2,816	636	-	70
Munich Reinsurance Company Koniginstrasse 107 80802 Munchen Germany	none	-	4,290	3,251	-	35,175
Swiss Re Germany 30 St Mary Ave London EC3A 8EP	none	-	2,255	803	-	35,500
XL Re Limited XL House One Bermudiana Road PO Box HM 1066 Hamilton, HM 11 Bermuda	none	-	367	41	-	5,717

Returns under the Accounts and Statement Rules of the Interim Prudential Sourcebook for Insurers  
**Statement in accordance with Rule 9.26 – Additional information on general business: Major  
 Facultative Reinsurers**

Name of Company **Direct Line Insurance plc**  
 Global Business  
 Financial year ended **31 December 2009**

Reinsurer details	Connection	Reinsurance premiums payable	Debts outstanding included at F13L75	Deposits received included at F15L31	Anticipated recoveries	Comments
		£000	£000	£000	£000	
The company has no major facultative reinsurers.						

Returns under the Accounts and Statement Rules of the Interim Prudential Sourcebook for Insurers  
**Statement in accordance with Rule 9.27 – Information on Major General Business Reinsurance Cedants**

Name of Company            **Direct Line Insurance plc**  
 Global Business  
 Financial year ended        **31 December 2009**

Cedant details	Connection	Reinsurance premiums payable	Debts outstanding included at F13L75	Deposits received included at F15L31	Anticipated recoveries	Comments
<b>As required by Rule 9.27:</b>		£000	£000	£000	£000	
The company has no major cedants						

Returns under the Accounts and Statement Rules of the Interim Prudential Sourcebook for Insurers  
**Statement in accordance with Rule 9.32 – Additional information on Non-Facultative Reinsurance Arrangements**

Name of Company **Direct Line Insurance plc**  
 Global Business  
 Financial year ended **31 December 2009**

Description of Cover	Period Covered	Limits	Reinstatements	Remarks	Risk Group
<b>Motor Programme Excess of Loss</b>					
1 <sup>st</sup> Layer	Risks attaching in 12 months at 1 January 2009	£5,000,000 xs £5,000,000	Unlimited Free	Full indexation clause applies to bodily injury claims	Motor Liability class
2 <sup>nd</sup> Layer	Risks attaching in 12 months at 1 January 2009	£15,000,000 xs £10,000,000	Unlimited Free	Full indexation clause applies to bodily injury claims	Motor Liability class
3 <sup>rd</sup> Layer	Risks attaching in 12 months at 1 January 2009	Unlimited xs £25,000,000	Unlimited Free	Full indexation clause applies to bodily injury claims	Motor Liability class
4 <sup>th</sup> Layer	Risks attaching in 12 months at 1 January 2009	£75,000,000 xs £25,000,000	Unlimited Free	Full indexation clause applies to bodily injury claims	Motor Liability class
5 <sup>th</sup> Layer	Risks attaching in 12 months at 1 January 2009	Unlimited xs £100,000,000	Unlimited Free	Full indexation clause applies to bodily injury claims	Motor Liability class

Description of Cover	Period Covered	Limits	Reinstatements	Remarks	Risk Group
<b>Liability Programme Excess of Loss</b>					
1 <sup>st</sup> Layer	RBS Group Cover Losses occurring during 12 months at 1 January 2009	£4,000,000 xs £1,000,000	2 Free, except EL which are unlimited	Group cover protecting DL / UKI / CIC / NIG	EL/PL/ Pet Liability/ Travel Liability
2 <sup>nd</sup> Layer	Losses occurring during 12 months at 1 January 2009	£5,000,000 xs £5,000,000	2 Free, except EL which are unlimited	Group cover protecting DL / UKI / CIC / NIG	EL/PL/ Pet Liability/ Travel Liability
3 <sup>rd</sup> Layer	Losses occurring during 12 months at 1 January 2009	£15,000,000 xs £10,000,000	One Free	Group cover protecting DL / UKI / CIC / NIG	EL/PL/ Pet Liability/ Travel Liability

Description of Cover	Period Covered	Limits	Reinstatements	Remarks	Risk Group
<b>Travel Programme Excess of Loss</b>					
1 <sup>st</sup> Layer	RBS Group Cover Losses occurring during 12 months at 1 <sup>st</sup> January 2009	£8,000,000 xs £2,000,000	1 at 100% AP	Group cover protecting DL / UKI / CIC / NIG	Accident / Travel
2 <sup>nd</sup> Layer	Losses occurring during 12 months at 1 <sup>st</sup> January 2009	£10,000,000 xs £10,000,000	1 at 100% AP	Group cover protecting DL / UKI / CIC / NIG	Accident / Travel

