



**Direct Line Insurance Group plc**

Incorporated and registered in England and Wales under number 02280426

**Notice of Annual General Meeting**

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## NOTICE OF ANNUAL GENERAL MEETING

**Thursday, 15 May 2014 10.00am**  
**The Auditorium, Allen & Overy LLP, One Bishops Square, London E1 6AD**

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

If you are in any doubt as to any aspect of the proposals referred to in this document or as to the action you should take, you should seek your own advice from a stockbroker, solicitor, accountant, or other professional adviser.

If you have sold or transferred all of your shares in Direct Line Insurance Group plc you should pass this Notice and accompanying documents to the purchaser or transferee, or to the person who arranged the sale or transfer so they can pass these documents to the person who now holds the shares.

**AGM INFORMATION**

**Time**

The meeting will start at 10.00am. Please arrive no later than 9.45am for registration.

**Refreshments**

Tea and coffee will be served from 9.20am.

**Venue**

The meeting will be held on Thursday, 15 May 2014 in The Auditorium, Allen & Overy LLP, One Bishops Square, London E1 6AD. If you have any queries regarding the venue, please contact Allen & Overy LLP's reception desk by telephone on +44 (0)20 3088 4040.

**Shareholders with special needs**

There is wheelchair access to the venue and we have arranged for induction loop facilities to be available in The Auditorium.

**Transport and directions to the venue**

**By foot:**

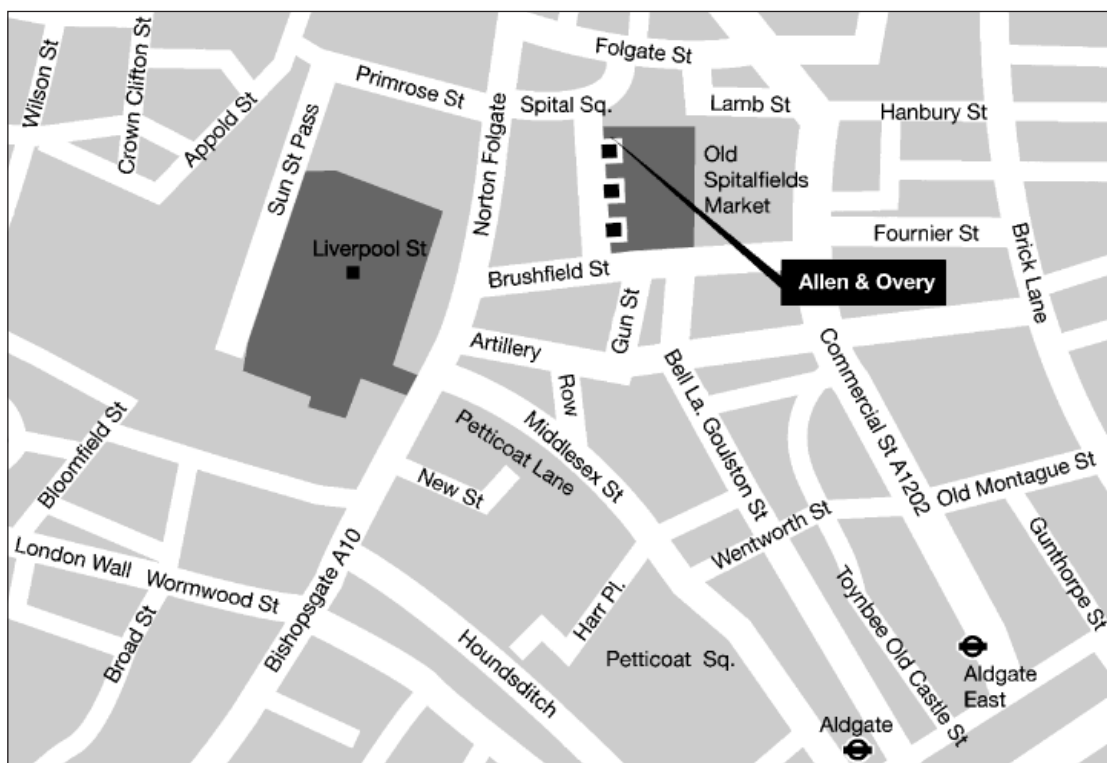
Bishops Square is within easy walking distance from Liverpool Street Station. Walk northwards up Bishopsgate and turn right into Brushfield Street. You will see an open square with trees and a white tented structure. Walk past the tented structure and take any of the three entrances to the offices of Allen & Overy LLP.

**By underground:**

The nearest underground station is Liverpool Street, which is on the Central, Hammersmith and City, Metropolitan and Circle lines. Other nearby underground stations are Aldgate on the Metropolitan and Circle lines and Aldgate East on the Hammersmith and City line.

