

Direct Line Insurance plc

Annual FSA Insurance Returns for the year ended

31 December 2010

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

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

Global business

Financial year ended **31 December 2010**

Solo solvency calculation

R1	Company registration number	GL/UK/CM	day month year			Units
			31	12	2010	
	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	849389	747299
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	849389	747299

Guarantee fund

Guarantee fund requirement	21	133249	101430
Excess (deficiency) of available capital resources to cover guarantee fund requirement	22	716140	645869

Minimum capital requirement (MCR)

General insurance capital requirement	31	399748	304291
Base capital resources requirement	33	3040	3128
Individual minimum capital requirement	34	399748	304291
Capital requirements of regulated related undertakings	35		
Minimum capital requirement (34+35)	36	399748	304291
Excess (deficiency) of available capital resources to cover 50% of MCR	37	649515	595154
Excess (deficiency) of available capital resources to cover 75% of MCR	38	549578	519081

Capital resources requirement (CRR)

Capital resources requirement	41	399748	304291
Excess (deficiency) of available capital resources to cover general insurance business CRR (13-41)	42	449641	443008

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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Covering Sheet to Form 1


Name of insurer

Direct Line Insurance plc

Global business

Financial year ended

31 December 2010



Director



Director



Director

Date 22 MARCH 2011

Components of capital resources

Name of insurer Direct Line Insurance plc

Global business

Financial year ended 31 December 2010

	Company registration number	GL/ UK/ CM	day month year			Units
R3	1810801	GL	31	12	2010	£000
		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
		1	2		3	4

Core tier one capital

Permanent share capital	11	155000			155000	155000
Profit and loss account and other reserves	12	741929			741929	641488
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	896929			896929	796488

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					

Total tier one capital before deductions (19+24+25+26+27+28)	31	896929			896929	796488
Investments in own shares	32					
Intangible assets	33					
Amounts deducted from technical provisions for discounting	34					
Other negative valuation differences	35	39537			39537	30002
Deductions in related undertakings	36					
Deductions from tier one (32 to 36)	37	39537			39537	30002
Total tier one capital after deductions (31-37)	39	857392			857392	766486

Components of capital resourcesName of insurer **Direct Line Insurance plc**

Global business

Financial year ended **31 December 2010**

R3	Company registration number	GL/UK/CM	day month year			Units
	1810801	GL	31	12	2010	£000
		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	
		1	2	3	4	

Tier two capital

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

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

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

Components of capital resources

Name of insurer **Direct Line Insurance plc**

Global business

Financial year ended **31 December 2010**

Company registration number	GL/UK/CM	day month year			Units	
R3	1810801	GL	31	12	2010	£000
		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	

Total capital resources

Positive adjustments for regulated non-insurance related undertakings	71				
Total capital resources before deductions (39+69+71)	72	857392		857392	766486
Inadmissible assets other than intangibles and own shares	73	8003		8003	1379
Assets in excess of market risk and counterparty limits	74				17808
Deductions for related ancillary services undertakings	75				
Deductions for regulated non-insurance related undertakings	76				
Deductions of ineligible surplus capital	77				
Total capital resources after deductions (72-73-74-75-76-77)	79	849389		849389	747299

Available capital resources for GENPRU/INSRU tests

Available capital resources for guarantee fund requirement	81	849389		849389	747299
Available capital resources for 50% MCR requirement	82	849389		849389	747299
Available capital resources for 75% MCR requirement	83	849389		849389	747299

Financial engineering adjustments

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

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 2010**

General insurance business

R11	Company registration number	GL/UK/CM	day month year			Units
	1810801	GL	31	12	2010	£000
			This financial year 1			Previous year 2
Gross premiums written			11	1726931		1780993
Premiums taxes and levies (included in line 11)			12			
Premiums written net of taxes and levies (11-12)			13	1726931		1780993
Premiums for classes 11, 12 or 13 (included in line 13)			14	6942		4724
Premiums for "actuarial health insurance" (included in line 13)			15			
Sub-total A (13 + 1/2 14 - 2/3 15)			16	1730402		1783355
Gross premiums earned			21	1748923		1760018
Premium taxes and levies (included in line 21)			22			
Premiums earned net of taxes and levies (21-22)			23	1748923		1760018
Premiums for classes 11, 12 or 13 (included in line 23)			24	5718		3832
Premiums for "actuarial health insurance" (included in line 23)			25			
Sub-total H (23 + 1/2 24 - 2/3 25)			26	1751782		1761934
Sub-total I (higher of sub-total A and sub-total H)			30	1751782		1783355
Adjusted sub-total I if financial year is not a 12 month period to produce an annual figure			31			
Division of gross adjusted premiums amount sub-total I (or adjusted sub-total I if appropriate)	x 0.18	32	315321		321004	
	Excess (if any) over 57.5M EURO x 0.02	33	34037		34639	
Sub-total J (32-33)			34	281284		286365
Claims paid in period of 3 financial years			41	3785599		3684042
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	3649696		1891865	
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	1495541		1339161	
Sub-total C (41+42+43-44-45)			46	5939754		4236747
Amounts recoverable from reinsurers in respect of claims included in Sub-total C			47	742175		283195
Sub-total D (46-47)			48	5197579		3953551
Reinsurance Ratio (Sub-total D /sub-total C or, if more, 0.50 or, if less, 1.00)			49	0.88		0.93
Premiums amount (Sub-total J x reinsurance ratio)			50	246137		267223
Provision for claims outstanding (before discounting and net of reinsurance)			51	2145815		1677877
Provision for claims outstanding (before discounting and gross of reinsurance) if both 51.1 and 51.2 are zero, otherwise zero			52			
Brought forward amount (See instruction 4)			53	304291		259170
Greater of lines 50 and 53			54	304291		267223

Calculation of general insurance capital requirement - claims amount and result

Name of insurer **Direct Line Insurance plc**

Global business

Financial year ended **31 December 2010**

General insurance business

		Company registration number	GU UK/ CM	day month year			Units	
		R12	1810801	GL	31	12	2010	£000
				This financial year 1			Previous year 2	
Reference period (No. of months) See INSPRU 1.1.63R				11	36			36
Claims paid in reference period				21	3785599			3684042
Claims outstanding carried forward at the end of the reference period	For insurance business accounted for on an underwriting year basis			22				
	For insurance business accounted for on an accident year basis			23	3649696			1891865
Claims outstanding brought forward at the beginning of the reference period	For insurance business accounted for on an underwriting year basis			24				
	For insurance business accounted for on an accident year basis			25	1495541			1339161
Claims incurred in reference period (21+22+23-24-25)				26	5939754			4236747
Claims incurred for classes 11, 12 or 13 (included in 26)				27	10382			4945
Claims incurred for "actuarial health insurance" (included in 26)				28				
Sub-total E (26 +1/2 27 - 2/3 28)				29	5944945			4239219
Sub-total F - Conversion of sub-total E to annual figure (multiply by 12 and divide by number of months in the reference period)				31	1981648			1413073
Division of sub-total F (gross adjusted claims amount)	x 0.26			32	515229			367399
	Excess (if any) over 40.3M EURO x 0.03			33	58399			41312
Sub-total G (32-33)				39	456829			326087
Claims amount Sub-total G x reinsurance ratio (11.49)				41	399748			304291
Higher of premiums amount and brought forward amount (11.54)				42	304291			267223
General insurance capital requirement (higher of lines 41 and 42)				43	399748			304291

Analysis of admissible assetsName of insurer **Direct Line Insurance plc**

Global business

Financial year ended **31 December 2010**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	2010	£000	1
					As at end of this financial year	As at end of the previous year	
					1	2	
Land and buildings			11		83766	78044	

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	15616	70463
Participating interests	Shares	29		
	Debts and loans	30		

Other financial investments

Equity shares	41		480	
Other shares and other variable yield participations	42			
Holdings in collective investment schemes	43	273243	129128	
Rights under derivative contracts	44			
Fixed interest securities	Approved	45	1034916	657444
	Other	46	1212999	899567
Variable interest securities	Approved	47		
	Other	48	135352	543435
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	462493	100006
	More than one month withdrawal	55	147500	310900
Other financial investments	56			
Deposits with ceding undertakings	57			
Assets held to match linked liabilities	Index linked	58		
	Property linked	59		

Analysis of admissible assetsName of insurer **Direct Line Insurance plc**

Global business

Financial year ended **31 December 2010**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	2010	£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	17749	20908
Claims outstanding	61	210750	134502
Provision for unexpired risks	62		
Other	63		

