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If you have sold or otherwise transferred all of your shares in Direct Line Insurance Group plc, please send this document, together with the accompanying Form of Proxy, as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee.

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Direct Line Insurance Group plc

*Incorporated and registered in England and Wales under the Companies Act 1985
Registered number 02280426*

**Special Dividend of 27.5 pence per Existing Ordinary Share,
11 for 12 Share Consolidation
and
Notice of General Meeting**

This document should be read as a whole. Your attention is drawn to the letter from the Chairman of Direct Line Insurance Group plc which is set out on pages 4 to 6 of this document and which recommends you to vote in favour of the Resolutions to be proposed at the General Meeting referred to below. The Resolutions will be voted on by taking a poll.

Application will be made to the UK Listing Authority for the New Ordinary Shares arising from the proposed consolidation of the Company's ordinary share capital to be admitted to the premium segment of the Official List and to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on the London Stock Exchange's main market for listed securities. It is expected that dealings in the Existing Ordinary Shares will continue until 8.00am on 30 June 2015 and that Admission of the New Ordinary Shares will become effective and dealings for normal settlement will commence at 8.00am on 30 June 2015.

Notice of a General Meeting of the Company to be held at 10.00am on 29 June 2015 at Allen & Overy LLP, One Bishops Square, London E1 6AD is set out at the end of this document.

A Form of Proxy is enclosed and, to be valid, should be completed, signed and returned so as to reach the Company's Registrar, Computershare Investor Services PLC, at The Pavilions, Bridgwater Road, Bristol BS99 6ZY, no later than 10.00am on 25 June 2015 (or, if the General Meeting is adjourned, 48 hours (excluding any UK non-working days) before the time of the adjourned General Meeting).

Electronic Proxy Appointment is available for this General Meeting. This facility enables Shareholders to lodge their proxy appointment by electronic means through the Registrar's website, www.investorcentre.co.uk/eproxy, or, for those who hold their shares in CREST, through the CREST electronic proxy appointment service. Further details are set out in the notes to this document.

At the General Meeting itself, the votes will be taken by poll rather than on a show of hands. The results of the polls will be announced as soon as practicable and will appear on the Company's website, www.directlinegroup.com/investors, under Shareholder Information.

WARNING: The contents of this document have not been reviewed by any regulatory authority in the United Kingdom, the United States or any other jurisdiction. You are advised to exercise caution. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

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EXPECTED TIMETABLE

2015

Posting of this Circular, providing notice of the General Meeting	Friday 5 June
Latest time and date for receipt of Form of Direction for General Meeting	10:00am on Wednesday 24 June
Latest time and date for receipt of Electronic Proxy Instruction, CREST Proxy Instruction or Form of Proxy for General Meeting	10.00am on Thursday 25 June
General Meeting	10.00am on Monday 29 June
Record date for Share Consolidation and entitlement to the Special Dividend	6.00pm on Monday 29 June
Latest time and date for dealings in the Existing Ordinary Shares	8.00am on Tuesday 30 June
Cancellation of trading in Existing Ordinary Shares	8.00am on Tuesday 30 June
Admission of New Ordinary Shares to the Official List and to trading on the London Stock Exchange's main market for listed Securities. Dealings commence in New Ordinary Shares.	By or as soon as practicable after 8.00am on Tuesday 30 June
CREST accounts credited with New Ordinary Shares	By or as soon as practicable after 8.00am on Tuesday 30 June
Ordinary Shares marked ex-entitlement to the Special Dividend	Tuesday 30 June
Despatch of share certificates in respect of New Ordinary Shares and, if applicable, despatch of cheques and CREST accounts credited in respect of fractional entitlements	By Tuesday 7 July
Plan notice date for election under the Dividend Reinvestment Plan	Tuesday 7 July
Despatch of BACS vouchers in respect of proceeds under the Special Dividend	Thursday 23 July
Despatch of cheques in respect of proceeds under the Special Dividend	Thursday 23 July
Payment of the Special Dividend to Shareholders	Friday 24 July
Despatch of share certificates and CREST accounts credited in respect of New Ordinary Shares issued under the Dividend Reinvestment Plan	Monday 3 August

If any of the above times and/or dates change, the revised times and/or dates will be notified to Shareholders by announcement through a Regulatory Information Service.

Unless otherwise stated, all references to times in this document are to London time.

Shareholder Helpline

If you have any questions about the Special Dividend or the Share Consolidation please call the Shareholder Helpline on +44 (0) 870 873 5880 between 8.30am and 5.30pm London time, Monday to Friday (except UK public holidays). Calls from landline providers typically cost up to 12 pence per minute. From mobile networks, calls cost between 5 pence and 40 pence per minute. Calls from outside the UK are chargeable at applicable international rates. Calls may be recorded and randomly monitored for security and training purposes. For legal reasons, the Shareholder Helpline will be unable to give advice on the merits of the Special Dividend or the Share Consolidation or to provide financial, tax or investment advice.

LETTER FROM THE CHAIRMAN OF DIRECT LINE INSURANCE GROUP PLC



5 June 2015

To: Holders of Existing Ordinary Shares and, for information only, to holders of options and awards under the Share Plans

Dear Shareholder,

On 29 May 2015, the Board announced the completion of the disposal of the Group's International division, which comprised its Italian and German operations, to Mapfre, S.A.. Gross proceeds were €550.0 million (£430.9 million) and, after taking into account transaction costs, your Board proposes to return approximately £412.5 million to Shareholders via a Special Dividend of 27.5 pence per Ordinary Share. The Special Dividend will be in addition to the usual interim and final dividends paid to shareholders in respect of the financial year ending 31 December 2015.

For the reasons explained in this letter, it is proposed that the payment of the Special Dividend will be accompanied by a 11 for 12 consolidation of the Company's ordinary share capital and will be conditional upon the Share Consolidation being approved by Shareholders.

The purpose of this letter is to provide further details of the Special Dividend and the Share Consolidation and to seek Shareholders' consent to the Share Consolidation.

Special Dividend

Taking into account the Group's strong capital position, and consistent with the Board's focus on generating returns for Shareholders, the Board is proposing a return of cash to Shareholders of £412.5 million in the form of a Special Dividend of 27.5 pence per Existing Ordinary Share. **The Board is proposing, conditional on the Share Consolidation having been approved, to pay the Special Dividend to Shareholders on the Register as at 6.00pm on Monday, 29 June 2015 as an interim dividend in respect of the financial year ending 31 December 2015. The Special Dividend is expected to be paid to Shareholders on Friday, 24 July 2015.** Shareholders will be able to elect to receive the Special Dividend in cash or to participate in the Group's dividend reinvestment plan whereby cash dividends will be used to purchase additional New Ordinary Shares.