**By taxi:**

Ask your taxi driver to drop you off in Spital Square, just off Bishopsgate.



## Letter from the Chairman

### 20 March 2014

Dear Shareholder

#### Annual General Meeting ("AGM")

I am pleased to enclose the Notice of Meeting for the 2014 Annual General Meeting ("AGM") of Direct Line Insurance Group plc. The AGM will be held at The Auditorium, Allen & Overy LLP, One Bishops Square, London E1 6AD on Thursday, 15 May 2014 at 10.00am. This will be the second AGM held by Direct Line Insurance Group plc as a listed company. It provides an opportunity for you to communicate with your Directors. You will find with this letter:

- the Notice of Meeting (the "Notice"), setting out the resolutions to be proposed, together with the explanatory notes, and guidance notes for shareholders who wish to vote electronically or by post; and
- voting forms (proxy/voting instructions).

If you have requested a printed copy of the Annual Report & Accounts, it is enclosed.

If you requested to receive the Annual Report & Accounts electronically or did not return the election card previously sent to you with your Welcome Pack on becoming a shareholder, please accept this letter as notification that the Company's 2013 Annual Report & Accounts have now been published on our website: [www.directlinegroup.com](http://www.directlinegroup.com).

#### The business we shall consider at the AGM

All the resolutions are standard matters that are normally dealt with at a listed company's AGM.

If you are unable to attend the meeting, but have any questions on the business to be discussed, we would like to hear from you ahead of the meeting. Please send your questions to me care of the General Counsel and Company Secretary at Direct Line Group, Churchill Court, Westmoreland Road, Bromley, BR1 1DP. Whilst we cannot answer questions individually, we intend to provide responses to the topics most frequently raised and post these on our website as well as making them available at the AGM.

#### Your vote counts

Your vote is important to us. You can vote by: submitting your vote online; signing and returning your proxy form; or by attending and voting at the AGM. Instructions are set out in the notes on pages 6 and 7. All resolutions will be put to a vote on a poll, rather than being decided by a show of hands. Your Directors believe that this will result in a more accurate reflection of the views of shareholders and ensure that their votes are recognised whether or not they are able to attend the meeting. On a poll, each shareholder has one vote for every share held.

The results of the voting on the resolutions will be announced to the London Stock Exchange and published on our website at [www.directlinegroup.com](http://www.directlinegroup.com) shortly after the conclusion of the meeting.

#### Recommendation

Your Board believes the resolutions to be proposed at the AGM will promote the success of the Company and are in the best interests of the Company and shareholders as a whole and unanimously recommends you vote in favour of them, as your Directors intend to do in respect of their own beneficial shareholdings.

The Directors and I look forward to meeting as many of you as possible at our AGM and we thank you for your continued support.



**Michael N Biggs**  
Chairman

# Direct Line Insurance Group plc

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**NOTICE** is hereby given that the Annual General Meeting ("AGM") of Direct Line Insurance Group plc will be held at The Auditorium, Allen & Overy LLP, One Bishops Square, London E1 6AD on Thursday, 15 May 2014 at 10.00am to transact the business set out in the resolutions below.

Resolutions 1 to 15 and 19 will be proposed as ordinary resolutions and resolutions 16 to 18 will be proposed as special resolutions. Voting on all resolutions will be by way of a poll.

## **Ordinary Resolutions:**

### **Resolution 1 – Receipt of the report and accounts**

THAT the audited accounts of the Company for the year ended 31 December 2013 together with the reports of the Directors and of the auditors be and are hereby received.

### **Resolution 2 – Approval of the Directors' remuneration policy**

THAT the remuneration policy, the full text of which is set out on pages 80 to 88 of the Directors' remuneration report contained within the Annual Report & Accounts for the financial year ended 31 December 2013, be and is hereby approved and that such remuneration policy take effect from the date on which this resolution is passed.

### **Resolution 3 – Approval of the Directors' remuneration report**

THAT the Directors' remuneration report (other than the remuneration policy referred to in Resolution 2 above) for the year ended 31 December 2013 be and is hereby approved.

### **Resolution 4 – Authorisation to pay the final dividend**

THAT a final dividend of 8.4 pence per ordinary share be and is hereby declared for payment on 20 May 2014 to shareholders whose names appear on the register of members at the close of business on 14 March 2014.

### **Resolution 5 – Re-election of Director**

THAT Mr Mike Biggs be and is hereby re-elected as a Director of the Company.

### **Resolution 6 – Re-election of Director**

THAT Mr Paul Geddes be and is hereby re-elected as a Director of the Company.

### **Resolution 7 – Re-election of Director**

THAT Mrs Jane Hanson be and is hereby re-elected as a Director of the Company.