Debtors and salvage

Direct insurance business	Policyholders	71	527000	541002
	Intermediaries	72		
Salvage and subrogation recoveries		73		
Reinsurance	Accepted	74		
	Ceded	75	8053	10847
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	35684	5671
Cash in hand	82		
Other assets (particulars to be specified by way of supplementary note)	83	21098	29153
Accrued interest and rent	84	2491	2264
Deferred acquisition costs (general business only)	85	59801	62258
Other prepayments and accrued income	86	26036	26483

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	4274547	3622555
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Analysis of admissible assetsName of insurer **Direct Line Insurance plc**

Global business

Financial year ended **31 December 2010**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	2010	£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	4274547	3622555
Admissible assets in excess of market and counterparty limits	92		17808
Inadmissible assets directly held	93	8003	1379
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		
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	4282550	3641742

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 2010**

	Company registration number	GL/UK/CM	day	month	year	Units	
	R15	1810801	GL	31	12	2010	£000
				As at end of this financial year		As at end of the previous year	
				1		2	

Technical provisions (gross amount)

Provisions for unearned premiums	11	819686	841678
Claims outstanding	12	2356565	1812379
Provision for unexpired risks	13		
Equalisation provisions	Credit business	14	
	Other than credit business	15	39537 30002
Other technical provisions	16		
Total gross technical provisions (11 to 16)	19	3215788	2684059

Provisions and creditors

Provisions	Taxation	21	10535	8266
	Other risks and charges	22	29675	33586
Deposits received from reinsurers	31			
Creditors	Direct insurance business	41	92	190
	Reinsurance accepted	42		
	Reinsurance ceded	43	15351	22894
Debenture loans	Secured	44		
	Unsecured	45		
Amounts owed to credit institutions	46	22254	113	
Creditors	Taxation	47		
	Foreseeable dividend	48		
	Other	49	127798	124747
Accruals and deferred income	51	3665	1401	
Total (19 to 51)	59	3425158	2875256	
Provision for "reasonably foreseeable adverse variations"	61			
Cumulative preference share capital	62			
Subordinated loan capital	63			
Total (59 to 63)	69	3425158	2875256	

Amounts included in line 69 attributable to liabilities to related insurers, other than those under contracts of insurance or reinsurance	71		
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Amounts deducted from technical provisions for discounting	82		
Other adjustments (may be negative)	83	(39537)	(30002)
Capital and reserves	84	896929	796488
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)	85	4282550	3641742

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

Global business

Financial year ended **31 December 2010**

		Company registration number	GL/ UK/ CM	day	month	year	Units	
		R16	1810801	GL	31	12	2010	£000
				This financial year			Previous year	
				1			2	
Transfer (to)/from the general insurance business technical account	From Form 20		11			(336985)	(128246)	
	Equalisation provisions		12			(9535)	(9286)	
Transfer from the long term insurance business revenue account			13					
Investment income	Income		14			184368	174207	
	Value re-adjustments on investments		15			19994	62468	
	Gains on the realisation of investments		16			20036	45332	
Investment charges	Investment management charges, including interest		17					
	Value re-adjustments on investments		18			(5725)	10775	
	Loss on the realisation of investments		19					
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			11286	(741)	
Profit or loss on ordinary activities before tax (11+12+13+14+15+16-17-18-19-20+21)			29			(105111)	132959	
Tax on profit or loss on ordinary activities			31			(36016)	21811	
Profit or loss on ordinary activities after tax (29-31)			39			(69095)	111148	
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			(69095)	111148	
Dividends (paid or foreseeable)			51					
Profit or loss retained for the financial year (49-51)			59			(69095)	111148	

General insurance business : Summary of business carried on

Name of insurer **Direct Line Insurance plc**

Global business

Financial year ended **31 December 2010**

Category number	FSA return general insurance business reporting category	Company registration number	GL/UK/CM	day month year			units
		R20A	1810801	GL	31	12	2010
				Provision for undiscounted gross claims outstanding at the end of this financial year			
		Gross Premium written in this financial year		Reported	Incurred but not reported		Provision for gross unearned premium at the end of this financial year
		1		2	3		4
1	Total business	1	1726931	1568154	2050669		819686
2	Total primary (direct) and facultative business	2	1726931	1568154	2050669		819686
3	Total treaty reinsurance accepted business	3					

110	Total primary (direct) and facultative accident and health (category numbers 111 to 114)	4	12306	2178	236		4689
120	Total primary (direct) and facultative personal lines motor business (category numbers 121 to 123)	5	1135531	1434222	1975664		556644
160	Primary (direct) and facultative household and domestic all risks	6	315864	93412	44747		162538
180	Total primary (direct) and facultative personal lines financial loss (category numbers 181 to 187)	7	234924	25819	22405		80161
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	21392	8617	2846		12152
270	Total primary (direct) and facultative commercial lines liability business (category numbers 271 to 274)	10	6914	3906	4771		3502
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	1726931	1568154	2050669		819686

General insurance business : Summary of business carried on

Name of insurer Direct Line Insurance plc

Global business

Financial year ended 31 December 2010

Category number	FSA return general insurance business reporting category	Company registration number	GL/ UK/ CM	day month year			units
		R20A	1810801	GL	31	12	2010
				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	12279	2169	213	4675	
114	Personal accident or sickness	24	27	9	23	14	
121	Private motor - comprehensive	25	1091486	1286400	1887561	535117	
122	Private motor - non-comprehensive	26	44045	147822	88103	21527	
123	Motor cycle	27					
160	Household and domestic all risks (equals line 6)	28	315864	93412	44747	162538	
181	Assistance	29	86586	4041	1669	42284	
182	Creditor	30	8999	1293	3077		
183	Extended warranty	31					
184	Legal expenses	32	76386	13091	12989	37877	
185	Mortgage indemnity	33					
186	Pet insurance	34	62953	7394	4670		
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	21115	8034	2788	12012	
262	Consequential loss	45	277	583	58	140	
263	Contractors or engineering all risks	46					
271	Employers liability	47					
272	Professional indemnity	48					
273	Public and products liability	49	6914	3906	4771	3502	
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 2010

Category number	FSA return general insurance business reporting category	Company registration number	GU/UK/CM	day month year			units
		R20A	1810801	GL	31	12	2010
		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 marine and transport

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				

Primary (direct) and facultative miscellaneous

400	Miscellaneous primary (direct) and facultative business (equals line 15)	72				
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Non-proportional treaty

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				

Proportional treaty

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				

Treaty Reinsurance Miscellaneous

700	Miscellaneous treaty reinsurance accepted business (equals line 18)	101				
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	Total (lines 21 to 101)	111	1726931	1568154	2050669	819686
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General insurance business : Technical account (excluding equalisation provisions)Name of insurer **Direct Line Insurance plc**

Global business

Financial year ended **31 December 2010****Total business**

		Company registration number	GL/ UK/ CM	day	month	year	Units	Category number	
		R20	1810801	GL	31	12	2010	£000	001
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				1720002	1727599	
	Claims incurred	(22.17.4)	12				1564533	1360964	
	Claims management costs	(22.18.4)	13				59750	54622	
	Adjustment for discounting	(22.52.4)	14				143335		
	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				305365	330429	
	Balance of year's underwriting (11-12-13+14-15+16-17)		19				(66311)	(18416)	
Adjustment for prior years' underwriting (accident year accounting)	Earned premium	(21.11.5)	21						
	Claims incurred	(22.13.4)	22				777297	86115	
	Claims management costs	(22.14.4)	23				33816	27061	
	Adjustment for discounting	(22.51.4)	24				540439	3346	
	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				(270674)	(109830)	
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				(336985)	(128246)	
Allocated investment income			51						
Transfer to non-technical account (49+51)			59				(336985)	(128246)	

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

Global business

Financial year ended **31 December 2010****Total primary (direct) and facultative business**

	Company registration number	GL/UK/CM	day	month	year	Units	Category number	
	R20	1810801	GL	31	12	2010	£000	002
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				1720002	1727599	
	Claims incurred (22.17.4)	12				1564533	1360964	
	Claims management costs (22.18.4)	13				59750	54622	
	Adjustment for discounting (22.52.4)	14				143335		
	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				305365	330429	
	Balance of year's underwriting (11-12-13+14-15+16-17)	19				(66311)	(18416)	
Adjustment for prior years' underwriting (accident year accounting)	Earned premium (21.11.5)	21						
	Claims incurred (22.13.4)	22				777297	86115	
	Claims management costs (22.14.4)	23				33816	27061	
	Adjustment for discounting (22.51.4)	24				540439	3346	
	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				(270674)	(109830)	
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				(336985)	(128246)	
Allocated investment income		51						
Transfer to non-technical account (49+51)		59				(336985)	(128246)	