Share Consolidation

As at the close of business on 4 June 2015, when the closing mid-market price per Existing Ordinary Share was 345.4 pence and there were 1,500,000,000 Existing Ordinary Shares in issue, the total amount of the Special Dividend was equivalent to 8 per cent. of the market capitalisation of the Company. The effect of the Share Consolidation will be to reduce the number of Ordinary Shares in issue by approximately the same percentage.

It is anticipated that, as a result of the decrease in market value of the Company due to the Special Dividend, there would, without a consolidation of the Company's ordinary share capital, be a corresponding decrease in the market price of the Existing Ordinary Shares. Accordingly, in order to maintain (subject to normal market fluctuations) the market price for ordinary shares at approximately the same level as prevailed immediately prior to the Special Dividend, a consolidation of the Company's ordinary share capital is proposed. The effect of the Share Consolidation is that the Existing Ordinary Shares will be replaced by New Ordinary Shares so as to reduce the number of Ordinary Shares in issue to reflect the amount of cash to be returned to Shareholders.

As all Ordinary Shares in the Company will be consolidated, each Shareholder's percentage holding in the total issued share capital of the Company immediately before and after the implementation of the Share Consolidation will (save in respect of fractional entitlements) remain unchanged.

The Share Consolidation will replace every 12 Existing Ordinary Shares with 11 New Ordinary Shares. Fractional entitlements arising from the Share Consolidation will be aggregated and sold in the market on behalf of the relevant Shareholders. The proceeds of sale are expected to be sent to Shareholders on 7 July 2015 in accordance with paragraph 2 of Appendix I (or, if less than £3.00 in the case of any one shareholder, donated to charities chosen by the Company). The value of any one Shareholder's fractional entitlement will not exceed the value of one New Ordinary Share.

For purely illustrative purposes, examples of the effects of the Special Dividend and the Share Consolidation in respect of certain holdings of Existing Ordinary Shares are set out below:

Existing Ordinary Shares	New Ordinary Shares	Special Dividend
100	91	£27.50
250	229	£68.75
500	458	£137.50
1,000	916	£275.00

These examples do not show fractional entitlements, the value of which will depend on the market value of the New Ordinary Shares at the time of sale, as detailed in Appendix I.

Following the Share Consolidation, and assuming no further shares are issued or repurchased between 4 June 2015 (being the last practicable date prior to publication of this document) and the date on which the Share Consolidation becomes effective, the Company's total issued share capital will comprise 1,375,000,000 New Ordinary Shares. The New Ordinary Shares will rank equally with one another and have the same rights, including voting and dividend rights, as the Existing Ordinary Shares.

Further details of the Special Dividend and Share Consolidation are included in Appendix I.

Share Plans

A summary of the potential consequences of the Special Dividend and the Share Consolidation for holders of options and awards under the Share Plans is set out in paragraph 4 of Appendix I. As more particularly set out in that paragraph, in relation to the Special Dividend and Share Consolidation, participant entitlements in the Company Share Plans will be dealt with according to the rules of the individual plans. The effect of the Share Consolidation following the Special Dividend should be, broadly, to preserve the value of awards and options under the Share Plans, subject to any market fluctuations.

Taxation

A summary of certain taxation consequences of the Special Dividend and the Share Consolidation for certain categories of UK resident Shareholders, and certain US Shareholders, is set out in paragraph 5 of Appendix I. As more particularly set out in that paragraph, the Directors have been advised that:

- the tax treatment of the UK resident Shareholders who receive the Special Dividend will generally be similar to the tax treatment of such holders receiving any other dividend paid by the Company; and
- UK resident Shareholders should not generally be treated as having made a disposal of their Existing Ordinary Shares for the purposes of UK taxation of chargeable gains as a result of the Share Consolidation.

Shareholders can view the Company's historic share price using the share price chart on the Company's website, www.directlinegroup.com/investors.

Shareholders should read paragraph 5 of Appendix I and, if they are in any doubt as to their tax position, consult their own independent tax advisers.

General Meeting

A notice convening the General Meeting of the Company to be held at 10.00am on Monday, 29 June 2015, at Allen & Overy LLP, One Bishops Square, London E1 6AD is set out at the end of this document.

The Consolidation Resolution will authorise the Share Consolidation, following which the total number of issued Ordinary Shares will be reduced and the nominal value of the Ordinary Shares will change. The Resolutions other than the Consolidation Resolution will refresh the authorisations relating to the share capital of the Company following the reduction in the number of issued Ordinary Shares and the nominal value of the Ordinary Shares, specifically: (i) the directors' authority to allot new ordinary shares in the Company; (ii) the disapplication of pre-emption rights in respect of any such allotments; and (iii) the authority for the Company to purchase its own shares.

Action to be taken

Whether or not you propose to attend the General Meeting, you are requested to complete and sign the enclosed Form of Proxy. Completed Forms of Proxy should be returned to Computershare Investor Services PLC, at The Pavilions, Bridgwater Road, Bristol BS99 6ZY, so as to arrive as soon as possible, and in any event so as to be received by Computershare no later than 10.00am on Thursday, 25 June 2015.

If you hold shares in CREST, you may appoint a proxy by completing and transmitting a CREST Proxy Instruction to Computershare (CREST participant ID number 3RA50) so that it is received by no later than 10.00am on Thursday, 25 June 2015.

The return of a completed Form of Proxy or CREST Proxy Instruction will not prevent you from attending the General Meeting and voting in person if you wish to do so.

Electronic Proxy Appointment is available for this General Meeting. This facility enables Shareholders to lodge their proxy appointment by electronic means on a website provided by Computershare via www.investorcentre.co.uk/eproxy. Further details are set out in the notes to the Form of Proxy.

The Resolutions will be decided on a poll, rather than a show of hands, to enable those Shareholders who may be unable to attend the General Meeting in person to participate in the vote. The results of the polls will be announced to the London Stock Exchange and will appear on the Company's website, <http://www.directlinegroup.com/Shareholdermeetings>.

Recommendation

Your Board considers that the passing of the Resolutions is in the best interests of Shareholders as a whole. Accordingly, your Board unanimously recommends Shareholders to vote in favour of the Resolutions to be proposed at the General Meeting as the members of the Board intend to do in respect of their own beneficial holdings of 985,789 Existing Ordinary Shares which, as at 4 June 2015, represented approximately 0.07 per cent. of the current total issued share capital of the Company.