### **Resolution 8 – Re-election of Director**

THAT Mr Glyn Jones be and is hereby re-elected as a Director of the Company.

### **Resolution 9 – Re-election of Director**

THAT Mr Andrew Palmer be and is hereby re-elected as a Director of the Company.

### **Resolution 10 – Re-election of Director**

THAT Mr John Reizenstein be and is hereby re-elected as a Director of the Company.

### **Resolution 11 – Re-election of Director**

THAT Mrs Clare Thompson be and is hereby re-elected as a Director of the Company.

### **Resolution 12 – Re-Election of Director**

THAT Mrs Priscilla Vacassin be and is hereby re-elected as a Director of the Company.

### **Resolution 13 – Re-appointment of the auditors**

THAT Deloitte LLP be and are hereby re-appointed as the Company's auditors until the next AGM.

### **Resolution 14 – Authority to agree the auditors' remuneration**

THAT the Audit Committee of the Board be and is hereby authorised to agree the remuneration of the auditors.

### **Resolution 15 – Authority to allot new shares**

THAT the Directors be generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 to allot shares in the Company, and to grant rights to subscribe for or to convert any security into shares in the Company:

- i) up to an aggregate nominal amount of £50,000,000 (such amount to be reduced by the nominal amount of any equity securities under paragraph ii) below in excess of such sum); and
- ii) comprising equity securities (as defined in Section 560 of the Companies Act 2006) up to an aggregate nominal amount of £100,000,000 (such amount to be reduced by the nominal amount of any shares issued or rights granted under paragraph i) above) in connection with an offer by way of a rights issue:
  - a) to holders of ordinary shares in proportion (as nearly as may be practicable) to their existing holdings; and
  - b) to people who are holders of other equity securities if this is required by the rights of those securities or, if the Directors consider it necessary, as permitted by the rights of those securities;

and so that Directors may make such exclusions or other arrangements as the Board considers expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems under the laws in any territory or the requirements of any relevant regulatory body or stock exchange or any other matter;

**NOTICE** *continued*

for a period expiring (unless previously renewed, varied or revoked by the Company in general meeting) at the end of the next AGM of the Company after the date on which this resolution is passed (or, if earlier, at the close of business on 30 June 2015); but in each case, before the authority expires, the Company may make an offer or agreement which would or might require shares to be allotted, or rights to subscribe for or convert any security into shares to be granted, after expiry of this authority and the Directors may allot shares and grant rights in pursuance of that offer or agreement as if this authority had not expired.

**Special Resolutions:****Resolution 16 – Authority to disapply pre-emption rights**

THAT subject to the passing of resolution 15, the Directors be and are hereby generally and unconditionally empowered to allot equity securities (as defined in section 560 of the Companies Act 2006) for cash under the authority given by resolution 15 and/or where the allotment is treated as an allotment of equity securities under section 560(3) of the Companies Act 2006, as if section 561(1) of the Companies Act 2006 did not apply to such allotment, provided that this power shall be limited:

- i) to the allotment of equity securities in connection with an offer of equity securities (but in case of the authority granted under paragraph ii) of resolution 15, by way of a rights issue only):
  - a) to holders of ordinary shares in proportion (as nearly as may be practicable) to their existing holdings; and
  - b) to holders of other equity securities, as required by the rights of those securities or as the Directors otherwise consider necessary,

and so that Directors may make such exclusions or other arrangements as the Board considers expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems under the laws in any territory or the requirements of any relevant regulatory body or stock exchange or any other matter;

- ii) in the case of the authority granted under paragraph i) of resolution 15, to the allotment (otherwise than under paragraph i) above) of equity securities up to a nominal value of £7,500,000,

such authorities to apply in substitution for all previous authorities and to expire at the end of next year's AGM or, if earlier, the close of business on 30 June 2015 save that,

in each case, the Company may before such expiry make any offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement as if the authority conferred hereby had not expired.

**Resolution 17 – Authority to purchase own shares**

THAT the Company be generally and unconditionally authorised to make market purchases (within the meaning of section 693(4) of the Companies Act 2006) of its ordinary shares of 10 pence each, subject to the following conditions:

- i) the maximum number of ordinary shares hereby authorised to be purchased shall be 150,000,000;
- ii) the minimum price (exclusive of expenses) which may be paid for an ordinary share is 10 pence;
- iii) the maximum price (exclusive of expenses) which may be paid for each ordinary share is the higher of:
  - a) an amount equal to 105% of the average of the middle market quotations of an ordinary share of the Company as derived from the London Stock Exchange Daily Official List for the five business days immediately prior to the day on which the ordinary share is contracted to be purchased; and
  - b) an amount equal to the higher of the price of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share as derived from the London Stock Exchange Trading System (SETS);
- iv) the authority shall expire at the conclusion of next year's AGM or close of business on 30 June 2015 (whichever is earlier);
- v) a contract to purchase ordinary shares under this authority may be made prior to the expiry of this authority, and concluded in whole or in part after the expiry of this authority; and
- vi) all existing authorities for the Company to make market purchases of ordinary shares are revoked, except in relation to the purchase of shares under a contract or contracts concluded before the date of this resolution and which has not yet been executed.