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

Global business

Financial year ended **31 December 2010****Total primary (direct) and facultative personal lines motor business**

		Company registration number	GL/UK/CM	day	month	year	Units	Category number	
		R20	1810801	GL	31	12	2010	£000	120
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				1146824	1171632	
	Claims incurred (22.17.4)		12				1257079	1085121	
	Claims management costs (22.18.4)		13				46393	42322	
	Adjustment for discounting (22.52.4)		14				143335		
	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				150842	177701	
	Balance of year's underwriting (11-12-13+14-15+16-17)		19				(164155)	(133512)	
Adjustment for prior years' underwriting (accident year accounting)	Earned premium (21.11.5)		21						
	Claims incurred (22.13.4)		22				795106	92772	
	Claims management costs (22.14.4)		23				27360	21283	
	Adjustment for discounting (22.51.4)		24				540439	3346	
	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				(282027)	(110709)	
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				(446182)	(244221)	
Allocated investment income			51						
Transfer to non-technical account (49+51)			59				(446182)	(244221)	

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

Global business

Financial year ended **31 December 2010****Primary (direct) and facultative household and domestic all risks**

		Company registration number	GL/ UK/ CM	day	month	year	Units	Category number	
		R20	1810801	GL	31	12	2010	£000	160
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				302950	294892	
	Claims incurred (22.17.4)		12				213291	183623	
	Claims management costs (22.18.4)		13				8577	7760	
	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				61854	63780	
	Balance of year's underwriting (11-12-13+14-15+16-17)		19				19228	39729	
Adjustment for prior years' underwriting (accident year accounting)	Earned premium (21.11.5)		21						
	Claims incurred (22.13.4)		22				(29971)	(7168)	
	Claims management costs (22.14.4)		23				4026	3965	
	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				25945	3203	
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				45172	42932	
Allocated investment income			51						
Transfer to non-technical account (49+51)			59				45172	42932	

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

Global business

Financial year ended **31 December 2010****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	2010	£000	180
Items to be shown net of reinsurance				This financial year			Previous year	
				1			2	
This year's underwriting (accident year accounting)	Eamed premium (21.19.5)		11			238285		234779
	Claims incurred (22.17.4)		12			71018		73873
	Claims management costs (22.18.4)		13			3612		3748
	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			68593		65459
	Balance of year's underwriting (11-12-13+14-15+16-17)		19			95062		91699
Adjustment for prior years' underwriting (accident year accounting)	Eamed premium (21.11.5)		21					
	Claims incurred (22.13.4)		22			11568		538
	Claims management costs (22.14.4)		23			2149		1637
	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			(13717)		(2175)
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			81345		89524
Allocated investment income			51					
Transfer to non-technical account (49+51)			59			81345		89524

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

Global business

Financial year ended **31 December 2010****Balance of all primary (direct) and facultative business**

		Company registration number	GL/UK/CM	day	month	year	Units	Category number	
		R20	1810801	GL	31	12	2010	£000	409
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	31943	26296					
	Claims incurred (22.17.4)	12	23145	18347					
	Claims management costs (22.18.4)	13	1168	792					
	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	24076	23489					
	Balance of year's underwriting (11-12-13+14-15+16-17)	19	(16446)	(16332)					
Adjustment for prior years' underwriting (accident year accounting)	Earned premium (21.11.5)	21							
	Claims incurred (22.13.4)	22	594	(27)					
	Claims management costs (22.14.4)	23	280	176					
	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	(874)	(149)					
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	(17320)	(16481)			
Allocated investment income				51					
Transfer to non-technical account (49+51)				59	(17320)	(16481)			

General insurance business (accident year accounting) : Analysis of premiumsName of insurer **Direct Line Insurance plc**

Global business

Financial year ended **31 December 2010**

Total business

		Company registration number	GL/UK/CM	day month year			Units	Category number	
		R21	1810801	GL	31	12	2010	£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			
		1		3		5			
In respect of risks incepted in previous financial years	11								
		Earned in this financial year	Unearned at end of this financial year	Earned in this financial year	Unearned at end of this financial year	Earned in this financial year	Unearned at end of this financial year		
		1	2	3	4	5	6		
In respect of risks incepted in previous financial years	12	(6903)		(196)		(6707)			
In respect of risks incepted in this financial year	For periods of less than 12 months	13	6206	1278	39		6167	1278	
	For periods of 12 months	14	907942	818408	8171	17749	899771	800659	
	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	841679		20908		820771			
Total (12 to 16)	19	1748924	819686	28922	17749	1720002	801937		

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

Name of insurer Direct Line Insurance plc

Global business

Financial year ended

31 December 2010

Total primary (direct) and facultative business

	R21	Company registration number	GL/UK/CM	GL	31	12	2010	Units	Category number
		1810801		GL				£000	002
		Gross premiums written		Reinsurers' share		Net of reinsurance			
Premiums receivable during the financial year		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
		(6903)		(196)			(6707)		
In respect of risks incepted in previous financial years	12								
For periods of less than 12 months	13	6206		39			6167		1278
For periods of 12 months	14	907942		8171		17749	899771		800659
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	841679		20908			820771		
Total (12 to 16)	19	1748924		28922		17749	1720002		801937

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

Name of insurer **Direct Line Insurance plc**

Global business

Financial year ended **31 December 2010**

Total primary (direct) and facultative personal lines motor business

	Company registration number	GL/UK/CM	day month year			Units	Category number
			31	12	2010		
R21	1810801	GL			£000	120	
	Gross premiums written		Reinsurers' share			Net of reinsurance	
Premiums receivable during the financial year	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	6	5		
In respect of risks incepted in previous financial years	11						
	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	Earned in this financial year	Unearned at end of this financial year
	1	3	2	4	6	6	6
In respect of risks incepted in previous financial years	12	(3574)	(38)		(3536)		
In respect of risks incepted in this financial year	13						
For periods of less than 12 months							
For periods of 12 months	14	582461	556644	2880	578431	553764	
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	580146			571929		
Total (12 to 16)	19	1159033	556644	2880	1146824	553764	

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

Name of insurer Direct Line Insurance plc

Global business

Financial year ended 31 December 2010

Primary (direct) and facultative household and domestic all risks

	Company registration number	GL/UK/CM	day month year			Units	Category number
			31	12	2010		
	1810801	GL			£000	160	
			Reinsurers' share				
			Earned in previous financial years 3	Earned in previous financial years 5			
			Net of reinsurance				
Premiums receivable during the financial year							
In respect of risks incepted in previous financial years							
			Earned in this financial year 1	Unearned at end of this financial year 2	Earned in this financial year 5	Unearned at end of this financial year 6	
			1	2	5	6	
In respect of risks incepted in previous financial years							
			(3329)	(158)	(3171)		
In respect of risks incepted in this financial year							
For periods of less than 12 months							
For periods of 12 months			156655	162538	13767	148771	
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							
			164750	12156	152594		
Total (12 to 16)			318076	162538	13767	148771	

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

Name of insurer **Direct Line Insurance plc**

Global business

Financial year ended

31 December 2010

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

	Company registration number	GL/UK/CM	day month year			Units	Category number
			31	12	2010		
	1810801	GL			£000	180	
	Gross premiums written		Reinsurers' share			Net of reinsurance	
Premiums receivable during the financial year	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		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	
			2	4	5	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	2937		1002		2937	1002	
For periods of 12 months	151825	20	79159		151805	79159	
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	83543				83543		
Total (12 to 16)	238305	20	80161		238285	80161	

General insurance business (accident year accounting) : Analysis of premiumsName of insurer **Direct Line Insurance plc**

Global business

Financial year ended **31 December 2010****Balance of all primary (direct) and facultative business**

		Company registration number	GL/UK/CM	day month year			Units	Category number	
		R21	1810801	GL	31	12	2010	£000	409
		Gross premiums written		Reinsurers' share		Net of reinsurance			
		Earned in previous financial years		Earned in previous financial years		Earned in previous financial years			
		1		3		5			
In respect of risks incepted in previous financial years	11								
		Earned In this financial year	Unearned at end of this financial year	Earned In this financial year	Unearned at end of this financial year	Earned In this financial year	Unearned at end of this financial year		
		1	2	3	4	5	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	13	3269	276	39		3230	276	
	For periods of 12 months	14	17001	20067	993	1102	16008	18965	
	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	13240		535		12705			
Total (12 to 16)	19	33510	20343	1567	1102	31943	19241		