Yours sincerely,



Michael N Biggs
Chairman

APPENDIX I

FURTHER DETAILS OF THE SPECIAL DIVIDEND AND SHARE CONSOLIDATION

1. Special Dividend and Share Consolidation

The Company intends to pay a Special Dividend of 27.5 pence per Existing Ordinary Share, conditional on the Share Consolidation having been approved by Shareholders.

The effect of the Share Consolidation will be that Shareholders on the Register at the close of business on the Record Date, which is expected to be 6.00pm on Monday, 29 June 2015, will, on the completion of the Share Consolidation, receive:

11 New Ordinary Shares for 12 Existing Ordinary Shares

and in that proportion for any other number of Existing Ordinary Shares then held. As all ordinary shareholdings in the Company will be consolidated, the number of Ordinary Shares held by each Shareholder will reduce, but Shareholders' percentage holdings in the issued ordinary share capital of the Company will (save in respect of fractional entitlements) remain unchanged immediately following the Share Consolidation. Similarly, although the nominal value of each Ordinary Share will change, the New Ordinary Shares will be equivalent in all other respects to the Existing Ordinary Shares, including their dividend, voting and other rights as set out in the Company's Articles of Association and will be admitted to trading in the same way as the Existing Ordinary Shares.

The ratio used for the Share Consolidation has been set by reference to the closing mid-market price of 345.4 pence per Existing Ordinary Share and the number of Existing Ordinary Shares in issue on 4 June 2015, the last practicable date prior to the date of this document. Depending upon the price of an Existing Ordinary Share and the number of Existing Ordinary Shares in issue shortly before the date of the General Meeting, this ratio may no longer maintain comparability of the Company's share price before and after the payment of the Special Dividend. If this is the case, the Directors may, at the General Meeting, propose certain changes to the Consolidation Resolution contained in the Notice of General Meeting so as to adjust the ratio to maintain, as far as possible, the comparability. If it is proposed that these steps are to be taken, notice will be given by issuing an announcement through a Regulatory Information Service.

To effect the Share Consolidation it may be necessary to issue or repurchase for cancellation such minimum number of additional Existing Ordinary Shares so that the number of the Company's Existing Ordinary Shares is exactly divisible by 12.

2. Effects of proposals

For purely illustrative purposes, examples of the effects of the Special Dividend and the Share Consolidation in respect of certain holdings of Existing Ordinary Shares are set out below:

<u>Existing Ordinary Shares</u>	<u>New Ordinary Shares</u>	<u>Special Dividend</u>
100	91	£27.50
250	229	£68.75
500	458	£137.50
1,000	916	£275.00

These examples do not show fractional entitlements, the value of which will depend on the market value of the New Ordinary Shares at the time of sale, as detailed below.

Shareholders whose holdings of Existing Ordinary Shares cannot be consolidated into an exact number of New Ordinary Shares will be left with a fractional entitlement. Fractional entitlements arising from the Share Consolidation will be aggregated and sold in the market on behalf of the relevant Shareholders.

The proceeds of sale are expected to be sent to Shareholders on Tuesday, 7 July 2015 (or, if less than £3.00 in the case of any one shareholder, donated to charities chosen by the Company). The value of any one Shareholder's fractional entitlement will not exceed the value of one New Ordinary Share.

The New Ordinary Shares will have an ISIN of GB00BY9D0Y18 and a SEDOL of BY9D0Y1.

3. Conditions

The Board is proposing, conditional on the Share Consolidation having been approved, to pay the Special Dividend to Shareholders on the Register as at 6.00pm on Monday, 29 June 2015 as an interim dividend in respect of the financial year ending 31 December 2015. The Share Consolidation itself is conditional on the Consolidation Resolution set out in the Notice of General Meeting being passed and becoming unconditional. This Consolidation Resolution is conditional on the New Ordinary Shares being admitted to the premium segment of the Official List by the UK Listing Authority and being admitted to trading on the London Stock Exchange's main market for listed securities by the London Stock Exchange.

4. Share Plans

In relation to the Special Dividend and Share Consolidation, participant entitlements in the Company Share Plans will be dealt with according to the rules of the individual plans. The effect of the Share Consolidation following the Special Dividend should be, broadly, to preserve the value of awards and options under the Share Plans, subject to any market fluctuations.

Participants in the SIP and the International Share Incentive Plan are the beneficial owners of a number of Existing Ordinary Shares, held on their behalf by the plan trustee, and accordingly they will be entitled to participate in the Special Dividend in respect of those shares. Participants' shareholdings will be treated in the same manner as those of Shareholders on the Share Consolidation and will be adjusted to reflect a consolidated holding.

The treatment of options or unvested awards under the Share Plans, notably the LTIP and DAIP, has been reviewed at the discretion of the remuneration committee of the Board (the **Committee**). The Committee has determined that participants who hold options or unvested awards under the Share Plans will be entitled to participate in the Special Dividend by way of an accrued dividend equivalent which will be awarded on vesting. Awards held by these participants who will receive the Special Dividend equivalent will be adjusted in line with the consolidation applied to shareholders.

The Committee has discretion to adjust any performance condition in respect of awards granted if it considers amendments to any original conditions to be required in line with the terms of the relevant plans. As a result of the Share Consolidation, no amendments will be made to the performance conditions for existing awards.

Amendments to entitlements under the Share Plans will be made at the discretion of the Committee and will be notified to the relevant award/option holders.

5. Taxation

A. *United Kingdom Taxation*

The following summary is intended as a general guide only and relates only to certain limited aspects of the UK taxation treatment of the Special Dividend and the related Share Consolidation. It is based on current UK tax law and what is understood to be the current published practice of HMRC. It applies only to Shareholders who are resident and, in the case of individuals, domiciled for tax purposes in the UK (except insofar as express reference is made to the treatment of non-UK residents), who are the absolute beneficial owners of their shares and hold them as an investment. The tax position of certain categories of Shareholders who are subject to special rules (such as persons acquiring their shares in connection with employment, dealers in securities, insurance companies and collective investment schemes) is not considered.

Shareholders who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than the UK are strongly recommended to consult their own independent tax advisers.

Shareholders can view the Company's historic share price using the share price chart on the Company's website, www.directlinegroup.com/investors.

Special Dividend

The Company is not required to withhold tax at source when paying a dividend. Liability to tax on the Special Dividend will depend upon the individual circumstances of a Shareholder.

