RSA

UNDERWRITING PROGRESS

ANNUAL REVIEW AND SUMMARY FINANCIAL STATEMENTS 2010

HIGHLIGHTS

WELCOME TO OUR ANNUAL REVIEW AND SUMMARY FINANCIAL STATEMENTS 2010. WITH A THREE HUNDRED YEAR HERITAGE, WE ARE A LEADING GENERAL INSURER OPERATING IN 34 COUNTRIES, PROVIDING PRODUCTS AND SERVICES IN OVER 130 COUNTRIES. WE HAVE A DIVERSIFIED PORTFOLIO OF BUSINESSES WITH STRONG POSITIONS IN ATTRACTIVE MARKETS AND REMAIN COMMITTED TO DELIVERING SUSTAINABLE PROFITABLE PERFORMANCE

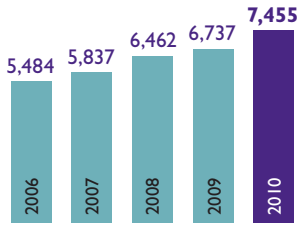
FINANCIAL HIGHLIGHTS

Visit www.rsagroup.com/ar2010 for more information.

This Annual Review and Summary Financial Statements contains 'forward-looking statements' with respect to certain of the Company's plans and its current goals and expectations relating to its future financial condition, performance results, strategic initiatives and objectives. For further details, reference should be made to the 'important disclaimer' on the inside back cover.

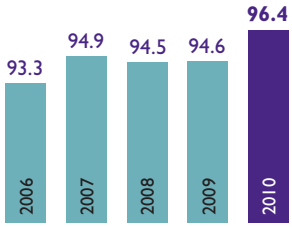
This Annual Review and Summary Financial Statements is only a summary of information in the Group's full Annual Report and Accounts, Directors' Report and Remuneration Report. The Directors' Report which is summarised in this Annual Review and Summary Financial Statements on pages 42 to 46 has been drawn up and presented in accordance with and in reliance upon applicable English company law and the liabilities of the Directors in connection with that Report shall be subject to the limitations and restrictions provided by such law.

Net written premiums (£m)



+11% Growth

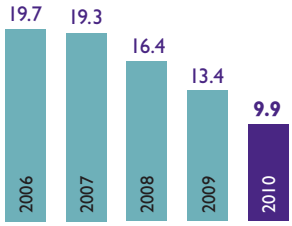
Combined operating ratio (%)



96.4%

Includes 3.5pts of worse than normal weather losses

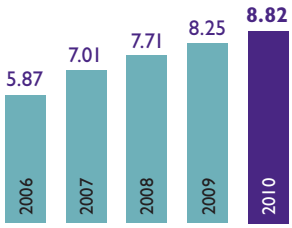
Underlying return on average equity (%)



9.9%

15.3% excluding worse than normal weather losses

Dividend for the year (p)



+7% Growth

HIGHLIGHTS

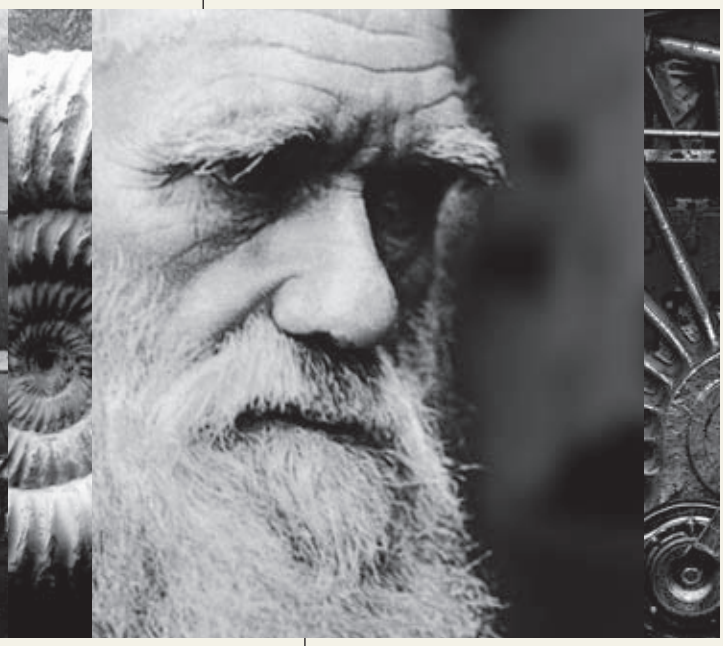
- 2010 was a tough year for the industry, with record levels of adverse weather and a large number of natural catastrophes, including the Chilean earthquake
- We delivered strong top line growth, with International NWP up by 9%, the UK up by 11% and Emerging Markets beating its £1bn NWP target, with premiums close to £1.1bn including India
- We also demonstrated the resilience of our underwriting performance and investment strategy, delivering an operating result of £636m after £255m of worse than normal weather losses
- Our capital position remains strong with an IGD surplus of £1.5bn
- We are confident of delivering premium growth and improved profitability with a targeted COR of better than 95% in 2011
- We expect Emerging Markets NWP to double to around £2.2bn by the end of 2015 and for International and Emerging Markets to be around 70% of Group premiums within the next five years.

CONTENTS

300YEARSA

1764
We insure the home of Captain James Cook, prior to the first of his legendary voyages

1844
We cover Down House, where Charles Darwin wrote On the Origin of Species



1710
The Sun Fire Office is established

1959
The Sun Insurance Office merges with The Alliance Assurance Company to form Sun Alliance Insurance Limited

1996
Sun Alliance Group merges with Royal Insurance Holdings, to become Royal & Sun Alliance Insurance Group plc

INTRODUCTION

2006
We became the first carbon-neutral UK insurer

2010
Major earthquake strikes Chile, where we are the largest insurer

2001
MORE TH>N®
launches in the UK

2008
Royal & Sun Alliance becomes RSA Insurance Group plc

2010
The RSA Group is 300 years old

WE'VE BEEN UNDERWRITING PROGRESS SINCE 1710.

Our business began life in 1710 with the establishment of the Sun Fire Office. As we celebrated our 300th anniversary in 2010, we are believed to be among the world's oldest insurers.

The principle that drove us to succeed then is the same one that drives us today: an unshakable belief that insurance should enable progress.

From the epic to the everyday, we continue to help people and businesses move forward. To learn more, visit www.rsa300.com

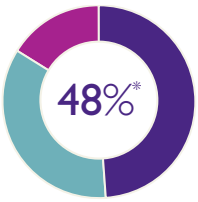
RSA AT A GLANCE

WE ARE A LEADING GENERAL INSURER OPERATING IN 34 COUNTRIES AND PROVIDING PRODUCTS AND SERVICES IN AROUND 130 COUNTRIES. WE HAVE A DIVERSIFIED PORTFOLIO OF BUSINESSES WITH STRONG POSITIONS IN ATTRACTIVE MARKETS

NET WRITTEN PREMIUMS | MARKET POSITION

INTERNATIONAL

NWP £3,536m



Scandinavia	49%
Canada	35%
Other Europe	16%

Scandinavia

£m	2010	2009
Personal	1,007	944
Commercial	717	725
Total	1,724	1,669

- 3rd largest general insurer in Denmark and Sweden where we operate as Codan and TryggHansa respectively
- Growing presence in Norway and a Marine business in Finland.

Canada

£m	2010	2009
Personal	932	778
Commercial	313	243
Total	1,245	1,021

- 4th largest general insurer overall, up from number 10 in 2005
- Johnson brand is a leading Direct personal business
- 5th largest Broker via Noraxis.

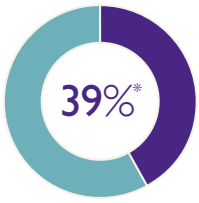
Other Europe

£m	2010	2009
Personal	369	341
Commercial	198	218
Total	567	559

- Number 2 general insurer in Ireland, up from number 5 at the end of 2008
- Italian business focussed primarily in the north of the country.

UK

NWP £2,925m



Personal	42%
Commercial	58%

Personal

£m	2010	2009
Household	569	522
Motor	573	493
Other	99	80
Total	1,241	1,095

- 4th largest Personal lines insurer overall
- 4th in Motor and Home and 3rd in Pet
- Operate as MORE TH>N® in the Direct market and RSA in the Broker and Affinity channels.

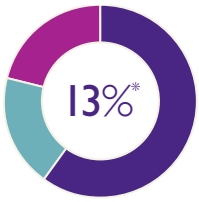
Commercial

£m	2010	2009
Property	604	567
Liability	296	288
Motor	508	428
Other	276	254
Total	1,684	1,537

- Largest Commercial lines insurer overall
- Leading Marine and Commercial Property insurer and number 2 in Motor
- Provide bespoke insurance to multinational companies through our Risk Solutions network.

EMERGING MARKETS

NWP £964m



Latin America	60%
Asia & Middle East	19%
Central Europe	21%

£m	2010	2009
Latin America	575	425
Asia and the Middle East	187	233
Central and Eastern Europe	202	175
Total	964	833

- Number 1 general insurer in Chile
- A leading insurer in the Middle East
- Number 1 general insurer across the Baltics and a leading Direct writer in Poland, the Czech Republic and Russia
- NWP including Indian associate is £1,080m.

* Of total 2010 Group NWP

HIGHLIGHTS	NWP GROWTH	COMBINED RATIO
• NWP growth of 3% driven by Personal lines, Commercial growth impacted by reduced exposures • Outstanding underwriting result, with a COR of 85.4% despite severe winter weather • Acquired Sveland in Sweden and the TryggVesta Marine portfolio.	3% (2009: 4%)	85.4% (2009: 86.2%)
• NWP growth of 22% due to rate increases, strong retention and favourable exchange • Underwriting result doubled over the last 5 years • Acquired GCAN, a leading mid-market, large risk and specialty Commercial insurer.	22% (2009: 15%)	92.8% (2009: 93.5%)
• NWP growth of 3% in Ireland offset by 1% reduction in Italy • Acquired 123 Money, a leading Direct platform in Ireland • COR of 101.5% comprises an excellent 90.9% in Ireland and the reduced Motor losses in Italy.	1% (2009: 9%)	101.5% (2009: 105.0%)
• NWP growth due to rate and increasing shares on targeted broker panels to market weighting • Pet continues to perform strongly. Tesco deal expected to generate around £100m of premiums in 2011 • COR of 103.9% impacted by severe winter weather.	13% (2009: 0%)	103.9% (2009: 97.4%)
• NWP growth driven by Risk Solutions in the UK and Europe and Motor • COR of 101.1% impacted by weather and a £22m reserve strengthening in Motor.	10% (2009: (5)%)	101.1% (2009: 98.5%)
• Target of £1bn of NWP by the end of 2010 beaten • Growth driven by Latin America and the consolidation of the Direct businesses in Poland, the Czech Republic and Russia • A leading insurer in Oman following the acquisition of Al Ahlia • Indian associate grew at 35% due to Motor • COR of 98.7% despite the earthquake in Chile.	16% (2009: 13%)	98.7% (2009: 95.1%)

WHAT WE DO

WE PROTECT PEOPLE AND BUSINESSES AGAINST THE RISKS THEY FACE IN THEIR DAILY LIVES. OUR GLOBAL NETWORK PROVIDES PROPERTY, CASUALTY, MOTOR AND HOUSEHOLD INSURANCE IN OVER 130 COUNTRIES WORLDWIDE

OUR UNDERWRITERS PRICE RISK

WE ARE COMMITTED TO UNDERWRITING DISCIPLINE

Personal products include:

- Motor
- Household
- Travel
- Pet.

Commercial products include:

- Motor
- Marine
- Engineering
- Liability
- Property
- Professional Financial.

WE HAVE A CULTURE OF UNDERWRITING DISCIPLINE AND TECHNICAL EXCELLENCE

RISK SELECTION

The Board defines the Group's risk appetite which determines the geographies we operate in and the products we offer. Our underwriters are licensed to write products within this appetite and we regularly review each portfolio of risks to ensure they are performing well or implement corrective measures where required.

REINSURANCE

We maintain a conservative reinsurance programme to minimise volatility in earnings from large losses and catastrophe events. For example, as the largest general insurer in Chile, the recent earthquake resulted in a gross loss of around £1.4bn, which was reduced to a £30m net loss through our extensive reinsurance programme.

RESERVING

Our policy is to reserve to the right side of best estimate, so that more often than not reserves develop positively over time. Our prudent approach can be seen in the sustained levels of prior year profits included in the underwriting result.

WE DISTRIBUTE OUR PRODUCTS AND SERVICES

WE FOLLOW A MULTI-DISTRIBUTION STRATEGY

INTERMEDIARIES

We work with both large and small brokers. Through our strategic partnerships with the global brokers we write complex international covers. We also work on a more intimate basis with our smaller brokers, supporting their development through direct marketing, training and support.

AFFINITY CHANNELS

We work with partners such as building societies, banks, retailers, motor manufacturers, charities, utilities and unions to offer their customers appropriate insurance products. Through Affinity partnerships we are able to offer a bespoke service to each partner, ranging from full underwriting to marketing support.

DIRECTLY THROUGH BRANDED OFFERINGS

RSA

الأهلية AL AHLIA PART OF THE RSA GROUP

LINK4 PART OF THE RSA GROUP

العالمية AL ALAMIYA PART OF THE RSA GROUP

CODAN PART OF THE RSA GROUP

TRYGG HANSA

ANSWER PART OF THE RSA GROUP

Royal Sundaram General Insurance

MORE TH>N PART OF THE RSA GROUP

"We derive real advantage from being a pure-play general insurer. Our focus is on doing one thing and doing it well, with rigorous control, attention to detail and the commitment to take the right action where required."

WE SETTLE CLAIMS QUICKLY AND FAIRLY

WE AIM TO DELIVER A PROFESSIONAL, FAIR AND SPEEDY CLAIMS SERVICE AT ALL TIMES

PEOPLE

We have highly trained, technically competent people assessed annually against a licensing framework that ensures they are equipped to deal with customers' claims.

CAPABILITY

Claims handling is a key differentiator for both customers and RSA. We have over 4,000 claims handlers across our businesses, around 500 of whom are devoted to handling large and complex claims. We employ specialists such as engineers, surveyors and mariners and this depth of claim expertise is often key in our ability to win business.

DELIVERY

We are committed to deliver timely settlements to our customers and claimants and through numerous initiatives across the Group we aim to continually improve the claims experience.

SUPPLIERS

We have close relationships with a network of experts including loss adjusters, engineers and solicitors who work with RSA's own experts to deliver a high quality service to our customers.

LEVERAGING GLOBAL CLAIMS EXPERTISE

On 27 February 2010, Chile experienced the 5th largest earthquake on record. RSA's local team was on site within hours, helping our customers deal with the aftermath of this tragic event. The Group also responded by sending 30 of our best claims people, with experience in dealing with large claims, from across the business to Chile to assist their colleagues.

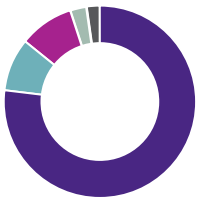
WE INVEST PRUDENTLY

WE FOLLOW A HIGH QUALITY, LOW RISK INVESTMENT STRATEGY

Our portfolio focus is on high quality bonds and cash, with measured holdings in equities and property. Within the framework of our strategy we have taken action to mitigate the impact of the low yield environment, including purchasing non government bonds which now form 53% of the portfolio and increasing our exposure to higher-yielding equities and property.

Going forward, we will continue to take action to enhance the yield of the funds including the continued purchase of high quality non government bonds if market conditions are appropriate and a modest extension in the duration of new bond purchases, to take advantage of the higher yield on offer on longer dated bonds.

Investment portfolio (%)



Bonds	77
Cash	9
Equities	9
Property	3
Other inc. Prefs and CIVs	2

Bond portfolio – Credit quality (%)

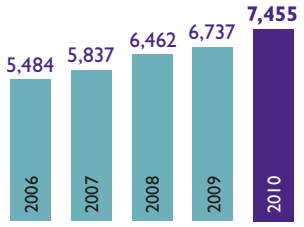
AAA	62
AA	16
A	17
BBB	3
<BBB	2

CHAIRMAN'S STATEMENT
A GREAT YEAR AS WE CELEBRATE OUR 300TH ANNIVERSARY

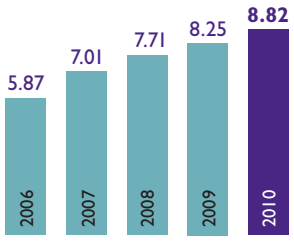
"The support we provide to our customers is as important today as when we were formed 300 years ago."

John Napier, Chairman

Net written premiums (£m)



Dividend for the year (p)



Net written premium growth (%)

+11%

Dividend increase (%)

+7%

2010, our 300th anniversary year, proved to be a testing year of contrasts. The theme of our anniversary, chosen by our staff, was to focus it around a volunteering and support effort for those living less privileged lives.

The global response of our team was magnificent and in the three months from April to June we:

- Raised around £700,000, trebling the amount raised for charity in a normal year
- Volunteered 36,000 hours, 50% more than in a normal year
- Donated nearly 200,000 gifts including food, toys, clothes and even a car!

The success of the year was such, that we now plan to hold an annual RSA Day to build on the momentum that was achieved.

In terms of trading, 2010 proved to be very challenging with extreme events and adverse weather throughout, including the Chilean earthquake, hurricanes and finally the very cold spell that affected Europe in November and December.

The UK, for instance, experienced its coldest December for 100 years. It was the widespread nature of the cold spell in Europe which was the largest single contributing factor to adverse weather costs for the full year of some £255m above the norm.

In financial terms, the adverse weather costs impacted our COR increasing it by around 3.5 points to 96.4%. A detailed statement to the market and shareholders was made on 20 January 2011 as soon as the extent of the weather losses could be accurately assessed.

The underlying strength, net of adverse weather, of the 2010 performance, however,

minimised the impact on the operating profit which was resilient at £636m. This was well supported by strong year on year net revenue growth, as follows:

- An overall increase in net written premiums, up 11% at reported rates
- Continued growth in the UK, up 11%
- International Markets up 9%
- Emerging Markets up 16%.

The detail behind this strong net revenue performance is set out more fully in the Group CEO's review. The underlying operating results, which include a robust investment performance, again reflected our continued focus on profitable growth and control of costs. It also demonstrates the strategic strength and resilience of our portfolio of businesses and our commitment to sustainable profitability.

On external matters, the Board continues to actively and positively engage with regulators and government bodies. The new coalition government is reshaping regulatory responsibilities, particularly those of the FSA. This has coincided with European based discussions on risk and capital matters embodied in what is known as the Solvency II process. The challenge remains of getting such regulatory decisions proportionate, competitively sustainable and implemented on a consistent basis in what is essentially a very ambitious and complex wider European framework. Requirements for life and non-life insurance businesses remain different and the insurance industry generally does not have the capacity for systemic failure demonstrated by the banks, a topic which continues to engage public opinion.

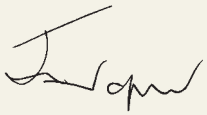
The debate on the question of the annual election of the Chairman and/or Boards has moved on with its incorporation in the UK Corporate Governance Code. This leaves the matter open to a 'comply or explain' process and in practice will take some time to settle. The Board has listened to a wide range of views and comment on this issue. It has also commissioned an external evaluation of your Board which has been very helpful. In 2009, we strengthened our governance process with the appointment of Noel Harwerth as a non-executive Chairman of an Independent Risk Committee. In 2011, the Board has appointed a Senior Independent Director, (SID) Edward Lea, who is also Chairman of the Group Audit Committee. We will also expand the Board to ensure continuity of corporate knowledge and experience as we deal with expected retirements.

Although under the previous three year rule, no RSA Director would have been eligible for election this year, the Code now contains a recommendation for annual election of the Board. Whilst continuing to have reservations about the wisdom of the annual re-election guideline, we will be contributing to the spirit of the intent of the new guidance by seeking the re-election as Directors of the newly appointed SID, Edward Lea, the Group CEO, Andy Haste, and myself, John Napier as Chairman.

Moving on to the outlook, I have already commented on the underlying strength of the 2010 performance. In his annual report to shareholders the Group CEO sets out the outline of our strategic aspirations and commitment to sustained growth and increased profitability. Your Board affirms that RSA has an extremely well-led, professional and dedicated management team, who continue to set demanding but deliverable performance challenges and improved standards of management.

It is against the underlying performance background of 2010 and confidence going forward, that the Board have recommended a final dividend of 5.70p making a full year dividend of 8.82p, a 7% increase. Our dividend policy of increasing the dividend at least in line with inflation remains unchanged.

Finally, at the end of our 300th year I would like to make a special mention of all our staff. Firstly, for making such a magnificent effort in their volunteering and charitable work this year, secondly, for producing a strong underlying performance and thirdly, dealing efficiently and expeditiously with the other side of adverse claims, namely helping people who are beset with major unforeseen traumatic events. Our staff have coped very well in what has been a demanding year in the field. I would like to thank them on behalf of the Board and all its shareholders.



John Napier
Chairman

GROUP CEO'S REVIEW
CONTINUED DELIVERY

"2010 was a tough year for the industry. With record levels of adverse weather and a large number of natural catastrophes, we delivered a robust performance and continued to drive the business forward."

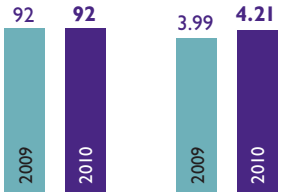
Andy Haste, Group CEO

Underlying return on average equity (%)

9.9%

15.3% excluding worse than normal weather losses

Employee engagement



Regulatory capital surplus (£)

1.5bn

2.3x the requirement

NAV per share, excluding pension deficit (p)

108p

+2p on 2009

In 2010, we had strong top line growth and demonstrated the resilience of our underwriting performance. The business is in good shape and we look forward to the future with confidence. We expect to deliver continued premium growth and sustainable profitable performance.

2010 STRATEGIC DELIVERIES

- Delivering strong premium growth through good risk selection, disciplined underwriting and strong action on rate
- Protecting profitability by prudent reinsurance and conservative reserving
- Completing UK cost savings ahead of schedule
- Completing 11 acquisitions in Canada, Ireland, Sweden, Denmark and Oman and the Tesco affinity deal in the UK
- Continuing shift in the Group towards International and Emerging Markets, now representing 61% of total premiums
- Met target of £1bn in premiums for Emerging Markets, including our Indian associate.

A STRONG RESULT IN TOUGH TIMES

In 2010, we increased premiums by 11% to £7.5bn, through a combination of acquisitions, business volume and rate, as well as the benefit of foreign exchange.

The combined operating ratio (COR) of 96.4% was strong, with adverse weather adding 3.5 points. The underwriting result was down 38% to £238m.

The investment result was £538m and includes investment income of £569m and total gains of £63m, both ahead of guidance.

The operating result was £636m, while profit before tax of £474m was after the remaining £5m reorganisation costs for the UK cost

OUR STRATEGY

OUR OBJECTIVE	WE DELIVER THIS THROUGH:
To continue to deliver sustainable, profitable performance	• Tight operational grip • Strong financial management • Capability and performance management • Strong and diverse portfolio.

reduction programme, announced in February 2009 and completed in 2010.

The underlying return on opening equity was 10.3%, down from 12.7%, with the movement on 2009 due to lower underwriting profits, primarily driven by the adverse weather. The underlying return on equity based on average shareholders' funds was 9.9%, compared to 13.4% in 2009. Excluding the impact of the worse than normal weather, the underlying return was 16.0% on opening equity and 15.3% based on average shareholders' funds.