Returns under the Accounts and Statement Rules of the Interim Prudential Sourcebook for Insurers  
**Statement in accordance with Rule 9.32 – Additional information on Non-Facultative Reinsurance Arrangements**

Name of Company  
 Global Business  
 Financial year ended  
**Direct Line Insurance plc**  
**31 December 2009**

Property Catastrophe Programme Excess of Loss	From 1/10/2008	Limits	Reinstatements	Remarks	Risk Groups
1st Layer	12 months at 1 October 2008	£200,000,000 xs £220,000,000	One at 100% additional premium	RBS Group Cover	Householder & Motor Physical Damage Combined Losses
2nd Layer	12 months at 1 October 2008	£265,000,000 xs £420,000,000	One at 100% additional premium	RBS Group Cover	Householder & Motor Physical Damage Combined Losses
3rd Layer	12 months at 1 October 2008	£265,000,000 xs £685,000,000	One at 100% additional premium	RBS Group Cover	Householder & Motor Physical Damage Combined Losses
4th Layer - Umbrella	12 months at 1 October 2008	£150,000,000 xs £950,000,000	One at 100% additional premium	RBS Group Cover	Householder & Motor Physical Damage Combined Losses
5th Layer - Umbrella	12 months at 1 October 2008	£25,000,000 xs £1,100,000,000	One at 100% additional premium	RBS Group Cover	Householder & Motor Physical Damage Combined Losses
6th Layer - Umbrella	12 months at 1 October 2008	£200,000,000 xs £1,125,000,000	One at 100% additional premium	RBS Group Cover	Householder & Motor Physical Damage Combined Losses

Property Catastrophe Programme Excess of Loss	From 01/10/2009	Limits	Reinstatements	Remarks	Risk Groups
1 <sup>st</sup> Layer	Losses occurring 12 months at 1 October 2009	£180,000,000 xs £220,000,000	One at 100% additional premium	RBS Group Cover	Householder & Motor Physical Damage Combined Losses
2 <sup>nd</sup> Layer	Losses occurring 12 months at 1 October 2009	£250,000,000 xs £400,000,000	One at 100% additional premium	RBS Group Cover	Householder & Motor Physical Damage Combined Losses
3 <sup>rd</sup> Layer	Losses occurring 12 months at 1 October 2009	£250,000,000 xs £650,000,000	One at 100% additional premium	RBS Group Cover	Householder & Motor Physical Damage Combined Losses
4 <sup>th</sup> Layer	Losses occurring 12 months at 1 October 2009	£100,000,000 xs £900,000,000	One at 100% additional premium	RBS Group Cover	Householder & Motor Physical Damage Combined Losses
5 <sup>th</sup> Layer	Losses occurring 12 months at 1 October 2009	£250,000,000 xs £1,000,000,000	One at 100% additional premium	RBS Group Cover	Householder & Motor Physical Damage Combined Losses
6 <sup>th</sup> Layer	Losses occurring 12 months at 1 October 2009	£50,000,000 xs £1,250,000,000	One at 100% additional premium	RBS Group Cover	Householder & Motor Physical Damage Combined Losses
7 <sup>th</sup> Layer	Losses occurring 12 months at 1 October 2009	£25,000,000 xs £1,300,000,000	One at 100% additional premium	RBS Group Cover	Householder & Motor Physical Damage Combined Losses
8 <sup>th</sup> Layer	Losses occurring 12 months at 1 October 2009	£200,000,000 xs £220,000,000	One at 100% additional premium	RBS Group Cover	Householder & Motor Physical Damage Combined Losses
9 <sup>th</sup> Layer	Losses occurring 12 months at 1 October 2009	£265,000,000 xs £420,000,000	One at 100% additional premium	RBS Group Cover	Householder & Motor Physical Damage Combined Losses
10 <sup>th</sup> Layer	Losses occurring 12 months at 1 October 2009	£265,000,000 xs £685,000,000	One at 100% additional premium	RBS Group Cover	Householder & Motor Physical Damage Combined Losses



Returns under the Accounts and Statement Rules of the Interim Prudential Sourcebook for Insurers  
**Statement in accordance with rule 9.32 - Additional information on Non-Facultative Reinsurance Arrangements**

Name of Company **Direct Line Insurance plc**  
 Global Business  
 Financial year end **31 December 2009**

Summary of reinsurers' share of gross premiums

Accounting Class	Facultative reinsurance ceded	Non facultative reinsurance ceded	Total ceded
	£000	£000	£000
120	-	16,775	16,775
160	-	16,795	16,795
180	-	39	39
409	-	1,561	1,561
<b>Total</b>	<b>0</b>	<b>35,170</b>	<b>35,170</b>

Summary of maximum probable losses per risk group, net of reinsurance, for any one incident or series of incidents arising from the same originating cause from:

