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INVESTORS SERVICE

COMPANY PROFILE

Direct Line Insurance Group Plc

London, United Kingdom

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Company Overview

Direct Line Insurance Group Plc (DLG) is a UK-based insurer providing personal and SME commercial insurance. In the UK, the Group's primary general insurance underwriting subsidiary is U K Insurance Limited. The Group also provides personal motor insurance in Italy (through Direct Line Insurance SpA) and Germany (Direct Line Versicherung AG).

DLG sells insurance policies directly by phone and the internet, but also through price comparison websites (PCWs), brokers and partnerships.

In the financial year ended 31 December 2013 (2013), DLG reported gross premiums written of £3.8 billion and net income of £312.8 million. As of 31 December 2013, it had total assets of £11.8 billion and shareholders' equity of £2.8 billion.

In 1985, the Group was launched in partnership with RBS Group and was known as RBS Insurance Group Limited. Before its initial public offering (IPO) in February 2012, it was rebranded as DLG, and the Group's common shares have been listed on the London Stock Exchange since October 2012 (Ticker: DLG). Prior to the IPO and since 1988, DLG was wholly owned by RBS Group which, to comply with conditions imposed by the European Commission to enable it to receive state aid, had to cede control of DLG by the end of 2013 and divest its entire interest by the end of 2014. By February 2014, RBS Group had divested 99.7% of its shareholdings in DLG.

Source: Company Reports (annual report Dec 2013 and Dec 2012, historical financial information Dec 2011, RBS Group annual report Dec 2011), Company data, London Stock Exchange

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Financial Highlights (as Reported)

Note: The financials presented below are those reported by the Group and are not adjusted for Moody's analytic purposes. For Moody's generated ratios on Direct Line Insurance Group Plc, please see < [Direct Line Insurance Group Plc page on moodys.com](#)>.

EXHIBIT 1

Latest Full-Year Results¹

Direct Line Insurance Group Plc

(in £ Million)	31-Dec-13	31-Dec-12	31-Dec-11	31-Dec-10	31-Dec-09
Gross Premiums Written	3,835	4,001	4,168	4,971	5,291
Net Premiums Written ²	3,462	3,675	3,898	4,792	5,089
Net Income	313	184	249	(272)	133
Loss Ratio (%)	62.6	67.1	70.2	90.2	80.4
Commission Ratio (%)	11.2	9.1	10.1	8.9	7.5
Expense Ratio (%)	22.3	23.0	21.5	21.4	22.2
Combined Ratio (%)	96.1	99.2	101.8	120.5	110.1
Total Assets	11,788	12,698	13,770	13,817	13,186
Total Debt ³	542	878	318	327	285
Shareholders' Equity	2,790	2,832	3,871	3,482	3,581

Notes: 1) Based on consolidated figures

2) "Net Premiums Written" has been calculated by deducting "Reinsurance Premiums Ceded" from "Gross Premiums Written".

3) "Total Debt" includes "Subordinated Liabilities" and "Borrowings".

Source: Company Reports (annual report Dec 2013 and Dec 2012, historical financial information Dec 2011)

Business Activities

DLG provides personal insurance and small and medium-sized enterprise (SME) commercial insurance. It operates through five key segments: Motor; Home; Rescue and Other Personal Lines; Commercial; and International. It also has a portfolio, which is in run-off, consisting of policies previously written through the personal broker channel and the Tesco business. In 2013, the largest contributor to the Group's gross premiums written was the Motor segment.

Motor: This segment provides personal car insurance in the UK against third-party liability, fire, theft, and accidental damage. Additionally, it provides motor legal protection, guaranteed hire car and protection for no-claims discount. These products are sold directly under the Direct Line, Churchill, Privilege and partnerships brands, and through PCWs. This segment is the largest contributor to the Group's gross premiums written, equating to 37%¹ in 2013.

Home: This segment provides home insurance in the UK that provides cover for buildings, contents, and personal possessions. Additionally, it provides family legal and home emergencies protection. These products are also sold directly under the Direct Line, Churchill, Privilege and partnerships brands as well as PCWs. This segment is the second largest contributor to the Group's gross premiums written, equating to 25% in 2013.

For research publications that reference Credit Ratings, please see the ratings tab on the issuer/entity page on www.moodys.com for the most updated Credit Rating Action information and rating history.

¹ Throughout this section, such percentage are calculated excluding the Run-off segment.

Rescue and Other Personal Lines: This segment comprises rescue and recovery insurance products and other personal lines business, including travel, pet and creditor insurance. The rescue insurance policies range from basic roadside rescue to Europe-wide breakdown recovery service. The rescue and recovery insurance policies are sold either as standalone products under the Green Flag brand, as insurance add-ons to all DLG brands and certain partner motor policies, or as components of packaged bank accounts sold through the company's bank partnership channel. The other personal insurance lines are sold under the Direct Line, Churchill, Privilege and partnership brands. This segment accounted for 10% of the Group's gross premiums written in 2013.