Net asset value per share excluding IAS 19 was 108p and including the pension fund deficit was 104p.

Acquisitions remained part of our strategy in 2010 and we completed 11 deals. Our bid for Aviva's UK, Canadian and Irish general insurance businesses in the summer was a unique opportunity which would have made strategic sense and driven market consolidation. However, we respect the decision of Aviva not to pursue our offer and consider it a closed chapter. While we continue to consider opportunities as they arise, our focus in 2011 will be on extracting value from the deals we've done in 2010.

We remain committed to growing our business sustainably and profitably and we believe we're well positioned to do that in 2011 and beyond.

REGIONAL OVERVIEW

International

International, our largest region, delivered good top line growth and an outstanding underwriting performance. Premiums increased by 9% to £3.5bn reflecting continued action on rate, targeted growth and the benefit of new deals across the region. The COR was an excellent 90.6% with the underwriting result up by 15% to £325m, despite adverse weather in Scandinavia and Ireland.

In Scandinavia, premiums were up by 3% to £1.7bn, with good growth in Personal lines offsetting exposure reductions in Commercial lines. In Personal lines, premiums were up by 7% to £1bn reflecting good growth in Norway, Swedish Personal Accident and Household across the region. Commercial lines net written premiums were down 1% to £0.7bn, with strong growth in Renewable Energy and Norway offset by the impact of exposure reductions in other lines.

The Scandinavian underwriting result was an excellent £254m and the COR improved 0.8 points to 85.4%, with strong performances in Personal Motor, Personal Accident, Care and Commercial Property.

In Canada, top and bottom line performance was excellent, with premiums up by 22% to £1.2bn. In Personal, net written premiums increased by 20% to £932m with Johnson, our Direct business, up by 22% driven by excellent retention, rate and the addition of 25 new sponsorship groups during the year. Commercial net written premiums increased by around 29% to £313m due to rate and strong new business in the Mid-Market and SME segments.

The underwriting performance was excellent despite adverse weather in June and July, with the underwriting result up 27% to £80m and a COR of 92.8% mainly due to Motor and Commercial Liability.

In Other Europe, premiums rose by 1% to £567m, with growth in Ireland of 3% to £304m driven by positive rate action across all portfolios, including increases of 22% in Household and 20% in Personal Motor and the benefit of recent affinity wins and acquisitions. RSA is now the second largest insurer in the Irish market and with the acquisition of 123 Money, has a leading direct presence to complement its existing intermediated distribution.

In Italy, we continued to take action on risk selection and rate, with premiums down 1% to £262m. We also saw the benefit of management actions to improve performance in Italian Personal Motor, reducing an underwriting loss of £51m in 2009 to a loss of £19m in 2010. We expect Italy to be closer to breakeven in 2011 and return to underwriting profitability in 2012.

The COR for Other Europe was 101.5% and comprised an excellent COR of 90.9% in Ireland, despite the adverse weather, and the reduced Motor losses in Italy.

With our focus on rate and risk selection, we are outperforming our peers in terms of profitability in Scandinavia, Canada and Ireland and we are taking the right action in Italy. We are confident that in 2011 the International portfolio will deliver around 10% premium growth and another strong bottom line performance.

UK

The UK delivered an excellent top line performance with premiums up by 11% to £2.9bn. Our strategy of targeting profitable growth, taking positive action on rate and selective capacity withdrawal in a competitive market remains unchanged.

In Personal, premiums were up by 13% to £1.2bn driven by growth in Personal Broker due to rating action and increased shares on targeted broker panels, with Personal Broker Household up by 38% and Motor up by 45%. More Th>n® Household grew by 10% thanks to rating action and Pet grew strongly again, with premiums up by 25% supported by the Tesco affinity deal.

In Commercial, we saw growth of 10% which was again driven by Specialty Lines and Motor.

GROUP CEO'S REVIEW

CONTINUED

	2010	2009	2008	2007	2006
Net written premiums (£m)	**7,455**	6,737	6,462	5,837	5,484
Underwriting result (£m)	**238**	386	384	278	310
Operating result (£m)	**636**	777	867	814	780
Combined operating ratio (%)	**96.4**	94.6	94.5	94.9	93.3
Underlying return on average equity (%)	**9.9**	13.4	16.4	19.3	19.7

On the bottom line, the UK had a disappointing year. The winter weather in November and December had a significant impact on the result and we reported an underwriting loss of £95m with a COR of 102.2%. Of this, weather was £139m worse than normal and accounted for 5 pts on the combined ratio.

It was also a challenging year for Motor and as disclosed at the half year, we have taken action to exit a number of unprofitable schemes. Additionally, following a deep dive review into bodily injury we strengthened prior year reserves by £25m, of which £22m was in Commercial Motor.

In terms of cost savings, we completed the UK programme ahead of schedule achieving the targeted savings of £70m. This means we are well on track to meet an expense ratio of around 14% by the end of 2012.

In 2011, we expect the UK to deliver targeted growth and, assuming a return to a more normal level of weather losses, a much improved underwriting result.

Emerging Markets

In 2010, Emerging Markets got back to double digit growth with total premiums, including our Indian associate, of close to £1.1bn. The underwriting profit of £12m and COR of 98.7% were after the Chilean earthquake.

Latin America once again delivered an outstanding result with premiums up by 35% to £575m. Growth was led by Argentina, Brazil, Chile and Colombia through a combination of 21 new affinity deals, an expanded agent network and growth in Marine, Property and Motor.

In Central and Eastern Europe, premiums were up by 15% to £202m due to the first full year of consolidation of our Direct operations in Poland, the Czech Republic and Russia. Our Direct operations in these countries grew at 14% and we now insure over 340,000 vehicles.

Performance in Asia and the Middle East remained mixed, with premiums down 20% to £187m due to the benefit of several large construction contract wins in 2009. Excluding these large contract wins, AME's premiums were up by 10%. Our associate in India also continued to deliver excellent growth with premiums up by 35% to £116m due to another strong performance in Motor.

Emerging Markets returned to double digit growth in 2010 and we expect the same in 2011. Having beaten our goal of £1bn in premiums, we are setting a new target of doubling net written premiums to around £2.2bn by the end of 2015.

STRONG FINANCIAL POSITION

The Group maintains a strong financial position with a regulatory capital surplus of £1.5bn, representing 2.3 times the requirement.

We also continue to benefit from our low risk investment strategy, with 86% of the total investment portfolio invested in high quality fixed income and cash assets. The fixed interest portfolio is concentrated on high quality short dated assets, with 98% of the bond portfolio investment grade and 78% rated AA or above. The bond holdings are well diversified, with 77% invested in currencies other than Sterling, and 53% invested in non government bonds.

INVESTING IN OUR PEOPLE

In 2010, we continued to invest in our people and our businesses.

Our Technical Academy has been developing the next generation of talent for the past five years. It now has around 9,500 members across the Group, working in underwriting, claims and actuarial.

The Marketing Academy, which we launched in 2009, also continues to act as the key resource centre for the training and development of our marketing teams. Approximately 250 staff have participated in the Foundation level training programme and we are now rolling-out the next level of training, focusing on digital and direct marketing. The Marketing Academy won the Insurance Times Best Training programme award in 2009, and the British Insurance Awards 2010 Training Award.

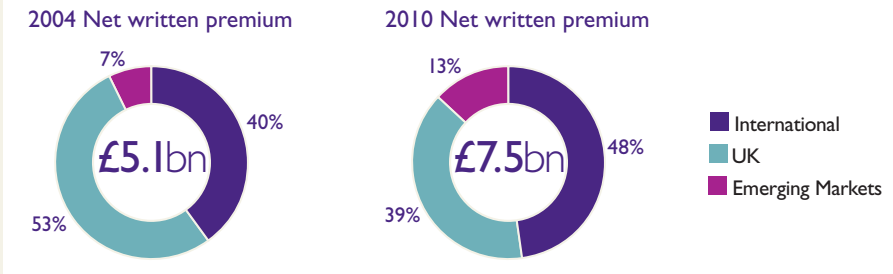
Over the last year, we have continued to make great progress with employee engagement. Engagement is a key focus for us – we want to create an emotional connection for our people with our brand, enabling them to consistently deliver brilliant service to customers. Participation in our annual engagement survey remained high at 92% and the Group's overall average score rose from 3.99 to 4.21 out of 5. We are now in the top 30% of companies that Gallup measures globally and we're on track to reach the top quartile. Gallup describes the progress RSA has made over the last three years as, "incredible, maybe record breaking progress".

CORPORATE RESPONSIBILITY

Our Corporate Responsibility Strategy underpins both our commitment to 'Doing the Right Thing' and our global business objectives. In 2010, our activities continued to focus on three key themes: road safety, social inclusion and the environment.

In terms of road safety, we support a variety of programmes in Chile, Lithuania, UAE, Sweden and Denmark. While in the UK, we launched a road safety education campaign for children, encouraging our employees to nominate the school their child attends.

Our focus on social inclusion in 2010, saw RSA employees from all over the Group actively involved with poverty alleviation, education and crime reduction initiatives.



Across Latin America, staff made donations to orphanages and helped build homes for the homeless. In the UK, employees helped to mentor teenagers aspiring to a career in business and launched a new youth-focused crime prevention scheme.

Finally, during 2010 we supported a number of environmental projects including planting trees and cleaning up polluted beaches in the Middle East. In the UK, teams helped at local nature reserves and parks, with volunteers preparing a park in London to be the site of an urban river restoration project with WWF.

We also officially launched our partnership with WWF across the UK, Canada, Sweden, Denmark and China a year ago. Focusing on the risks of environmental change, we have been supporting conservation projects relevant to our business, developing new products and engaging our employees and external stakeholders on the environment.

Our progress in 2010 was recognised by Goldman Sachs, who named RSA as one of the top five global insurers in their GS: Sustain report, a Silver award in the Dow Jones Sustainability Investor Index, retaining 'Platinum' in the Times Top 100 Companies and winning the Arabian CSR award for best mid-sized company.

INDUSTRY OVERVIEW

2010 was another challenging year for insurers. A record year for natural catastrophes with 950 recorded, the second highest number since 1980 and significantly above the annual average. We saw earthquakes, floods and of course arctic conditions of record proportions. All of these severely impacted our customers, their homes, businesses and cars. While these events have been challenging, paying these claims and supporting our customers is what we are here to do.

While economic conditions started to improve during the last year, the global economy remains fragile and overall 2010 was a year of contrasting fortunes. Growth in many regions has been curtailed by necessary fiscal actions to address high debt positions. This impact was most visible within Ireland and certain other Euro area countries where governments were forced to make radical spending cuts and tax increases in order to secure continued funding of their debt.

In contrast, lower debt economies such as Sweden and Canada generated stronger growth, assisted in part by a robust performance from net exports. Growth within many emerging economies has been particularly strong, with both China and India moving to tighten monetary policy in response to fears that the pace of economic activity was leading to a build of inflationary pressures.

The changing shape of both European and UK regulation remains an ongoing challenge for the industry. The Solvency II Directive is nearing completion and we are working hard to ensure its successful implementation across the Group. We are also actively engaged in the debate on the new EU and UK regulatory frameworks. In particular, we look forward to establishing a constructive relationship with EIOPA and the Financial Conduct Authority and Prudential Regulation Authority in the UK.

More generally, we continue to lobby on issues of interest to our business such as flooding, a growing compensation culture and the need to ensure a competitive marketplace.

OUTLOOK

We go into 2011 with confidence. We have built a portfolio of high performing operations with strong positions in attractive markets and exciting potential.

We will continue to drive top line growth and expect to see:

- Targeted growth and a much improved underwriting result in the UK
- Around 10% growth and strong profitability in International
- Double digit growth in Emerging Markets.

We are setting a new target to double Emerging Markets premiums to around £2.2bn by the end of 2015 and will continue to focus the Group towards International and Emerging Markets. Over the next five years, we expect these two regions to represent around 70% of the Group.

Organic growth has continued to be supported by targeted acquisitions and in 2010, we have been more active than usual completing 11 deals. Our primary focus in 2011 will be integrating and driving value from these recent acquisitions.

We will deliver these targets while maintaining our tight management grip and underwriting discipline and we will continue to deliver sustainable profitable performance.

As it stands today, and assuming a return to more normal levels of weather losses, in 2011 we expect to deliver a COR for the Group of better than 95%.

We remain confident of continuing to drive the Group forward and building on our success to date.

Andy Haste

Andy Haste
Group CEO

WHEN THE EARTHQUAKE STRUCK, OUR SWIFT RESPONSE HELPED STEADY A NATION.
Chile

On 27 February 2010, an earthquake measuring 8.8 on the Richter scale struck central Chile, killing 500 people, injuring over 12,000 and leaving 800,000 homeless.

During the early hours of the morning, RSA Chile's staff made their way to the office and were already processing claims when the sun came up.

We flew in claims experts from around the world to support our colleagues in Chile and were one of the first insurers to reach the disaster zone.

One claim was particularly important, a major shipyard through which relief supplies would need to be unloaded, so we sent loss adjustors to survey the area and a little over a week later paid around US$8m to enable reconstruction to begin so that shipyard staff could return to work to aid the relief effort.

BUSINESS REVIEW

OUR STRATEGY

TO CONTINUE TO DELIVER SUSTAINABLE, PROFITABLE PERFORMANCE. THIS DRIVES OUR CULTURE, THE MARKETS WE OPERATE IN, THE PRODUCTS WE WRITE, OUR PRUDENT RESERVING AND REINSURANCE POLICIES AND OUR HIGH QUALITY INVESTMENT STRATEGY

OUR STRATEGIC PRIORITIES ARE:

TARGETED PROFITABLE GROWTH | OPERATIONAL EXCELLENCE | SUSTAINABLE EARNINGS

THESE ARE DELIVERED THROUGH TIGHT OPERATIONAL GRIP, STRONG FINANCIAL MANAGEMENT, CAPABILITY AND PERFORMANCE MANAGEMENT AND A STRONG AND DIVERSE PORTFOLIO.

TIGHT OPERATIONAL GRIP We have a culture of underwriting discipline and technical excellence, supported by a strong governance framework.	**We have a clearly defined risk appetite.**	We only write business which is within the risk appetite defined by our Board.
	We have strong underwriting controls.	Every one of our underwriters is licensed to write only business for which they have the relevant experience and regular reviews are undertaken to ensure compliance.
	Each insurance portfolio has its own underwriting and pricing strategy.	We hold regular in-depth portfolio and reserve reviews to ensure this strategy is being successfully executed.
	We have a strong track record of delivering on our cost savings targets.	We recently completed a £70m cost reduction programme in the UK ahead of schedule.
STRONG FINANCIAL MANAGEMENT Our financial position remains strong and the sustainability of our earnings continues to be underpinned by our strong financial management.	**We maintain a conservative reinsurance programme and have a prudent reserving policy.**	Our reinsurance programme enables us to minimise volatility in earnings from large losses and catastrophe events. We consistently reserve to the right side of best estimate across all of our businesses.
	We follow a high quality, low risk investment strategy.	We have continued to take action to mitigate falling yields, including a move into non government bonds, whilst maintaining the overall high credit quality and diversification of the portfolio.
	We hold significant regulatory and economic capital surpluses, as well as sufficient capital to deliver on our strategic objectives.	Our financial position remains strong with an IGD surplus of £1.5bn representing 2.3 times the capital required.
CAPABILITY AND PERFORMANCE MANAGEMENT We are committed to attracting and retaining the best technical people in the market.	**We have a strong performance culture.**	Around 90% of our employees have their pay linked to their performance.
	We invest in our people through our market leading Technical Academies and other development programmes.	We continue to retain and attract high calibre employees and have won several awards in 2010 including the CIPD People Management Award for our Leadership Development Programme.
	We share our strengths around our businesses to develop excellence across the Group.	In February 2010, claims experts from across the Group travelled to Chile to support the local team in dealing with the aftermath of the earthquake.

STRONG AND DIVERSE PORTFOLIO

The shape of our portfolio is deliberate, we derive real advantage from being a pure-play general insurer.

Our geographical balance gives us exposure to markets at different points in the cycle and different stages of development.

Over 60% of premiums are generated by our International and Emerging Markets businesses.

We expect International and Emerging Markets to be around 70% of Group premiums within the next 5 years.

2010 NWP

International	48%
UK	39%
Emerging Markets	13%

In Emerging Markets we have beaten our £1bn NWP target in 2010 and have set a new target of £2.2bn NWP by the end of 2015.

£2.2bn
NWP by the end of 2015

Our strong customer focus and targeted propositions help us to maximise retention and grow our business.

80%
Retention rate across the Group

Organic growth is supported by targeted acquisitions.

We made 11 acquisitions in 2010, including GCAN, 123 Money, Al Ahlia and Sveland.

2011 PRIORITIES

TARGETED PROFITABLE GROWTH

We have a portfolio of high performing businesses with strong market positions and exciting potential. In 2011 we expect to deliver:

- Targeted growth in the UK
- Around 10% growth in International
- Double digit growth in Emerging Markets.

OPERATIONAL EXCELLENCE

- We will maintain our tight management grip and underwriting discipline
- We will continue to put through rate where it is required and to walk away from business where we cannot make our required return
- We will focus on integrating and extracting the value from our recent acquisitions
- We are on track to achieve an expense ratio (excluding commissions) in the UK of around 14% by the end of 2012.

SUSTAINABLE EARNINGS

- We are confident of our ability to continue to deliver excellent results
- We will continue to push hard on rate while maintaining underwriting discipline and as it stands today, and assuming a return to more normal weather levels, we expect to achieve a COR of better than 95% in 2011
- We will also continue to operate a high quality, low risk investment strategy and in 2011, expect investment income to be around £550m and total gains to be around £50m.

INTERNATIONAL

RSA IS THE THIRD LARGEST GENERAL INSURER IN SWEDEN AND DENMARK, THE FOURTH LARGEST GENERAL INSURER IN CANADA AND THE SECOND LARGEST IN IRELAND

KEY STRATEGIES

International comprises our businesses in the mature markets outside of the UK: Scandinavia, Canada, Ireland and Italy. We continue to deliver sustainable profitable performance through the following overarching strategies:

- Driving profitable growth through our Commercial and Affinity strategies, targeted acquisitions and market opportunities
- Enhancing our technical expertise in underwriting and claims as well as delivering our rate and remediation plans
- Delivering continuous operational efficiencies across all businesses
- Investing in our people, focusing on improving engagement levels and embedding our brand beliefs in our performance management.

PROGRESS AGAINST KEY STRATEGIES

Despite the economic headwinds, our businesses have performed strongly and International has delivered an excellent performance. Net written premiums of £3.5bn are up by 9% (5% at constant exchange) compared with 2009. Our COR has improved by 1.1 points to 90.6% and the underwriting result is £325m.

Scandinavia

It has been another strong year for the business. NWP has grown 3% to £1,724m with a particularly good underwriting result of £254m, up by 5% on 2009 and a COR of 85.4%.

The Personal lines portfolio has continued to grow in all countries, driven by new Affinity partnerships and rate increases. The Swedish Personal Accident and Motor books have performed strongly and the integration of Sveland is progressing as expected. Premiums have grown by 7% to £1,007m (4% at constant exchange) with a strong underwriting result of £211m and a COR of 78.8%.

In Commercial lines, premiums of £717m, are down 1% on 2009 (down 2% at constant exchange), with strong growth in Norway and Danish Renewables, offset by capacity withdrawal and exposure reduction in other lines. Our underwriting result has improved, growing 13% to £43m.

Canada

RSA Canada had another outstanding year, with premium growth of 22% to £1,245m, an underwriting profit of £80m and a COR of 92.8%.

In Personal lines, it has been a very strong year with growth of 20% (7% at constant exchange) and an improved underwriting performance of £49m. Growth in our Intermediated business has been driven by the strength of new business wins. Johnson, our Direct brand, has also had another good year with growth of more than 22% (9% at constant exchange), due to excellent retention, rate and the addition of 25 new sponsorship groups during the year.

In Commercial lines, despite a highly competitive marketplace, the business has grown by 29% (15% at constant exchange) and delivered a strong underwriting result of £31m.

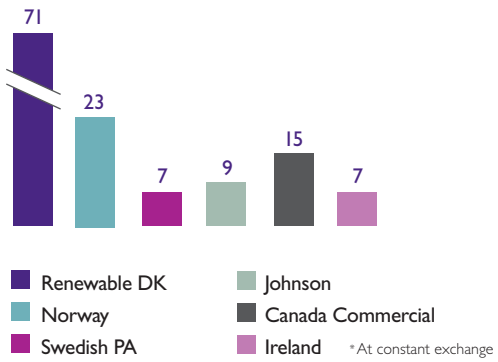
On 7 January 2011, we completed the acquisition of GCAN, a leading mid market, large risks and specialty insurer, which further strengthens our Commercial platform.

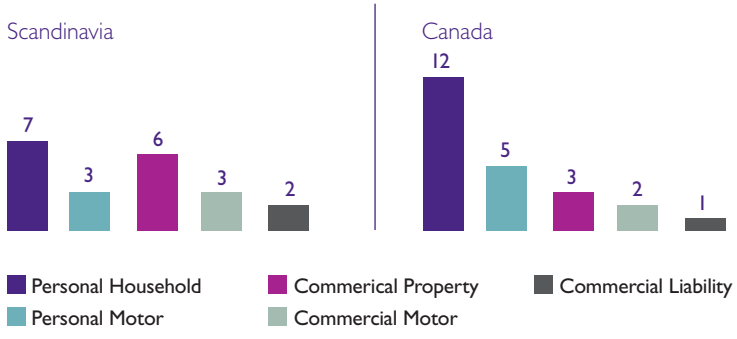
Other Europe

Other Europe has seen premiums grow by 1% in 2010 (5% at constant exchange) with a COR of 101.5% and a loss of £9m.

Ireland has seen some of the most challenging economic conditions in Europe, yet despite this

SEGMENTAL KPIs





Simon Lee, Chief Executive, International

"2010 was a tough year. But despite economic uncertainties and significant weather events, International has once again delivered a strong performance."

the business has grown premiums by 3% compared with 2009 (7% at constant exchange) driven by significant rate increases, the introduction of new products and successful Affinity deals and acquisitions. The recent acquisition of 123 Money, gives us a Direct presence in Ireland taking us to the number two position in the market. Ireland also delivered an excellent COR of 90.9% despite the severe weather.

In Italy, it has been another tough year mainly due to a competitive Motor market following the Bersani decrees in 2006 and 2007 and Direct Indemnification, but we are seeing progress following continued management action. Premiums are down by 1% (up 3% at constant exchange).

MARKET CONDITIONS

In Scandinavia, 2010 has been tough particularly due to significant adverse weather but we expect a solid economic recovery in 2011.

Canada experienced a relatively good 2010, with overall GDP growth of around 3% and we expect to see this trend continue.

2010 was a difficult year in Ireland, due to the severe weather and the worsening economic situation as the year progressed. 2011 will be another challenging year as the Government takes further austerity measures.

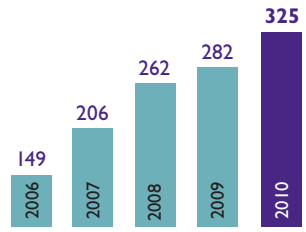
In Italy, the economy was steady, although the insurance market remains impacted by regulatory change to Motor. We anticipate that we will continue to see the benefit of our management actions and expect the operation to be closer to breakeven at an underwriting level by the end of 2011 and return to underwriting profitability in 2012.