	Any one contract of insurance	All such contracts taken together
	£000	£000
Motor	5,000	5,000
Home / householders (RMS1 in 175 year return period for Windstorm and Coastal Inundation combined. RBSI excluding TPF combined policy - includes Reinstatement premium)	293,400	293,400
Pet Liability	1,000	1,000
Travel incl Liability	2,000	2,000
Home Liability	1,000	1,000

Returns under the Accounts and Statement Rules of the Interim Prudential Sourcebook for Insurers  
**Statement in accordance with rule 9.32A - Additional information on Financial Reinsurance and Financing arrangements: general insurers.**

Name of Company	<b>Direct Line Insurance plc</b>
Global Business	
Financial year end	<b>31 December 2009</b>

Direct Line Insurance plc has no financial reinsurance agreements or similar financing arrangements in respect of ceded business.

All major reinsurance arrangements are controlled centrally within RBS Insurance in accordance with the Reinsurance Policy approved by the Board. The Policy specifies the forms of reinsurance that can be used and this list does not include financial reinsurances. Any reinsurance arrangements that fall outside the policy must be specifically approved by the Board and reinsurance expenditure approval resides with a small number of senior managers who are conversant with the policy. The operation of the reinsurance purchase process and the compliance with the reinsurance policy are subject to regular internal and external audits.

Any reinsurance contract that is accounted for as reinsurance must be processed within the reinsurance accounting processes and have followed the purchase and approval procedures defined within the Reinsurance Policy. To be an acceptable form of reinsurance within the Reinsurance Policy there must be an adequate degree of risk transfer.

Returns under the Accounts and Statement Rules of the Interim Prudential Sourcebook for Insurers  
**Statement in accordance with Rule 9.29 – Additional information on Derivative and Quasi-Derivative Contracts**

Name of Company           **Direct Line Insurance plc**  
Global Business  
Financial year ended       **31 December 2009**

- a)                   The following guidelines govern the use by the Company of derivative contracts:

Agreement is required from the Investment Committee for any direct exposure to derivatives.

The use of derivatives is permitted as and when required (e.g. to help protect the Company's solvency position) and the need for this is determined from time to time by the Investment Manager in liaison with the Funds Management Committee and other appropriate individuals.

The responsibility for the administration of investments lies with the Finance Department so as, amongst other things, to ensure that the use of derivatives is monitored independently and any unauthorised use is immediately recognised.

All margin payments are required to be authorised by the Finance Department;

At all times the distribution of assets must be within the ranges specified in the investment policy when derivatives are taken into account. For forward contracts the test is on the basis that the contracts are settled. For option contracts the test must be satisfied both assuming that the option is exercised and that the option is not exercised.

The liabilities associated with certain derivative based products are backed by deposits the values of which are based on the movements in the FTSE 100 Share Index. The value of these deposits is guaranteed not to fall below a given level either at maturity or at certain dates during their terms. The Company has counterparty risk only. Counterparties are required to be rated at least AA for long-term deposits in accordance with the requirements of our ultimate holding company.

- b) The Company's investment guidelines, as noted above, allow, amongst other things, for the use of derivatives in order to protect the Company's solvency position. Such contracts may involve rights or obligations to acquire or dispose of assets which were not, at the time the contract was entered into, reasonably likely to be exercised. All derivative contracts were entered into for hedging purposes. The expectation was, at the point of being taken out, that they were not likely to be exercised, namely that the markets would not fall below levels specified in the contracts;
- c) There were no derivative contracts outstanding at 31 December 2009.

Returns under the Accounts and Statement Rules of the Interim Prudential Sourcebook for Insurers  
**Statement in accordance with Rule 9.30 – Additional information on Controllers**

Name of Company            **Direct Line Insurance plc**  
Global Business  
Financial year ended        **31 December 2009**

The following persons have been shareholder controllers of the Company during the year ended ended 31<sup>st</sup>  
December 2009:

1) RBS Insurance Group Limited (RBSIG)*	
Percentage of shares in the Company held:	100%
Percentage of votes in the Company held:	100%
2) The Royal Bank of Scotland Group Plc	
Percentage of shares in RBSIG held:	100%
Percentage of votes in RBSIG held:	100%
3) Solicitor for the Affairs of Her Majesty's Treasury as Nominee for Her Majesty's Treasury (UK Financial Investments Ltd manages the shareholding)	
Percentage of shares in The Royal Bank of Scotland Group Plc:	70%
Percentage of votes in The Royal Bank of Scotland Group Plc:	70%

## DIRECTORS' CERTIFICATE

Name of Insurer: **Direct Line Insurance plc**

Global business

Financial year ended **31 December 2009**

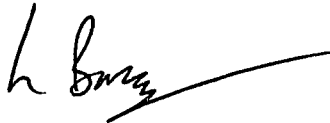
**Certificate required by rule 9.34 (Chapter 9 'Financial Reporting – Accounts and Statements') of the Interim Prudential Rulebook for Insurers**