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 2010**

Total business

		Company registration number	GL/ UK/ CM	day month year			Units	Category number	
		R22	1810801	GL	31	12	2010	£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	1860862		573610		2653377	1366125	
	Reinsurers' share	12	204018		12298		780548	588828	
	Net (11-12)	13	1656844		561312		1872829	777297	
	Claims management costs	14	31003		44669		20150	33816	
Claims incurred in respect of incidents occurring in this financial year	Gross amount	15			629592		965448	1595040	
	Reinsurers' share	16			914		29593	30507	
	Net (15-16)	17			628678		935855	1564533	
	Claims management costs	18			49029		10721	59750	
Provision for unexpired risks		19							
Net operating expenses	Commissions	21	1951		7884		939	8896	
	Other acquisition expenses	22	60309		120229		58861	121677	
	Administrative expenses	23			174792			174792	
	Reinsurance commissions and profit participations	24							
	Total (21+22+23-24)	29	62260		302905		59800	305365	
Adjustments for discounting in respect of the items shown at lines 11 to 18 above	Gross amount	31	79486				1293131	1213645	
	Reinsurers' share	32	69519				599390	529871	
	Claims management costs	33							
	Total (31-32+33)	39	9967				693741	683774	
Split of line 29	Prior financial years	41							
	This financial year	42	62260		302905		59800	305365	
Split of line 39	Incidents occurring prior to this financial year	51	9967				550406	540439	
	Incidents occurring in this financial year	52					143335	143335	

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 2010

Total primary (direct) and facultative business

		Company registration number	GL/ UK/ CM	day month year			Units	Category number	
		R22	1810801	GL	31	12	2010	£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	1860862		573610		2653377	1366125	
	Reinsurers' share	12	204018		12298		780548	588828	
	Net (11-12)	13	1656844		561312		1872829	777297	
	Claims management costs	14	31003		44669		20150	33816	
Claims incurred in respect of incidents occurring in this financial year	Gross amount	15			629592		965448	1595040	
	Reinsurers' share	16			914		29593	30507	
	Net (15-16)	17			628678		935855	1564533	
	Claims management costs	18			49029		10721	59750	
Provision for unexpired risks		19							
Net operating expenses	Commissions	21	1951		7884		939	8896	
	Other acquisition expenses	22	60309		120229		58861	121677	
	Administrative expenses	23			174792			174792	
	Reinsurance commissions and profit participations	24							
	Total (21+22+23-24)	29	62260		302905		59800	305365	
Adjustments for discounting in respect of the items shown at lines 11 to 18 above	Gross amount	31	79486				1293131	1213645	
	Reinsurers' share	32	69519				599390	529871	
	Claims management costs	33							
	Total (31-32+33)	39	9967				693741	683774	
Split of line 29	Prior financial years	41							
	This financial year	42	62260		302905		59800	305365	
Split of line 39	Incidents occurring prior to this financial year	51	9967				550406	540439	
	Incidents occurring in this financial year	52					143335	143335	

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 2010

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	2010	£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	1688153		480097		2592511	1384455	
	Reinsurers' share	12	201947		13796		777500	589349	
	Net (11-12)	13	1486206		466301		1815011	795106	
	Claims management costs	14	29313		37416		19257	27360	
Claims incurred in respect of incidents occurring in this financial year	Gross amount	15			468992		817375	1286367	
	Reinsurers' share	16					29288	29288	
	Net (15-16)	17			468992		788087	1257079	
	Claims management costs	18			36551		9842	46393	
Provision for unexpired risks		19							
Net operating expenses	Commissions	21	1252		4568		555	5265	
	Other acquisition expenses	22	29643		52705		25706	56642	
	Administrative expenses	23			88935			88935	
	Reinsurance commissions and profit participations	24							
	Total (21+22+23-24)	29	30895		146208		26261	150842	
Adjustments for discounting in respect of the items shown at lines 11 to 18 above	Gross amount	31	79486				1293131	1213645	
	Reinsurers' share	32	69519				599390	529871	
	Claims management costs	33							
	Total (31-32+33)	39	9967				693741	683774	
Split of line 29	Prior financial years	41							
	This financial year	42	30895		146208		26261	150842	
Split of line 39	Incidents occurring prior to this financial year	51	9967				550406	540439	
	Incidents occurring in this financial year	52					143335	143335	

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 2010

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	2010	£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	119847	59590	29939	(30318)			
	Reinsurers' share	12	2071	(1498)	3222	(347)			
	Net (11-12)	13	117776	61088	26717	(29971)			
	Claims management costs	14	1011	4644	393	4026			
Claims incurred in respect of incidents occurring in this financial year	Gross amount	15		105323	108220	213543			
	Reinsurers' share	16			252	252			
	Net (15-16)	17		105323	107968	213291			
	Claims management costs	18		8208	369	8577			
Provision for unexpired risks		19							
Net operating expenses	Commissions	21	699	1575	384	1890			
	Other acquisition expenses	22	15869	37267	18193	34943			
	Administrative expenses	23		25021		25021			
	Reinsurance commissions and profit participations	24							
	Total (21+22+23-24)	29	16568	63863	18577	61854			
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	16568	63863	18577	61854			
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 2010

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	2010	£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	40142		29770		21940	11568	
	Reinsurers' share	12							
	Net (11-12)	13	40142		29770		21940	11568	
	Claims management costs	14	403		2285		267	2149	
Claims incurred in respect of incidents occurring in this financial year	Gross amount	15			44734		26284	71018	
	Reinsurers' share	16							
	Net (15-16)	17			44734		26284	71018	
	Claims management costs	18			3448		164	3612	
Provision for unexpired risks		19							
Net operating expenses	Commissions	21			1606			1606	
	Other acquisition expenses	22	7695		18053		8509	17239	
	Administrative expenses	23			49748			49748	
	Reinsurance commissions and profit participations	24							
	Total (21+22+23-24)	29	7695		69407		8509	68593	
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	7695		69407		8509	68593	
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 2010

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	2010	£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	12720		4153		8987	420	
	Reinsurers' share	12					(174)	(174)	
	Net (11-12)	13	12720		4153		9161	594	
	Claims management costs	14	277		324		233	280	
Claims incurred in respect of incidents occurring in this financial year	Gross amount	15			10543		13569	24112	
	Reinsurers' share	16			914		53	967	
	Net (15-16)	17			9629		13516	23145	
	Claims management costs	18			822		346	1168	
Provision for unexpired risks		19							
Net operating expenses	Commissions	21			135			135	
	Other acquisition expenses	22	7102		12204		6453	12853	
	Administrative expenses	23			11088			11088	
	Reinsurance commissions and profit participations	24							
	Total (21+22+23-24)	29	7102		23427		6453	24076	
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	7102		23427		6453	24076	
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 2010

Total business

R23	1810801	GL	31	12	2010	£000	001
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Company registration number
 GU UK/ registration number
 day month year
 Units
 Category number

Claims ratio	Deduction for original claims reserve %	13	12	11	10	9	8	7	6	5	4	3	2	1	Accident year ended	
															Month	Year
Claims paid (net) during the account year	Claims paid (net) at the end of the accident year	Claims outstanding (net) at the 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	Claims outstanding carried forward	Claims outstanding brought forward	Claims incurred (net) during this financial year (4+5+6-7-8)	Claims incurred (net) during other years developed from claims (net)	Deduction for outstanding claims carried forward	Earned premiums (net)	Deduction for original claims reserve %	12	11	10	9	8
91.0																
93.2																
83.0	43.3	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12
84.7	19.2	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12
73.4	12.3	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12
68.1	(2.1)	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12
64.8	0.2	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12
67.6	2.3	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12
65.5	(14.9)	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12
65.1	(21.9)	12	12	12	12	12	12	12	12	12	12	12	12	12	12	12
		21	21	21	21	21	21	21	21	21	21	21	21	21	21	21
		Prior accident years														
		22	Reconciliation													
		29	Total (11 to 22)													