OUTLOOK

International is an important and growing part of the Group. We are outperforming our peers in the three largest markets and making good progress in Italy. We have built good momentum as we go into 2011, and expect to become the number 3 in Canada in 2011 and Johnson to achieve NWP of C$1bn in 2012. We expect Scandinavia to continue to deliver market leading profitability and Italy to return to underwriting profit in 2012. In Ireland, we expect to be the largest general insurer in the market by the end of 2011. In summary, overall we expect International to deliver growth of around 10% in 2011 and continued excellent profitability.

SEGMENTAL KPIs

Underwriting result (£m)



+15%

Combined operating ratio

90.6%

2009: 91.7%

SCANDINAVIA

- Total NWP growth of 3% to £1,724m
- Personal lines growth of 7%, driven by rate increases, Affinity deals and acquisitions
- Commercial lines NWP reduction of 1% impacted by reduced exposures
- An outstanding underwriting result of £254m, up by 5% and COR of 85.4% despite adverse weather
- Acquired Sveland in Sweden and the TryggVesta Marine portfolio.

CANADA

- Total NWP growth of 22% to £1,245m
- Personal lines NWP growth of 20% driven by rate increases, strong retention and favourable foreign exchange
- Johnson grew at 22% due to rate action, retention and 25 new sponsorship groups
- Commercial lines NWP growth of 29% with strong new business in Mid-Market and SME
- An excellent underwriting result of £80m and COR of 92.8%
- GCAN acquisition builds on Commercial lines expertise.

OTHER EUROPE

- NWP growth of 1% in 2010
- Ireland NWP grew by 3% due to significant rate increases, recent Affinity deals and acquisitions
- Acquired 123 Money giving us a Direct presence in Ireland
- In Italy, NWP has declined by 1%, following continued management action on risk selection
- COR of 101.5% includes an excellent 90.9% COR for Ireland despite the adverse weather.

UK

WE ARE THE UK'S LARGEST COMMERCIAL AND 4TH LARGEST PERSONAL INSURER WITH A REPUTATION FOR TECHNICAL EXCELLENCE

KEY STRATEGIES

Our strategy of targeting profitable growth, taking the right action on rate and withdrawing capacity from product lines where we cannot achieve our target returns is unchanged.

In Commercial, our growth is focused on Specialty lines such as Risk Solutions and Marine where we see opportunities for profitable growth and SME, a segment in which we are underweight.

In Personal, we maintain a multi-channel distribution strategy with our Direct business MORE TH>N® and use of the RSA brand to build strong relationships with Affinity partners and brokers.

Across the business, we continue to target an expense ratio of around 14% by the end of 2012, which we believe is an appropriate level for our mix of business.

PROGRESS AGAINST KEY STRATEGIES

We have delivered an excellent top line performance with net written premiums of £2.9bn representing growth of 11% over 2009.

We delivered the £70m of savings announced in February 2009 ahead of schedule and remain confident of achieving our target expense ratio of around 14% by the end of 2012.

In terms of underwriting, the performance was disappointing. The loss of £95m (2009: profit of £75m) and the COR of 102.2% (2009: 98%) were impacted by £139m more weather losses than normal levels, mainly driven by £110m of additional losses from the severe winter weather in November and December. It was also a challenging year in Motor, where we have exited a number of unprofitable schemes. Additionally, following a deep dive review into bodily injury we have strengthened prior year reserves by £25m.

Our disciplined strategy and focus were recognised in the Insurance Times Awards where we were named General Insurer of the Year.

Commercial

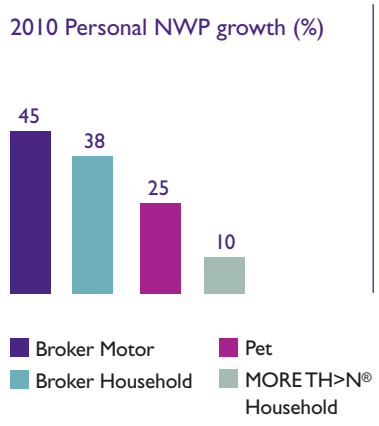
In Commercial lines, premiums of £1,684m were up by 10% on last year. We have invested in the SME market, refreshing our products and enhancing our e-distribution capability. Although it's early days, we saw a 21% increase in new business in 2010.

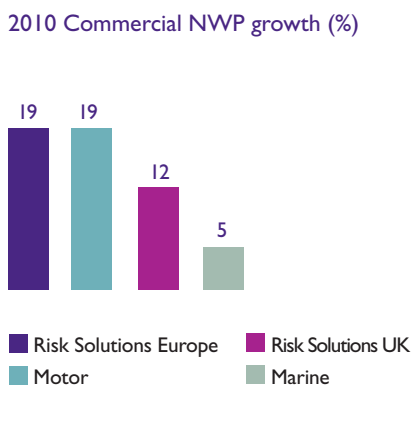
Within Risk Solutions, we have seen continuing strong growth in our Specialty businesses. In Europe, we have enjoyed 19% growth, with a particularly strong performance in France and in our Spanish Power and Engineering business, where we lead the global property programme for Iberdrola, the world's biggest renewable power generator.

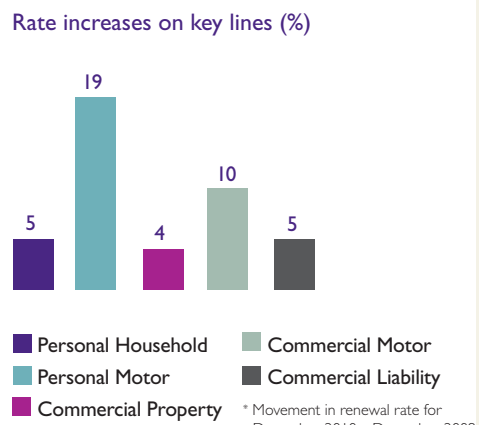
In Risk Solutions UK, we have seen 12% growth, driven by our Casualty and International Property portfolios, whilst we have reduced premiums in large Motor fleets.

We continue to focus on maintaining our underwriting discipline, only focusing on business where we can achieve our targeted returns and walking away from business when we cannot. We have also enhanced our Commercial pricing techniques using skills learned from our Personal lines business. Our COR of 101.1% includes £22m of the total £25m reserve strengthening for bodily

SEGMENTAL KPIs







Adrian Brown, Chief Executive, UK

"The UK has delivered an excellent top line performance in what have been challenging economic and industry conditions. Our continued focus and discipline drove an 11% growth in Net Written Premiums. Our COR of 102.2% was severely impacted by winter weather."

injury and has also been impacted by Motor schemes which we have exited as we were unable to meet our target returns.

Personal

In Personal, premiums increased by 13% to £1,241m with strong growth in Personal Broker driven by increased rates and shares on targeted broker panels in which we were previously underweight.

Reflecting the maturing aggregator market, we launched our first dedicated Motor product for price comparison sites 'RSA e-choice' in August 2010. Since then, e-choice has delivered 15% of all new Motor business.

We are working with Tesco to provide pet insurance to their customers and during 2011, this relationship is expected to generate around £100m of premium.

Our COR is 103.9% and our underwriting loss is £54m, reflecting the impact of the adverse weather in November and December, of which £72m related to Household and was driven by a significant increase in burst pipe claims.

Additionally, the Personal Motor COR was impacted by a £3m reserve strengthening for bodily injury.

MARKET CONDITIONS

The UK remains one of the Group's most competitive markets due to the number of participants, the continued tough economic conditions, bodily injury issues and severe winter weather in 2010.

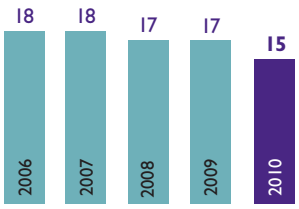
OUTLOOK

In 2011, market conditions look mixed reflecting continued macroeconomic uncertainties and the competitive nature of the market.

We will continue to take sustained action on rate, reduce expenses and maintain underwriting discipline. We expect to deliver targeted growth and a much improved underwriting performance in 2011.

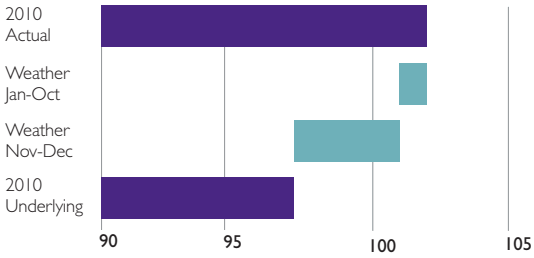
SEGMENTAL KPIs

Expense ratio* (%)



*Excluding commissions

Combined operating ratio (%)



UK

- NWP up 11% with growth across Personal and Commercial
- Underwriting loss of £95m disappointing, due to the impact of adverse weather.

COMMERCIAL

- Net Written Premiums grew at 10% to £1,684m
- Risk Solutions up by 12% in the UK and by 19% in Europe
- Commercial Motor grew by 19% and included the phasing of a three year contract, with underlying growth closer to 12%
- COR of 101.1% includes the impact of adverse weather and a £22m reserve strengthening in Commercial Motor.

PERSONAL

- Net Written Premiums grew at 13% to £1,241m
- Personal Broker Motor and Household premiums up 45% and 38% respectively, driven by rate and increased market share on targeted broker panels
- Pet continues to grow strongly at 25%
- Personal lines COR of 103.9% affected by winter weather.

TECHNICAL EXCELLENCE

- Named General Insurer of the Year at the Insurance Times Awards
- Won the E-Business Award and the Training Award for our Marketing Academy at the British Insurance Awards
- Won the Fraud Initiative at the Insurance Times Awards.

EMERGING MARKETS

EMERGING MARKETS OPERATES ACROSS 21 COUNTRIES WITH LEADING POSITIONS IN LATIN AMERICA, ASIA AND THE MIDDLE EAST AND CENTRAL AND EASTERN EUROPE

KEY STRATEGIES

Emerging Markets remains committed to delivering profitable growth. We aim to achieve this through expanding distribution, ensuring disciplined underwriting and strong control whilst improving operational performance. We focus on markets where we can establish a meaningful presence, either in overall market share or in segments where we have a competitive advantage.

Our organic strategy is supported by targeted acquisitions which bring us scale or enhanced technical capability in a market or segment.

Our strategy continues to focus on Large and Complex risks, Motor, Small and Medium Enterprises (SME) and Affinity. In each of these areas we develop solutions which can be replicated across our regions effectively and efficiently.

PROGRESS AGAINST KEY STRATEGIES

We have beaten our target, set in 2006, for Emerging Markets premium to be £1bn by the end of 2010 with total premiums including our Indian associate of almost £1.1bn. This is a strong result against the backdrop of the continued economic downturn in some of our key markets.

Across Emerging Markets, premiums are up by 16% to £964m (10% at constant exchange) and including our Indian associate total premiums are £1,080m.

In Latin America premiums are up by 35% to £575m (23% at constant exchange), with double digit growth in five countries and a strong performance in Affinity. In Central and Eastern Europe, premiums are up by 15% to £202m (17% at constant exchange) due to the first full year of consolidation of our Direct operations in Poland, the Czech Republic and Russia. In Asia and the Middle East, premiums are down 20% to £187m (down 21% at constant exchange), though excluding large contract wins in 2009 premiums are up by 10% (7% at constant exchange).

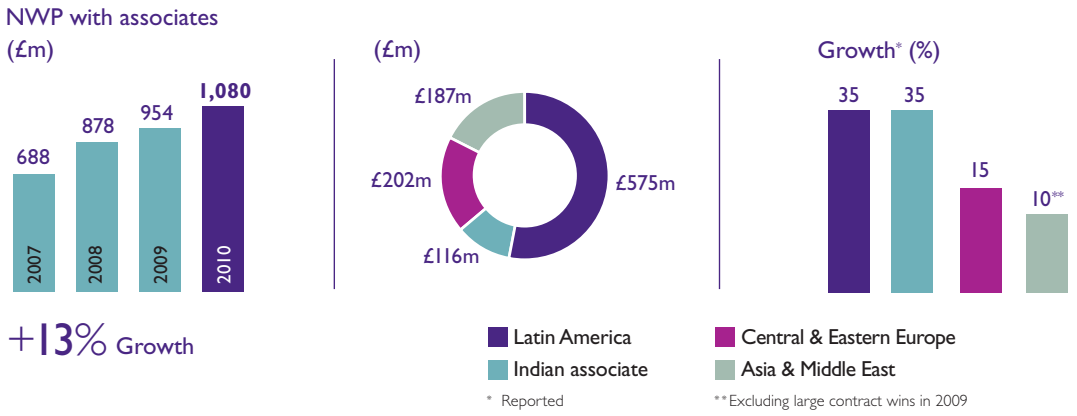
Focusing on our key strategies in turn: In Large and Complex risks we continue to grow profitably – our Engineering business in Latin America for example grew premiums by 40% in 2010. In Motor, we continue to focus on pricing sophistication, and invested heavily in specialist pricing resources in 2010. In SME, we continue to focus on streamlining our processes and simplifying our products, making it more attractive for brokers and customers to deal with us. Affinity continues to be a key growth driver in Latin America, where we signed 21 new deals in 2010.

The strength of the RSA brand, along with our reputation for technical excellence, has been a key enabler for growth as clients value our strong financial position in the economic downturn more than ever.

In 2010, we were able to celebrate the Group's 300th year anniversary with staff and clients from around the region.

The COR is 98.7% and clearly demonstrates the benefit of our diversified portfolio. The underwriting result of £12m is impacted by the cost of the earthquake in Chile, where we are the market leader. I am immensely proud of the dedication and technical skill shown by our local team in Chile and the support provided across the whole Group in our response to the earthquake.

SEGMENTAL KPIs



Paul Whittaker, Chief Executive, Emerging Markets

"In a challenging year for many of our Emerging Market economies, we have delivered excellent growth and a robust result despite the Chilean Earthquake and adverse weather."

Our result also reflects an abnormally tough year for weather. Hurricane Tomas in the Dutch Caribbean, severe hailstorms in Argentina and Cyclone Phet in Oman all impacted our underwriting result.

MARKET CONDITIONS

Conditions have been challenging in some of our key markets in 2010.

We have maintained underwriting discipline despite intense competition. Where necessary, we have taken strong pricing actions, withdrawn from segments where we cannot achieve our target returns and maintained a tight grip on expenses.

OUTLOOK

Most of our territories are showing signs of recovery from the global economic downturn. However, in places, conditions in the short term will remain tough.

Against a backdrop of severe market contraction in the Baltics, we maintained our market leading position in 2010. Economic recovery in 2011 will be slow. Latvia was hit hardest by the downturn but is expected to stabilise in 2011. The outlook for Lithuania and Estonia is more positive, with expectations of real GDP growth in 2011. Our Direct businesses in Poland, the Czech Republic and Russia continue to represent huge growth potential, and will drive growth in the Central and Eastern Europe region in 2011.

Prospects for the Asia and the Middle East region are more mixed. We expect growth in Asia to continue, driven by strong consumer demand in the larger economies. Conditions in the Middle East will remain more challenging, particularly in the UAE. Large public sector investment programmes across the region are expected to drive growth in our Specialty business.

Latin America is recovering strongly, with all major economies showing strong GDP growth rates. As the biggest region in the Emerging Markets portfolio, we are excited about the opportunities this presents.

Emerging Markets offers huge growth potential for the Group. We will continue to invest in the region and aim to deliver double digit growth in 2011. We are also setting a new target of doubling net written premiums to around £2.2bn by the end of 2015.

EMERGING MARKETS

- Beat £1bn NWP target
- New target of £2.2bn NWP by the end of 2015.

LATIN AMERICA

- Latin America Net Written Premiums growth of 35% (23% at constant exchange)
- Argentina, Brazil, Chile, Colombia and Uruguay all delivered double digit growth
- Won 21 new Affinity deals in 2010
- 93% of claims related to the earthquake paid by the end of the year.

ASIA AND THE MIDDLE EAST

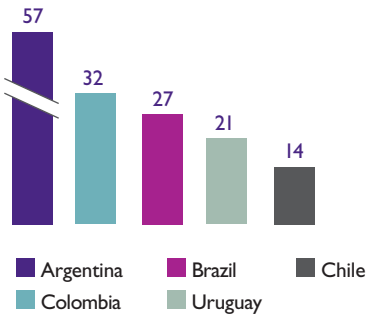
- Excluding one-off contracts in 2009 AME has grown 10% (7% constant)
- Oman grew at 91%, following the acquisition of Al Ahlia
- Delivered good growth in Singapore and China
- India grew at 35% due to continued growth in the Motor market.

CENTRAL AND EASTERN EUROPE

- Central and Eastern Europe grew by 15% following the consolidation of our Direct businesses in Poland, the Czech Republic and Russia, where NWP grew by 14% and we now insure more than 340,000 vehicles
- The Baltics remain impacted by the economic downturn, however we maintained our market leading position.

SEGMENTAL KPIs

Latin America NWP growth* (%)



*Constant exchange

Combined operating ratio

98.7%

2009: 95.1%

£2.2bn

NWP target by the end of 2015

FINANCIAL REVIEW

A ROBUST PERFORMANCE IN CHALLENGING CONDITIONS

FINANCIAL HIGHLIGHTS (MANAGEMENT BASIS)

£m	2010	2009	2008	2007	2006
Net written premiums	**7,455**	6,737	6,462	5,837	5,484
Underwriting result	**238**	386	384	278	310
Investment result	**538**	523	594	629	556
Insurance result	**776**	**909**	**978**	**907**	**866**
Other activities	**(140)**	(132)	(111)	(93)	(86)
Operating result	**636**	**777**	**867**	**814**	**780**
Other movements	**(152)**	(216)	(126)	(122)	(130)
Acquisitions and disposals	**(10)**	(7)	18	(22)	(1)
Profit before tax	**474**	**554**	**759**	**670**	**649**
Tax	**(119)**	(135)	(173)	(29)	(170)
Profit after tax from continuing operations	**355**	419	586	641	479
Loss after tax from discontinued operations	**–**	–	–	(13)	(499)
Profit after tax	**355**	**419**	**586**	**628**	**(20)**

	2010	2009	2008	2007	2006
Combined operating ratio (%)	**96.4**	94.6	94.5	94.9	93.3
Shareholders' funds (£m)	**3,766**	3,491	3,839	3,077	2,561

RESULTS OVERVIEW

2010 was a challenging year for the industry, with extreme weather throughout the year and the Chilean earthquake in February. Despite these conditions, we delivered a strong top line performance with premium growth of 11%, and a robust underwriting result with a COR of 96.4% and operating result of £636m.

NET WRITTEN PREMIUMS

Net written premiums are up 11% to £7.5bn (8% on constant exchange). This is an excellent top line performance and reflects the benefits of organic actions, acquisitions and foreign exchange.

OPERATING RESULT

The operating result is £636m (2009: £777m) with the impact of extreme weather on the underwriting result offset by a stronger than expected investment result.

Underwriting result

The underwriting result is £238m (2009: £386m) and represents a robust performance in challenging industry conditions, with a current year underwriting loss of £29m (2009: profit of £100m) and a prior year profit of £267m (2009: £286m). As disclosed on 20 January 2011, the current year result reflects the impact of severe weather losses which were £175m more than 2009 and £255m worse than normal levels, as well as the Chilean earthquake at £30m.

The prior year result comes from all regions with another strong contribution from International, particularly from Swedish Personal lines and Motor and General Liability in Canada, while in the UK we've primarily seen positive prior year from Commercial Property, Liability and Legacy.

George Culmer, Chief Financial Officer

"We are confident of delivering continued premium growth and strong profitability."

The Group continues to maintain its prudent reserving policy and reserves remain significantly to the right side of best estimate. Going forward, given our reserving policy, we would expect positive prior year development to continue to be a significant feature of the underwriting result.

Investment result

We follow a high quality, low risk investment strategy. Our main focus is on high quality bonds and cash, with measured holdings in equities and property. We have taken action during 2010 to mitigate the impact of the low yield environment, including purchasing non government bonds and increasing our exposure to higher-yielding equities and property.

The investment result is £538m, with investment income of £569m and total gains of £63m both slightly ahead of guidance due to management actions and the benefit of foreign exchange. The discount unwind was £94m.

On investment income, the average underlying yield is 3.8%, with a 0.8% return on cash assets and 4.0% on the remainder of the portfolio.

Total gains of £63m predominantly include gains of £47m on sales of equities as we moved a measured proportion of the portfolio into higher-yielding equities and gains of £27m on property, partially offset by losses of £9m on the equity hedges.

In terms of 2011, as it stands today, we would expect full year investment income to be around £550m and total gains to be around £50m.

Other Activities

Other Activities are £140m and comprise central expenses, which are in line with the prior year, investment expenses and the ongoing investments in our associate in India and Direct operations in Central and Eastern Europe.

As previously reported, we will continue to charge the investment in these Direct operations to Other Activities. In 2010, this investment is around £30m, compared with £29m in the prior year. In 2011, we would expect this investment to reduce to around £25m.

Other movements

Other movements comprises interest and other costs of £147m, up from £141m primarily due to the higher coupon on the Sterling notes issued in May 2009.

Reorganisation costs of £5m are the final instalment on the cost reduction programme in the UK announced in February 2009 and completed in the first quarter of 2010 ahead of schedule.

The £10m cost of acquisitions and disposals represents transaction and integration costs on the acquisitions undertaken during the year.

TAXATION

The tax charge is £119m and represents an effective rate of 25%.

PROFIT AFTER TAX

Profit after tax is £355m and the underlying return on average equity is 9.9%, with the movement on 2009 reflecting the impact of the adverse weather and Chilean earthquake on the underwriting result and the expected lower level of investment income.

Excluding the worse than normal weather losses, the underlying return on average equity is 15.3%.

2010 DIVIDEND

The directors will recommend at the Annual General Meeting to be held on 23 May 2011, that a final ordinary dividend of 5.70p (2009: 5.33p) per share be paid. This together with the interim dividend of 3.12p (2009: 2.92p) paid on 26 November 2010 will make the total distribution for the year 8.82p (2009: 8.25p), an increase of 7% compared with the prior year.

CASHFLOW

The Group's operating cashflows are £516m, an increase of 5% over 2009 driven by a significant improvement in insurance cashflows, with 8% growth in premium cashflows and tightly managed cash expenses, offset by reduced but still strong investment cashflows.

As reported at the half year, the increase in tax paid to £215m is primarily due to Canada, where tax is paid in monthly instalments which are based on the previous year's profits, with a true-up at the start of the following year for the actual results. Our 2009 Canadian profits were significantly above 2008, resulting in a true-up payment of £40m in the first half of 2010.

Interest paid of £115m reflects a full year's interest paid on the Sterling notes issued in May 2009.

Dividends paid are £50m higher than 2009 and reflect the increase in the 2009 final dividend and the lower take up in the scrip.

Corporate activity represents the completion of the sale of British Engine and acquisitions in International and Emerging Markets during 2010. The acquisition of GCAN did not complete until January 2011 and is not included.

FINANCIAL REVIEW

CONTINUED

Liquidity and debt refinancing

Our financing and liquidity position is strong. The next call on any external financing is on the £450m subordinated guaranteed bonds in December 2014 and our committed £455m senior facility remains undrawn.

BALANCE SHEET

The total value of the investment portfolio is £14.8bn, up 4% compared with 2009 due to foreign exchange and mark to market gains. The overall portfolio remains high quality with 86% of the portfolio invested in fixed income and cash.

The fixed interest portfolio remains concentrated on high quality short dated assets, 98% of bonds are investment grade, with 78% rated AA or above and the average duration is 3.1 years. Our government bond portfolio is high quality with the vast majority rated AAA.

