Note to readers of FSA returns – May 2013

Following the Part VII transfer in December 2011, the 2012 FSA return for U K Insurance Limited (UKI) includes the business previously underwritten by National Insurance and Guarantee Corporation Limited (NIG), Direct Line Insurance plc and Churchill Insurance Company Limited[1]. It also includes the run-off of the business underwritten through the relationship with Tesco Personal Finance (TPF).

In 2012 Direct Line Group incurred restructuring and other one-off costs, primarily relating to separation and divestment, of £189.5 million (2011: £42.8 million). Of these £187.2 million were allocated to UKI. The following tables adjust the premiums and expenses as reported in the FSA return to calculate the underlying expense ratio excluding run-off, restructuring and other one-off costs.

	2012	2011
Total UKI		
Expense ratio (per FSA return)	39.2%	32.1%
Adjusted expense ratio (excluding TPF)	35.9%	31.0%
Restructuring and other one-off costs	187.2	42.1
Underlying expense ratio (excluding TPF and restructuring and other one-off costs)	30.3%	29.9%

Motor (FSA Category 120)		
Expense ratio (per FSA return)	35.9%	23.0%
Adjusted expense ratio (excluding TPF)	29.4%	21.4%
Restructuring and other one-off costs	90.0	20.6
Underlying expense ratio (excluding TPF and restructuring and other one-off costs)	23.6%	20.2%

Home (FSA Category 160)		
Expense ratio (per FSA return)	45.7%	38.5%
Adjusted expense ratio (excluding TPF)	45.7%	38.7%
Restructuring and other one-off costs	53.5	10.9
Underlying expense ratio (excluding TPF and restructuring and other one-off costs)	39.7%	37.6%

[1] Excludes a small number of policies that were not transferred