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 2010

Total primary (direct) and facultative business

Accident year ended	Month	Year	Company registration number		GL UK/ CII	day month year		Units	Category number						
			R23	1810801		31 12 2010	£000								
			Claims paid (net) during the accident year	Claims outstanding (net) as at the 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	Claims outstanding carried forward	Claims outstanding brought forward	Claims incurred (latest year) or developed during this financial year (4+5+6-7-8)	Deduction for discounting from claims outstanding carried forward (net)	Earned premiums (net)	Deterioratory (surplus) of original claims reserve %	Claims ratio %		
			1	2	3	4	5	6	7	8	9	10	11	12	13
12	2010	11				628678	413797	522058			1564534	143335	1720002		81.0
12	2009	12	645486	715478		316225	288609	352167	445191	270287	249523	173992	1727599	34.9	93.2
12	2008	13	602470	552647	277860	85328	176987	251948	242087	80024	192152	144319	1680183	43.3	83.0
12	2007	14	475518	619887	395074	57155	168126	117588	200225	51380	92254	61419	1434188	18.2	84.7
12	2006	15	482882	436039	277092	44579	83981	84008	126435	25403	60710	47364	1325157	12.3	73.4
12	2005	16	492608	437076	288749	28849	58266	55831	80732	13858	46356	36208	1350925	(2.1)	68.1
12	2004	17	382004	373709	301808	12566	27437	32708	37565	4354	30792	18651	1168020	0.2	64.8
12	2003	18	356036	294026	221934	6167	28020	43705	29759	6833	42200	31609	972182	2.3	67.6
12	2002	19	310528	252290	187428	3129	10187	13927	11547	2753	12943	3314	802328	(14.9)	65.5
12	2001	20	258670	255054	174391	2058	8263	14604	9549	1407	13969	8967	704521	(21.9)	65.1
Prior accident years						5254	26456	22031	15945	1400	36396	24563			
Reconciliation															
Total (11 to 22)						1189888	1288109	1510576	1198035	457809	2341829	693741			

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 2010

Total primary (direct) and facultative personal lines motor business

R23	1810801	GL	31	12	2010	£000	120
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Company registration number
 GV UK/CI number
 day month year
 Units
 Category number

Accident year ended	Month	Year	1	2	3	4	5	6	7	8	9	10	11	12	13	
			Claims paid (net) during the accident year	Claims paid (not as at end of the accident year) since the end of the accident year but prior to this financial year	Total claims paid (net) since the end of the accident year	Claims paid (net) during this financial year	Claims outstanding carried forward	Claims outstanding carried (net) but not reported	Reported (net) incurred but not reported	Reported (net) incurred but not reported during this financial year	Claims incurred (developed from claims (latest year) or outstanding from claims (other years) during this financial year) (4+5+6+7+8)	Production for discounting (net) outstanding carried forward	Production for discounting (net) from claims	Earned premiums (net)	Deterioration/claims ratio % (surplus) of original claims reserve %	Claims ratio %
2010	12	2010				46892	321412	46675		1257079		143335	1146824		109.6	
2009	12	2009	48034	604287			24423	27795	340262	372763	231524	258193	173992	1171632	42.7	114.7
2008	12	2008	44821	45766	213672	75446	168357	249482	227014	72244	184027	144318	1147972	54.5	100.6	
2007	12	2007	33629	48567	283864	52661	164056	116365	181259	45866	85937	61419	981667	27.0	97.1	
2006	12	2006	36746	35969	211733	40716	80057	83341	119707	21549	62858	47364	902952	15.6	86.8	
2005	12	2005	36233	36712	225289	27323	54264	55348	77346	12150	47457	36208	927595	(1.5)	78.2	
2004	12	2004	28941	321150	246568	11775	26441	32721	36153	3337	31447	18651	79491	(1.1)	76.0	
2003	12	2003	271811	24264	176381	5650	28447	43437	28795	5428	43311	31609	685475	4.0	76.7	
2002	12	2002	228358	201464	158116	2872	9927	13945	11011	2592	13141	3314	566247	(9.2)	72.8	
2001	12	2001	192455	205002	144275	1972	8193	14649	9434	1314	14068	8967	473490	(17.5)	76.4	
Prior accident years			21				3461	25912	21991	15384	1313	34668	24563			
Reconciliation			22													
Total (1 to 22)			29				935291	1164881	1438216	1088668	387337	2052184	693741			

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 2010

Primary (direct) and facultative household and domestic all risks

R23	1810801	GL	31	12	2010	E000	160
Company registration number	GL	UW	day month year	Units	Category number		

Accident year ended	Month	Year	1	2	3	4	5	6	7	8	9	10	11	12	13
			Claims paid (net) during the accident year	Claims paid (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	Claims outstanding carried forward	Claims outstanding carried forward (net)	Incurred but not reported (net)	Incurred but not reported (net) during this financial year	Claims incurred (last year) or developed from claims (other years) during this financial year (4+5+6-7-8)	Deduction for outstanding claims (net)	Earned premiums (net)	Denominator (surplus) of original claims reserve %	Claims ratio %

12	2010	11	103886	79737	48892	11425	3288	53757	25980	(16132)	294892	(20.2)	58.8
12	2009	12	98044	67429	45408	5182	4735	540	8705	4276	287540	(17.1)	53.5
12	2007	12	93128	115525	87750	1912	2128	116	5086	4917	238350	(20.4)	78.3
12	2008	12	73658	56242	42828	2155	1865	297	3738	3324	221234	(16.2)	54.8
12	2005	12	88902	53955	44108	421	1082	337	1822	1812	219213	(14.8)	61.5
12	2004	12	58923	41471	40301	280	309	(88)	628	952	191982	(1.6)	52.5
12	2003	12	55594	34929	33225	305	186	90	1488	(1424)	148539	(3.2)	59.8
12	2002	12	46572	29141	20416	126	68	(29)	283	104	105821	(29.4)	63.5
12	2001	12	36084	22908	16955	61	4	(71)	42	36	98497	(26.0)	53.9
Prior accident years		21			1783	410	7	448	54	1678			
Reconciliation		22											
Total (11 to 22)		29			166410	92775	41910	75034	42743	183318			

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 2010

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

R23	1810801	GL	31	12	2010	0000	180
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Claims ratio %	Deterioration/ original claims reserve %	13	Accident year ended		1	2	3	4	5	6	7	8	9	10	11	12
			Month	Year												
Claims paid (net) during the accident year	Claims paid (not as at end of the accident year)	Claims Total claims paid (net) since the end of the accident year but prior to this financial year	Claims outstanding carried forward	Claims outstanding carried forward (net)	Reported (net) incurred but not reported	Reported (net) incurred but not reported	Reported (net) incurred but not reported	Reported (net) incurred but not reported	Reported (net) incurred but not reported	Reported (net) incurred but not reported	Reported (net) incurred but not reported	Reported (net) incurred but not reported	Reported (net) incurred but not reported	Reported (net) incurred but not reported	Reported (net) incurred but not reported	Reported (net) incurred but not reported

29.8		12	2010	11			44734	10882	15603				71019		238285		29.8
33.9		12	2009	12	52536	21335		19117	4714	3240	12307	9028	5736		234779		33.9
33.5		12	2008	13	49905	22288	15996	4441	3374	1817	5440	2313	1879		22532		33.5
34.3		12	2007	14	41020	16319	21739	2575	2927	1031	3862	578	2093		201979		34.3
33.0		12	2006	15	36773	18320	21057	1676	1826	359	2769	423	669		187038		33.0
28.5		12	2005	16	35844	13184	16416	1028	872	133	1532	81	420		190378		28.5
26.1		12	2004	17	28037	9873	13932	537	660	17	756	52	406		165378		26.1
28.6		12	2003	18	24685	13684	11417	211	378	172	438	13	310		129003		28.6
33.8		12	2002	19	30854	19344	9897	131	191	1	242	56	25		121471		33.8
32.5		12	2001	20	27490	25280	12357	25	66	9	63	52	(15)		122854		32.5
		Prior accident years		21				30	130	24	107	30	47				
		Reconciliation		22													
		Total (11 to 22)		29													

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 2010**

Balance of all primary (direct) and facultative 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			2010
											1810801				409	
	12	2010	11			9629	11138	2378			10		11		12	13
	12	2009	12	10119		3793	2675	5377	3755		23145		31943			72.5
	12	2008	13	5284	2784	249	521	109	928		1726		26296	17.1	76.3	
	12	2007	14	2156	1721	7	17	75	18	9	73		14193	(30.4)	53.1	
	12	2006	15	1809	1474	32	213	11	223	107	(74)		13933	(4.4)	44.7	
	12	2005	16	2025	937	77	28	13	30	15	73		13739	(47.9)	45.0	
	12	2004	17	4103	1106	(6)	27	38	28	13	18		11169	(4.1)	47.2	
	12	2003	18	3946	910	1	9	6	9	4	3		8165	(19.4)	56.7	
	12	2002	19	3744	998		1	10	1	1	9		8789	(56.9)	54.1	
	12	2001	20	3631	804			17	10	5	2		9580	(55.7)	46.5	
Prior accident years		21					3	9	3	3						
Reconciliation		22														
Total (11 to 22)		29				13782	14632	8044	7617	5103	23738					