Our exposure to the peripheral European economies of Greece, Ireland, Italy, Portugal and Spain is £321m, around 2% of the total portfolio. We have only £209m in Sovereign debt, of which, £119m is held in Ireland and £43m in Italy to back the liabilities of our operations in those countries. In respect of banks in these countries, we hold £105m of senior debt and £7m of subordinated debt.

We continue to take action to offset the fall in yields and, as previously reported, this includes the selective purchase of high quality non government bonds as well as a measured increase in higher-yielding equities and property holdings.

INVESTMENT RESULT

£m	12 months 2010	12 months 2009	Movement %
Bonds	**452**	466	(3)
Equities	**55**	58	(5)
Cash and cash equivalents	**8**	17	(53)
Land and buildings	**23**	21	10
Other	**31**	33	(6)
Investment income	**569**	**595**	(4)
Realised gains	**68**	69	(1)
Unrealised gains/(losses), impairments and foreign exchange	**(5)**	(41)	88
Total gains	**63**	28	125
Unwind of discount including ADC	**(94)**	(100)	(6)
Investment result	**538**	**523**	3

CASHFLOW

£m	12 months 2010	12 months 2009
Operating cashflow	**516**	490
Tax paid	**(215)**	(180)
Interest paid	**(115)**	(96)
Group dividends	**(246)**	(195)
Dividend to non controlling interests	**(2)**	(3)
Net cashflow	**(62)**	**16**
Issue of share capital	**27**	11
Pension asset reallocation funding	**(50)**	(40)
Net movement of debt	**(1)**	21
Corporate activity	**(167)**	(101)
Cash movement	**(253)**	**(93)**
Represented by:		
Increase/(decrease) in cash and cash equivalents	**189**	(460)
(Sales)/purchases of other investments	**(442)**	367
	(253)	**(93)**

At the year end, non government bonds comprised 53% of bond holdings, while equities and property were 9% and 3% respectively of the investment portfolio.

CAPITAL POSITION

The Group has again maintained a strong capital position. Shareholders' funds were £3.8bn up by 8% on 2009, with after tax profits, offset by the payment of dividends. Excluding the pension fund, Shareholders' funds are up 4% to £3.9bn. On capital, our IGD surplus remains at £1.5bn, with coverage a very strong 2.3 times the requirement.

The Group continues to hold a significant economic capital surplus, which is around £1.1bn at the end of 2010 compared with £1.8bn at the start of the year. £0.2bn of the reduction is due to the downward movement in the risk free yield curves and £0.4bn is due to the impact of goodwill and intangibles on acquisitions. Since the year end, there has been a pick up in risk free yields and at February 2011, the pro-forma economic capital surplus was £1.2bn as a result.

SOLVENCY II

On Solvency II, we remain supporters of the principles but frustrated by the unnecessary complexity of the calculations and reporting requirements and we are concerned as to whether the ultimate benefits will be worth the effort. However, we continue to make good progress and remain at the forefront of implementation. Having completed the FSA's pilot programme and had our pre-application qualifying criteria approved, we are now in the pre-application phase of the internal model approval process. We have also completed QIS5 and participated in a number of regulatory colleges.

RATING AGENCIES

S&P, AM Best and Moody's Investor Service provide insurance financial strength ratings for the Group and its principal subsidiaries.

The Group was upgraded to A positive outlook from A stable outlook by S&P in December 2010 and is also currently rated A2 stable outlook by Moody's and A stable outlook by AM Best.

PENSION FUND

The reduction in the pension deficit from £262m to £142m reflects changes in assumptions on the discount and inflation rate offset by a higher than expected return on the UK schemes' assets.

We continue to take action to de-risk our pension schemes and this year, we made further significant changes to our UK defined benefit schemes. These included:

- Reducing the future rate of pension accrual from 60ths to a choice of 80ths or 100ths
- Increasing the level of existing employee contributions
- Reducing the cap on pensionable earnings to £75,000
- Raising the schemes' retirement age from 62 to 65.

These changes will both reduce the future liabilities of the schemes and cut the annual cost.

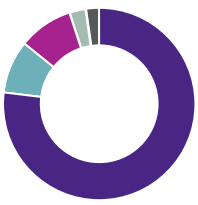
We have also completed the triennial valuation and agreed funding for the next three years. The annual contributions will not be materially different from current levels.

SUMMARY

In what were challenging industry conditions, 2010 was a good year for the Group. Looking forward to 2011, we are confident of continuing to deliver premium growth and strong profitability.

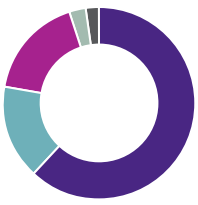
We expect to deliver targeted growth and a much improved underwriting result in the UK, around 10% growth and continued strong profitability in International and double digit growth in Emerging Markets. As it stands today, and assuming a return to more normal levels of weather losses across the Group, we expect to deliver a COR of better than 95% in 2011.

Investment portfolio (%)



Bonds	77
Cash	9
Equities	9
Property	3
Other inc. Prefs and CIVs	2

Bond portfolio – Credit quality (%)



AAA	62
AA	16
A	17
BBB	3
<BBB	2

RISK REVIEW

OUR BUSINESS SUCCESS IS UNDERPINNED BY OUR STRONG RISK MANAGEMENT

RISK MANAGEMENT

We ensure risk is managed to reduce losses and ensure opportunities for profitable growth are taken.

The Group operates under a common framework through which risk management and control is embedded throughout the Group.

The Board is responsible for the Group's risk management system and defining the Group's risk appetite.

Executive management is responsible for implementing systems and controls that manage our risk exposures to the risk appetite. Each Group business is required to follow a consistent process to identify, assess, manage and monitor its risks.

The Board Risk Committee ensures that material risks are identified and that appropriate arrangements are in place to manage and mitigate those risks effectively.

GROUP RISK APPETITE

The Group risk appetite is set and monitored at both a Group and regional level and is annually reviewed and signed off by the Board Risk Committee and Group Board. It sets business volumes for certain higher risk insurance classes, stipulates loss retention limits, reinsurance protection, targets for credit rating and solvency margins and other measures.

There is a formal identification and escalation process for emerging risks.

RISK FRAMEWORK

The Group has '3 lines of defence' for the oversight and management of risk as follows:

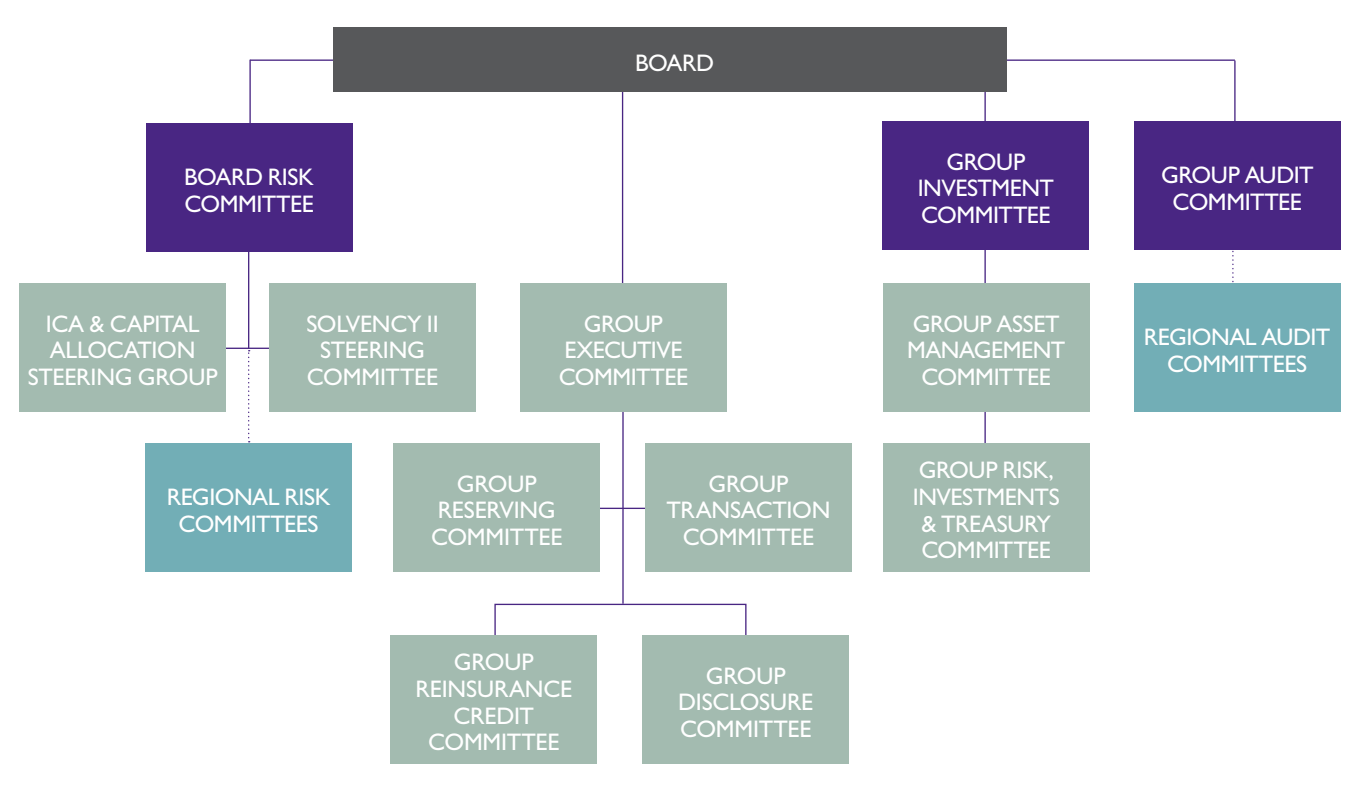
1st line – Management

- Setting strategy, performance measurement, establishment and maintenance of internal control and risk management in the business.

2nd line – Risk oversight

- Operating a formal risk management framework within which the Group policies and minimum standards are set
- Oversight and challenge across the Group.

GOVERNANCE STRUCTURE – THE PRINCIPAL COMMITTEES ARE SHOWN BELOW



"Our risk appetite clearly sets out which risks we are and are not prepared to take."

PRINCIPLES

SIMPLE OBJECTIVES	• Create value for all stakeholders • Focus on general insurance in our selected markets • Commitment to sustainable, profitable performance.
CLEAR RISK APPETITE	• Underwriting and operating excellence • Strong control environment • Tight financial management • Protecting and managing the Group's reputation.
ROBUST GOVERNANCE, CONTROL AND REPORTING	• Comprehensive policy, procedures and controls • Clear delegation of authorities • Robust lines of defence • Regular and relevant reporting and assurance processes.
STRONG CULTURE	• Putting the customer at the centre of what we do • High quality and engaged staff.

3rd line – Independent assurance

- Providing independent and objective assurance of the effectiveness of the Group's systems of internal control established by the first and second lines of defence.

GROUP RISK POLICY STATEMENTS

Our policy statements set out the minimum standards to be maintained by the Group's operations to manage their risks in a way that is consistent with the risk appetite.

RISK CATEGORIES

Risk elements are viewed under headings that broadly correspond to those used in the Financial Services Authority's Prudential Sourcebook for Insurers (INSPRU) and Senior Management Arrangements, Systems and Controls (SYSC). Some of the key current practices and tools for each risk category are set out overleaf alongside our risks and uncertainties.

2010 UPDATE

During the year we maintained our focus on risk management, strengthening and developing our processes, controls and capabilities through the following activities:

- We continued to invest in our integrated Group wide governance, risk and compliance approach through which we manage and report our risks
- We continued to make solid progress on extending our risk capability to support our transition into the Solvency II regulatory environment
- We further developed our rolling programme of comprehensive stress and scenario testing which reinforces our understanding of our risk profile and the effectiveness of our control environment
- We actively responded to the changing insurance regulatory architecture across the UK and Europe
- We recruited a new Group Risk Director to develop and strengthen our risk capability
- We have developed formal processes to envisage and critically evaluate our emerging risks.

RISK REVIEW

CONTINUED

RISKS CATEGORIES

RISKS	PRIMARY ACTIVITIES	KEY TOOLS FOR MANAGING
INSURANCE RISK Our insurance risk strategy has enabled us to continue delivering strong insurance results.	• Pricing, acceptance and management of risks arising from our contracts with customers • Claims development and reserving.	• Reviews of individual insurance portfolios • Regional and Group Reserving Committees held to determine a recommended level of outstanding claims and aggregate outstanding claims reserves • Investigation of potential emerging insurance risks.
REINSURANCE RISK Our reinsurance buying and management expertise has allowed us to manage our insurance exposure and losses such as those arising from the Chilean earthquake.	• Reinsurance strategy and appetite recommended to the Board by the Board Risk Committee • Purchase of the worldwide programme of global and local treaties.	• Group reinsurance policy aligned with strategy and appetite • Analysis of major treaty purchases using various sophisticated modelling tools • Monitoring and control of the Group's reinsurance activity • Monitoring of the reinsurance markets.
OPERATIONAL RISK We have completed various Group wide assessments and roll-out activities to strengthen our operations.	• Effective and reliable operation of processes • Business continuity and disaster recovery • Information security management • Monitoring and control to prevent fraud and human error.	• Risk and control self assessments • Key risk indicators to assess and manage operational risk • Scenario analyses to assess operational events that have occurred elsewhere and potential exposure to the Group • Incident management, near misses and loss reporting.
CREDIT, MARKET & LIQUIDITY RISK Our conservative approach to financial risks has helped support the business in a challenging climate.	• Investment strategy and portfolio management • Treasury activities such as Group liquidity • Reinsurance counterparty management • Contingency funding plans ensuring minimum levels are met even in stress conditions.	• Controls to ensure that exposure is managed within risk appetite • Reinsurance counterparties approved by the Group Reinsurance Credit Committee • Requirements to maintain a minimum level of cash or highly liquid assets • Committees overseeing the Group's investment strategy and risk limits.
REGULATORY RISK Our response to regulatory changes and compliance has helped safeguard our business and we remain at the forefront of UK firms in respect of our Solvency II application process.	• Ensuring compliance in all geographical locations, with diverse regulatory requirements • Response to regulatory changes.	• Active engagement with regulators • Close monitoring of regulatory requirements • Compliance framework with consistent monitoring methodology • Monthly reporting of significant regulatory developments and mitigation of emerging risks.

PRINCIPAL UNCERTAINTIES

RISKS	POTENTIAL IMPACT	MITIGATION
PROLONGED ECONOMIC DOWNTURN	• Exposure reduction impacts premium levels • Increased claims frequency.	• Diversified portfolio providing exposure to markets at different levels of development and insurance cycle • Limited exposure to economically triggered contracts • KPI dashboard developed to support early corrective action • Maintain focus on underwriting discipline and targeted profitable growth • Continuous action on rate and expenses.
ADVERSE FINANCIAL MARKETS	• Impact on investment portfolio and investment income due to lower interest rates and market volatility.	• Retain focus on high quality, low risk investment strategy • Action taken to mitigate falling yields includes increased holding in non government bonds, and measured increase in higher-yielding equities, property and duration.
RATING ENVIRONMENT	• Inability to charge adequate rates places downward pressure on operating results.	• Diversified portfolio • Each portfolio has a rate plan which is regularly reviewed • Focus on underwriting and profitable growth • Actively shift capacity to where we see the best returns • Continue to invest in technical skills, sales and marketing capabilities.
ADVERSE LOSS EXPERIENCE	• Catastrophic losses arising from insurance events • Increasing frequency and severity of large losses • Deterioration in long tail reserves.	• Underwriting strategy set to ensure risks written are well diversified and within risk appetite • Regular portfolio reviews to monitor underwriting performance • Emerging trends in large losses, frequency and severity are investigated and corrective action taken • Reinsurance programmes limit net losses • Conservative reserving policy ensuring that claims reserves will be more likely than not to result in positive prior year development.
INSURANCE RISKS OUTSIDE GROUP'S RISK APPETITE	• Adverse impact on operating results due to increased volatility.	• The Group operates under a clear risk appetite set by the Board which is monitored at Group and regional level • Underwriters are licensed only to write risks within specified limits based on their own experience • Reviews assess each portfolio against key performance and risk indicators. Portfolios that trigger key risk indicators are investigated. Corrective measures are implemented where required.

CORPORATE RESPONSIBILTY

CORPORATE RESPONSIBILITY REMAINS FUNDAMENTAL TO THE WAY RSA CONDUCTS ITS BUSINESS. DURING 2010 WE CELEBRATED OUR 300TH BIRTHDAY ENCOURAGING ALL EMPLOYEES TO VOLUNTEER OR FUNDRAISE FOR THEIR LOCAL COMMUNITIES

PROGRESS IN 2010

Our progress in 2010 was recognised by Goldman Sachs, who named RSA as one of the top five global insurers in their GS: Sustain report, a Silver award in the Dow Jones Sustainability Investor Index, retaining 'Platinum' in the Times Top 100 Companies and winning the Arabian CSR award for best mid-sized company.

APPROACH AND GOVERNANCE

Behaving responsibly and ethically has a positive impact on people, communities and the environment in which we operate. We are committed to 'Doing the Right Thing', both as individuals and as a company and all employees are assessed against our brand beliefs – Bright Ideas, Brilliant Service, Doing the Right Thing, Getting the Job Done, Positive People – to ensure that this forms part of the performance and remuneration structure at RSA.

Our approach is practical and focused on three key themes: road safety, social inclusion and the environment. These issues have been identified as important by our customers, investors and employees. Forum for the Future, the sustainability charity, carry out an annual assessment to check we are focusing on the right issues.

The principles by which we operate our business and our brand beliefs underpin our commitment to our customers, staff and other stakeholders and our Corporate Responsibility (CR) policies form an essential part of our broader risk and governance framework. Every country is required to confirm quarterly that they comply with our CR, environment, charity and human rights policies. Compliance with the policy framework is reviewed by the Group Executive Committee and Group Board in regular CR updates.

Responsibility for CR lies with the Group CEO, who chairs the biannual Group Executive Committee review of CR and the annual review by the Board. Briefings and training on specific CR issues are provided on an ongoing basis. CR targets and objectives are included in the Group CEO's goals, which are also cascaded to direct reports and relevant business functions.

Our CR data, processes and external reporting are verified by external auditors (AA1000, GRI, ISAE3000) with an extra audit of the Group's carbon footprint (GHG Protocol). We use a web-based environmental management system to help collect and analyse data across RSA.

Environmental, social and governance (ESG) risks are actively monitored and reviewed regularly by the Board. In 2010, the main risks identified included the forthcoming UK Carbon Reduction Commitment legislation, environmental impacts of shipping and flood risk in the UK. We set environmental improvement targets at a country level and as a Group we achieved 67% of 2010 targets. We recently set a challenging target to achieve a reduction in CO_2 of 40% by 2020 against our 2006 levels.

Further information on our approach, governance and policies can be found at: **www.rsagroup.com**

CR SUPPORTS OUR STRATEGY

Our commitment to 'Doing the Right Thing' underpins our global business strategy. We incorporate the activities discussed below into our strategic priorities. For example, our work on flood mapping helps us identify the appropriate price for the risk accepted, driving sustainable earnings, while also allowing us to prioritise our claims approach. The development of our renewable energy products has also been a key factor in delivering targeted profitable growth and establishing RSA as a leading renewables insurer globally. The work we do on environmental management to reduce travel,

paper consumption and energy and water usage, not only helps us meet environmental targets but reduces overall cost in our continued focus on operational excellence.

CUSTOMERS

As an insurer, we play a vital role in helping people and businesses recover when the worst happens. Helping get their lives back on track is our first priority. During the 2010 earthquake in Chile we helped our customers through our rapid claims response with over 32,000 claims reported in this terrible event.

In Canada we experienced 99% customer satisfaction levels thanks to fast track claims handling, specialised claims and empathy training for employees coupled with Voice of the Customer telephone surveys that give customers the opportunity to provide immediate feedback.

Our commitment to customers was underlined by the UK business wining the prestigious Insurance Times General Insurer of the Year award. The award was in recognition of our consistent performance and a major achievement in our 300th anniversary year.

Product innovation is also key to our success and across the business we have created tailored and relevant products for specific customer groups. Social and environmental changes create demands for innovative insurance solutions.

300YEARSA

As part of our 300th birthday celebrations employees were encouraged to volunteer and fundraise for the causes closest to their hearts. Over three months, every office was encouraged to take a day to help charities. With strong feedback internally and externally around 6,000 volunteers took part, donating 36,000 hours.

Community strategy

Our community strategy remains focused on issues that are important to our customers and where we feel we can achieve most through our skills and experience:

Road safety

We continue to support programmes in Chile, Lithuania, the UAE, Sweden, Denmark and the UK. In 2010, we launched a road safety education programme for children in the UK, encouraging our employees to nominate the school that their child attends.

Social inclusion

RSA employees from all over the Group are actively involved with poverty alleviation, education and crime reduction initiatives. Across Latin America, staff made donations to orphanages and helped build homes for the homeless. In the UK, employees helped to mentor teenagers aspiring to a career in business and launched a new youth-focused crime prevention scheme.

Environment

During 2010, we supported a number of environmental projects including planting trees and cleaning up polluted beaches in the Middle East. In the UK, teams helped at local nature reserves and parks, with volunteers preparing a park in London to be the site of an urban river restoration project with WWF.

In 2010, we gave over £2.4m in charitable donations (2009: £2.7m), with 58,000 volunteer hours (2009: 21,195) donated and 13,160 volunteers (2009: 10,127).

CORPORATE RESPONSIBILTY

CONTINUED

For example:

- In Canada, our green home endorsement policy was launched for customers, any claim is carried out with environmentally friendly and healthy materials
- Our UK business is actively working to minimise waste in our claims supply chain through the use of recycled car parts and repairing electrical goods in the home
- In Denmark, we are offering customers a 10%-20% discount if they install an energy and water control distributor to prevent leaks and fire risk.

BUSINESS PARTNERS

We work closely with our business partners and intermediaries to grow a successful business while reducing our collective environmental and social impact. During 2010, in the UK we asked 184 of our suppliers about their management of CR issues and engaged in active dialogue to improve standards. In Scandinavia, we re-launched our supplier codes of conduct, ensuring strong action on environmental and social issues. In the UK, we also held our first supplier workshops to discuss our approach to CR and what we look for from suppliers.

Broker satisfaction is also important and in Ireland we won the 'Best Technical Excellence' award from the Irish Broker Association. The award was in recognition of our Broker Academy which delivered over 50 sessions to 1,200 brokers in 2010. The aim of the Academy is to develop product awareness and technical skills through accredited programmes.

EMPLOYEES

A sustainable business needs to attract, develop and reward talented people, as well as making them accountable for their actions.

We continue to focus on developing employees at all levels through our major initiatives. Our Graduate Programme was challenged to develop long term charitable initiatives which link to our business as well as tackling responsible business dilemmas.

CLIMATE CHANGE AND THE ENVIRONMENT

As an insurer, any change in the intensity or frequency of extreme weather conditions is a significant issue. We remain committed to leading the debate on climate change and collaborating with a range of forums, including the insurance working group of the United Nations Environment Programme for Financial Institutions and the ABI ClimateWise initiative.