(i) UK resident individual Shareholders

An individual Shareholder who is resident for tax purposes in the UK and who receives the Special Dividend will generally be entitled to a tax credit equal to one-ninth of the amount of the dividend received, which is equivalent to 10 per cent. of the aggregate of the dividend received and the tax credit (the "**gross dividend**"), and will be subject to income tax on the gross dividend.

An individual UK resident Shareholder who is subject to income tax at a rate or rates not exceeding the basic rate will be liable to tax on the gross dividend at the rate of 10 per cent., so that the tax credit will satisfy the income tax liability of such a Shareholder in full. Where the tax credit exceeds the Shareholder's tax liability the Shareholder cannot claim repayment of the tax credit from HMRC.

An individual UK resident Shareholder who is subject to income tax at the higher rate will be liable to income tax on the gross dividend at the rate of 32.5 per cent. to the extent that such sum, when treated as the top slice of that Shareholder's income, falls above the threshold for higher rate income tax but below the threshold for additional rate income tax. After taking into account the 10 per cent. tax credit, a higher rate taxpayer will therefore be liable to additional income tax of 22.5 per cent. of the gross dividend, equal to 25 per cent. of the net dividend, to the extent that the gross dividend falls above the threshold for higher rate income tax but below the threshold for additional rate income tax.

An individual UK resident Shareholder who is subject to income tax at the additional rate will be liable to income tax on the gross dividend at the rate of 37.5 per cent. to the extent that such sum, when treated as the top slice of that Shareholder's income, falls above the threshold for additional rate income tax. After taking into account the 10 per cent. tax credit, such a Shareholder will therefore be liable to additional income tax of 27.5 per cent. of the gross dividend, or 30.56 per cent. of the net dividend, to the extent that the gross dividend falls above the threshold for the additional rate.

(ii) UK resident corporate Shareholders

A corporate Shareholder resident in the UK for tax purposes which is a "small company" for the purposes of Chapter 2 of Part 9A of the Corporation Tax Act 2009 will not be subject to UK corporation tax on any dividend received from the Company provided certain conditions are met (including an anti-avoidance condition).

Other corporate Shareholders resident in the UK for tax purposes will not be subject to UK corporation tax on any dividend received from the Company so long as the dividends fall within an exempt class and certain conditions are met. For example, (i) dividends paid on shares that are not redeemable and do not carry any present or future preferential rights to dividends or to a company's assets on its winding up, and (ii) dividends paid to a person holding less than a 10% interest in the Company, should generally fall within an exempt class. However, the exemptions mentioned above are not comprehensive and are subject to anti-avoidance rules.

If the conditions for exemption are not met or cease to be satisfied, or such a corporate Shareholder elects an otherwise exempt dividend to be taxable, the Shareholder will be subject to UK corporation tax on dividends received from the Company, at the rate of corporation tax applicable to that corporate Shareholder (20% for companies paying the full rate of corporation tax).

(iii) *UK resident exempt Shareholders*

UK resident Shareholders who are not liable to UK tax on dividends, including pension funds and charities, are not entitled to claim repayment of the tax credit.

(iv) *Non-UK resident Shareholders*

Subject to certain exceptions for individuals who are residents of the Isle of Man or the Channel Islands, nationals of States which are part of the European Economic Area and certain others, Shareholders who are resident outside the UK for tax purposes will not generally be able to claim repayment of any part of the tax credit attaching to the Special Dividend, although this will depend on the existence and terms of any double taxation convention between the UK and the country in which such Shareholder is resident. A Shareholder resident outside the UK may also be subject to taxation on dividend income under local law. A Shareholder who is resident outside the UK for tax purposes should consult his own independent tax adviser concerning his tax position in respect of the Special Dividend.

Share Consolidation

It is expected that for the purposes of UK taxation on chargeable gains the Share Consolidation will be treated as follows:

- (a) the New Ordinary Shares arising from the Share Consolidation will result from a reorganisation of the share capital of the Company. Accordingly, to the extent that a Shareholder receives New Ordinary Shares, the Shareholder should not be treated as making a disposal of all or part of the Shareholder's holding of Existing Ordinary Shares by reason of the Share Consolidation being implemented, and the New Ordinary Shares which replace a Shareholder's holding of Existing Ordinary Shares (the "**new holding**") as a result of the Share Consolidation will be treated as the same asset acquired at the same time as the Shareholder's holding of Existing Ordinary Shares was acquired;
- (b) to the extent that a Shareholder receives cash by virtue of a sale on his or her behalf of any New Ordinary Shares to which he or she has a fractional entitlement, the Shareholder will not in practice normally be treated as making a part disposal of the Shareholder's holding of Existing Ordinary Shares, the proceeds instead being deducted from the base cost of the Shareholder's new holding. This treatment applies where the cash received is 'small' as compared with the value of the shares in respect of which it is made. For this purpose, HMRC regard 'small' as meaning 5% or less and additionally regard an amount of £3,000 or less as 'small', regardless of whether or not it would pass the 5% test. If those proceeds were to exceed that base cost, however, or if a Shareholder were to hold less than one Existing Ordinary Share at the Effective Date and so would not be entitled to any New Ordinary Shares, the Shareholder would be treated as disposing of part or all of his or her existing holding of Ordinary Shares and would be subject to tax in respect of any chargeable gain thereby realised; and
- (c) on a subsequent disposal of the whole or part of the New Ordinary Shares comprised in the new holding, a Shareholder may, depending on his or her circumstances, be subject to tax on the amount of any chargeable gain realised.

Transactions in Securities anti-avoidance

Under the provisions of Chapter 1 of Part 13 Income Tax Act 2007 (for Shareholders within the charge to income tax) and Part 15 of the Corporation Tax Act 2010 (for Shareholders within the charge to corporation tax), HMRC can, in certain circumstances, counteract tax advantages arising in relation to certain transactions in securities. No clearance has been or will be sought by the Company in relation to the applicability of those provisions in respect of the Special Dividend. However, it is not expected that they will, as a general matter, affect the taxation treatment of Shareholders receiving the Special Dividend.

B. United States Federal Income Taxation

This disclosure is limited to the US federal income tax issues addressed herein. Additional issues may exist that are not addressed in this disclosure and that could affect the US federal income tax treatment of the Special Dividend and related Share Consolidation. Shareholders should seek their own advice based on their particular circumstances from their independent tax advisers.