General insurance business : Expected income and yield from admissible assets covering discounted provisions

Name of insurer Direct Line Insurance plc

Global business

Financial year ended

31 December 2010

Company registration number
 1810801
 GL
 31 12 2010
 31 12 2010
 day month year
 Units

Form 30 (Sheet 1)

Major currencies	Reporting territory code	Total admissible assets as shown on Form 13	1		2	3	4	5	6	7	8			9	10	11							
			Admissible assets hypothecated to cover the provision for outstanding claims being discounted								Expected income from assets included in column 2		Yield %				Technical provisions	Before deduction for discounting	Deduction for discounting	Unwind in the discount in the next financial year	Highest	Lowest	Average rate
			396247	188481							2047752	1016174											
GBP				4.7																			
Total																							
Other currencies																							

General insurance business : Expected income and yield from admissible assets covering discounted provisions

Name of insurer Direct Line Insurance plc

Global business

Financial year ended

31 December 2010

Company registration number 1810801
GLU/UK/CM
day month year 31 12 2010
Units

R30	1810801	Value of admissible assets as shown on Form 13	1	Admissible assets hypothecated to cover the provision for outstanding claims being discounted	2	Expected income from assets included in column 2		Yield %
						31	12 2010	
Type of asset						3	4	4
Land and buildings	31	83766		83766		7036		8.4
Fixed interest securities				1034916		20698		2.0
				1212999		42455		3.5
Variable interest and variable yield securities (excluding items shown at line 36)								
				135352		4467		3.3
Equity shares and holdings in collective investment schemes	36			273243		6558		2.4
Loans secured by mortgages	37							
All other assets				1179647		107267		9.1
				66325				
Total	49			3986247		188481		4.7

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

Reporting Territory

United Kingdom other than home foreign

Financial year ended 31 December 2010

Reporting territory code

Primary (direct) and facultative household and domestic all risks

Company registration number

day month year

Monetary units

Category number

Reporting territory code

Accident year ended	R31		Company registration number		GL/UK/CM	day month year		Monetary units	Category number	Currency code	Reporting territory code
	Month	Year	1810801	GL	31	12	2010	000	160	GBP	AA
	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 %
	Closed at some cost during this or previous financial years	Reported claims outstanding	In previous financial years	In this financial year	Reported	Incurred but not reported	Reported	Incurred but not reported			
	1	2	3	4	5	6	7	8	9	10	11
12	2010	11	70886	35346	105323	37855	53757	26552	213543	318076	67.1
12	2009	12	100714	2352	48892	3809	8705	4592	(16183)	311850	53.9
12	2008	13	109847	492	143452	1282	5086	5163	(2088)	303894	50.9
12	2007	14	133700	268	222190	798	3736	3360	(5413)	293813	77.3
12	2006	15	135362	163	148735	376	1822	1641	(2700)	293045	52.3
12	2005	16	153618	64	168606	420	843	953	(1540)	289055	59.0
12	2004	17	146145	25	143007	63	704	1488	(937)	283405	50.7
12	2003	18	144703	30	147353	196	369	104	(1324)	257928	57.5
12	2002	19	172021	13	149311	120	52	36	(106)	234180	63.9
12	2001	20	143637	3	121715	1	1030	54	(5)	216854	56.2
Prior accident years		21		11	149	26	43943	43943	(23)		
Total (11 to 21)		29		38767	164912	44746	75904	43943	183224		
Line 29 expressed in sterling		30			164912	44746	75904	43943	183224		

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

Reporting Territory

United Kingdom other than home foreign

Financial year ended

31 December 2010

Reporting territory code

AA

Assistance

Company registration number

1810801

GL/UK/CM

GL

day month year

31 12 2010

Monetary units

000

Category number

181

Currency code

GBP

Accident year ended	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 %	
	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				
Month	Year	1	2	3	4	5	6	7	8	9	10	11
12	2010	11	311721	26223	26192	1264	1383	2296	1449	28839	86264	33.4
12	2009	12	319643	12429	23016	298	1	543	206	(1371)	89112	28.5
12	2008	13	328731	8897	23864	534	83	623	20	(124)	90399	26.9
12	2007	14	349354	4142	26621	623	80	623	20	61	91036	30.0
12	2006	15	413318	3973	27079	572	50	572	3	48	88950	30.8
12	2005	16	423957	2548	26759	365	33	366	2	30	86210	31.5
12	2004	17	420283	1653	25831	236	21	236	1	20	81574	32.0
12	2003	18	422037	942	25483	134	13	135	1	11	74930	34.2
12	2002	19	411703	84	27415	13	1	13		2	67028	40.9
12	2001	20	328360	40	20258	3	3	3	2	1	47889	42.3
Prior accident years		21										
Total (11 to 21)		29		60941	28278	4042	1688	4787	1684	27517		
Line 28 expressed in sterling		30			28278	4042	1688	4787	1684	27517		

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 2010**

Private motor - comprehensive

AA	GL	31	12	2010	000	121	GBP
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Accident year ended	Month	Year	Closed at same cost during this or previous year		Number of claims		Gross claims paid		Gross claims outstanding		Gross claims outstanding brought forward		Claims incurred (latest year) or developed (other years) during this financial year (4+5+6+7+8)		Gross premiums earned	Claims ratio %	Vehicle frequency (000s) years	Claims frequency %
			Reported claims outstanding	In previous financial years	Gross claims paid	In previous financial years	Reported	In previous financial year	Reported but not reported	In previous financial year	Reported	In previous financial year	Reported but not reported	In previous financial year				
12	12	2010	11	339738	126796	458053	306305	482502		1246860	1108954	112.4	3011	15.5	15.5	18.1	16.4	
12	12	2009	12	458439	26530	463245	256307	373079	345197	207431	302615	118.4	3142	15.5	16.4	17.2	17.3	
12	12	2008	13	470530	8266	616623	65724	157227	357725	206252	61780	312644	1071314	111.8	2822	16.4	17.2	
12	12	2007	14	506012	5596	696477	44505	145373	185196	169958	40737	164379	1037688	103.3	2970	17.2	17.3	
12	12	2006	15	521199	2537	690586	35032	116864	98792	143691	13581	93416	1036309	90.8	3023	17.3	16.9	
12	12	2005	16	511610	918	692405	25200	54133	96045	74892	10218	90268	1059620	81.9	3034	16.9	17.5	
12	12	2004	17	527904	366	707417	9916	40197	84686	46318	3325	85156	1041746	80.8	3013	17.5	18.0	
12	12	2003	18	545723	349	695284	3591	67974	67210	43775	4593	90407	1028826	81.0	3016	18.0	18.1	
12	12	2002	19	547858	192	745658	3300	7298	21059	8427	2295	20935	1019072	76.3	3039	18.0	17.9	
12	12	2001	20	480509	155	613515	2208	34711	36229	31648	1184	40316	650730	80.7	2683	17.9		
Prior accident years			21		152	3051	100011	65038	23169	733	164199							
Total (1 to 21)			29		173877	876437	1286400	1887561	1093327	345877	2611195							
Line 29 expressed in sterling			30			876437	1286400	1887561	1093327	345877	2611195							

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 **United Kingdom other than home foreign**
 Financial year ended **31 December 2010**
 Private motor - non-comprehensive

Accident year ended	Company registration number		GL UK CH		Reporting Territory		Monetary units		Category number		Currency code		Reporting territory code		
	Month	Year	R32	1810801	GL	31	12	2010	000	122	GBP	AA			
		1	2	3	4	Gross claims outstanding brought forward		Gross claims earned premiums		Claims ratio %		Vehicle years (000's)		Claims frequency %	
		Closed at same cost during this or previous years	Reported claims outstanding	In previous financial years	In the financial year	Reported	Injured but not reported	Incurred but not reported	Reported	Incurred but not reported	Claims incurred (latest year) or developed (other years) during this financial year (4+5+6-7-8)				
12	2010	11	2566	3189	10939	15106	13460	6	7	8	9	10	11	12	13
12	2009	12	8052	17589	18566	21528	27604	29424	27604	29424	(5640)	72420	95.2	162	5.9
12	2008	13	13712	868	45070	9721	21081	10809	27208	15501	(1098)	93596	92.6	254	5.7
12	2007	14	18426	610	62205	8156	32651	12094	32651	12094	6561	141312	80.3	330	5.8
12	2006	15	20862	252	72679	11162	30770	11265	30770	11265	4748	119085	100.3	374	5.7
12	2005	16	22907	106	66599	2123	8160	4082	8160	4082	(2177)	125482	61.1	357	6.4
12	2004	17	26310	38	78863	2613	9422	1152	9422	1152	2193	124592	71.9	378	7.0
12	2003	18	27949	59	75377	4838	17714	1014	17714	1014	5932	129706	77.1	383	7.3
12	2002	19	31737	30	90868	593	6334	424	6334	424	1227	128351	77.1	388	8.2
12	2001	20	29270	17	84187	759	685	138	685	138	56	107149	79.4	364	8.0
Prior accident years		21		43	3179	10539	7927	804	12524	804	8317				
Total (11 to 21)		29		6718	72649	147822	88103	75878	173072	75878	59824				
Line 28 expressed in sterling		30			72649	147822	88103	75878	173072	75878	59824				