Commercial: This segment provides commercial insurance for micro businesses and SMEs in the UK. Its products include commercial property, general liability, business interruption, personal accident and commercial motor insurance, and are sold under both the Group's own brands – NIG and Direct Line for Business – and through its partnerships with RBS Group and National Westminster Bank Plc. In 2013, this segment accounted for 12% of the Group's gross premiums written.

International: This segment offers primarily motor insurance to private customers in Italy and Germany. The products are sold under the Direct Line brand, through partnerships and PCWs. In 2013, this segment accounted for 16% of the Group's gross premiums written.

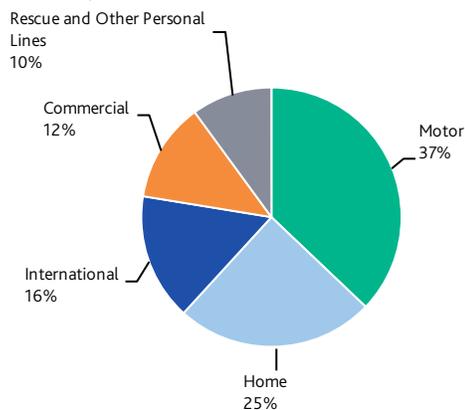
Run-Off: This segment comprises residual policies written through the NIG personal lines broker channel and Tesco Personal Finance (a 50:50 joint venture, between Tesco Plc and RBS Group, which was purchased by Tesco Plc in 2008). In November 2013, DLG sold its subsidiary Direct Line Life Insurance Company Limited to exit underwriting life insurance business.

Source: Company Reports (annual report Dec 2013 and Dec 2012), Company data, www.tescobank.com

EXHIBIT 2

Business Segment

(% of Gross Premiums Written, consolidated, for 2013)



Note: Excluding Run-off segment

Source: Company Report (annual report Dec 2013, Pg: 136)

EXHIBIT 3

Direct Line Insurance Group Plc – Segment Details*

	2013	2012	2011
Gross Premiums Written (in £ Million)			
Motor	1,421	1,624	1,735
Home	943	989	1,031
Rescue and other personal lines	383	390	350
Commercial	475	436	439
International	605	553	570
Consolidated*	3,827	3,991	4,125
Operating Profit / (Loss) (in £ Million)			
Motor	348	262	255
Home	106	93	112
Rescue and other personal lines	47	84	63
Commercial	10	2	(12)
International	17	20	4
Consolidated*	527	462	422
Combined Ratio (in %)			
Motor	93.2	101.6	105.6
Home	93.8	96.6	95.1
Rescue and other personal lines	92.4	82.7	86.3
Commercial	106.8	108.2	112.3
International	103.9	103.3	107.6
Consolidated	96.1	99.2	101.8

*Excluding Run-Off segment

Source: Company Reports (annual report Dec 2013 and Dec 2012)

Distribution Channels

DLG offers its products and services to retail customers and businesses through a multi-brand and multi-distribution model.

The company's key brands include Direct Line, Churchill, Privilege and Green Flag for personal insurance products; and NIG and Direct Line for Business for commercial products.

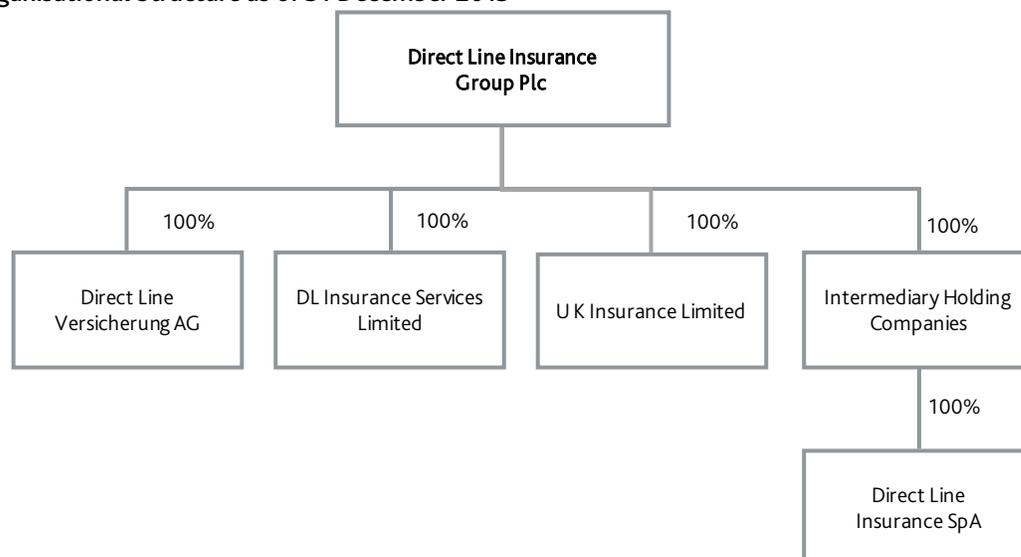
It sells personal line products directly by phone, internet and PCWs, and through partnerships including those with the Royal Bank of Scotland/National Westminster Bank Plc, Nationwide and Sainsbury's. Its commercial line products are sourced mainly through brokers.