The following is a discussion of certain US federal income tax consequences of the Special Dividend and related Share Consolidation to the US Holders described below who receive the Special Dividend, but it does not purport to be a comprehensive description of all the tax considerations that may be relevant to a particular person. This discussion does not address US state, local or non-US tax consequences. The discussion addresses only US Holders who hold Existing Ordinary Shares as capital assets for US federal income tax purposes. In addition, it does not describe all of the tax consequences that may be relevant in light of a US Holder's particular circumstances, including alternative minimum tax consequences and consequences applicable to US Holders subject to special rules, such as:

- certain financial institutions;
- dealers and certain traders in securities or foreign currencies;
- persons holding Existing Ordinary Shares as part of a hedge, straddle, conversion or other integrated transaction;
- persons whose functional currency for US federal income tax purposes is not the US dollar;
- partnerships or other entities classified as partnerships for US federal income tax purposes;
- tax-exempt organisations;
- persons holding Existing Ordinary Shares in connection with a trade or business conducted outside of the United States; or
- persons that own or are deemed to own 10 per cent. or more of the Company's voting stock.

This discussion is based on the Code, administrative pronouncements, judicial decisions and final, temporary and proposed US Treasury regulations, all as of the date hereof. These laws are subject to change, possibly on a retroactive basis. **US Holders should consult their independent tax advisers concerning the US federal, state, local and non-US tax consequences of the Special Dividend and related Share Consolidation in their particular circumstances.**

As used herein, a "US Holder" is a beneficial owner of Existing Ordinary Shares that is, for US federal income tax purposes: (i) a citizen or individual resident of the United States; (ii) a corporation created or organised in or under the laws of the United States or any political sub-division thereof; or (iii) an estate or trust the income of which is subject to US federal income taxation regardless of its source.

The US federal income tax treatment of a partner in a partnership, or other entity treated as a partnership for US federal income tax purposes, that holds Existing Ordinary Shares will depend on the status of the partner and the activities of the partnership. A partner of a partnership holding Existing Ordinary Shares should consult its tax advisor regarding the tax consequences of the Special Dividend and related Share Consolidation.

This discussion assumes that the Company has not been, and will not become, a passive foreign investment company ("PFIC") for US federal income tax purposes, as described below.

Special Dividend

The Special Dividend paid on Existing Ordinary Shares will be treated as dividend income to the extent of the Company's current or accumulated earnings and profits (as determined under US federal income tax principles).

To the extent the Special Dividend exceeds the Company's current and accumulated earnings and profits (as determined under US federal income tax principles), it will be treated first as a tax-free return of capital to the extent of the US Holder's tax basis in its Existing Ordinary Shares, and capital gain thereafter. The Company does not maintain records of earnings and profits in accordance with US federal income tax principles. Accordingly, it is expected that the Special Dividend, where required to be reported, will be reported as a dividend for US federal income tax purposes.

The Special Dividend will be included in a US Holder's income in a US dollar amount calculated by reference to the exchange rate in effect on the date the Special Dividend is received by such US Holder, regardless of whether the payment is in fact converted into US dollars at such time. If the Special Dividend is converted into US dollars on the date of receipt, a US Holder generally should not be required to recognise foreign currency gain or loss in respect of the dividend income. If the Special Dividend is not converted into US dollars on the date of receipt, such US Holder will have a basis in the foreign currency equal to its US dollar value on the date of receipt. Any gain on a subsequent conversion or other disposition of the foreign currency generally will be treated as ordinary income or loss to such US Holder and generally will be income or loss from sources within the United States for foreign tax credit limitation purposes.

The Special Dividend will not be eligible for the dividends-received deduction generally allowed to US corporations under the Code. Subject to applicable limitations, the Special Dividend paid to certain non-corporate US Holders may be taxable at preferential rates. Non-corporate US Holders should consult their independent tax advisers to determine whether they are subject to any special rules that would limit their ability to be taxed at these preferential rates. If the preferential rates apply and the Special Dividend and any other dividends with ex-dividend dates within the same period of 85 consecutive days exceeds 10 per cent. of a US Holder's adjusted basis in its Existing Ordinary Shares (or, if the preferential rates apply and the Special Dividend and any other dividends with ex-dividend dates during the same period of 365 consecutive days in the aggregate exceed 20 per cent. of such basis), any loss on the sale or exchange of such Existing Ordinary Shares would be treated as long-term capital loss to the extent of such dividend(s).

Share Consolidation

A US Holder will not recognise a gain or loss in connection with the exchange of Existing Ordinary Shares for New Ordinary Shares in the Share Consolidation, except to the extent of cash received in lieu of an entitlement to a fractional New Ordinary Share (a "**fractional entitlement**"). The difference, as determined in US dollars, between the US Holder's tax basis allocable to the fractional entitlement and the cash received upon the sale of such entitlement will be capital gain which will be long-term capital gain if the US Holder has held its Existing Ordinary Shares for more than one year.

A US Holder's tax basis in its New Ordinary Shares will equal its tax basis in its Existing Ordinary Shares less any tax basis that is allocable to any fractional entitlement to a New Ordinary Share. A US Holder's holding period for its New Ordinary Shares will include its holding period for the Existing Ordinary Shares exchanged therefor.

Passive Foreign Investment Company Considerations

In general, a non-US company will be a PFIC for any taxable year in which (i) 75 per cent. or more of its gross income consists of passive income (such as dividends, interest, rents and royalties); or (ii) 50 per cent. or more of the average quarterly value of its assets consists of assets that produce, or are held for the production of, passive income. The Company believes that it was not a PFIC for its recent taxable years and does not expect to become a PFIC in the foreseeable future. However, because PFIC status depends upon the composition of a company's income and assets and the fair market value of its assets from time to time, there can be no assurance that the Company will not be, or was not, a PFIC for any taxable year. If the Company was treated as a PFIC for any taxable year during which a US Holder held Ordinary Shares, certain adverse US federal income tax consequences could apply to such US Holder upon a disposition of Ordinary Shares or receipt of certain excess distributions, including the Special Dividend. US Holders are urged to consult their independent tax advisers

concerning the US federal income tax consequences to them if the Company has been or becomes a PFIC.

Information Reporting and Backup Withholding

Payment of the Special Dividend and sales proceeds made within the United States or through certain US-related financial intermediaries generally is subject to information reporting and backup withholding unless the US Holder is an exempt recipient or, in the case of backup withholding, the US Holder provides a correct taxpayer identification number and certifies that no loss of exemption from backup withholding has occurred. Backup withholding is not an additional tax. The amount of any backup withholding from a payment to a US Holder will be allowed as a credit against the US Holder's US federal income tax liability and may entitle the US Holder to a refund, provided that the required information is furnished to the Internal Revenue Service on a timely basis.