Our operations in the UK, Ireland and Group Corporate Centre remain carbon neutral. All offsetting of equivalent emissions is made

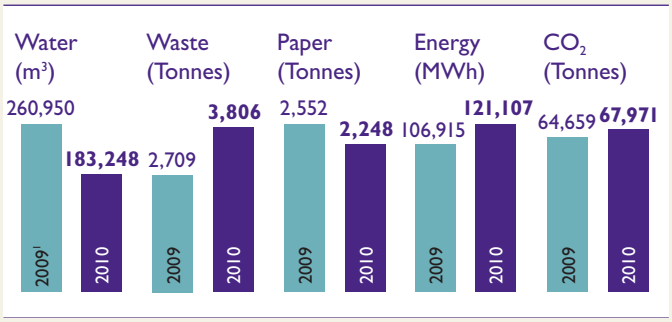
GREENHOUSE GAS EMISSIONS FOR RSA INSURANCE GROUP (TONNES OF CO_2E*)

	2010	2009	2006 (baseline)
Scope 1[1]	**16,309**	15,153	–
Scope 2[2]	**32,411**	33,616	–
Scope 3[3]	**19,251**	15,890	–
Total gross	**67,971**	**64,659**	**77,247**
Gross tonnes CO_2 per £m NWP	**9.0**	9.6	14.1
Carbon offsets	**34,000**	32,887	–
Total net emissions	**33,972**	31,772	77,247
Net tonnes CO_2 per £m NWP	**4.5**	4.7	14.1

* Group carbon dioxide equivalent emissions (tonnes)
1. Scope 1: All direct GHG emissions
2. Scope 2: Indirect GHG emissions from consumption of purchased electricity, heat or steam
3. Scope 3: Other indirect emissions

GEOGRAPHICAL BREAKDOWN OF CO_2E EMISSIONS FOR 2010 (TONNES CO_2)

	Scope 1	Scope 2	Scope 3
UK (including GCC)	7,904	16,093	7,317
International	2,862	7,489	6,144
Emerging Markets	5,542	8,830	5,789



1. Leak in Mexico caused a major increase in water consumption in 2009

in renewable energy projects certified to the Voluntary Carbon Standard. Our commitment to reducing our environmental impact is on track to achieve a 40% reduction in CO_2 emissions relative to our net written premiums by 2020 (based on 2006 levels). We are actively working with WWF to integrate environmental risk considerations into our business.

RESPONSIBLE INVESTMENT

The bulk of our UK equity assets continue to be managed by F&C Asset Management. F&C has one of the largest Governance and Sustainable Investment teams in Europe, enabling it to follow a policy of active engagement across its portfolios on environmental, social and governance issues. Last year, F&C engaged with 94 companies on a wide range of issues from climate change to labour standards in our portfolios.

For further details of CR progress please see the full Corporate Responsibility Report, available in April on our website.

RSA | PARTNERING FOR PROGRESS | WWF

For more details see **www.wwfrsapartners.com**

WWF PARTNERSHIP

We officially launched our partnership with WWF across the UK, Canada, Sweden, Denmark and China a year ago. Focusing on the risks of environmental change, RSA has been supporting conservation projects relevant to our business, developing new products and engaging our employees and external stakeholders on the environment. We are focusing on three key issues:

Flooding

Flooding remains a key issue for RSA. The impact of increased frequency or intensity of rain has a direct impact on our customers. With increased pressure on flood defence budgets, insurers need to find environmentally sensitive and cost effective solutions. Construction has started to restore an urban river in East London. Slowing down the river, re-creating the natural meander and a floodplain demonstrates a cost-effective, natural solution. We have completed a new report examining the feasibility of sustainable urban drainage systems, which was launched at the House of Commons to raise awareness.

Marine

As one of the largest Marine insurers, we are acutely aware of increasing pressures on fishing, shipping and resource extraction and we are working to improve sustainability of our seas. In Canada, we are establishing marine protection areas to help safeguard the long-term future of the fishing industry and in Scandinavia, we are collaborating with governments to better manage the commercial use of the Baltic Sea. In 2010, RSA joined a group of global marine industry leaders to launch the Sustainable Shipping Initiative which will focus on shaping regulations to improve safety and minimise the impact on the environment.

Renewable energy

Governments are placing an increased focus on renewable energy to combat climate change. As a leading insurer of this risk, our Global Renewables business is uniquely placed to help the transition to a low carbon economy. In China, we have been working with WWF and a range of stakeholders to develop renewable energy usage and energy efficiency.

HIS VILLAGE IS THREATENED BY CLIMATE CHANGE. THAT'S WHY WE'RE CHANGING THE WAY WE OPERATE.
Arctic

Climate change is one of the great challenges for modern society. While the seriousness of the problem is debated, there is no doubt that communities across the globe are likely to face even greater threats from coastal erosion, flooding and violent storms in the future.

We recognised early on that, as a global company, we have a global responsibility to limit our impact on the environment. We recorded our global footprint and in 2006 became the first UK insurer to achieve carbon neutrality.

A lot of the credit goes to our employees as they have helped to reduce our footprint. Our success has led customers to ask if we can help them and we have become a leading provider of renewable energy insurance and offer a range of services to reduce energy use.

Our role as a company is to keep people and businesses moving. But we won't be able to do that if we forget the world we all live in.

CORPORATE GOVERNANCE

BOARD OF DIRECTORS

1. JOHN NAPIER [I, N, R]
Chairman
Age 68. John joined as a Non-Executive Director in January 2003 and became Chairman of the Board and Nomination Committee in March 2003. He is a member of the Investment and Remuneration Committees. John is currently the Chairman of Aegis Group plc (media) and was also interim Chief Executive of Aegis Group plc from December 2008 until May 2010. Previous roles include Chairman of Kelda Group plc (water utility), stepping down after its sale and subsequent de-listing from the London Stock Exchange. He has previously been Chairman of Booker plc (cash and carry) and Managing Director of Hays plc (business services) and AGB Research plc (international market research and information services).

2. ANDY HASTE [B, I]
Group Chief Executive
Age 49. Andy joined the Board as Group Chief Executive in April 2003 and is a member of the Group Executive Team, Investment Committee and Board Risk Committee. He was appointed as a Non-Executive Director of ITV plc (media) in August 2008 and has been a member of the Board of the Association of British Insurers since 2003. Previous roles include Chief Executive of AXA Sun Life plc and Director of AXA UK plc (life and pensions), President and Chief Executive Officer of Global Consumer Finance Europe at GE Capital UK, Western Europe and Eastern Europe (financial services) and President of National Westminster Bank's US Consumer Credit Business (retail banking).

3. GEORGE CULMER [B, I]
Chief Financial Officer
Age 48. George joined the Board as Chief Financial Officer in May 2004 and is a member of the Investment Committee, the Group Executive Team and the Board Risk Committee, which he chaired until June 2009. Previous roles include Head of Capital Management of Zurich Financial Services (insurance) and Chief Financial Officer of its UK operation. Before that George spent ten years with Prudential.

4. SIMON LEE
Chief Executive, International
Age 49. Simon was appointed as an Executive Director in January 2007 having been Chief Executive of International since April 2003 and is a member of the Group Executive Team. He is Chairman of the Codan Group, Trygg-Hansa and RSA Ireland, and is a Director of RSA Canada. Previous roles include 17 years with the National Westminster Group, in the UK and US, including time as Chief Executive, Natwest Offshore and Head of US Retail Banking.

5. EDWARD LEA [A, I, N, R]
Senior Independent Non-Executive Director
Age 69. Appointed as a Non-Executive Director in July 2003, Edward was appointed Senior Independent Director on 27 January 2011. He is Chairman of the Group Audit Committee and a member of the Remuneration, Nomination and Investment Committees. Edward is currently a Director of Powertraveller Limited and MacIntyre Care (charity). Previous roles include Director of BUPA and Redbourn Group Limited (property management and investment).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6. NOEL HARWERTH [A, B, I]
Independent Non-Executive Director
Age 63. Appointed as a Non-Executive Director in March 2004, Noel joined the Board Risk Committee as Chairman in June 2009 and is a member of the Group Audit and Investment Committees. Noel is also a Director of Logica plc (IT and outsourcing), Impellam Group plc (support services), Harry Winston Diamond Corporation (mining and retail) and Deputy Chairman of Sumitomo Mitsui Banking Corporation Europe Limited (finance). Previous roles include Chief Operating Officer of Citibank International plc (finance).

7. MALCOLM LE MAY [B, I, R]
Independent Non-Executive Director
Age 53. Appointed as a Non-Executive Director in March 2004, Malcolm is Chairman of the Investment Committee and a member of the Remuneration and Board Risk Committees. He is also a Non-Executive Director of Pendragon plc (general retailers) and Chief Executive of Matrix Corporate Capital LLP. Previous roles include Deputy Chief Executive of Morley Fund Management (Investment Fund Manager) and Deputy CEO of ING-Barings (finance).

8. JOHN MAXWELL [A, I, N, R]
Independent Non-Executive Director
Age 66. Appointed as a Non-Executive Director in July 2003, John is Chairman of the Remuneration Committee and a member of the Group Audit, Nomination and Investment Committees. John is a Director of London Finance and Investment Group plc, FirstAssist Group Holdings Limited and the Motor Sports Association. Previous roles include Executive Director of Prudential Group plc, Chairman of DXServices plc (mail), Director of Provident Financial plc (financial services) and Homeserve plc (support services) and Director General of The Automobile Association Limited.

9. JOHANNA WATEROUS [A, I, N]
Independent Non-Executive Director
Age 53. Appointed as a Non-Executive Director in May 2008, Johanna is a member of the Group Audit, Investment and Nomination Committees. She was appointed as a Non-Executive Director of Wm Morrison Supermarkets plc in February 2010. She is also a Director of the RBG Kew Foundation, an Operating Partner of Duke Street LLP and the Chairman of Britt Lintner Limited and Sandpiper CI. Previous roles include Chairman of Tate Enterprises and over 20 years with McKinsey & Company, with roles including Co-leader of the Global Marketing and Sales Practice and Leader of their UK Consumer Practice and the European Retail Practice.

Key
A – Group Audit Committee Member
B – Board Risk Committee Member
I – Investment Committee Member
N – Nomination Committee Member
R – Remuneration Committee Member


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EXECUTIVE TEAM

The Executive Team comprises the Executive Directors whose biographies are on page 38 and the following senior executives:

1. ADRIAN BROWN
Chief Executive, UK
Adrian Brown was appointed Chief Executive of the UK in September 2008. Adrian is a qualified management accountant and has been with the RSA Group since 1989. He was previously the UK Chief Operating Officer with responsibility for Claims, Sales and Service, IT and Change across Personal and Commercial lines, and prior to that was UK Director of Personal lines and led the launch of MORE TH>N®.

2. ORLAGH HUNT
Group Human Resources Director
Orlagh joined the Group as Human Resources Director for International in September 2003 and was appointed Group Human Resources Director in October 2006. She was previously Head of Human Resources for AXA Sun Life and has worked at Walkers and Tesco in a variety of Human Resources management roles.

3. ANNE JÆGER
Group Chief Auditor
Anne has been with the RSA Group since 2001. She was appointed Group Chief Auditor in September 2008, having been Regional Chief Auditor for International, based in Denmark. She was part of the Codan Group Executive Leadership Team and the International Central Leadership Team. Anne was previously CFO at Maersk Data for two years and spent 13 years with KPMG as a State Authorised Public Accountant, where she was involved in work with publicly listed companies, M&A and restructuring.

4. TIMOTHY MITCHELL
Group Underwriting and Claims Director
Tim was appointed Group Underwriting and Claims Director in November 2007 when he joined the Group. Tim has over 30 years experience in the insurance industry. He joined RSA from Zurich Financial Services where senior underwriting roles included three years as Global Chief Underwriting Officer for General Insurance. Tim has also held senior management roles at AIG and Continental Insurance. Tim is a member of the Cheltenham Ladies College Council.


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5. CLARE SHEIKH
Group Strategy, Marketing and Customer Director
Clare joined as Group Strategy, Marketing and Customer Director in June 2007. Previously she was Director of Marketing and Commercial Strategy at ITV plc and a member of the Executive Management Board, Managing Director of AA Financial Services and has held senior commercial roles at Prudential and British Gas. She is a Non-Executive Director of Alliance Trust plc.

6. DEREK WALSH
Group General Counsel and Group Company Secretary
Derek joined the Group as General Counsel and Company Secretary in July 2010. Derek has over 15 years experience in the insurance industry. From 2002, he served as Group General Counsel at Benfield Group Limited, where he was responsible for the global legal, company secretarial and compliance teams. Prior to that, Derek held positions in law firms Pinsent Curtis (now Pinsent Masons), McKenna & Co (now CMS Cameron McKenna) and Norton Rose.

7. DAVID WEYMOUTH
Group Operations and Risk Director
David joined as Group Operations and IT Director in June 2007. David spent 27 years with the Barclays Group, where senior roles included Chief Operating Officer for Corporate Banking and Group Chief Information Officer. He was also on the Group Executive Committee. He recently spent two years consulting to blue chip and government organisations and acting as an independent board member at the DTI and Chordiant Inc, the US Nasdaq quoted software business.

8. PAUL WHITTAKER
Chief Executive, Emerging Markets
Paul was appointed Chief Executive of Emerging Markets in 2006, having been Group Human Resources Director since April 2003. He has over 20 years' senior management experience in the financial services sector including three years at AXA and ten years at GE Capital, including work in Asia and Eastern Europe on acquisition integration and business development.


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DIRECTORS' AND CORPORATE GOVERNANCE REPORT

The Directors of RSA Insurance Group plc present the summary consolidated financial statements of the Company for the year ended 31 December 2010. The full Directors' and Corporate Governance Report is contained in the Annual Report and Accounts which are available on RSA's website at **www.rsagroup.com/ar2010** or on request from the Company's registrar as detailed in the Shareholder Information section of this Report on page 72.

The Board is committed to maintaining high standards of corporate governance as it believes that a solid corporate governance framework leads to achievement of the Company's objectives and delivery of long term value to shareholders.

Remuneration is covered in the Summary Remuneration Report on pages 47 to 59.

Combined Code compliance

The UK Corporate Governance Code published in 2010 applies to the Company in 2011 and RSA will report on the status of its compliance with that Code in the 2011 Annual Report and Accounts.

Throughout 2010 the Company has complied with the Principles and Provisions in section one of the Combined Code on Corporate Governance 2008 (available from **www.frc.org.uk**) with the exception that:

- The Company did not have a Senior Independent Director during the year. The Board reviews the need for this appointment annually and believes that it is now appropriate for the Company to have a Senior Independent Director. Edward Lea was therefore appointed to this position on 27 January 2011
- The Non-Executive Directors' letters of appointment did not specify the length of the term for which each Director was appointed. This has now been addressed
- The Chairman and Non-Executive Directors have not met without the Executive Directors being present. The Board have agreed that at least one such meeting will take place in 2011.

Further explanation of how the main Principles in the Combined Code have been applied is set out in the full Annual Report and Accounts and in the Remuneration Report.

Purpose of the Board and its Committees

Board				
Responsible for organising and directing the affairs of the Company in a manner that is most likely to promote its success for the benefit of its members as a whole.				
Group Audit	**Remuneration**	**Nomination**	**Board Risk**	**Investment**
Assists the Board in discharging its responsibilities for the integrity of the financial statements, for the effectiveness of the systems of internal control and regulatory and financial risk management and for monitoring the effectiveness and objectivity of the internal and external auditors.	Determines the terms and conditions of employment, remuneration and benefits of the Executive Directors and the Chairman of the Board and advises the Board on the Group's remuneration policy in relation to senior executives. Oversees the operation of the Company's share based long term incentive schemes including approving the value and timing of awards and the operation of performance conditions.	Manages the process to advise and make recommendations to the Board on matters relating to the Board's membership and related appointments.	Advises the Board on risk management issues, recommending the Group framework of risk limits and risk appetite and oversees the risk management arrangements of the Company and the Group generally. Ensures that material risks are identified and mitigated.	Assists the Board in setting investment strategy and monitors execution of that strategy.
The terms of reference for each Committee of the Board explaining their role and the authority delegated to them are available on the Company's website **www.rsagroup.com/rsa/pages/ir/governance/mgtcommittees**. The matters reserved to the Board and terms of reference of each Committee are reviewed regularly.				

Summary of Board activities during the year

People
- Received the results of the annual Global Engagement Survey which indicated improved employee engagement across the Group up 0.22 to 4.21 (out of a maximum score of five)
- Reviewed progress of the roll out of the Global Capability Framework which helps employees identify learning requirements for their current and future roles
- Received regular updates on HR strategy and activities including the Executive Development Programme, the Marketing, Sales and Technical Academies, and Fast Track and Graduate Schemes.

Communication
- Received regular reports from Investor Relations on institutional shareholders' views
- All Directors were available to talk with shareholders at the AGM in May
- Celebrated 300th anniversary with a charity drive culminating in RSA Day on 25 June. RSA Day will become an annual event.

Corporate governance
- Recommended adoption of new Articles of Association (Articles) to shareholders to implement the Shareholder Rights Directive and Companies Act 2006
- Responded to consultations on the Combined Code and the Walker Report
- Carried out the annual review of the Group's governance framework
- Continued to work towards implementation of Solvency II in 2013
- Carried out an externally facilitated Board evaluation
- Approved roll out of a global guide to business conduct
- Set the Company's Community and Charitable Policy and received reports on the Group's corporate responsibility activities.

Appointments
- Appointed a new Group General Counsel & Group Company Secretary (Company Secretary)
- Discussed Board succession planning.

Financial reporting and controls
- Approved the 2009 full year results, Annual Report and other financial results
- Commissioned external review of the effectiveness of the Group Internal Audit function.

Strategy and management
- Full day dedicated to strategy and regular updates during the year
- Approved the 2010 Operational Plan
- Monitored claims and reinsurance matters following the Chile earthquake
- UK Transformation Programme continued to deliver expense savings.

M&A and contracts
- Considered mergers and acquisitions activity in excess of £50m
- Approved acquisition of GCAN in Canada
- Approved affinity deal in UK to provide Tesco pet insurance
- Approved acquisition of 123 Money Limited in Ireland.

Appointments to the Board

The Directors and the Company (by ordinary resolution) may appoint a person who is willing to be a Director either to fill a casual vacancy or as an additional Director. A Director who is appointed by the Directors shall retire at the following AGM and will put himself forward to be elected by the ordinary shareholders. In accordance with the Articles and the Combined Code, the Directors submit themselves for reappointment at the first AGM after their appointment and for reelection every three years thereafter. Resolutions to reappoint Directors at the AGM are subject to the approval of the Board, taking into account the recommendations of the Nomination Committee. Each Director has stood for reelection within the last two years and therefore under the Articles no Director is obliged to retire and stand for reelection at the 2011 AGM. However, John Napier, the Chairman; Andy Haste, the Group CEO; and Edward Lea, the Chairman of the Group Audit Committee and Senior Independent Director have offered themselves for reelection this year. The Company may (by ordinary resolution of which special notice has been given) remove any Director before the expiration of his period of office.

Performance evaluation

In 2010 the Board undertook an evaluation of the performance of the Board and its Committees, externally facilitated by MWM Consulting, to assess how well the Board, Committees and the Directors were performing. The review included a questionnaire and interviews with MWM Consulting followed by a Board meeting to discuss the issues raised. The discussion concluded that the Board is strong and effective and that there is a good relationship between the Executive and Non-Executive Directors with the Non-Executive Directors providing significant challenge to the Executive Directors. A number of recommendations were made and are being implemented.

Summary of main activities of Committees* during the year

Group Audit Committee	• Reviewed all results announcements and the 2009 Annual Report and Accounts • Reviewed the Financial Control Framework quarterly • Received regular reports from the CFO, Disclosure Committee, regional audit or management control committees, the external auditor, the Group Chief Auditor, and Regulatory Risk & Compliance • Approved significant non audit services provided by the external auditor • Requested an independent assessment of the effectiveness of the internal audit function • Approved the 2011 Group Internal Audit Plan • Approved the 2011 Regulatory Risk & Compliance Plan.
Nomination Committee	• Assessed the performance of each Director due for reelection and recommended their reelection at the 2010 AGM to the Board.
Board Risk Committee	• Closely monitored Chile earthquake claims • Reviewed results of stress and scenario tests • Considered emerging risks • Cyclically reviewed and approved changes to Group policies • Reviewed the quantum of the ICA and ECA capital models and made appropriate recommendations to the Board • Reviewed risks facing the Group by risk type and region at each meeting • Monitored progress on Solvency II compliance and reviewed RSA's Internal Model • Regularly reviewed the governance structure and control framework • Carried out a survey on the Committee's effectiveness • Reviewed the 2009 Remuneration Report to assess any implications of the Group's remuneration policies on risk and risk management • Reviewed the Group's risk appetite and material risk profile • Approved the annual Enterprise Risk Management Plan.
Investment Committee	• Set the Group's investment strategy • Monitored the global economy and market conditions and the economic outlook during the year • Reviewed activity in the Group's investment portfolio • Monitored compliance with investment strategy and results.

Notes:
*See page 48 for details of the Remuneration Committee's activities during the year.

ACCOUNTABILITY

External auditor

Deloitte LLP was appointed as the Group's external auditor in 2007. During the year Deloitte LLP was engaged as an adviser on a number of occasions. In order to maintain their independence, such appointments are only made in accordance with a protocol developed and embedded by the Group Audit Committee (GAC). This provides that the external auditor should not carry out work where the output or recommendations are then subject to its review as external auditor. Work may be given to the external auditor where it is closely allied with the audit function or it is advantageous to the Group to use its external auditor in view of its knowledge and experience of RSA. This could include accounting advice, regulatory returns, tax advice or due diligence work. All non audit work over £100,000 must be approved in advance by the CFO and all non audit work over £250,000 will be notified by the CFO to the GAC Chairman. With reference to the protocol, the GAC is satisfied that there are no matters that would compromise the independence of the external auditor or affect the performance of its statutory duties. Details of fees paid to Deloitte LLP during 2010 for audit and non audit work are disclosed in the auditor remuneration table in note 4 on page 104 of the full Annual Report and Accounts. There are no contractual obligations that restrict the Company's choice of external auditor.

The GAC has reviewed the independence, effectiveness and objectivity of the external auditor in 2010 and concluded that Deloitte LLP provided a service that was robust and fit for purpose. Accordingly the GAC recommended to the Board that a resolution be put to the 2011 AGM for the reappointment of Deloitte LLP as external auditor and the Board has accepted this recommendation.

So far as each Director is aware, there is no relevant audit information (as defined in section 418(3) of the Companies Act 2006) of which the Company's external auditor is unaware, and each Director has taken all steps that he ought to have taken as a Director in order to make himself aware of, and to establish that the external auditor is aware of, any relevant audit information.

Deloitte LLP has confirmed its willingness to continue in office as external auditor of the Company for the year ending 31 December 2011. A resolution for its reappointment will be proposed at the 2011 AGM.

RELATIONS WITH SHAREHOLDERS

Annual General Meeting

The AGM will be held at the Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, London SW1P 3EE on Monday, 23 May 2011 at 11.00am. A letter from the Chairman and the notice convening the AGM (Notice) is available to all ordinary shareholders (and preference shareholders when applicable) at least 20 working days before the meeting and is available at **www.rsagroup.com/rsa/pages/ir/shareholderservices/shareholdermeetings/agm1**

The Group CEO presents on the Company's performance and activities during the year and the CFO presents the financial results of the Company prior to the formal business of the meeting. All Directors are requested to attend the AGM and the Chairman and the Chairmen of each Board Committee make themselves available to take questions from ordinary shareholders at and after the AGM.

Separate resolutions are proposed on each substantive issue, including a resolution to adopt the Annual Report and Accounts. In accordance with provisions in the Articles any form of proxy sent by the Company to shareholders in relation to any general meeting must be delivered to the Company, whether in written form or in electronic form, not less than 48 hours before the time for holding the meeting excluding non business days (or, in the case of a poll taken otherwise than at or on the same day as the meeting, not less than 24 hours before the time appointed for the taking of the poll).