Source: Company Report (annual report Dec 2013)

Organisational Structure and Ownership

EXHIBIT 4

Organisational Structure as of 31 December 2013



Source: Company Report (annual report Dec 2013)

Until October 2012, DLG operated as a wholly owned subsidiary of RBS Group. In 2009, RBS Group committed to sell its insurance business, as a condition imposed by the European Commission for receiving state aid. Consequently, in October 2012, DLG was listed on the London Stock Exchange, following the IPO of 35.0% of its share capital that had been held by RBS Group.

In 2013, RBS Group divested a further 36.8% of DLG's share capital and in February 2014, it sold most of its remaining interest in DLG, retaining a beneficial ownership of a stake of 0.3% for long-term management incentives.

As of 31 December 2013, DLG had 1,500 million shares outstanding. As of 1 January 2014, the Group's major shareholders (owning more than 3.0% of its share capital, but excluding RBS Group, whose shareholdings were less than 3.0% as of 27 February 2014) were as follows:

EXHIBIT 5

Direct Line Insurance Group Plc

Shareholder	% Held
Artisan Partners	4.00

Source: Company Reports (annual report Dec 2013 and Dec 2012, RBS Group annual report Dec 2012 and Dec 2011), Company data, London Stock Exchange, www.fca.org.uk

Company Management

Company Management	Current Title	Age
Michael N Biggs	Chairman	61
Paul Geddes	Chief Executive Officer	44
John Reizenstein	Chief Financial Officer	57
Darrell Evans	Chief Customer Officer	N/A
Angela Morrison	Chief Information Officer	N/A
José Vazquez	Chief Risk Officer	N/A

As of 31 Dec 2013

Source: Company Report (annual report Dec 2013)

Company History

The Group was launched in 1985 as a partnership with RBS Group and in 1988, became a wholly owned subsidiary of RBS Group. Subsequently, RBS Group's insurance business, then known as RBS Insurance Group (RBSI), expanded through various acquisitions, including those of Privilege Insurance Company Limited (1998), the European motor insurance businesses of Allstate Corp. (2001), Royal Insurance (rebranded as Direct Line) from R&SA Assicurazioni (2002), and Churchill Insurance Group Plc, including National Insurance and Guarantee Corporation Ltd., from Credit Suisse Group (2003).

Following RBS Group's agreement in December 2011 to divest its insurance business, RBSI formed UK Insurance Limited, and consolidated all its UK statutory general underwriting operations into this entity. In February 2012, RBSI was rebranded as DLG and in October 2012, DLG was listed on the London Stock Exchange following the IPO of 35% of the shares held by RBS Group. In 2013, RBS Group divested a further 36.8% of the share capital in DLG through two placements, and in February 2014, it sold most of its remaining interest in DLG, retaining a beneficial ownership stake of 0.3% for long-term management incentives.

Source: Company Reports (annual report Dec 2013 and Dec 2012, historical financial information Dec 2011), Company data

Peer Group

- » Aviva Insurance Limited
- » Hastings Insurance Group (Holdings) plc
- » IF P&C Insurance Company Ltd.
- » Lansforsakringar Sak Forsakrings AB
- » The Progressive Corporation
- » RSA Insurance Group

Subsidiaries Rated by Moody's

- » [U K Insurance Limited](#)

Moody's Related Research

Rating Methodology:

- » [Global Property and Casualty Insurers, December 2013 \(161516\)](#)

Credit Opinion:

- » [Direct Line Insurance Group plc](#)

Special Comments:

- » [U K Insurance Limited Credit Analysis, May 2012 \(141706\)](#)
- » [UK General Insurance Outlook, May 2013 \(153419\)](#)
- » [UK General Insurance: Motor Reforms Might Prompt Reductions in Claims Costs by Elevate Short-Term Uncertainty, March 2013 \(151665\)](#)
- » [Increase in PPOs: Credit Negative for UK Motor Lines, April 2012 \(140902\)](#)

Sector Comments:

- » [UK P&C Insurance Add-on Sturdy is Only Modestly Credit Negative, But Continued Regulatory Probes Create Uncertainty, March 2014 \(165993\)](#)
- » [UK Flood Losses Are Credit Negative for Property & Casualty Insurers, February 2014 \(163776\)](#)
- » [Record Decline in UK Motor Premium Rates is Credit Negative for General Insurers, January 2014 \(163363\)](#)

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.

Related Websites and Information Sources

For additional information, please see the company's website: www.directlinegroup.com

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