Equalisation provisionsName of insurer **Direct Line Insurance plc**

Global business

Financial year ended **31 December 2010**

		Business grouping A (property)	Business grouping B (business interruption)	Company registration number	GL/UK/CM	day month year			Units
				R37	1810801	GL	31	12	2010
Calculation of the maximum provision		1	2	3	4	5	6		7
Total net premiums written in the previous 4 years	11	1087568	355						
Net premiums written in the current year	12	318357	256						
Maximum provision	13	56237	24				56261		

Calculation of the transfer to/from the provision

Equalisation provision brought forward	21						30002	
Transfers in	22	9551	8				9559	
Total abnormal loss	23		511					
Provisional transfers out	24		24				24	
Excess of provisional transfer out over fund available	25							
Provisional amount carried forward (21+22-24+25)	26						39537	
Excess, if any, of 26 over 13	27							
Equalisation provision carried forward (26-27)	28						39537	
Transfer in/(out) for financial year (28-21)	29						9535	

Equalisation provisions technical account : Accident year accounting

Name of insurer **Direct Line Insurance plc**

Global business

Financial year ended **31 December 2010**

		Company registration number	GL/ UK/ CM	day month year			Units	
		R38	1810801	GL	31	12	2010	£000
		Business grouping A (property) 1	Business grouping B (business interruption) 2	Business grouping C (marine and aviation) 3	Business grouping D (nuclear) 4			Business grouping E (non-proportional treaty) 5
Other than credit business								
Net premiums earned	11	316793	237					
Claims incurred net of reinsurance	12	183320	683					
Trigger claims value	13	229675	172					
Abnormal loss	19		511					
Trigger claims ratio		72.5%	72.5%	95%	25%			100%

Credit business

Net premiums earned	21	
Claims incurred net of reinsurance	22	
Claims management costs	23	
Net operating expenditure	24	
Technical surplus/ (deficit) (21-22-23-24)	29	

Returns under the Accounts and Statement Rules of the Interim Prudential Sourcebook for Insurers

Supplementary Notes to the Return

Name of Company **Direct Line Insurance plc**

Global Business

Financial year ended **31 December 2010**

***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**

	2010	2009
	£'000	£'000
Form 13 line 89	4,274,547	3,622,555
Form 15 line 69	<u>(3,425,158)</u>	<u>(2,875,256)</u>
Net admissible assets	849,389	747,299
Total capital resources after deductions (Form 3 line 79)	849,389	747,299

***0310* – Net Valuation Differences**

The following net valuation differences have been included in Form 3 to the Return:

	2010	2009
	£'000	£'000
Line 14 – positive valuation differences	nil	Nil
Line 35 – other negative valuation differences	39,537	30,002

The other negative valuation differences represent a claims equalisation reserve of £39,537,000 which has been included in the Company's statutory accounts as Other Reserves. (2009: £30,002,000)

***0313* – Reconciliation of Movement in Net Profit to Retained Loss For The Year**

	£'000
Form 3 col 3 line 12 (Reserves c/f)	741,929
Form 3 col 4 line 12 (Reserves b/f)	<u>(641,488)</u>
Movement in Reserves	100,441
Movement on Claims Equalisation Reserve	(9,535)
Capital Contribution	<u>(160,000)</u>
Form 16 Line 59 - Loss Retained For The Financial Year	<u>(69,094)</u>

Returns under the Accounts and Statement Rules of the Interim Prudential Sourcebook for Insurers

Supplementary Notes to the Return

Name of Company **Direct Line Insurance plc**

Global Business

Financial year ended **31 December 2010**

***1104* – Discounting**

Provisions for claims outstanding at Form 11 line 51 are shown net of discounting for Periodical Payment Order (PPO) liabilities which are awards made by the Courts Act 2003. These awards involve a series of payments at fixed intervals, guaranteed for a fixed number of years or the lifetime of one or more individuals. The PPO liabilities included in the technical provisions are either in respect of annuities which have been awarded or reserves which are being held in anticipation of an obligation to pay out future annuities once an order is made by the Courts. These liabilities have thus been treated as annuities for the purpose of this return.

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

As at 31 December 2010 the Company held the following investments:

	£'000
Holdings in collective investment schemes (Form 13 line 43)	<u>273,243</u>
	<u><u>273,243</u></u>

***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.

***1306* – Exposure to Large Counterparties**

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

	£'000
United Kingdom Great Britain (Government Bond)	844,187
Global Treasury Funds PLC	229,411
Lloyds Banking Group (Long term deposits and bonds)	185,070
RBS Group (Bonds, long term and short term deposits)	223,108

***1315* – Particulars of amounts included at line 83 – Other Assets**

	£'000
Current Tax Asset	21,098

***1501* – Provision for Reasonably Foreseeable Adverse Variations**

No provision is required in respect of foreseeable adverse variations. The Company has no derivative 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

Returns under the Accounts and Statement Rules of the Interim Prudential Sourcebook for Insurers

Supplementary Notes to the Return

Name of Company **Direct Line Insurance plc**

Global Business

Financial year ended **31 December 2010**

***1507* – Other Adjustment to Liabilities**

An amount of £39,537,000 has been included in Form 15 line 83 in respect of claims equalisation reserves. The claims equalisation reserve is now 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**

	2010	2009
	£'000	£'000
Loss on sale of property	-	(741)
Referral income	11,286	-
	<hr/> 11,286	<hr/> (741)

***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.

***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.

Returns under the Accounts and Statement Rules of the Interim Prudential Sourcebook for Insurers

Supplementary Notes to the Return

Name of Company **Direct Line Insurance plc**

Global Business

Financial year ended **31 December 2010**

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 2010, an amount of £172,700,000 was recharged to the Company by RBSIS. At 31 December 2010, the Company owed £35,581,000 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 2010.

3001 *3003* Discounting

An adjustment for discounting has been made in the following categories:

Private motor - comprehensive (121)

The expected yield used in Form 30 is the annualised interest received on a non-compounding basis, divided by the current FV of the assets.

The method used in calculating the deduction for discounting is based on the projection of expected claims cash payments including outstanding claims and IBNR. Using cash flows derived from the expected terms of the settlements, the assumed life expectancies and adjusted for the inflation agreed in the settlements, the effect of discounting is calculated as the difference between the present value of these cash flows arising using a discount rate of interest and the undiscounted value of these cash flows.

The rate of interest used in the discounting calculations is 4.5%.

Returns under the Accounts and Statement Rules of the Interim Prudential Sourcebook for Insurers

Supplementary Notes to the Return

Name of Company **Direct Line Insurance plc**

Global Business

Financial year ended **31 December 2010**

The expected average interval between the date of settlement for claims being discounted and the end of the financial year is 50 years on settled cases.

The criteria adopted for estimating the period that will elapse before claims are settled are as follows:
For each claim this is calculated as the mean of the insurer's and the claimant's expert medical advice on the claimant's life expectancy.