We certify that:

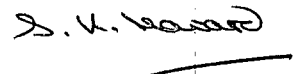
1. the return, comprising Forms 1, 3, 11 to 13, 15 to 16, 20A, 20 to 23, 31, 32, 37 and 38 (including the supplementary notes) and the statements required by rules 9.25, 9.26, 9.27, 9.29, 9.30, 9.32 and 9.32A, has been properly prepared in accordance with the Accounts and Statements Rules set out in part I and part IV of chapter 9 of IPRU(INS), the Interim Prudential Sourcebook for Insurers, GENPRU, the General Prudential Sourcebook and INSPRU, the Prudential Sourcebook for Insurers; and
2. the directors are satisfied that:
  - (i) throughout the financial year, the company has complied in all material respects with the requirements in SYSC, Senior Management Arrangements, Systems and Controls, and PRIN, Principles for Business, sections of the FSA Handbook as well as the provisions of IPRU(INS), GENPRU and INSPRU; and
  - (ii) it is reasonable to believe that the company has continued so to comply subsequently, and will continue so to comply in future.



Director



Director



Director

18 March 2010

## **AUDITORS' REPORT**

Name of insurer        **Direct Line Insurance plc**

Global business

Financial year ended    **31 December 2009**

### **Report of the auditors to the directors pursuant to Rule 9.35 of the Interim Prudential Sourcebook for Insurers**

We have examined the following documents prepared by the company pursuant to the Accounts and Statements Rules set out in part I and part IV of chapter 9 of IPRU(INS) the Interim Prudential Sourcebook for Insurers, GENPRU, the General Prudential Sourcebook and INSPRU the Prudential Sourcebook for Insurers, ("the Rules") made by the Financial Services Authority under section 138 of the Financial Services and Markets Act 2000:

- Forms 1, 3, 11 to 13, 15 to 16, 20A, 20 to 23, 31, 32, 37 and 38, (including the supplementary notes) on pages 3 to 51 ("the Forms"); and
- the statements required by rules 9.25, 9.26, 9.27 on pages 52 to 54 and rule 9.29 on page 59 ("the Statements").

We are not required to examine and do not express an opinion on:

- the statements required by IPRU(INS) rule 9.30 on page 60 and rules 9.32 and 9.32A on pages 55 to 58; and
- the directors' certificate required by IPRU(INS) rule 9.34 on page 61 ("the directors' certificate").

Our report is provided to the directors of Direct Line Insurance in accordance with rule 9.35 of the Interim Prudential Sourcebook for Insurers. We acknowledge that our report will be provided to the FSA for the use of the FSA solely for the purposes set down by statute and the FSA's rules. Our work has been undertaken so that we might state to the company's directors those matters we are required to state to them in an auditors' report on an annual FSA return for an insurer and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the FSA, and the company, for our work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the company and its auditors**

The company is responsible for the preparation of an annual return (including the Forms, the Statements, the statements not examined by us and the directors' certificate) under the provisions of the Rules. The requirements of the Rules have been modified by a waiver issued under section 148 of the Financial Services and Markets Act 2000 on 16 June 2009. Under IPRU(INS) rule 9.11 the Forms, the Statements, the statements not examined by us and the directors' certificate are required to be prepared in the manner specified by the Rules and to state fairly the information provided on the basis required by the Rules.

It is our responsibility to form an independent opinion as to whether the Forms and the Statements meet these requirements, and to report our opinions to you. We also report to you if, in our opinion, the company has not kept proper accounting records or we have not received all the information we require for our examination.

## AUDITORS' REPORT

Name of insurer      **Direct Line Insurance plc**

Global business

Financial year ended    **31 December 2009**

### **Basis of opinion**

We conducted our work in accordance with Practice Note 20 'The audit of insurers in the United Kingdom (Revised)' issued by the Auditing Practices Board. Our work included examination, on a test basis, of evidence relevant to the amounts and disclosures in the Forms and the Statements. The evidence included that previously obtained by us relating to the audit of the financial statements of the company for the financial year. It also included an assessment of the significant estimates and judgements made by the company in the preparation of the Forms and the Statements.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Forms and the Statements are free from material misstatement, whether caused by fraud or other irregularity or error and comply with IPRU(INS) rule 9.11.

### **Opinion**

In our opinion the Forms and the Statements fairly state the information provided on the basis required by the Rules as modified and have been properly prepared in accordance with the provisions of those Rules.

*Deloitte LLP*

**Deloitte LLP**

Chartered Accountants and Statutory Auditors  
London, United Kingdom

Date    *15 March 2010*