6. Dealings and settlement

Application will be made to the UK Listing Authority for the New Ordinary Shares arising from the proposed consolidation of the Company's total issued share capital to be admitted to the premium segment of the Official List and to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on the London Stock Exchange's main market for listed securities. It is expected that dealings in the Existing Ordinary Shares will continue until 8.00am on Tuesday, 30 June 2015 and that Admission of the New Ordinary Shares will become effective, and dealings for normal settlement will commence, at 8.00am on Tuesday, 30 June 2015.

New share certificates in respect of the New Ordinary Shares are expected to be posted at the risk of Shareholders by Tuesday, 7 July 2015 to those Shareholders who hold their shares in Certificated Form. These will replace existing certificates which should then be destroyed. Pending the receipt of new certificates, transfers of New Ordinary Shares held in Certificated Form will be certified against the Register. Shares in the Company may be held in Uncertificated Form. Shareholders who hold their entitlement to New Ordinary Shares in Uncertificated Form through CREST will have their CREST accounts adjusted to reflect their entitlement to New Ordinary Shares on Tuesday, 30 June 2015.

7. Documents available for inspection

Copies of this circular will be available for inspection during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the registered offices of the Company, Churchill Court, Westmoreland Road, Bromley BR1 1DP, United Kingdom, until the date of the General Meeting.

Dated: 5 June 2015

APPENDIX II

DEFINITIONS

The following definitions apply throughout this document and the accompanying Form of Proxy unless the context requires otherwise.

Act	the Companies Act 2006
Admission	the admission of the New Ordinary Shares to the premium segment of the Official List and to trading on the London Stock Exchange's main market for listed securities
associate undertaking	has the meaning given to it in section 1151(3) of the Act
Board	the board of directors of the Company
Certificated or in Certificated Form	not in Uncertificated Form
Company	Direct Line Insurance Group plc
Consolidation Resolution	is the resolution authorising the Share Consolidation set out as resolution 1 in the notice convening the General Meeting
CREST	the relevant system (as defined in the CREST Regulations) in respect of which Euroclear UK & Ireland Limited is the Operator (as defined in the CREST Regulations)
CREST Regulations	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755)
Directors	the directors of the Company
Effective Date	the date on which entitlement to the Special Dividend and Share Consolidation becomes effective
Existing Ordinary Shares	the existing issued ordinary shares of ten (10) pence each in the capital of the Company
Financial Conduct Authority or FCA	the Financial Conduct Authority of the United Kingdom (or any successor body in respect thereof)
Form of Proxy	the form of proxy for use by holders of Existing Ordinary Shares accompanying this document for use in connection with the General Meeting
FSMA	the Financial Services and Markets Act 2000 (as amended)
General Meeting	the General Meeting of the Company convened for 10.00am on Monday, 29 June 2015 (and any adjournment thereof)
Group	means the Company and its subsidiaries and subsidiary undertakings and, where the context requires it, its associated undertakings
HMRC	Her Majesty's Revenue and Customs
London Stock Exchange	the London Stock Exchange plc
New Ordinary Shares	the proposed new ordinary shares of 10 10/11 pence each in the capital of the Company resulting from the Share Consolidation
Official List	the official list maintained by the Financial Conduct Authority
Ordinary Shares	prior to the Share Consolidation, the Existing Ordinary Shares and,

	after the Share Consolidation, the New Ordinary Shares
Record Date	6.00pm on Monday, 29 June 2015 (or such other time and date as the Directors may determine)
Register	the register of members of the Company
Registrar or Computershare	Computershare Investor Services PLC, or any other registrar appointed by the Company from time to time
Resolutions	the resolutions set out in the notice convening the General Meeting which is set out at the end of this document
Share Consolidation	the proposed consolidation to be effected by consolidating every 12 Existing Ordinary Shares into 11 New Ordinary Shares
Share Plans	(a) Direct Line Insurance Group plc 2012 Share Incentive Plan (“ SIP ”); (b) Direct Line Insurance Group plc International Share Incentive Plan; (c) Direct Line Insurance Group plc 2012 Long Term Incentive Plan (“ LTIP ”); (d) Direct Line Insurance Group plc Restricted Shares Plan (“ RSP ”); (e) Direct Line Insurance Group plc Deferred Annual Incentive Plan (“ DAIP ”); and (f) a Share Award Contract
Shareholders	holders of Ordinary Shares in the Company
Special Dividend	the proposed special interim dividend of £412.5 million, which converts to 27.5 pence per Existing Ordinary Share
subsidiary	has the meaning given to it in section 1159 of the Act
subsidiary undertaking	has the meaning given to it in section 1162 of the Act
UK Listing Authority	the FCA acting in its capacity as the competent authority for the purposes of Part VI of FSMA
Uncertificated or in Uncertificated Form	recorded on the Register as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
United Kingdom or UK	the United Kingdom of Great Britain and Northern Ireland
United States or US	the United States of America, its territories and possessions, any State of the United States of America and the District of Columbia

The singular shall include the plural and *vice versa*, and words importing the masculine gender shall include the feminine or neutral gender.

Terms defined in the CREST Manual shall, unless the context otherwise requires, bear the same meanings where used in this document.

References to “£”, “sterling”, “penny” and “pence” are to the lawful currency of the United Kingdom.

DIRECT LINE INSURANCE GROUP PLC

NOTICE OF GENERAL MEETING

Notice is hereby given that a General Meeting of Direct Line Insurance Group plc (the “**Company**”) will be held at Allen & Overy LLP, One Bishops Square, London E1 6AD at 10.00am on Monday, 29 June 2015, for the purpose of considering and, if thought fit, passing the following Resolutions, of which resolutions 1 and 2 will be proposed as ordinary resolutions and resolutions 3 and 4 will be proposed as special resolutions.