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 2010**

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
Berkshire Hathaway 3555 Farnam Street Suite 1440 Omaha NE 68131 USA	none	-	1,543	193	-	2,674
Headrow Reinsurance Ltd Post Office Box 33 Maison Trinity Trinity Square St Peter Port Guernsey GY1 4AT	Wholly owned subsidiary of RBS Group, the Company's ultimate parent. Proportional Treaty commuted as at 30/09/07	-	984	268	-	19,817
Lloyd's of London One Lime Street London EC3M 7HA	none	-	3,039	630	-	71
Munich Reinsurance Company Koniginstrasse 107 80802 Munchen Germany	none	-	4,122	1,699	-	67,661
Swiss Re Germany 30 St Mary Ave London EC3A 8EP	none	-	769	864	-	54,497
AXIS Specialty Limited Brandschenkestrasse 90 CH-8002 Zurich Switzerland	none	-	1,359	206	-	-
Everest Reinsurance Ltd 40 Lime Street London EC3M5BS	none	-	2,161	244	-	174

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 2010**

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 2010**

Cedant details As required by Rule 9.27:	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 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 2010**

Description of Cover	Period Covered	Limits	Reinstatements	Remarks	Risk Group
Motor Programme Excess of Loss					
1 st Layer	Risks attaching in 12 months at 1 January 2010	£15,000,000 xs £10,000,000	Unlimited Free	Full indexation clause applies to bodily injury claims	Motor Liability class
2 nd Layer	Risks attaching in 12 months at 1 January 2010	Unlimited xs £25,000,000	Unlimited Free	Full indexation clause applies to bodily injury claims	Motor Liability class
3 rd Layer	Risks attaching in 12 months at 1 January 2010	£75,000,000 xs £25,000,000	Unlimited Free	Full indexation clause applies to bodily injury claims	Motor Liability class
4 th Layer	Risks attaching in 12 months at 1 January 2010	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
Liability Programme Excess of Loss					
1 st Layer	Losses occurring during 12 months at 1 January 2010	£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
2 nd Layer	Losses occurring during 12 months at 1 January 2010	£15,000,000 xs £10,000,000	2 Free, except EL which are unlimited	Group cover protecting DL / UKI / CIC / NIG	EL/PL/ Pet Liability/ Travel Liability

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 2010**

Description of Cover	Period Covered	Limits	Reinstatements	Remarks	Risk Group
Travel Programme Excess of Loss					
1 st Layer	Losses occurring during 12 months at 1 st January 2010	£500,000 xs £500,000	4 at 100% AP	Group cover protecting DL / UKI / CIC / NIG	Accident / Travel
2 nd Layer	Losses occurring during 12 months at 1 st January 2010	£1,000,000 xs £1,000,000	2 at 100% AP	Group cover protecting DL / UKI / CIC / NIG	Accident / Travel
2 nd Layer	Losses occurring during 12 months at 1 st January 2010	£5,500,000 xs £2,000,000	1 at 100% AP	Group cover protecting DL / UKI / CIC / NIG	Accident / Travel

Property Catastrophe Programme Excess of Loss	From 1/10/2010	Limits	Reinstatements	Remarks	Risk Groups
1st Layer	12 months at 1 October 2010	£80,000,000 xs £170,000,000	One at 100% additional premium	RBS Group Cover	Householder & Motor Physical Damage Combined Losses
2nd Layer	12 months at 1 October 2010	£200,000,000 xs £250,000,000	One at 100% additional premium	RBS Group Cover	Householder & Motor Physical Damage Combined Losses
3rd Layer	12 months at 1 October 2010	£325,000,000 xs £450,000,000	One at 100% additional premium	RBS Group Cover	Householder & Motor Physical Damage Combined Losses
4th Layer - Umbrella	12 months at 1 October 2010	£100,000,000 xs £775,000,000	One at 100% additional premium	RBS Group Cover	Householder & Motor Physical Damage Combined Losses
5th Layer - Umbrella	12 months at 1 October 2010	£350,000,000 xs £875,000,000	One at 100% additional premium	RBS Group Cover	Householder & Motor Physical Damage Combined Losses
6th Layer - Umbrella	12 months at 1 October 2010	£50,000,000 xs £1,225,000,000	One at 100% additional premium	RBS Group Cover	Householder & Motor Physical Damage Combined Losses
7th Layer - Umbrella	12 months at 1 October 2010	£50,000,000 xs £1,275,000,000	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 ended **31 December 2010**

Property Catastrophe Programme Excess of Loss	From 01/10/2009				
1 st 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 nd 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 rd 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 th 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 th 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 th Layer	Losses occurring 12 months at 1 October	£50,000,000 xs £1,250,000,000	One at 100% additional premium	RBS Group Cover	Householder & Motor Physical Damage Combined Losses
7 th Layer	Losses occurring 12 months at 1 October	£25,000,000 xs £1,300,000,000	One at 100% additional premium	RBS Group Cover	Householder & Motor Physical Damage Combined Losses
8 th Layer	Losses occurring 12 months at 1 October	£200,000,000 xs £220,000,000	One at 100% additional premium	RBS Group Cover	Householder & Motor Physical Damage Combined Losses
9 th Layer	Losses occurring 12 months at 1 October	£265,000,000 xs £420,000,000	One at 100% additional premium	RBS Group Cover	Householder & Motor Physical Damage Combined Losses
10 th Layer	Losses occurring 12 months at 1 October	£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 2010**

Summary of reinsurers' share of gross premiums

Accounting Class	Facultative reinsurance ceded	Non facultative reinsurance ceded	Total ceded
	£000	£000	£000
120	-	6,872	6,872
160	-	16,737	16,737
180	-	20	20
409	-	1,988	1,988
Total	0	25,762	25,762

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	10,000	10,000
Home / householders (RMS1 in 175 year return period for Windstorm and Coastal Inundation combined. RBSI excluding TPF combined policy - includes Reinstatement premium)	347,340	347,340
Pet Liability	5,000	5,000
Travel incl Liability	5,000	5,000
Home Liability	5,000	5,000

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 **Direct Line Insurance plc**

Global Business

Financial year end **31 December 2010**

The Company 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 2010**

- 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 2010.

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 2010**

The following persons have been shareholder controllers of the Company during the year ended ended 31st December 2010:

1) Direct Line Group Limited (DLG)	
Percentage of shares in the Company held:	100%
Percentage of votes in the Company held:	100%
2) RBS Insurance Group Limited (RBSIG)	
Percentage of shares in the Company held:	100%
Percentage of votes in the Company held:	100%
3) The Royal Bank of Scotland Group Plc (RBS)	
Percentage of shares in RBSIG held:	100%
Percentage of votes in RBSIG held:	100%
4) Solicitor for the Affairs of Her Majesty's Treasury as Nominee for Her Majesty's Treasury (UK Financial Investments Limited manages the shareholding)	
Percentage of total share capital in RBS:	84%
Percentage of voting share capital in RBS:	70%

DIRECTOR'S CERTIFICATE

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

Global business

Financial year ended **31 December 2010**

Certificate required by rule 9.34 of the Accounts and Statements Rules.

We certify that:

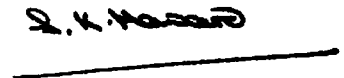
1. the return, comprising Forms 1, 3, 11 to 13, 15 to 16, 20A, 20 to 23, 30, 31, 32, 37 and 38 (including the supplementary notes) and the statements required by rules 9.25, 9.26, 9.27, 9.29, 9.30, 9.32 and 9.32A, has been properly prepared in accordance with the Accounts and Statements Rules set out 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

22 March 2011

Name of Company **Direct Line Insurance plc**

Global business

Financial year ended **31 December 2010**

Independent auditor's report to the directors pursuant to Rule 9.35 of the Interim Prudential Sourcebook for Insurers ("IPRU(INS)")

We have audited the following documents prepared by the insurer pursuant to the Accounts and Statements Rules set out in part I and part IV of chapter 9 to 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, 16, 20A, 20 to 23, 30 to 32, 37 and 38, (including the supplementary notes); and
- the statements required by rules 9.25, 9.26, 9.27 and 9.29 ("the Statements").

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

- the statements required by IPRU(INS) rules 9.30, 9.32 and 9.32A ; and
- the directors' certificate required by IPRU(INS) rule 9.34 ("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 insurer's directors those matters we are required to state to them in an auditor's 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 insurer, for our work, for this report, or for the opinions we have formed.

Respective responsibilities of the insurer and its auditor

The insurer is responsible for the preparation of an annual return (including the Forms and the Statements) under the provisions of the Rules. The requirements of the Rules have been modified by a direction issued under section 148 of the Financial Services and Markets Act 2000 on 16 June 2009. Under IPRU(INS) rule 9.11 the Forms and the Statements 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 opinion to you. We also report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the Forms and the Statements are not in agreement with the accounting records and returns; or
- we have not received all the information we require for our audit.

Name of Company **Direct Line Insurance plc**

Global business

Financial year ended **31 December 2010**

Independent auditor's report to the directors pursuant to Rule 9.35 of the Interim Prudential Sourcebook for Insurers ("IPRU(INS)") (continued)

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 insurer for the financial year. It also included an assessment of the significant estimates and judgments made by the insurer in the preparation of the Forms and 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 Auditor
London, United Kingdom**

23 March 2011