**Resolution 18 – Notice period for general meetings other than AGM**

THAT a general meeting other than an annual general meeting may be called on not less than 14 clear days' notice.

# Direct Line Insurance Group plc

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## NOTICE *continued*

### **Ordinary Resolution:**

#### **Resolution 19 – Political donations and expenditure**

THAT in accordance with section 366 of the Companies Act 2006 the Company and its Directors are hereby authorised, during the period commencing on the date of this resolution and ending at the conclusion of next year's AGM, or, if earlier, the close of business on 30 June 2015, to:

- i) make political donations to political parties, political organisations other than political parties and/or independent election candidates not exceeding £100,000 in total; and
- ii) incur political expenditure not exceeding £100,000 in total,

provided that the aggregate amount of any such donations and expenditure shall not exceed £100,000 during the period from the date of this resolution until the conclusion of the next AGM of the Company or if earlier, close of business on 30 June 2015. For the purpose of this resolution, the terms 'political donations', 'political parties', 'independent election candidates', 'political organisations' and 'political expenditure' have the meanings set out in sections 363 to 365 of the Companies Act 2006.

By Order of the Board

Humphrey Tomlinson  
General Counsel and Company Secretary  
20 March 2014

Registered Office:  
Churchill Court, Westmoreland Road, Bromley BR1 1DP

## General Notes

### Appointment of proxy

1. Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A shareholder may appoint more than one proxy in relation to the AGM, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company. A proxy form which may be used to make such appointment and give proxy instructions accompanies this Notice. If you do not have a proxy form and believe that you should have one, or if you require additional forms, please contact the Company's Registrar on 0870 873 5880.
2. To be valid any proxy form or other instrument appointing a proxy must be received at the office of the Registrar or at the electronic address provided in Note 6, in each case no later than 10.00am on 13 May 2014.
3. The return of a completed proxy form, other such instrument or any CREST Proxy Instruction (as described in Note 8) will not prevent a shareholder attending the AGM and voting in person if he/she wishes to do so.

### Nominated persons

4. Any person to whom this Notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the AGM. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
5. The statement of the rights of shareholders in relation to the appointment of proxies in Notes 1 and 2 above does not apply to Nominated Persons. The rights described in these Notes can only be exercised by shareholders of the Company.

### Electronic submission of proxy form

6. It is possible for you to submit your proxy instructions via the internet. You can do so by visiting [www.investorcentre.co.uk/eproxy](http://www.investorcentre.co.uk/eproxy). You will require the control number and your unique PIN and Shareholder Reference Number ("SRN"). This information can be found on your form of proxy, or if you receive communications from us electronically, voting information will be contained within your email broadcast.

### CREST electronic proxy voting

7. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST

members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

8. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual (available via [www.euroclear.com](http://www.euroclear.com)). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by Computershare (ID number 3RA50) by no later than 10.00am on 13 May 2014. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
9. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
10. The Company may treat a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001 as invalid.

### The Company's Total Voting Rights

11. As at 27 February 2014 (being the latest practicable date prior to publication of this Notice) the Company's issued share capital consisted of 1,500,000,000 ordinary shares, all carrying one vote each. Therefore, the total voting rights in the Company as at 27 February 2014 were 1,500,000,000.



## General Notes *continued*

### Corporate Representatives

12. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.

### Attendance

13. Only those shareholders registered in the Register of Members of the Company as at 6pm on Tuesday, 13 May 2014 shall be entitled to attend or vote at the meeting in person or by proxy in respect of the number of shares registered in their names at that time (or, in the event of any adjournment, on the date which is 48 hours before the time of the adjourned meeting). Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
14. Any member attending the meeting in person or by proxy has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

### Shareholder Requisition Rights

15. Under section 338 and section 338A of the Companies Act 2006, members meeting the threshold requirements in those sections have the right to require the Company (i) to give, to members of the Company entitled to receive notice of the meeting, notice of a resolution which may properly be moved and is intended to be moved at the meeting and/or (ii) to include in the business to be dealt with at the meeting any matter (other than a proposed resolution) which may be properly included in the business. A resolution may properly be moved or a matter may properly be included in the business unless (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise), (b) it is defamatory of any person, or (c) it is frivolous or vexatious. Such a request may be in hard copy form or in electronic form, must identify the resolution of which notice is to be given or the matter to be included in the business, must be authorised by the person or persons making it, must be received by the Company not later than 2 April 2014, being the date 6 clear weeks before

the meeting, and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.