At any general meeting every ordinary shareholder present shall have one vote on a show of hands, and on a poll every ordinary shareholder present in person or by proxy shall have one vote for each share of which he is the holder. Each resolution was put to a poll at the AGM in 2010. The results of the vote on each resolution are announced to the London Stock Exchange and on the Company's website.

Preference shareholders are only entitled to receive notice of, attend, speak and vote at general meetings if the dividend payable on the preference shares is in arrears at the date of the Notice; a resolution is proposed that affects the rights of the preference shareholders; a resolution is proposed to wind up the Company; a resolution is proposed to reduce the capital of the Company (other than a redemption or purchase of shares); or in such other circumstances as the Board shall determine. In any of these situations the preference shareholders may only vote on the relevant resolution and not on all the business of the general meeting.

OTHER STATUTORY INFORMATION

Dividends

The Directors recommend a final dividend of 5.70p per ordinary share to be paid on 3 June 2011 to holders of ordinary shares on the register at the close of business on 4 March 2011, subject to ordinary shareholder approval. This, together with the interim dividend of 3.12p per ordinary share, will make a total dividend for the year of 8.82p per ordinary share.

The preferential dividend at the rate of 3.6875% for the period from 1 October 2010 to 31 March 2011 will be paid on 1 April 2011 to holders of preference shares on the register at the close of business on 4 March 2011.

Share capital

Details of the Company's share capital, together with details of the movements in the Company's issued share capital during the year are shown in note 18 on page 115 of the full Annual Report and Accounts. The Companies Act 2006 has abolished the requirement for a company to have an authorised share capital and the Articles adopted at the 2010 AGM reflect this. Directors are still limited as to the number of shares they can allot (save in respect of employee share schemes). The current authority allows Directors to allot securities up to a nominal amount of £315,750,151 and renewal of the Directors' authority to allot shares will be sought at the 2011 AGM. During 2010 the Directors exercised their authority to allot in respect of employee share schemes and the scrip dividend scheme.

The Company has two classes of shares: ordinary shares of 27.5p each and preference shares of £1 each. Each ordinary share carries the right to one vote at general meetings of the Company and no right to fixed income. The rights attaching to the preference shares are detailed in note 18 on pages 116 to 117 of the full Annual Report and Accounts. As at 31 December 2010 the ordinary shares represent 96.5% and the preference shares represent 3.5% of the total issued share capital.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles and legislation. The Directors are not aware of any agreements between the Company's shareholders that may result in restrictions on the transfer of securities or on voting rights.
The Company may purchase any of its own shares (including any redeemable shares). An authority from ordinary shareholders for the Company to purchase up to 344,454,710 of its own ordinary shares (representing 10% of its issued share capital as at 18 March 2010) remained in force at 31 December 2010.

The Company operates four employee benefit trusts to hold ordinary shares in RSA which are used to satisfy exercises under the Group's share incentive schemes and Capita Trustees Limited is the current Trustee of each trust. The Trustee may vote in respect of any shares held in the Trusts but has no obligation to do so and, in respect of the Royal & SunAlliance ESOP Trust No. 3, the Trustee may have regard to the financial interests of the beneficiaries in exercising its voting rights over the Company's shares.

Articles of Association

The Company's Articles may be amended by special resolution of the Company's ordinary shareholders. New Articles were adopted at the 2010 AGM and are available on the Group's website at **www.rsagroup.com/rsa/pages/ir/governance/articles**

Borrowing powers

The Directors restrict the borrowings of the Company so that the aggregate amount, for the time being, remaining borrowed by the Group is not, without the previous sanction of an ordinary resolution of the Company, more than one and a half times the aggregate of:

- The amount paid up on the issued share capital of the Company; and
- The total of the capital and revenue reserves of the Group (subject to certain adjustments).

By order of the Board

Derek Walsh
Group General Counsel and Group Company Secretary
23 February 2011

Substantial share interests

This table shows the holdings of major shareholders in the Company in accordance with Disclosure and Transparency Rule five as at 31 December 2010 and the date of this Report:

	At 31 December 2010			At 23 February 2011		
	No. of ordinary shares	**% of voting rights**	**Nature of holding**	No. of ordinary shares	% of voting rights	Nature of holding
Blackrock, Inc	**188,217,284**	**5.46**	**Indirect**	188,217,284	5.46	Indirect
Lloyds Banking Group plc*	**174,418,517**	**5.06**	**Direct & Indirect**	174,418,517	5.06	Direct & Indirect
Schroders plc	**170,851,201**	**4.95**	**Direct & Indirect**	170,851,201	4.95	Direct & Indirect
Newton Investment Management Ltd	**168,455,475**	**4.88**	**Indirect as discretionary investment manager**	168,455,475	4.88	Indirect as discretionary investment manager
Standard Life Investments	**152,266,879**	**4.42**	**Direct & Indirect**	152,266,879	4.42	Direct & Indirect
Legal & General Group plc	**136,295,990**	**3.99**	**Direct & Indirect**	136,295,990	3.99	Direct & Indirect

Notes:
*Of the holding disclosed 164,036,816 shares (4.76%) are under the control of Scottish Widows Investment Partnership Limited, a wholly owned subsidiary of Lloyds Banking Group plc.

REMUNERATION REPORT

This is a summary of the Remuneration Report contained in the 2010 Annual Report and Accounts of RSA Insurance Group plc which is available at **www.rsagroup.com/ar2010** or on request from the Company's registrar as detailed in the Shareholder Information section of this report on page 72.

Deloitte LLP have audited the following items stipulated in law for their review:

- The table of Directors' emoluments and associated footnotes on page 55 and the disclosure of the items comprising benefits in kind
- The tables of defined benefit and defined contribution pensions on pages 55 to 56 and associated footnotes
- The table of disclosure of Directors' share options and share awards on pages 56 to 59 and associated footnotes.

In constitution and operation the Committee complies fully with the Combined Code as described in the Directors' and Corporate Governance Report on page 42.

The Committee's responsibilities are set out in its terms of reference which are available to shareholders on request and on the Group's website at **www.rsagroup.com/rsa/pages/ir/governance/mgtcommittees**. The Committee welcomes continuous dialogue with shareholders on remuneration policy.

DUTIES AND ACTIVITIES OF THE COMMITTEE

Activities of the Remuneration Committee

The continuing focus of the Committee is the maintenance of a strong link between performance and reward. It is the Committee's view that the interests of shareholders are best served by ensuring a remuneration structure which has a significant element of deferred performance related pay and reinforces the culture of high performance and accountability that applies at all levels throughout the Group without undue risk.

The Committee is required by its terms of reference to meet at least twice each year, but meets as often as necessary throughout the year to ensure that it is able to fully report to the Board and shareholders on all relevant matters. In 2010, the Committee met eight times and discussed, amongst other things, the subjects described in the table on page 48.

Principal duties of the Committee				
The Committee is a formal Committee of the Board and is accountable to shareholders through its annual Remuneration Report, which is voted on at the AGM. It remains committed to reflecting the best interests of shareholders and to the pursuit of best practice in remuneration policy. The Committee's principal duties are as follows:				
The determination of the terms and conditions and remuneration of the Chairman of the Board and the Executive Directors.	Overseeing the operation of the Company's share based long term incentive schemes, including approving the value and timing of awards and overseeing the operation of performance conditions.	Consideration of and advice to the Board on, the Group's broader remuneration policy in relation to senior executives reporting to the Group CEO (the Executive Team).	To have regard to any concerns raised by the Board on the implications of the remuneration policy for risk and risk management.	To provide a draft of the Remuneration Report to be included in the Company's Annual Report and Accounts to members of the Board Risk Committee for review in respect of risk and risk management (to the extent not reviewed by the Board as a whole).
The Committee Chairman presents a formal report on the Committee's activities to the Board following each meeting. The Committee presents a summary of its principal activities to shareholders through this Report and the Committee Chairman attends the AGM to answer questions from shareholders on the Group's remuneration policies.				

Summary of main Remuneration Committee meetings

Meeting	Standard agenda items	Additional items discussed
JANUARY	• Review of base salaries of Executive Directors and Chairman's fee • Determination and approval of the awards granted and performance conditions proposed under the Long Term Incentive Plan (LTIP) in 2010 • Review of the measurement of Total Shareholder Return (TSR) performance conditions applying to awards under the LTIP made in 2007, and approval of the vesting of those awards • Approval of the 2009 Remuneration Report • Review of the annual objectives and performance goals for each Executive Director.	• Review of proposed changes to UK defined benefit pension plans • The Committee exercised discretion relating to the timing of the vesting of the 2007 LTIP awards to allow employees the opportunity to receive any vested awards in the 2009 – 2010 tax year.
FEBRUARY	• Determining the outcome of annual bonuses for 2009 in the light of actual performance against agreed goals and objectives for each Executive Director.	
MARCH	• Determining the outcome of annual bonuses for 2009 in the light of actual performance against agreed goals and objectives for members of the Executive Team • Review of the measurement of Return on Equity (ROE) performance conditions applying to awards under the LTIP made in 2007, and approval of the vesting of those awards • Review of the forecast of share usage for LTIP awards and approval of the grant of awards in April 2010 • Review of proposals for the annual bonus plan for 2010.	
APRIL	• Approval of the financial metrics applying to the 2010 annual performance bonus for Executive Directors and other members of the Executive Team.	• Review of TSR performance for LTIP awards granted in 2008, 2009 and 2010 • Review of variable remuneration to ensure that the potential amount of remuneration and the stretch in performance targets do not implicitly encourage excessive risk taking.
JULY	• Approval for the grant of LTIP awards in September 2010, and for the grant of awards under the employee plans Sharesave and Sharebuild in 2010.	• Review of TSR performance for LTIP awards granted in 2008, 2009 and 2010 • Consideration of the implications of Solvency II on remuneration arrangements.
SEPTEMBER	• Review of the level of take up under Sharesave and Sharebuild and approval of the level of awards to be granted under those plans • Review of share usage following the grant of awards under the LTIP in September 2010.	

Membership of the Committee

Members of the Committee have no personal financial interest, other than as shareholders, in the Committee's decisions and they have no conflict of interest arising from cross Directorships. Fees for serving as a Committee member and chairing Committees of the Board are described on page 63 of the full Annual Report and Accounts. The members of the Committee throughout the year, are summarised in the table below.

Committee members

Remuneration Committee member	Position	Comment
John Maxwell	Chairman of the Committee	Independent
John Napier	Member	Group Chairman
Edward Lea	Member	Independent
Malcolm Le May	Member	Independent

Advisers to the Committee

In developing remuneration strategy during the year, the Committee obtained its principal advice from Towers Watson, who were appointed by the Committee. In addition to providing independent advice to the Committee, Towers Watson provides broad reward and pensions advice to the Company.

Remuneration policy principles

The Committee's remuneration policy is consistent with the high performance culture across the Group. The key principles which underpin the remuneration policy are that:

- Total remuneration is set at a level which enables the recruitment, retention and motivation of high quality executive talent
- There is a strong and visible link between remuneration and performance
- Executive remuneration and shareholder interests are strongly aligned. This is reflected in the design of the LTIP which provides a co-investment opportunity
- The observation of existing share ownership guidelines further enhances the alignment of Executive Directors with those of shareholders interests
- Incentive arrangements are leveraged so that only exceptional performance attracts the highest levels of award
- A balance of short and long term performance is used, incorporating measures of financial performance, profitable growth, delivery of shareholder value and a robust assessment of personal contribution
- Remuneration policy and practice is transparent to shareholders
- Where relevant, there is consideration of environmental, governance and social risks when determining remuneration for Executive Directors and senior managers to ensure that positive and appropriate behaviours are reinforced.

The policies relating to each element of remuneration are set out in the remuneration policy summary table below.

Remuneration policy summary

Element of remuneration	Policy
Base salary	Base salary is set with reference to equivalent roles in similar companies and the sustained performance of the executive.
Annual performance bonus	Bonus payments are related to stretching performance targets and are capped at 180% of base salary. For maximum bonuses to be achieved outstanding performance must be demonstrated.
Share based long term incentive awards	To provide annual share awards to executives to ensure alignment with shareholder interests solely through the LTIP. Other than in exceptional circumstances, no other discretionary share plan will be used to make awards.
Pension provision and other benefits	Reasonable provision in line with arrangements made in similar companies will be made to allow executives to plan effectively for their eventual retirement.

Elements of remuneration

Remuneration for Executive Directors in 2011 will consist of the four principal elements described in the table below, of which only base salary is pensionable:

Remuneration	Purpose	Delivery	Detail
Base salary	To reflect the market value of the role and the skills, experience and performance of the individual	• Cash • Monthly • Pensionable.	• Reviewed annually, changes effective from 1 April • Benchmarked against equivalent roles in similar companies and with reference to the sustained performance of the executive.
Annual performance bonus	To incentivise the delivery of annual goals at Group, business area and individual levels	• Maximum opportunity of 180% of base salary • One third of the annual bonus received is to be in the form of compulsory Deferred Shares under the LTIP • Executive Team members are expected to defer an additional element of their cash bonus so that the total deferral is 50% of the bonus paid • Annual • Non pensionable.	• Financial targets are measured against key financial measures for Group and business areas • Individual targets are approved by the Committee • Up to a further 33% of net cash bonus paid may be reinvested in voluntary Deferred Shares under the LTIP.
LTIP	To reward the creation of sustained growth in shareholder value	• Performance Shares subject to stretching performance conditions • Matching Shares awarded linked to Deferred Shares, also subject to performance conditions • Annual awards that may vest after three years • Non pensionable.	• Discretionary awards • Participation reviewed annually • ROE together with TSR performance measured against a peer group of companies • Full details of performance measures and vesting described on pages 51 to 53.
Pension	To provide appropriate and competitive post retirement benefits	• Deferred income • Paid monthly.	• Defined benefit scheme or defined contribution scheme, and/or cash allowance in lieu of pension contributions.

Share based long term incentive awards

Prior to the approval of the LTIP, two long term share incentive plans were in place:

- The 2004 Share Matching Plan, which was designed to operate for two years. The final awards under this plan were made in 2005
- The Executive Share Option Scheme (1999 ESOS). Regular awards under the 1999 ESOS were discontinued from 2006 and the scheme expired in 2009. A renewed Executive Share Option Scheme (new ESOS) was adopted by the Company and approved by shareholders at the 2009 AGM. As with the 1999 ESOS, it is intended that the new plan will initially be used only in exceptional circumstances, such as executive recruitment. Performance conditions will attach to all options granted under the new ESOS and will be determined by the Committee at the appropriate time. To date no grants have been made under the new ESOS.

LTIP

The primary long term incentive is the LTIP, the key features of which (and associated policies) are summarised in the sections below. Awards under the LTIP will be funded through a combination of new issues and shares purchased in the market.

Conditional awards of Performance Shares

Participants may receive a conditional award of shares with the grant level and performance condition determined by the Committee prior to each grant (Performance Shares). Executive Directors, members of the Executive Team and the Top 100 executives in the Group (Top 100) will be eligible for awards of Performance Shares.

In 2011, awards of Performance Shares to Executive Directors and the Executive Team will be limited to a maximum face value of 150% of base salary, other than in exceptional circumstances. Account will be taken of personal performance in determining the scale of the award to each Executive Director and members of the Executive Team. For executives below this level, awards are made based on a formula which relates the size of award to performance and potential, as measured through the annual performance appraisal process. In any year, the face value of Performance Shares granted to any individual will be limited to 150% of base salary in normal circumstances subject to an overriding cap of 250% of base salary in exceptional circumstances such as an executive recruitment.

Performance Shares will vest after three years subject to performance conditions (see below) and provided the individual remains in employment with the Group (other than in exceptional circumstances such as death or retirement at normal retirement age).

Deferred Shares

Members of the Executive Team and the Top 100 may be granted deferred share awards as part of the annual bonus (compulsory Deferred Shares). These Deferred Shares may not be withdrawn and will normally vest three years from the date of grant subject to continued employment with the Group.

In addition executives may invest an additional portion of bonus in Deferred Shares on a voluntary basis (voluntary Deferred Shares). Voluntary Deferred Shares are not at risk of forfeiture and may be withdrawn at any time (but the right to Matching Shares would lapse on those Deferred Shares withdrawn).

Conditional awards of Matching Shares

Executives may receive a conditional award of matching shares pro rata to the number of Deferred Shares held (Matching Shares). At threshold performance the matching ratio will be 0.625:1. The maximum matching ratio for Matching Shares: Deferred Shares will be 2.5:1, calculated on the gross value of the bonus invested in Deferred Shares. Details of the performance condition used are set out below.

Executive Directors, members of the Executive Team and the Top 100 will be eligible for awards of Matching Shares.

Matching Shares will vest after three years subject to performance conditions (see below) and provided the individual remains in employment with the Group (other than in exceptional circumstances such as death or retirement at normal retirement age).

Performance conditions

The Committee will determine the performance condition for each grant of Performance Shares and Matching Shares, with performance measured over a single period of three years with no provision to retest. In 2011 grants of Performance Shares and Matching Shares related to compulsory Deferred Shares will be subject to a performance condition consisting of a combination of ROE and TSR targets.

ROE has been selected as the measure of financial performance as it is one of the key measures of overall business performance and is visible externally to shareholders.

The TSR performance condition has been designed to provide alignment between executive remuneration and shareholder interests and to ensure that an element of the package is linked directly to share price performance. The comparator group has been selected to ensure that performance is compared fairly against a group of similar companies operating in a similar competitive environment. The use of ROE and TSR in combination provides a balanced approach to the measurement of Company performance over the longer term.

As in 2010 ROE will be given greater prominence than relative TSR, to underline our commitment to improving the returns that we generate on our balance sheet. The vesting of 70% of the LTIP awards will be based on reported ROE performance and 30% on relative TSR performance (with the exception of Matching Shares attaching to voluntary Deferred Shares, the vesting of which will remain dependent solely on the ROE performance condition). 70% of the shares comprising the award will vest according to ROE performance. For awards made in 2010, the ROE target range was 10% to 16%. The range of ROE performance targets has varied from year to year, and (for performance periods yet to conclude) is summarised below:

Year of grant	Range start	Range end
2008	12%	18%
2009	10%	16%
2010	10%	16%
Range to be applied in 2011	10%	16%

For awards made in 2010, the ROE performance scale is:

Underlying average annual ROE	Proportion of this part of the award vesting
Below 10%	0%
10%	25%
16%	100%
Between 10% and 16%	Between 25% and 100% pro rata

30% of the shares comprising the award will vest according to TSR performance against a comparator group of UK and international financial services companies as shown below.

For awards made in 2010, the TSR performance scale is:

Company's TSR performance	Proportion of this part of the award vesting
Below median	0%
Median	25%
Upper quintile (Top 20%)	100%
Between median and upper quintile	Between 25% and 100% pro rata

Additionally, before any shares subject to the TSR condition vest, the Committee must be satisfied that the Company's TSR performance is reflective of underlying financial performance.

The TSR comparator group consists of the following companies:

TSR comparator group	
Aegon	Allianz
AXA	AVIVA
Baloise	Generali
Legal & General	Munich Re
QBE	Swiss Re
Zurich Financial Services	

The Committee reviews, on an ongoing basis, the composition of the comparator group and will consider adding companies for future awards in the event that the number of constituent companies drops below an acceptable level.

The TSR condition is independently calculated and verified by the Committee for each award that vests.

The vesting of Matching Shares related to voluntary Deferred Shares will be determined solely by the ROE performance condition.

Share ownership guidelines

Strengthened share ownership guidelines were introduced in 2004 for Executive Directors and members of the Executive Team.

The Group CEO is required to maintain a minimum shareholding in the Company equivalent to 200% of base salary. The other Executive Directors have a target of 150% of base salary and other members of the Executive Team have a target of 75% of base salary. In order to ensure that progress is made towards this target, executives are required to retain shares to a value of 50% of the net of tax gain under all executive schemes until the relevant guideline is attained. This requirement will apply to awards under the LTIP and will continue to apply to awards under all existing long term incentive plans.

The following table shows the number of shares (including voluntary Deferred Shares held under the LTIP and Matching Shares and Dividend Shares held under Sharebuild) held by each Executive Director as at 31 December 2010 and the increase in shareholding over the year:

	Shares held	Increase %	Salary %*
Andy Haste	5,518,283	125.3	723
George Culmer	1,562,169	130.8	344
Simon Lee	943,294	29.8	270

Notes:
*Assuming share price of 125.2p (the closing middle market price on the last dealing day of the year).

Pension provision and other benefits

Andy Haste is a member of the SAL Pension Scheme (SAL), a contributory defined benefit occupational pension scheme. In 2010 the Group restructured the provision of defined benefit pensions for all UK based employees. From 1 March 2010 Andy Haste's benefit accrual was reduced from 1/60th to 1/80th and was calculated with reference to a capped salary of £75,000. Benefit accrued under the RSA Stakeholder Plan (a defined contribution plan) in respect of base salary from £75,000 up to the previous salary cap (£123,600 for the tax year commencing 6 April 2009). Participation in the RSA Stakeholder Plan will generate employer contributions worth 15% of base salary, subject to an employee contribution of 5% of base salary. In addition to his benefits within SAL and the RSA Stakeholder Plan, Andy Haste receives an age related taxable cash allowance to enable him to make his own provision for retirement above the cap. In 2011 he will be paid an allowance of 38% of base salary for this purpose.

George Culmer is a member of the RSA Stakeholder Plan. In 2011, as in 2010, he will receive employer contributions worth 15% of base salary, subject to an employee contribution of 5% of base salary up to the HM Revenue and Customs annual allowance as applicable. Additionally, George Culmer receives a taxable cash allowance of 15% of base salary, in order to bring his overall pension provision closer to the market median.

Simon Lee elected not to join a Group pension plan on appointment, and receives a taxable cash allowance of 17.5% of base salary instead.

In addition, the Executive Directors participate in a number of benefits available to other senior managers including life assurance at the rate of four times base salary together with a spouse/dependant annuity, sickness and ill health early retirement benefits and private medical insurance. They also have a choice between a company car and a monthly cash car allowance. In common with other employees, the Executive Directors are eligible to participate in Sharesave and Sharebuild.

Historical TSR performance

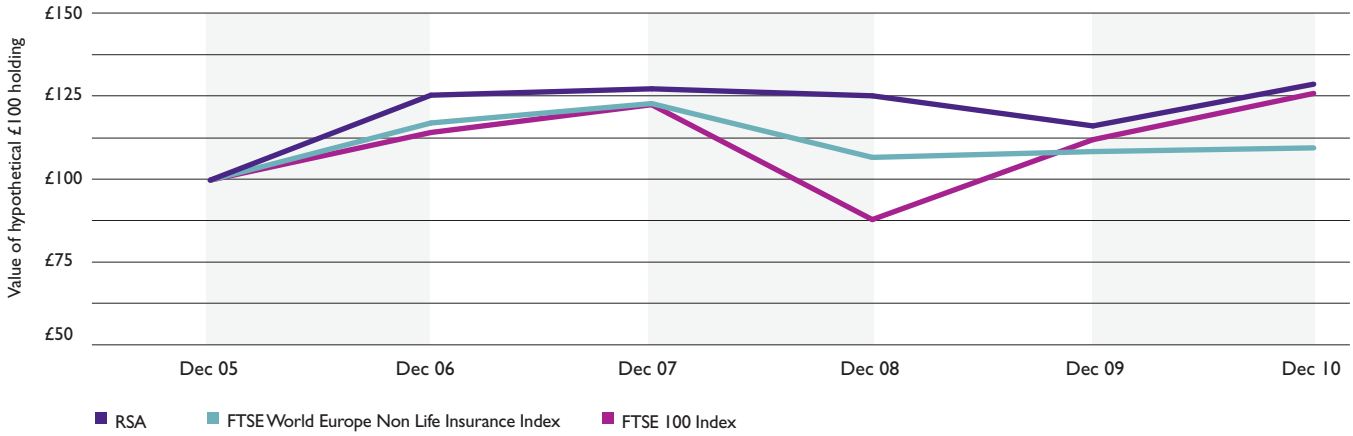
The graph below is included in the report of the Committee as a requirement of Schedule 8 to The Large and Medium-Sized Companies and Group (Accounts and Reports) Regulations 2008.