Ordinary Resolutions:

Resolution 1 – Share Consolidation

THAT, subject to and conditional upon admission of the New Ordinary Shares (as defined below) to the premium segment of the Official List and to trading on the London Stock Exchange’s main market for listed securities becoming effective, every 12 ordinary shares of 10 pence each in the capital of the Company in issue as at 6.00pm on Monday, 29 June 2015 (or such other time and date as the Directors may determine) (each an “**Existing Ordinary Share**”) be consolidated into 11 ordinary shares of 10 10/11 pence each (or such other number and price as the Directors may in their absolute discretion determine if the price of an Existing Ordinary Share and the number of Existing Ordinary Shares in issue shortly before the date of the General Meeting mean that this ratio would no longer maintain comparability of the Company’s share price before and after the payment of the proposed special interim dividend of £412.5 million, which converts to 27.5 pence per Existing Ordinary Share) (each a “**New Ordinary Share**”), provided that, where such consolidation results in any member being entitled to a fraction of a New Ordinary Share, such fraction shall, so far as possible, be aggregated with the fractions of New Ordinary Shares to which other members of the Company may be entitled and the Directors of the Company be and are hereby authorised to sell (or appoint any other person to sell to any person), on behalf of the relevant members, all the New Ordinary Shares representing such fractions at the best price reasonably obtainable to any person, and to pay the proceeds of sale (net of expenses) in due proportion to the relevant members entitled thereto (save that any fraction of a penny which would otherwise be payable shall be rounded up or down in accordance with the usual practice of the Registrar of the Company and, if the proceeds are less than £3.00 in the case of any one shareholder, they will be donated to charities chosen by the Company) and that any Director of the Company (or any person appointed by the Directors of the Company) shall be and is hereby authorised to execute an instrument of transfer in respect of such shares on behalf of the relevant members and to do all acts and things the Directors consider necessary or expedient to effect the transfer of such shares to, or in accordance with the directions of, any buyer of any such shares.

Resolution 2 – Authority to allot new shares

THAT,

- a) the Directors be authorised to allot shares in the Company, or grant rights to subscribe for or to convert any security into shares in the Company:
 - i. in accordance with article 7 of the Company’s articles of association (the “**Articles**”) up to a maximum number of ordinary shares not exceeding an aggregate nominal amount equal to £50,000,000 (such number to be reduced by the number of any equity securities (as defined in article 8 of the Articles) allotted under paragraph b) below in excess of the number of ordinary shares not exceeding an aggregate nominal amount equal to £50,000,000; and

- ii. comprising equity securities (as defined in article 8 of the Articles) up to a maximum number of ordinary shares not exceeding an aggregate nominal amount equal to £100,000,000 (such number to be reduced by the number of any shares allotted or rights granted under paragraph i. above) in connection with an offer by way of a rights issue (as defined in article 8 of the Articles);
- b) this authority shall expire at the conclusion of the next AGM of the Company after the passing of this resolution or, if earlier, at the close of business on 30 June 2016; and
- c) all previous unutilised authorities under section 551 of the Companies Act 2006 shall cease to have effect (save to the extent that the same are exercisable pursuant to section 551(7) of the Companies Act 2006 by reason of any offer or agreement made prior to the date of this resolution which would or might require shares to be allotted or rights to be granted on or after that date).

Special Resolutions

Resolution 3 – Authority to disapply pre-emption rights

THAT:

- a) in accordance with article 8 of the Articles, the Directors be given power to allot equity securities for cash;
- b) the power under paragraph a) above (other than in connection with a rights issue, as defined in article 8 of the Articles) shall be limited to the allotment of equity securities in number of ordinary shares not exceeding an aggregate nominal amount equal to £7,500,000;
- c) this authority shall expire at the conclusion of the next AGM of the Company after the passing of this resolution, or, if earlier, at the close of business on 30 June 2016; and
- d) all previous unutilised authorities under sections 570 and 573 of the Companies Act 2006 shall cease to have effect.

Resolution 4 – 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, subject to the following conditions:

- a) the maximum number of ordinary shares hereby authorised to be purchased shall be 137,500,000;
- b) the minimum price (exclusive of expenses) which may be paid for an ordinary share is the nominal value of that share;
- c) the maximum price (exclusive of expenses) which may be paid for each ordinary share is the higher of;
 - i. an amount equal to 105% of the average of the middle market quotations of an ordinary share 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

- ii. 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);
- d) the authority shall expire at the conclusion of the next AGM of the Company after the passing of this resolution, or if earlier, at the close of business on 30 June 2016;
- e) 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
- f) 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 which has or have not yet been executed.

By Order of the Board

Roger C. Clifton
Company Secretary

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

Registered in England, Number: 02280426

5 June 2015

THE BUSINESS OF THE GENERAL MEETING - EXPLANATORY NOTES

Resolution 1 – Share Consolidation

The resolution will authorise the Share Consolidation, following which the total number of issued Ordinary Shares will be reduced and the nominal value of the Ordinary Shares will change. This resolution is conditional on the New Ordinary Shares being admitted to the premium segment of the Official List by the UK Listing Authority and being admitted to trading on the London Stock Exchange's main market for listed securities by the London Stock Exchange.

The ratio used for the Share Consolidation has been set by reference to the closing mid-market price of 345.4 pence per Existing Ordinary Share and the number of Existing Ordinary Shares in issue on 4 June 2015. Depending upon the price of an Existing Ordinary Share and the number of Existing Ordinary Shares in issue shortly before the date of the General Meeting, this ratio may no longer maintain comparability of the Company's share price before and after the payment of the Special Dividend. If this is the case, the Directors are not obliged to but may in their absolute discretion propose certain changes to the Consolidation Resolution so as to adjust the ratio to maintain, as far as possible, the comparability. If the Directors determine that these steps are to be taken, this will be made clear during the General Meeting and in addition notice will be given by issuing an announcement through a Regulatory Information Service.

As at 4 June 2015, the latest practicable date prior to the publication of this document, the Company holds no shares in treasury.

Resolution 2 – Authority to allot new shares

At the AGM held on 13 May 2015, shareholders authorised the directors, under section 551 of the Companies Act 2006, to allot shares without prior consent of the shareholders for a period expiring at the earlier of 30 June 2016 (the latest date by which the Company must hold an AGM in 2016) and the conclusion of the AGM of the Company held in 2016 (the “**AGM Allotment Authority**”). It is now proposed to renew this authority and to authorise directors under section 551 of the Companies Act 2006 to allot New Ordinary Shares or grant rights to subscribe for or convert any security into New Ordinary Shares in the Company. If resolution 2 is passed, the AGM Allotment Authority will cease to have effect.

Paragraph a) i. of this resolution would give the Directors the authority to allot New Ordinary Shares up to an aggregate nominal amount equal to £50,000,000. This amount represents one-third (33.33%) of the Company's New Ordinary Share capital in issue immediately following the Share Consolidation.