16. Under section 527 of the Companies Act 2006, members meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the AGM; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Companies Act 2006. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Companies Act 2006 and it must forward the statement to the Company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the AGM includes any statement that the Company has been required under section 527 of the Companies Act 2006 to publish on a website.

### Notice of Annual General Meeting

17. A copy of this Notice, and other information required by section 311A of the Companies Act 2006, can be found at [www.directlinegroup.com](http://www.directlinegroup.com)

### Inspection of documents

18. Copies of the following documents will be available for inspection at the registered office of the Company on any weekday (excluding public holidays) during normal office hours from the date of this Notice of AGM until the date of the AGM and at the offices of Allen & Overy LLP, One Bishops Square, London E1 6AD for 15 minutes prior to and during the meeting:
- the service contracts for each Executive Director; and
  - the letters of appointment for each Non-Executive Director.

## THE BUSINESS OF THE AGM – EXPLANATORY NOTES

### Resolution 1 – Receipt of the report and accounts

The Directors must lay before the shareholders the reports and accounts of the Company for the financial year ended 31 December 2013.

### Resolution 2 – Approval of the Directors’ remuneration policy

Shareholders are requested to approve the Directors’ remuneration policy which is set out on pages 80 to 88 of the Directors’ remuneration report contained within the 2013 Annual Report & Accounts.

In accordance with section 439A of the Companies Act 2006 a new requirement has been introduced for a separate resolution on the Directors’ remuneration policy to be put to a vote by shareholders. The vote is binding which means that payments cannot be made under the policy until it has been approved by shareholders. Once the Directors’ remuneration policy is approved the Company will not be able to make a remuneration payment to a current or prospective director or a payment for loss of office to a current or past director, unless that payment is consistent with the policy or has been approved by a resolution of the members of the Company.

The Directors’ remuneration policy must be put to shareholders at least every three years, unless during that time it is to be changed. The Company currently intends to submit the policy for approval by shareholders on a three yearly basis.

### Resolution 3 – Approval of the Directors’ remuneration report

The Directors’ remuneration report has been prepared in accordance with the Companies Act 2006 (and Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013. The Directors’ remuneration report meets the requirements of the Listing Rules and describes how the Board has applied the principles of good governance relating to Directors’ remuneration. The report is set out in full on pages 80 to 88 of the 2013 Annual Report & Accounts. As required by the Companies Act 2006, an ordinary resolution to approve the report is proposed at the AGM. This vote is advisory.

### Resolution 4 – Authorisation to pay the final dividend

Shareholders must approve the final dividend payable for each ordinary share held and the proposal recommended by the Directors in this resolution is 8.4 pence for each ordinary share.

### Resolutions 5 to 12 – Directors standing for re-election

The Company’s articles of association require Directors to retire and submit themselves for re-election at each AGM. Accordingly, Mike Biggs, Paul Geddes, Jane Hanson,

Glyn Jones, Andrew Palmer, John Reizenstein, Clare Thompson and Priscilla Vacassin are seeking re-election.

Following an evaluation, the Nomination Committee determined that, with exception of Mike Biggs, Paul Geddes and John Reizenstein, for the reasons given below, each Director who is standing for re-election at the meeting is independent in character and judgement and free from relationships or circumstances likely to affect the Director’s judgement. The Board also considers that all the Directors standing for re-election continue to be effective and demonstrate the level of commitment required in connection with their role and the needs of the business.

The non-independent Directors are:

Mike Biggs	Chairman, independent on appointment. Independence not an appropriate test for a Chairman thereafter
Paul Geddes	Executive Director
John Reizenstein	Executive Director

Biographical details in support of each Director’s election are provided below.

**Mr Mike Biggs** was appointed to the Board and became Chairman of the Group in April 2012 and is Chair of the Nomination Committee.

Mike has over 40 years’ experience of the UK and international financial services sector. He was Chief Executive Officer and Group Finance Director of Resolution plc, the FTSE 100 UK life assurance business, and latterly the Chairman of Resolution Limited until May 2013 when he stepped down following the combination of the boards of Resolution Limited and Friends Life Group. He was previously Group Finance Director of Aviva plc.

He has a Masters degree in History from the University of Oxford and is an Associate of the Institute of Chartered Accountants of England and Wales. Mike is 61.

**Mr Paul Geddes** was appointed to the Board as Chief Executive Officer of the Group in August 2009.

Paul was the Chief Executive Officer of RBS Group’s mainland UK retail banking business, having joined in 2004 as Managing Director with responsibility for products and marketing. Before joining RBS Group, Paul held a number of senior roles in multi-channel retailing in businesses that were then parts of the GUS and Kingfisher groups. Paul started his career in marketing, with UK and European roles at Procter & Gamble. Paul is a member of the ABI Board, a member of

## THE BUSINESS OF THE AGM – EXPLANATORY NOTES *continued*

the FOS's insurance industry steering group, and a member of the FCA Practitioner Panel.

Paul read Philosophy, Politics and Economics at the University of Oxford. He is a Fellow of the Chartered Institute of Bankers in Scotland. Paul is 44.

**Mrs Jane Hanson** joined the Board in December 2011 and is Chair of the Board Risk and Corporate Social Responsibility Committees.

Jane spent 12 years with KPMG, where she worked in the financial sector, becoming the Director responsible for delivery of corporate governance, internal audit and risk management services in the North of England. Jane has also held executive roles as Director of Audit, and Risk and Governance Director at Aviva's UK Life business. Jane is Chair of the Audit and Risk Committee and Non-Executive Director at Reclaim Fund Ltd and Chair of the Board Risk Committee and Non-Executive Director at Old Mutual Wealth Management Limited. She is an Independent Member of the Fairness Committee at ReAssure Ltd. Jane has her own financial sector consulting business, delivering audit, enterprise risk management and corporate governance advisory and consulting services to the financial sector. She is also a magistrate.

Jane is a graduate of the University of York with a degree in music and is a Fellow of the Institute of Chartered Accountants in England and Wales. Jane is 46.

**Mr Glyn Jones** joined the Board in September 2012. He is our Senior Independent Director and Chair of the Investment Committee.

Glyn was Chairman of Towry Holdings Limited between 2006 and 2011. He also served as Chairman of Hermes Fund Managers from 2008 to 2011 and was Chairman of its sister company, BT Pension Scheme Management, for a part of this period. Glyn was Chief Executive Officer of the independent investment group, Thames River Capital, from 2005 to 2006. From 2000, he served as Chief Executive Officer of Gartmore Investment Management in the UK for four years. Before this, Glyn was Chief Executive Officer of Coutts NatWest Group and Coutts Group, having joined in 1997. Glyn joined Standard Chartered in Hong Kong in 1990 where he became the General Manager of Global Private Banking. He was a consulting partner with Coopers & Lybrand/Deloitte Haskins & Sells Management Consultants from 1981 to 1990. Glyn is Chairman of Aspen Insurance Holding Limited, a New York listed specialty lines insurer, and also Chairman of Aspen Insurance UK Limited, a principal operating subsidiary of the Aspen Group.

Glyn is a graduate of Cambridge University and a Fellow of

the Institute of Chartered Accountants in England and Wales. Glyn is 61.

**Mr Andrew Palmer** joined the Board in March 2011 and is Chair of the Audit Committee.

Andrew retired from Legal & General Group plc, where he was the Group Finance Director, in 2009. He resigned from his position as Senior Independent Director of Segro plc, the British and European Industrial Real Estate Investment Trust Company, in April 2013. Andrew continues to hold a number of external positions. He is a Trustee of the Royal School of Needlework, a Trustee and Treasurer of Cancer Research UK, a Non-Executive Director of Royal London Mutual Insurance Society Limited and a member of the Financial Reporting Review Panel of the Financial Reporting Council.

He is a Fellow of the Institute of Chartered Accountants in England & Wales. Andrew is 60.

**Mr John Reizenstein** was appointed to the Board as Chief Financial Officer in December 2010.

John was previously an Executive Director at the Co-operative Insurance Society, CIS General Insurance and The Co-operative Bank. He was Chief Financial Officer of these businesses between 2003 and 2007 and subsequently Managing Director, Corporate and Markets. Prior to that, John spent more than 20 years in investment banking with UBS and Goldman Sachs.

John is an Economics graduate from Cambridge University. John is 57.

**Mrs Clare Thompson** joined the Board in September 2012.

Clare was a partner at PricewaterhouseCoopers ("PwC") from 1988 to 2011. During her 23 years as a partner of PwC, she held several senior and high profile roles, particularly within the insurance sector. Clare is currently a Non-Executive member of the Partnership Board of Miller Insurance Services LLP and is Treasurer of the Disasters Emergency Committee.

She is a graduate of the University of York with a degree in Mathematics and is a Fellow of the Institute of Chartered Accountants in England and Wales. Clare is 59.