In line with the guidance issued by The Investment Association, paragraph a) ii. of this resolution would give the Directors the authority to allot ordinary shares in connection with a rights issue in favour of holders of New Ordinary Shares up to an aggregate nominal amount equal to £100,000,000, including within such limit the nominal amount of any shares issued under paragraph a) i. of this resolution. This amount represents two-thirds (66.67%) of the Company's New Ordinary Share capital immediately following the Share Consolidation.

The authorities sought under this resolution will expire on the earlier of 30 June 2016 (the latest date by which the Company must hold an AGM in 2016) and the conclusion of the AGM of the Company held in 2016.

The Directors have no present intention to exercise either of the authorities sought under this resolution. As at the date of the Notice of General Meeting, no ordinary shares are held by the Company in treasury.

Resolution 3 – Authority to disapply pre-emption rights

Also at the AGM held on 13 May 2015, a special resolution was passed, under sections 570 and 573 of the Companies Act 2006, authorising the directors to allot ordinary shares for cash without first being required to offer such shares to existing shareholders (the “**AGM Dis-application of Pre-emption Rights**”).

It is proposed that this authority also be renewed to give the Directors the authority to allot New 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. If resolution 3 is passed, the AGM Dis-application of Pre-emption Rights will cease to have effect.

Except as noted 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. This aggregate nominal amount represents approximately 5% of the Company's New Ordinary Share capital immediately following the Share Consolidation. 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 a) ii. of resolution 2 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 2016 (the last date by which the Company must hold an AGM in 2016) and the conclusion of the AGM of the Company held in 2016.

Resolution 4 – Authority to purchase own shares

A special resolution was also passed at the AGM on 13 May 2015 permitting the Company to buy its own ordinary shares in the market (the “**AGM Market Purchase Authority**”). It is proposed that this authority also be renewed in relation to the New Ordinary Shares. The maximum number of shares that can be bought under this authority must not exceed 10% of the Company's New Ordinary Share capital immediately following the Share Consolidation. 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. If resolution 4 is passed, the AGM Market Purchase Authority will cease to have effect.

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. The Company 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. If the Directors exercise the authority conferred by resolution 4, they may consider holding the shares in treasury, rather than cancelling them.

Recommendation

The directors believe that the proposals in these resolutions are in the best interests of shareholders as a whole and, accordingly, unanimously recommend that you vote in favour of the resolutions.

By Order of the Board

Roger C. Clifton
Company Secretary

GENERAL NOTES

Appointment of proxy

- (i) 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 General Meeting, 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.
- (ii) 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 (vi), in each case no later than 10.00am on Thursday, 25 June 2015.
- (iii) The return of a completed proxy form, other such instrument or any CREST Proxy Instruction (as described in Note (ix) below) will not prevent a shareholder attending the General Meeting and voting in person if he/she wishes to do so. You must inform the Company's Registrar in writing of any termination of the authority of a proxy.

Nominated persons

- (iv) 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 (the "Relevant Shareholder"), have a right to be appointed (or to have someone else appointed) as a proxy for the General Meeting. 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. Your main point of contact in terms of your investment in the Company remains the Relevant Shareholder (or, perhaps, your custodian or broker) and you should continue to contact them (and not the Company) regarding any changes or queries relating to your personal details and your interest in the Company (including any administrative matters). The only exception

to this is where the Company expressly requests a response from you.

- (v) The statement of the rights of shareholders in relation to the appointment of proxies in Notes (i) and (ii) above does not apply to Nominated Persons. The rights described in these Notes can only be exercised by shareholders of the Company. Nominated Persons are reminded that they should contact the registered holder of their shares (and not the Company) on matters relating to their investment in the Company.

Electronic submission of proxy form

- (vi) It is possible for you to submit your proxy votes via the internet. You can do so by visiting 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.
- (vii) If you return paper and electronic proxy instructions, those received last by the Registrar before the latest time for receipt of proxies will take precedence. You are advised to read the website terms and conditions of use carefully. Electronic communication facilities are available to all shareholders and those who use them will not be disadvantaged.

CREST electronic proxy voting

- (viii) 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.
- (ix) 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/CREST). 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 the issuer's agent (ID number 3RA50) by no later than 10.00am on Thursday, 25 June 2015. 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.

- (x) 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.
- (xi) 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

- (xii) As at 4 June 2015 (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 4 June 2015 were 1,500,000,000.

Corporate Representatives

- (xiii) 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

- (xiv) Only those shareholders registered in the Register of Members of the Company as at 6.00pm on Thursday, 25 June 2015 shall be entitled to attend and 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 not more than 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.
- (xv) 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.
- (xvi) All resolutions will be put to vote on a poll. This will result in a more accurate reflection of the views of shareholders by ensuring that every vote is recognised, including the votes of all shareholders who are unable to attend the

meeting but who appoint a proxy for the meeting. On a poll, each shareholder has one vote for every share held.

Notice of General Meeting

- (xvii) A copy of this Notice, and other information required by section 311A of the Companies Act, can be found at www.directlinegroup.com/investors.

Inspection of documents

- (xviii) Copies of the Circular will be available for inspection at the registered office of the Company, Churchill Court, Westmoreland Road, Bromley, BR1 1DP, on any weekday (excluding public holidays) during the normal office hours from the date of this Notice until the date of the General Meeting and at the offices of Allen & Overy LLP, One Bishops Square, London E1 6AD for 15 minutes prior to and during the meeting.
- (xix) You may not use any electronic address provided either in this Notice or any related documents (including the proxy form) to communicate with the Company for any purposes other than those stated.

Additional queries

- (xx) Except as provided above, members who have general queries about the General Meeting should use the following means of communication (no other methods of communication will be accepted): calling our Shareholder Helpline on +44 (0) 870 873 5880. Calls from landline providers typically cost up to 12 pence per minute. From mobile networks, calls cost between 5 pence and 40 pence per minute. Calls from outside the UK are chargeable at applicable international rates. Calls to the Shareholder Helpline from outside the United Kingdom will be charged at the applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. Lines are open 8.30am to 5.30pm London Time, Monday to Friday (excluding UK public holidays); or writing to the Company's Registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY. You may not use any electronic address provided either in this Notice or any related documents (including the Form of Proxy) to communicate with the Company for any purposes other than those expressly stated.

Direct Line Insurance Group plc

Incorporated and registered in England and Wales under number 02280426

NOTICE OF GENERAL MEETING

Monday 29 June 2015 10.00am

Allen & Overy LLP, One Bishops Square, London E1 6AD

GENERAL MEETING 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 9.30am.

Venue

The meeting will be held on Monday 29 June 2015 at 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 room in which the General Meeting will be held.

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 sail 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.