**Mrs Priscilla Vacassin** joined the Board in September 2012 and is Chair of the Remuneration Committee.

Priscilla was most recently Group Human Resources Director at Prudential plc and a Non-Executive Director and member of the Audit Committee at the Ministry of Defence. Priscilla

**THE BUSINESS OF THE AGM – EXPLANATORY NOTES** *continued*

has previously held senior human resources positions across a number of financial services and customer facing industries, including roles at Abbey National plc, where she was Executive Director, Human Resources; BAA plc, where she was Group Human Resources Director; and Kingfisher plc. Priscilla also has her own search and consultancy business.

She graduated in Law (with Honours) from the University of North East London. Priscilla is 56.

**Resolution 13 – Re-appointment of the auditors** proposes the re-appointment of the Company's existing auditors, Deloitte LLP, until the next general meeting at which accounts are presented.

**Resolution 14 – Authority to agree the auditors' remuneration** is a separate resolution which gives authority to the Audit Committee to determine the auditors' remuneration.

**Resolution 15 – Authority to allot new shares**

This resolution renews the authority that was given at the AGM on 6 June 2013. Paragraph i) of this resolution would give the Directors the authority to allot ordinary shares up to an aggregate nominal amount equal to £50,000,000 (representing 500,000,000 ordinary shares of 10 pence each). This amount represents one-third of the issued ordinary share capital of the Company as at 27 February 2014, the latest practicable date prior to publication of this Notice of AGM.

In line with guidance issued by the Association of British Insurers, paragraph ii) of this resolution would give the Directors the authority to allot ordinary shares in connection with a rights issue in favour of ordinary shareholders up to an aggregate nominal amount equal to £100,000,000 (representing 1,000,000,000 ordinary shares of 10 pence each), including within such limit the nominal amount of any shares issued under paragraph i) of this resolution. This amount represents two-thirds of the issued ordinary share capital of the Company as at 27 February 2014, the latest practicable date prior to publication of this Notice.

The authorities sought under paragraph i) of this resolution will expire on the earlier of 30 June 2015 (the last date by which the Company must hold an AGM in 2015) and the conclusion of the AGM of the Company held in 2015.

The Directors have no present intention to exercise either of the authorities sought under this resolution, except, under paragraph i), to satisfy options under the Company's share option schemes.

As at the date of this Notice of AGM, no ordinary shares are held by the company in treasury.

**Resolution 16 – Authority to disapply pre-emption rights**

This resolution renews the authority that was given at the AGM on 6 June 2013 and would give the Directors the authority to allot ordinary shares (or sell any ordinary shares which the Company elects to hold in treasury) for cash without first offering them to existing shareholders in proportion to their existing shareholdings.

Except as provided in the next paragraph, this authority would be limited to allotments or sales in connection with pre-emptive offers or otherwise up to an aggregate nominal amount of £7,500,000 (representing 75,000,000 ordinary shares of 10 pence each). This aggregate nominal amount represents approximately 5% of the issued ordinary share capital of the Company as at 27 February 2014, the latest practicable date prior to publication of this Notice. In respect of this aggregate nominal amount, the Directors confirm their intention to follow the provisions of the Pre-Emption Group's Statement of Principles regarding cumulative use of authorities within a rolling 3-year period where the Principles provide that issues in excess of 7.5% should not take place without prior consultation with shareholders.

Allotments made under the authorisation in paragraph ii) of resolution 15 would be limited to allotments by way of a rights issue only (subject to the right of the Directors to impose necessary or appropriate limitations to deal with, for example, fractional entitlements and regulatory matters).

This authority will expire at the earlier of 30 June 2015 (the last date by which the Company must hold an AGM in 2015) and the conclusion of the AGM of the Company held in 2015.

**Resolution 17 – Authority to purchase own shares**

This resolution renews the authority that was given at the AGM on 6 June 2013, permitting the Company to buy its own ordinary shares in the market. The maximum number of shares that can be bought under this authority must not exceed 10% of the issued ordinary shares of the Company as at 27 February 2014, the latest practicable date prior to publication of this Notice. The maximum price payable must not exceed the higher of 105% of the average of the middle market quotations for the ordinary shares of the Company, as derived from The London Stock Exchange Daily Official List, for the five business days immediately prior to the date of purchase and that stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation 2003. The Directors do not intend to exercise the Company's power to purchase its own shares other than in circumstances where they believe this would result in an increase in earnings per share and be in the best interests of shareholders generally.

## THE BUSINESS OF THE AGM – EXPLANATORY NOTES *continued*

The Companies Act 2006 enables companies to hold any of their own shares they have purchased as treasury shares with a view to possible resale at a future date, rather than cancelling them. Direct Line Insurance Group plc holds no ordinary shares in treasury at the date of this Notice. Treasury shares would provide the Company with additional flexibility in the management of its capital base, enabling it either to sell treasury shares quickly and cost-effectively or to use the treasury shares to satisfy awards under the Company's employee share schemes.

The total number of options to subscribe for ordinary shares that were outstanding at 27 February 2013 (being the latest practical date prior to the publication of this Notice) was 9,348,711. The proportion of issued share capital that they represented at that time was 0.62% and the proportion of issued share capital that they will represent if the full authority to purchase shares (existing and being sought) is used is 0.69%.

### **Resolution 18 – Notice period for general meetings other than AGM**

Changes made to the Companies Act 2006 by the Shareholder Rights Regulations increase the notice period required for general meetings of the Company to 21 clear days unless shareholders approve a shorter notice period, which cannot however be less than 14 clear days. (AGMs will continue to be held on at least 21 clear days' notice.) Until the Shareholders' Rights Regulations came into force on 3 August 2009, the Company was able to call general meetings, other than an AGM, on 14 clear days' notice without obtaining such shareholder approval. In order to preserve this ability, resolution 18 seeks such approval. The approval will be effective until the Company's next AGM, when it is currently intended that a similar resolution will be proposed.

Note that the changes to the Companies Act 2006 mean that, in order to be able to call a general meeting on less than 21 clear days' notice, the Company must make a means of electronic voting available to all shareholders for that meeting.

### **Resolution 19 – Political donations and expenditure**

The Company does not intend to change its current practice of not making donations to political parties in the European Union ("EU"). However, the Political Parties, Elections and Referendums Act 2000 ("PPERA") and the Companies Act 2006 contain restrictions on companies making donations or incurring expenditure in relation to EU political parties, other political organisations or independent election candidates. The PERA and Part 14 of the Companies Act 2006 define political parties, other political organisations and independent election candidates very widely and, as a result, it is possible that they may include, for example, donations to bodies concerned with policy review and law reform, with the representation of the business community or sections of it, or with the representation of other communities or special interest groups which it is in the shareholders' interest for the Company to support. Amongst other things, the PERA and the Companies Act 2006 prohibit the Company or its subsidiaries from making donations or incurring expenditure in relation to political parties, other political organisations or independent candidates in a 12 month period in excess of an aggregate of £5,000, unless such donations have been authorised by the Company's shareholders. The Company is therefore seeking authority under this resolution up to £100,000 in aggregate in order to prevent an inadvertent breach of the PERA and the Companies Act 2006.



# Direct Line Insurance Group plc

Incorporated and registered in England and Wales under number 02280426

## SHAREHOLDER INFORMATION

### Shareholder Helpline

The Shareholder Helpline is run by Direct Line Insurance Group plc's Registrar, Computershare Investor Services PLC, and is available on UK business days between Monday and Friday, 8.30am to 5.00pm. The helpline also contains automated self-service functionality which is available 24 hours a day, seven days a week. Using your Shareholder Reference Number ("SRN") on your share certificate or dividend tax voucher, the self-service functionality will allow you to:

- confirm the latest share price;
- confirm your current shareholding;
- confirm your payment history; and
- order a Change of Address, Dividend Bank Mandate or Stock Transfer Form.

The number to call is + 44 (0)870 873 5880.

### Registrar's Investor Centre

Investor Centre is a free, secure share management website provided by the Company's Registrar, Computershare Investor Services PLC. Managing your shares online means you can access information quickly, securely and minimise postal communications. This service will allow you to:

- view your share portfolio and see the latest market price of your shares;
- elect to receive your shareholder communications online;
- calculate the total market price of each shareholding;
- view price histories and trading graphs;
- update bank mandates and change address details; and
- use online dealing services.

To take advantage of this service, please log in at [www.investorcentre.co.uk](http://www.investorcentre.co.uk) and enter your Shareholder Reference Number and the Company's name. This information can be found on your last dividend tax voucher or share certificate.

### 2014 Results and Financial Diary

First quarter results	2 May
Payment of second special interim dividend and final dividend	20 May
Half-year results	1 August
Payment of interim dividend	12 September
Third quarter results	31 October

### Dividend

Shareholders can elect for dividends to be paid by mandate directly to a UK bank or building society account, effecting payment on the relevant payment date through the Bankers' Automated Clearing Services (BACS) or the Clearing House Automated Payment System (CHAPS). The Company also offers shareholders a Dividend Reinvestment Plan. Further information can be found on our website at [www.directlinegroup.com](http://www.directlinegroup.com).

### Electronic Communications/Electronic Proxy Voting

The Company actively encourages all shareholders to register for the electronic communications service. By registering to receive electronic communications, you will be able to:

- cast your AGM proxy vote electronically;
- access details of your individual shareholding quickly and securely online; and
- receive electronic notification via email and the internet of statutory documents such as the Company's financial results, including annual and half-year reports and interim management statements.

You can register by visiting [www.directlinegroup.com](http://www.directlinegroup.com) and following the online instructions.