The graph shows the TSR of the Group with reference to the FTSE World Europe Non Life Insurance Index and the FTSE 100 Index. The FTSE World Europe Non Life Insurance Index comprises the range of European insurance businesses which most closely match our competitor group, and the TSR comparator group selected for awards under the LTIP. The FTSE 100 Index comprises the 100 most highly capitalised companies of the UK market. TSR performance relative to the indices is shown over the five years from 31 December 2005 to 31 December 2010.

TSR reflects the change in value of ordinary shares in a company over time, as represented by the evolution of a notional initial investment of £100 in the shares and including any distribution of dividends.

Historical TSR performance growth in the value of a hypothetical £100 holding over five years

Based on spot values



DIRECTORS' EMOLUMENTS AND INTERESTS (AUDITED)

Directors' emoluments

Remuneration for the year ended 31 December 2010 was as follows:

	Base salary and fees £000	Allowances and benefits £000	Bonuses £000	Total[1] 2010 £000	Total 2009 £000
Executive Directors[2]					
George Culmer[3]	**557**	**111**	**485**	**1,153**	1,261
Andy Haste[4]	**956**	**393**	**833**	**2,182**	2,329
Simon Lee[5]	**428**	**110**	**397**	**935**	1,009
Non-Executive Directors					
Noel Harwerth	**66**	–	–	**66**	57
Edward Lea	**74**	–	–	**74**	68
Malcolm Le May	**66**	–	–	**66**	60
John Maxwell	**66**	–	–	**66**	60
John Napier[6]	**400**	**8**	–	**408**	400
Johanna Waterous	**54**	–	–	**54**	53

Notes:
1. The total figure includes all allowances chargeable to UK Income Tax.
2. 2010 bonuses are shown in the table above. In 2010 a maximum cash bonus of 120% of salary was achievable.
3. George Culmer's allowances include 15% of base salary as a retirement allowance, paid monthly. During 2010 the amount paid was £83k. He also received car benefits and additional taxable travel benefits worth £27k and medical benefits worth £1k.
4. Andy Haste's allowances include an age related percentage of base salary as a retirement allowance, paid monthly. During 2010 the allowance was 36% and the amount paid was £344k. He also received car benefits and additional taxable travel benefits worth £40k and medical and life assurance benefits worth £9k.
5. Simon Lee's allowances include 17.5% of basic salary as a retirement allowance, paid monthly. During 2010 the amount paid was £75k. He also received car benefits and additional taxable travel benefits worth £34k and medical benefits worth £1k.
6. John Napier is entitled to receive an accommodation allowance with effect from 1 October 2010 of £33k (gross) per annum.

Pension benefits

Non-Executive Directors are not entitled to any pension benefits. The pension benefits earned by the Executive Directors, as members of Group defined benefit schemes, were as follows:

	Change in accrued pension in year[3] £	Total accrued pension at 31 December 2010[3] £	Transfer value of total accrued pension at 31 December 2010[7] £	Transfer value of total accrued pension at 31 December 2009 £	Difference in transfer values less member contribution[1] £
Andy Haste[2,4,5,6]	**1,073**	**14,644**	**280,255**	252,257	23,843

Notes:
1. The difference in transfer values reflects the difference between the two transfer values calculated using relevant information on the respective dates and is not necessarily the actuarial increase of the underlying pension.
2. The figures set out in the table above provide information as required by Regulation 11 and Schedule 8 to the Large and Medium-Sized Companies and Group (Accounts and Reports) Regulations 2008. The Listing Rules require the change in accrued pension to be shown excluding the effects of inflation and the transfer value of this increase. These figures are shown in the notes below.
3. The accrued pension figures shown are the annual amounts of member's pension payable from normal retirement age. Increases to pensions when in payment are applied in accordance with the relevant scheme rules. On the death of the member leaving a surviving spouse and/or children, spouse's and/or children's pensions are payable in accordance with scheme rules.
4. The benefits shown above in respect of Andy Haste relate to his membership of a defined benefit pension scheme up to the earnings cap for benefits accrued prior to 28 February 2010, and up to a cap of £75k for benefits accrued from 1 March 2010. Andy Haste was a member of the defined contribution scheme for benefits between £75k and the earnings cap for the period from 1 March 2010.
5. For Andy Haste the increase in his accrued pension during the year, excluding the effects of inflation, was £1k p.a and the transfer value in respect of this less his contributions was £17k at 31 December 2010.
6. Andy Haste is required to contribute to the scheme and also has the option of paying Additional Voluntary Contributions (AVCs). Neither voluntary contributions nor the resulting benefits are included in the table.
7. The transfer value of the accrued benefits represents the value of assets that the pension scheme would need to transfer to another pension provider on transferring the scheme's liability in respect of Andy Haste's pension benefits. The transfer values do not represent sums payable or due to Andy Haste.

The Company contributions paid in respect of Executive Directors who are members of Group defined contribution schemes, were as follows:

	Company contributions paid in 2010 £	Company contributions paid in 2009 £
George Culmer	**83,475**	82,481
Andy Haste	**6,053**	0

Shareholdings

The interests of Directors in ordinary shares of 27.5p each of the Company, as declared and recorded in accordance with the FSA Listing Rules, are as follows:

	Shares held at 31 December 2010	Shares held at 1 January 2010
Executive Directors[1,2]		
George Culmer	**1,329,849**	491,829
Andy Haste	**5,116,211**	2,112,862
Simon Lee	**759,608**	584,056
Non-Executive Directors[2]		
Noel Harwerth	**10,000**	10,000
Edward Lea	**591,187**	467,726
Malcolm Le May	**18,765**	17,562
John Maxwell	**350,351**	327,180
John Napier	**560,671**	560,671
Johanna Waterous	**36,761**	36,761

Notes:
1. The Executive Directors each had a beneficial interest as at 31 December 2010 in the voluntary Deferred Shares of 27.5p each held under the LTIP and in the Matching Shares under Sharebuild which are not included in the above table. These are disclosed on pages 58 and 59.
2. As at 23 February 2011, the interests in ordinary shares of the Non-Executive Directors remained unchanged. Simon Lee's holding increased to 766,906 following an exercise of Sharesave options.

Options

Movements in option holdings during 2010 were as follows:

		Options held at 1 January 2010	Options granted during the year	Options exercised during the year	Market price on date of exercise[1]	Options cancelled during the year	Options held at 31 December 2010
George Culmer	1999 ESOS	1,994,318	–	–	–	–	**1,994,318**
	SHARESAVE	16,030	–	–	–	–	**16,030**
Andy Haste	1999 ESOS	7,573,433	–	**7,573,433**	**125.6p**	–	–
	SHARESAVE	11,786	–	**7,298**	**125.7p**	–	**4,488**
Simon Lee	1999 ESOS	1,355,496	–	–	–	–	**1,355,496**
	SHARESAVE	13,150	**3,060**	–	–	–	**16,210**

Notes:
1. The aggregate gain made by Directors during the year on the exercise of share options amounted to £3.9m.

1999 ESOS

The 1999 ESOS is an executive share option scheme under which options were granted with an exercise price equal to the fair value of the shares at the date of grant. Any outstanding options expire ten years from the date of grant. No grants have been made under the 1999 ESOS since 2006 and the 1999 ESOS expired in 2009 although a number of options remain outstanding.

Options granted following the AGM in May 2003 are exercisable as at the end of the period of three business years starting with the business year in which the options were granted the Group achieved a return on capital (ROC) of at least 6% per annum (after inflation and excluding items of an exceptional nature which in the view of the Committee do not reflect the underlying performance of the business) when averaged over the period. Options granted between September 1998 and May 2003 were also subject to a performance condition that the Group must achieve a ROC of at least 6% when averaged over a consecutive three year period. This performance condition was achieved in respect of all options granted between those dates.

Sharesave

Sharesave (an HM Revenue & Customs approved Save as You Earn Plan) is operated in 22 countries. Employees make monthly savings for a period of either three or five years and are granted an option to buy ordinary shares in the Company at the end of the savings period. The purchase price is set at the date employees are invited to join Sharesave and is discounted to the market value.

Outstanding options

None of the terms or conditions of any of the existing options over shares of the Group were varied during the year. Full details of all Directors' shareholdings and options to subscribe for shares are recorded in the Group's Register of Directors' Interests which is open to inspection by shareholders at the AGM and at the Company's registered office during standard business hours.

The official closing middle market price at its highest during the year was 136.6p per share and at its lowest was 114.8p per share. On the last dealing day of the year it was 125.2p per share.

Unexpired options held during 2010 in respect of the ordinary shares of the Company as a result of executive and Sharesave share option schemes are shown below. All options were granted for nil consideration.

	Scheme	Number of options at 1 January 2010	Number of options at 31 December 2010	Exercise price (pence)	Dates exercisable from	Dates exercisable to
George Culmer	1999 ESOS	481,012	**481,012**	79.0	14.06.07	13.06.14
	1999 ESOS	500,000	**500,000**	76.0	18.11.07	17.11.14
	1999 ESOS	787,500	**787,500**	80.0	08.04.08	07.04.15
	1999 ESOS	225,806	**225,806**	93.0	18.08.08	17.08.15
	SHARESAVE	16,030	**16,030**	97.0	01.12.14	31.05.15
Andy Haste	1999 ESOS	3,052,915	–	59.0	02.04.06	01.04.13
	1999 ESOS	1,298,701	–	92.4	16.10.06	15.10.13
	1999 ESOS	443,037	–	79.0	14.06.07	13.06.14
	1999 ESOS	921,052	–	76.0	18.11.07	17.11.14
	1999 ESOS	1,443,750	–	80.0	08.04.08	07.04.15
	1999 ESOS	413,978	–	93.0	18.08.08	17.08.15
	SHARESAVE	7,298	–	75.0	01.12.10	31.05.11
	SHARESAVE	4,488	**4,488**	97.0	01.12.14	31.05.15
Simon Lee	1999 ESOS	206,049	**206,049**	114.05	04.06.06	03.06.13
	1999 ESOS	125,000	**125,000**	92.4	16.10.06	15.10.13
	1999 ESOS	161,392	**161,392**	79.0	14.06.07	13.06.14
	1999 ESOS	167,763	**167,763**	76.0	18.11.07	17.11.14
	1999 ESOS	525,937	**525,937**	80.0	08.04.08	07.04.15
	1999 ESOS	169,355	**169,355**	93.0	18.08.08	17.08.15
	SHARESAVE	7,298	**7,298**	75.0	01.12.10	31.05.11
	SHARESAVE	2,297	**2,297**	117.0	01.12.11	31.05.12
	SHARESAVE	3,555	**3,555**	97.0	01.12.12	31.05.13
	SHARESAVE	–	**3,060**	100.0	01.12.13	31.05.14

Sharebuild

Sharebuild (an HM Revenue & Customs approved Share Incentive Plan) was adopted by shareholders at the 2009 AGM and launched in August 2009 with the first Partnership Shares purchased in December 2009. Sharebuild is available to all UK based employees employed at 30 June each year. In 2010 one Matching Share was allotted and held in trust for every one Partnership Share acquired with participants' contributions. The Directors' interests in Sharebuild at 31 December 2010 are below:

	Sharebuild Shares held at 1 January 2010	Partnership Shares acquired	Matching Shares awarded	Dividend Shares	Sharebuild Shares held at 31 December 2010
George Culmer	212	1,191	1,191	73	**2,667**
Andy Haste	212	1,191	1,191	73	**2,667**
Simon Lee	212	1,191	1,191	73	**2,667**

As at 23 February 2011 each Executive Director's holding under Sharebuild had increased to 3,039 shares following usual monthly purchases.

Long term incentive schemes

Long term incentive scheme interests held during 2010 in respect of the ordinary shares of the Company are as follows:

Share Matching Plan vested awards

		Share awards held at 1 January 2010	Share awards granted during the year	Share awards vested during the year	Share awards exercised during the year	Share awards lapsed during the year	Share awards held at 31 December 2010	Dates by which qualifying conditions must be fulfilled
George Culmer[1,2,3]	Deferred Share awards	128,938	–	–	128,938	–	–	Met
	Matching Share awards	386,814	–	–	386,814	–	–	Met

Notes:

1. The market price of ordinary shares on 8 April 2005, the date on which the above Share Matching Plan awards were granted, was 81.25p.
2. Matching Share awards are capable of vesting in respect of a maximum of three times the number of Deferred Shares awarded, subject to the achievement of TSR targets over a single two year period. TSR performance is measured relative to other companies specified by the Remuneration Committee. For awards granted in 2004 and 2005, TSR was measured partly relative to FTSE 100 companies and partly relative to the following financial services comparator group companies: Aegon, Legal & General Group, Allianz Group, Old Mutual, AXA, Prudential, AVIVA, RAS, Generali and Zurich Financial Services Group. For 50% of the Matching Share awards, where TSR is measured against the FTSE 100, full vesting will only occur at upper decile performance, vesting will occur in the ratio of shares under Matching Share awards to shares under Deferred Share awards of 2:1 at upper quartile performance and vesting in the ratio 1:1 will occur at median performance. For the other 50% of the Matching Share awards, where TSR is measured against the financial services comparator group, full vesting will occur if TSR is highest in the comparator group, vesting in the ratio 2:1 will occur at upper quartile performance and vesting in the ratio 1:1 will occur at median performance. Matching Share awards will not vest at below median performance. For awards granted in 2005, the targets were measured over the period from 1 April 2005 to 31 March 2007. The relevant TSR figures were averaged over the three months before the beginning and end of this performance period. Additionally, no Matching Shares vest unless the Committee is satisfied that there has been a sustained improvement in the underlying performance of the Company over the performance period.
3. The aggregate gain on Share Matching Plan awards exercised during 2010 was £146k.

Long Term Incentive Plan

		Share awards held at 1 January 2010	Share awards granted during the year	Share awards vested during the year[6, 7]	Share awards held at 31 December 2010
George Culmer	Deferred Shares[1,2,5]	495,372	323,660	120,905	**698,127**
	Matching Shares[3,5]	1,559,640	966,709	379,807	**2,146,542**
	Performance Shares[4,5]	1,220,763	650,927	241,588	**1,630,102**
Andy Haste	Deferred Shares[1,2,5]	899,891	555,428	245,852	**1,209,467**
	Matching Shares[3,5]	2,833,198	1,658,955	772,313	**3,719,840**
	Performance Shares[4,5]	2,192,639	1,117,046	488,886	**2,820,799**
Simon Lee	Deferred Shares[1,2,5]	381,402	263,939	92,291	**553,050**
	Matching Shares[3,5]	1,200,942	788,335	289,919	**1,699,358**
	Performance Shares[4,5]	865,513	501,091	191,303	**1,175,301**

Notes:

1. The market price of ordinary shares on 7 April 2010, the date on which long term incentive scheme interests were granted during the year, was 129.1p.
2. Deferred Shares are inclusive of voluntary Deferred Shares and compulsory Deferred Shares. Voluntary Deferred Shares are purchased by Capita Trustees Limited on behalf of each participant using part of the net annual bonus paid to them and are held in trust for three years. These Deferred Shares are not at risk of forfeiture and may be withdrawn from the trust at any time, but the related Matching Share awards would lapse if the voluntary Deferred Shares are withdrawn within three years of acquisition. Compulsory Deferred Share awards are granted as part of the annual bonus. These Deferred Shares will normally vest in three years from the date of grant subject to continuous employment with the Group.
3. Matching Shares are capable of vesting in respect of a maximum of 2.5 times the number of Deferred Shares awarded, subject to the achievement of performance conditions over a three year period. For grants awarded in 2009 and 2010, 30% of the Matching Shares relating to compulsory Deferred Shares are subject to TSR performance relative to other companies specified by the Remuneration Committee. For grants awarded in 2007 and 2008, 50% of the Matching Shares relating to compulsory Deferred Shares are subject to TSR performance relative to other companies specified by the Remuneration Committee and for awards granted in 2009 this was 30%. Full vesting will only occur at upper quintile performance; at median performance 25% of the Matching Shares will vest. Vesting will be on a straight line basis in between. The remaining balance of the Matching Shares relating to compulsory Deferred Shares (and all of the Matching Shares relating to voluntary Deferred Shares) are subject to a ROE performance condition. If underlying ROE over three years commencing in the year of grant is below 10% (12% for awards granted in 2008), no part of the award subject to ROE performance will vest. If underlying ROE over three years is 10% (12% for awards granted in 2008), 25% of the award will vest. If underlying average annual ROE over three years is 16% or higher (18% for awards granted in 2008), 100% of the awards will vest. Vesting will be on a straight line basis in between. For the purpose of establishing the number of Matching Shares relating to voluntary Deferred Shares that may be awarded, the gross value of that part of the annual bonus payment that a participant elects to voluntarily defer is used.
4. Performance conditions relating to awards of Performance Shares are the same as those relating to compulsory Deferred Matching Shares for the relevant year of grant as described above.
5. The date by which qualifying conditions for LTIP awards must be met is as follows:

Year of grant	Date by which qualifying conditions must be fulfilled
2007	31.12.09
2008	31.12.10
2009	31.12.11
2010	31.12.12

6 The market price on the date of grant of awards (16 April 2007) was 164.6p, the market price on date of vesting of awards (8 March 2010) was 124.5p.

7. The aggregate value of share awards vested for Directors during the year under the long term incentive plan amounted to £3.3m. Voluntary Deferred Shares which are shown in the table above are not included in this value.
8. No other Directors of the Company held long term incentive scheme interests during 2010.

John Maxwell
Chairman of the Remuneration Committee, on behalf of the Board
23 February 2011

SIEMENS WAS THE FIRST COMPANY TO UNVEIL OFFSHORE WIND TURBINES, WE WERE THE FIRST TO INSURE THEM.
Denmark

In 1991, Siemens Wind Power was asked to build the world's first offshore wind farm at Vindeby, a remote region of the Baltic Sea. This presented Siemens' engineers with a frightening array of challenges as each turbine had to be water tight and be able to deal with salt corrosion, lightning and even floating ice.

Over time, they found a solution to address every problem they encountered and a viable design was created. We collaborated with them throughout this process, to design cover that enabled construction to begin.

In the years that followed this success we developed our reputation as worldwide experts in insuring renewables. And we're not the only ones still active in offshore wind energy, the turbines at Vindeby are too.

FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S STATEMENT TO THE MEMBERS OF RSA INSURANCE GROUP PLC

We have examined the Summary Financial Statements of RSA Insurance Group plc for the year ended 31 December 2010 which comprise the Summary Consolidated Income Statement, the Summary Consolidated Statement of Comprehensive Income, the Summary Consolidated Statement of Changes in Equity, the Summary Consolidated Statement of Financial Position, the Summary Consolidated Statement of Cashflows, the Estimation Techniques, Risk, Uncertainties and Contingencies, and the information in the Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 428 of the Companies Act 2006. Our work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, for our audit report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

The directors are responsible for preparing the Summary Financial Statements in accordance with applicable United Kingdom law.

Our responsibility is to report to you our opinion on the consistency of the Summary Financial Statements within the Annual Review and Summary Financial Statements with the Consolidated Financial Statements, the Directors' Report and the Remuneration Report, and its compliance with the relevant requirements of section 428 of the Companies Act 2006 and the regulations made thereunder.

We also read the other information contained in the Annual Review and Summary Financial Statements as described in the contents section, and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Summary Financial Statements.

We conducted our work in accordance with Bulletin 2008/3 issued by the Auditing Practices Board. Our report on the Company's Consolidated Financial Statements describes the basis of our audit opinions on those Financial Statements, the Directors' Remuneration Report, and the Directors' Report.

Opinion

In our opinion, the Summary Financial Statements are consistent with the Consolidated Financial Statements, the Directors' Report and the Directors' Remuneration Report of RSA Insurance Group plc for the year ended 31 December 2010 and comply with the applicable requirements of section 428 of the Companies Act 2006, and the regulations made thereunder.

Deloitte LLP
Chartered Accountants and Statutory Auditors
London, UK
23 February 2011

SUMMARY CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2010

	2010 £m	2009 £m
Income		
Gross written premiums	**8,448**	7,744
Less: reinsurance premiums	**(993)**	(1,007)
Net written premiums	**7,455**	6,737
Change in the gross provision for unearned premiums	**(250)**	(34)
Less: change in provision for unearned premiums, reinsurers' share	**(26)**	50
Change in provision for unearned premiums	**(276)**	16
Net earned premiums	**7,179**	6,753
Net investment return	**629**	616
Other operating income	**116**	89
Total income	**7,924**	7,458
Expenses		
Gross claims incurred	**(6,700)**	(4,999)
Less: claims recoveries from reinsurers	**1,816**	612
Net claims and benefits	**(4,884)**	(4,387)
Underwriting and policy acquisition costs	**(2,171)**	(2,066)
Unwind of discount	**(94)**	(100)
Other operating expenses	**(177)**	(210)
Total expenses	**(7,326)**	(6,763)
Results of operating activities	**598**	695
Finance costs	**(118)**	(116)
Loss on disposal of subsidiaries	**(1)**	(7)
Net share of loss after tax of associates	**(5)**	(18)
Profit before tax	**474**	554
Income tax expense	**(119)**	(135)
Profit for the year	**355**	419
Attributable to:		
Equity holders of the Parent Company	**346**	418
Non controlling interests	**9**	1
	355	419
Earnings per share on profit attributable to the ordinary shareholders of the Parent Company		
Basic	**9.8p**	12.2p
Diluted	**9.7p**	12.1p
Ordinary dividends paid and proposed for the year		
Interim dividend paid (per share)	**3.12p**	2.92p
Final dividend proposed (per share)	**5.70p**	5.33p

The total emoluments of the Directors were **£5,004k** (2009: £5,297k).

SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2010

	2010 £m	2009 £m
Profit for the year	**355**	419
Exchange gains/(losses) net of tax	**53**	(108)
Fair value gains net of tax	**46**	184
Pension fund actuarial gains/(losses) net of tax	**58**	(691)
Other comprehensive income/(expense) for the year	**157**	(615)
Total comprehensive income/(expense) for the year	**512**	(196)
Attributable to:		
Equity holders of the Parent Company	**502**	(193)
Non controlling interests	**10**	(3)
	512	(196)

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2010

	Ordinary share capital £m	Ordinary share premium £m	Treasury shares £m	Preference shares £m	Revaluation reserves £m	Capital redemption reserve £m	Translation reserve £m	Retained earnings £m	Share-holders' equity £m	Non controlling interests £m	Total equity £m
Balance at 1 January 2009	915	1,007	(10)	125	224	8	364	1,206	3,839	81	3,920
Total comprehensive income/ (expense) for the year	–	–	–	–	185	–	(105)	(273)	(193)	(3)	(196)
Dividends – paid	–	–	–	–	–	–	–	(273)	(273)	(3)	(276)
Issued by scrip	18	60	–	–	–	–	–	–	78	–	78
Issued for cash	4	7	–	–	–	–	–	–	11	–	11
Treasury shares utilised	–	–	7	–	–	–	–	(7)	–	–	–
Changes in shareholders' interests in subsidiaries	–	–	–	–	–	–	–	–	–	22	22
Other reserve transfers	–	–	–	–	(32)	–	–	32	–	–	–
Share based payments	4	–	–	–	–	–	–	25	29	–	29
Balance at 31 December 2009	941	1,074	(3)	125	377	8	259	710	3,491	97	3,588
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**58**	**–**	**40**	**404**	**502**	**10**	**512**
Dividends – paid	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(299)**	**(299)**	**(4)**	**(303)**
Issued by scrip	**11**	**41**	**–**	**–**	**–**	**–**	**–**	**–**	**52**	**–**	**52**
Issued for cash	**6**	**9**	**–**	**–**	**–**	**–**	**–**	**–**	**15**	**12**	**27**
Issued for non cash consideration	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**11**	**11**
Treasury shares utilised	**–**	**–**	**1**	**–**	**–**	**–**	**–**	**(1)**	**–**	**–**	**–**
Changes in shareholders' interests in subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(24)**	**(24)**	**3**	**(21)**
Depreciation transfer	**–**	**–**	**–**	**–**	**(2)**	**–**	**–**	**2**	**–**	**–**	**–**
Share based payments	**4**	**–**	**–**	**–**	**–**	**–**	**–**	**25**	**29**	**–**	**29**
Balance at 31 December 2010	**962**	**1,124**	**(2)**	**125**	**433**	**8**	**299**	**817**	**3,766**	**129**	**3,895**

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2010

	2010 £m	Restated 2009 £m
Assets		
Goodwill and other intangible assets	1,209	969
Property and equipment	287	284
Investment property	374	391
Investments in associates	38	31
Financial assets	13,098	12,900
Total investments	13,510	13,322
Reinsurers' share of insurance contract liabilities	2,652	1,795
Insurance and reinsurance debtors	3,137	2,812
Current tax assets	33	28
Deferred tax assets	204	208
Other debtors and other assets	744	752
	981	988
Cash and cash equivalents	1,317	996
	23,093	21,166
Assets held for sale	11	201
Total assets	23,104	21,367
Equity and liabilities		
Equity		
Shareholders' equity	3,766	3,491
Non controlling interests	129	97
Total equity	3,895	3,588
Liabilities		
Loan capital	1,315	1,317
Insurance contract liabilities	15,140	13,730
Insurance and reinsurance liabilities	656	493
Borrowings	298	295
Current tax liabilities	158	198
Deferred tax liabilities	42	57
Provisions	389	542
Other liabilities	1,211	984
Provisions and other liabilities	1,800	1,781
	19,209	17,616
Liabilities held for sale	–	163
Total liabilities	19,209	17,779
Total equity and liabilities	23,104	21,367

Notes:
The 2009 figures have been restated for a change in the presentation of deferred acquisition costs. Further information can be found in significant accounting policies in the Annual Report and Accounts.

The summary financial statements were approved on 23 February 2011 by the Board of Directors and are signed on its behalf by:

George Culmer
Chief Financial Officer

SUMMARY CONSOLIDATED STATEMENT OF CASHFLOWS

for the year ended 31 December 2010

	2010 £m	2009 £m
Cashflows from operations	**96**	(1)
Tax paid	**(215)**	(180)
Investment income	**578**	617
Interest paid	**(115)**	(96)
Dividends received from associates	**2**	1
Pension asset reallocation funding	**(50)**	(40)
Net cashflows from operating activities	**296**	301
Proceeds from sales or maturities of:		
Financial assets	**4,120**	4,031
Investment property	**78**	–
Property and equipment	**–**	7
Investments in subsidiaries (net of cash disposed of)	**(74)**	–
Purchase of:		
Financial assets	**(3,720)**	(4,388)
Investment property	**(39)**	(10)
Property and equipment	**(31)**	(37)
Intangible assets	**(133)**	(98)
Investments in subsidiaries (net of cash acquired)	**(86)**	(100)
Net cashflows from investing activities	**115**	(595)
Proceeds from issue of share capital	**27**	11
Dividends paid to ordinary shareholders	**(237)**	(186)
Dividends paid to preference shareholders	**(9)**	(9)
Dividends paid to non controlling interests	**(2)**	(3)
Net movement in long term borrowings	**–**	27
Net movement in other borrowings	**(1)**	(6)
Net cashflows from financing activities	**(222)**	(166)
Net increase/(decrease) in cash and cash equivalents	**189**	(460)
Cash and cash equivalents at beginning of the year	**1,105**	1,614
Effect of exchange rate changes on cash and cash equivalents	**20**	(49)
Cash and cash equivalents at end of the year	**1,314**	1,105

ESTIMATION TECHNIQUES, RISKS, UNCERTAINTIES AND CONTINGENCIES

Introduction

One of the purposes of insurance is to enable policyholders to protect themselves against uncertain future events. Insurance companies accept the transfer of uncertainty from policyholders and seek to add value through the aggregation and management of these risks.

The uncertainty inherent in insurance is inevitably reflected in the financial statements of insurance companies. The uncertainty in the financial statements principally arises in respect of the insurance contract liabilities of the company.

The insurance contract liabilities of an insurance company include the provision for unearned premiums and unexpired risks and the provisions for losses and loss adjustment expenses. Unearned premiums and unexpired risks represent the amount of income set aside by the company to cover the cost of claims that may arise during the unexpired period of risk of insurance policies in force at the end of the reporting period. Outstanding claims represent the company's estimate of the cost of settlement of claims that have occurred by the end of the reporting period but have not yet been finally settled.

In addition to the inherent uncertainty of having to make provision for future events, there is also considerable uncertainty as regards the eventual outcome of the claims that have occurred by the end of the reporting period but remain unsettled. This includes claims that may have occurred but have not yet been notified to the company and those that are not yet apparent to the insured.

As a consequence of this uncertainty, the insurance company needs to apply sophisticated estimation techniques to determine the appropriate provisions.

Estimation techniques

Claims and unexpired risks provisions are determined based upon previous claims experience, knowledge of events and the terms and conditions of the relevant policies and on interpretation of circumstances. Particularly relevant is experience with similar cases and historical claims payment trends. The approach also includes the consideration of the development of loss payment trends, the potential longer term significance of large events, the levels of unpaid claims, legislative changes, judicial decisions and economic and political conditions.

Where possible, the Group adopts multiple techniques to estimate the required level of provisions. This assists in giving greater understanding of the trends inherent in the data being projected. The Group's estimates of losses and loss expenses are reached after a review of several commonly accepted actuarial projection methodologies and a number of different bases to determine these provisions. These include methods based upon the following:

- The development of previously settled claims, where payments to date are extrapolated for each prior year
- Estimates based upon a projection of claims numbers and average cost
- Notified claims development, where notified claims to date for each year are extrapolated based upon observed development of earlier years
- Expected loss ratios.

In addition, the Group uses other methods such as the Bornhuetter -Ferguson method, which combines features of the above methods. The Group also uses bespoke methods for specialist classes of business. In selecting its best estimate, the Group considers the appropriateness of the methods and bases to the individual circumstances of the provision class and underwriting year. The process is designed to select the most appropriate best estimate.

Large claims impacting each relevant business class are generally assessed separately, being measured either at the face value of the loss adjusters' estimates or projected separately in order to allow for the future development of large claims.

Provisions are calculated gross of any reinsurance recoveries. A separate estimate is made of the amounts that will be recoverable from reinsurers based upon the gross provisions and having due regard to collectability.

The provisions for losses and loss adjustment expenses are subject to close scrutiny both within the Group's business units and at Group Corporate Centre. In addition, for major classes where the risks and uncertainties inherent in the provisions are greatest, regular and ad hoc detailed reviews are undertaken by advisers who are able to draw upon their specialist expertise and a broader knowledge of current industry trends in claims development. As an example, the Group's exposure to asbestos and environmental pollution is examined on this basis. The results of these reviews are considered when establishing the appropriate levels of provisions for losses and loss adjustment expenses and unexpired periods of risk.

It should be emphasised that the estimation techniques for the determination of insurance contract liabilities involve obtaining corroborative evidence from as wide a range of sources as possible and combining these to form the overall estimate. This technique means that the estimate is inevitably deterministic rather than stochastic.

The pension assets and pension and post retirement liabilities are calculated in accordance with International Accounting Standard 19 (IAS 19). The assets, liabilities and income statement charge, calculated in accordance with IAS 19, are sensitive to the assumptions made from time to time, including inflation, interest rate, investment return and mortality. IAS 19 compares, at a given date, the current market value of a pension fund's assets with its long term liabilities, which are calculated using a discount rate in line with yields on 'AA' rated bonds of suitable duration and currency. As such, the financial position of a pension fund on this basis is highly sensitive to changes in bond rates and will also be impacted by changes in equity markets.

Uncertainties and contingencies

The uncertainty arising under insurance contracts may be characterised under a number of specific headings, such as:

- Uncertainty as to whether an event has occurred which would give rise to a policyholder suffering an insured loss
- Uncertainty as to the extent of policy coverage and limits applicable

- Uncertainty as to the amount of insured loss suffered by a policyholder as a result of the event occurring
- Uncertainty over the timing of a settlement to a policyholder for a loss suffered.

The degree of uncertainty will vary by policy class according to the characteristics of the insured risks and the cost of a claim will be determined by the actual loss suffered by the policyholder.

There may be significant reporting lags between the occurrence of the insured event and the time it is actually reported to the Group. Following the identification and notification of an insured loss, there may still be uncertainty as to the magnitude and timing of the settlement of the claim. There are many factors that will determine the level of uncertainty such as inflation, inconsistent judicial interpretations and court judgments that broaden policy coverage beyond the intent of the original insurance, legislative changes and claims handling procedures.

The establishment of insurance contract liabilities is an inherently uncertain process and, as a consequence of this uncertainty, the eventual cost of settlement of outstanding claims and unexpired risks can vary substantially from the initial estimates, particularly for the Group's long tail lines of business. The Group seeks to provide appropriate levels of provisions for losses and loss adjustment expenses and provision for unexpired risks taking the known facts and experience into account.

The Group has exposures to risks in each class of business within each operating segment that may develop and that could have a material impact upon the Group's financial position. The geographic and insurance risk diversity within the Group's portfolio of issued insurance policies make it not possible to predict whether material development will occur and, if it does occur, the location and the timing of such an occurrence. The estimation of insurance contract liabilities involves the use of judgments and assumptions that are specific to the insurance risks within each territory and the particular type of insurance risk covered. The diversity of the insurance risks results in it not being possible to identify individual judgments and assumptions that are more likely than others to have a material impact on the future development of the insurance contract liabilities.

The sections below identify a number of specific risks relating to asbestos and environmental claims. There may be other classes of risk which could develop in the future and that could have a material impact on the Group's financial position.

The Group evaluates the concentration of exposures to individual and cumulative insurance risk and establishes its reinsurance policy to reduce such exposure to levels acceptable to the Group.

Asbestos and environmental claims

The estimation of the provisions for the ultimate cost of claims for asbestos and environmental pollution is subject to a range of uncertainties that is generally greater than those encountered for other classes of insurance business. As a result it is not possible to determine the future development of asbestos and environmental claims with the same degree of reliability as with other types of claims, particularly in periods when theories of law are in flux. Consequently, traditional techniques for estimating provisions for losses and loss adjustment expenses cannot wholly be relied upon and the Group employs specialised techniques to determine provisions using the extensive knowledge of both internal asbestos and environmental pollution experts and external legal and professional advisors.

Factors contributing to this higher degree of uncertainty include:

- The long delay in reporting claims from the date of exposure (for example, cases of mesothelioma can have a latent period of up to 40 years). This makes estimating the ultimate number of claims the Group will receive particularly difficult
- Issues of allocation of responsibility among potentially responsible parties and insurers
- Emerging court decisions and the possibility of retrospective legislative changes increasing or decreasing insurer liability
- The tendency for social trends and factors to influence court awards
- Developments pertaining to the Group's ability to recover reinsurance for claims of this nature
- For US liabilities from the Group's London market business, developments in the tactics of US plaintiff lawyers and court decisions and awards.

Potential change in discount rate for lump sum damages awards

Legislative changes may affect the Group's liability in respect of unsettled claims in the use of predetermined factors used by courts to calculate compensation claims. For example, in the UK, standard formulae are used as an actuarial measure by the courts to assess lump sum damages awards for future losses (typically loss of earnings arising from personal injuries and fatal accidents). The calibration of these standard formulae can be updated by the UK Government and the Lord Chancellor is currently reviewing the discount rate to be applied in determining the appropriate settlements. A reduction in the prescribed discount rate would increase the value of future claims settlements.

Acquisitions and disposals

The Group makes acquisitions and disposals of businesses as part of its normal operations. All acquisitions are made after due diligence, which will include, amongst other matters, assessment of the adequacy of claims reserves, assessment of the recoverability of reinsurance balances, inquiries with regard to outstanding litigation and inquiries of local regulators and taxation authorities. Consideration is also given to potential costs, risks and issues in relation to the integration of any proposed acquisitions with existing RSA operations. The Group will seek to receive the benefit of appropriate contractual representations and warranties in connection with any acquisition and, where necessary, additional indemnifications in relation to specific risks although there can be no guarantee that these processes and any such protection will be adequate in all circumstances. The Group may also provide relevant representations, warranties and indemnities to counterparties on any disposal. While such representations, warranties and indemnities are essential components of many contractual relationships, they do not represent the underlying purpose for the transaction.

These clauses are customary in such contracts and may from time to time lead to the Group receiving claims from counterparties.

Contracts with third parties

The Group enters into joint ventures, outsourcing contracts and distribution arrangements with third parties in the normal course of its business and is reliant upon those third parties being willing and able to perform their obligations in accordance with the terms and conditions of the contracts.

Litigation, disputes and investigations

The Group, in common with the insurance industry in general, is subject to litigation, mediation and arbitration, and regulatory, governmental and other sectoral inquiries and investigations in the normal course of its business. In addition, the Group is exposed to the risk of litigation in connection with its former ownership of the US operation. The Directors do not believe that any current mediation, arbitration, regulatory, governmental or sectoral inquiries and investigations and pending or threatened litigation or dispute will have a material adverse effect on the Group's financial position, although there can be no assurance that losses or financial penalties resulting from any current mediation, arbitration, regulatory, governmental or sectoral inquiries and investigations and pending or threatened litigation or dispute will not materially affect the Group's financial position or cashflows for any period.

Reinsurance

The Group is exposed to disputes on, and defects in, contracts with its reinsurers and the possibility of default by its reinsurers. The Group is also exposed to the credit risk assumed in fronting arrangements and to potential reinsurance capacity constraints. In selecting the reinsurers with whom the Group conducts business, its strategy is to seek reinsurers with the best combination of financial strength, price and capacity. The Group Corporate Centre publishes internally a list of authorised reinsurers who pass the Group's selection process and which its operations may use for new transactions.

The Group monitors the financial strength of its reinsurers, including those to whom risks are no longer ceded. Allowance is made in the financial position for non recoverability due to reinsurer default by requiring operations to provide, in line with Group standards, having regard to companies on the Group's 'Watch List'. The 'Watch List' is the list of companies whom the Directors believe will not be able to pay amounts due to the Group in full.

Investment risk

The Group is exposed to market risk and credit risk on its invested assets. Market risk includes the risk of potential losses from adverse movements in market rates and prices including interest rates, equity prices, property prices and foreign exchange rates. The Group's exposure to market risks is controlled by the setting of investment limits in line with the Group's risk appetite. From time to time the Group also makes use of derivative financial instruments to reduce exposure to adverse fluctuations in foreign exchange rates and equity markets. The Group has strict controls over the use of derivative instruments.

Credit risk includes the non performance of contractual payment obligations on invested assets and adverse changes in the credit worthiness of invested assets including exposures to issuers or counterparties for bonds, equities, deposits and derivatives. Limits are set at both a portfolio and counterparty level based on likelihood of default to manage the Group's overall credit profile and specific concentrations within risk appetite. The Group's insurance investment portfolios are concentrated in listed securities with very low levels of exposure to assets without quoted market prices. The Group uses model based analysis to verify asset values when market values are not readily available.

Rating environment

The ability of the Group to write certain types of insurance business is dependent on the maintenance of the appropriate credit ratings from the rating agencies. The Group has the objective of maintaining single 'A' ratings. At the present time the ratings are 'A' (positive outlook) from S&P, improved from 'A' (stable outlook) in December 2010, 'A' (stable outlook) from AM Best and 'A2' (stable outlook) from Moody's. A worsening in the ratings could have an adverse impact on the ability of the Group to write certain types of general insurance business.

In assessing credit risk in relation to reinsurance and investments, the Group takes into account a variety of factors, including credit rating. If any such rating changes, or is otherwise reassessed, this has potential implications for the related exposures.

Foreign exchange risk

The Group publishes consolidated financial statements in Pounds Sterling. Therefore, fluctuations in exchange rates used to translate other currencies, particularly other European currencies and the Canadian Dollar, into Pounds Sterling will impact the reported consolidated financial position, results of operations and cashflows from period to period. These fluctuations in exchange rates will also impact the Pound Sterling value of, and the return on, the Group's investments.

Income and expenses for each income statement item are translated at average exchange rates. Assets and liabilities, as reported in the statement of financial position, are translated at closing exchange rates at the end of the reporting period.

Regulatory environment

The legal, regulatory and accounting environment is subject to significant change in many of the jurisdictions in which the Group operates, including developments in response to changes in the economic and political environment and the recent financial crisis. The Group continues to monitor the developments and react accordingly.

The new solvency framework for insurers being developed by the EU, referred to as 'Solvency II', is intended in the medium term to achieve greater harmonisation of approach across EU member states to assessing capital resources and requirements. There will be continued uncertainty until all the rules are finalised and the Group is actively participating in shaping the outcome through its involvement with European and UK regulators and industry bodies. The Group is actively progressing its implementation plans and the Directors are confident that the Group will continue to meet all future regulatory capital requirements.

CLOSING DOWN THE FOOD BANK LOOKED LIKE THE ONLY VIABLE OPTION. WE SAW 112,000 GOOD REASONS TO HELP IT STAY OPEN.
Canada

The food bank distribution centre's building was virtually derelict and faced closure.

But then a local construction company stepped in with a radical idea to completely renovate the facility, reducing operating costs and turning it into a leader in energy efficiency, and they would do this on a 'pro-bono' basis without disrupting the centre's work.

The enormous complexity of the build meant that a flexible, innovative and creative insurance solution was required, just the kind of challenge we have built our reputation on in the construction industry.

The astonishing result was a greener, more efficient and more sustainable building, able to continue providing food to over 200 facilities that assist over 112,000 people.

OTHER INFORMATION

SHAREHOLDER INFORMATION

Full Annual Report and Accounts

This document contains a summary of certain information in our Annual Report and Accounts for the year ended 31 December 2010 and does not include all the information needed to give a full understanding of the results and state of affairs, risks and uncertainties of the Company and the Group as would be provided by the full financial statements, Directors' Report, Remuneration Report and Auditor's Report contained in the Annual Report and Accounts which is available free of charge to shareholders upon request to the Company's registrar or to download from **www.rsagroup.com/ar2010**.

The auditor's report on the 2010 Annual Report and Accounts was unqualified and does not include a statement under section 498(2) or section 498(3) of the Companies Act 2006.

Registered Office and Group Corporate Centre

9th Floor, One Plantation Place, 30 Fenchurch Street, London EC3M 3BD. Telephone: +44 (0)20 7111 7000. Registered in England and Wales No. 2339826.

Group website

RSA's corporate website provides shareholders with a broad range of information about RSA's heritage, social and environmental responsibilities and investor information such as the Group's financial statements, current and historic share prices, AGM materials, events, governance information and answers to frequently asked questions in respect of shareholder matters. You may visit the investor website at **www.rsagroup.com/rsa/pages/ir/irhome**

Registrar

The Company's share register is maintained by Equiniti Limited. Queries regarding your shareholding should be addressed to Equiniti at the following address:

Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA
Telephone: +44 (0)871 384 2048

Overseas callers should use +44 (0)121 415 7064. Shareholders with a text phone facility should use +44 (0)871 384 2255.

Please quote your shareholder reference number (on your share certificate and dividend tax vouchers) when contacting or corresponding with Equiniti. (Calls are charged at 8p per minute from a BT landline. Other telephone providers' costs may vary.) Telephone lines are open from 8.30am to 5.30pm Monday to Friday.

Annual General Meeting

Ordinary shareholders are invited to attend the Company's Annual General Meeting (AGM), which will be held at The Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, London SW1P 3EE at 11.00am on 23 May 2011. Ordinary shareholders who are unable to attend the AGM to ask a question in person are invited to send the Chairman an email via the Company's website or to write to the Chairman at the Registered Office address above.

Electronic communications

Changes to legislation allows companies greater flexibility when communicating with shareholders and allows corporate websites to be used as a primary source of information. By communicating with shareholders electronically RSA is able to distribute messages to all its shareholders instantaneously. Shareholders who register for electronic communications are more informed, receiving emails when our results are released. Shareholders may elect to receive paper copies of the Annual Report and Accounts by writing to or telephoning the Registrar.

You can elect to receive email notifications of shareholder communications by registering at **www.shareview.co.uk** where you can also set up a bank mandate to receive dividends directly to your bank account and submit proxy votes for shareholder meetings. Receiving the Company's communications electronically allows the Company to communicate with its shareholders in a more environmentally friendly, cost effective and timely manner.

Dividends

Shareholders are encouraged to have their dividends paid directly into their bank account as it is more secure than receiving cheques by post and ensures that cleared funds are available to shareholders on the dividend payment date. Those receiving dividends in this method are sent a consolidated tax voucher in March, showing both payments in the respective tax year. To take advantage of this convenient method of payment visit **www.shareview.co.uk** or contact Equiniti.

Scrip Dividend Scheme

RSA offers shareholders the opportunity to use their dividends to buy more ordinary shares in the Company by participating in the Company's Scrip Dividend Scheme. The Scheme applies to both interim and final dividends and enables shareholders to increase their holding in the Company without incurring dealing costs or stamp duty. If you wish to receive a scrip dividend instead of a cash dividend for future dividends on which a scrip alternative is offered, please contact Equiniti.

Share ownership

RSA is listed on the London Stock Exchange under the code RSA. The average total daily trading volume during 2010 was approximately 10.1m ordinary shares. The closing market price of an ordinary share on 4 January 2010 was 119.7p and the closing market price on 31 December 2010 was 125.2p. The highest daily closing price of an ordinary share was 136.6p on 9 August 2010 and the lowest daily closing price was 114.8p on 25 May 2010. Further details of the ordinary and preference shares are found in note 18 on pages 115 to 117 of the full Annual Report and Accounts.

Distribution of shares by geography (%)

Analysis of investors (%)

Shareholdings by size

No. of shares	Shareholders	%	Shares (m)	%
1 – 24,999	44,361	96.46	114,895,726	3.29
25,000 – 99,999	801	1.74	35,940,836	1.03
100,000 – 499,999	369	0.80	84,611,548	2.42
500,000 – 999,999	123	0.27	85,550,986	2.45
1,000,000 – 1,999,999	105	0.23	144,155,385	4.12
2,000,000 and above	231	0.50	3,030,796,396	86.69
Total	**45,990**	**100**	**3,495,950,877**	**100**

Managing your shareholding

Share register fraud: protecting your investment

It is required by law that our shareholder register is available for public inspection and we are unable to control the use of information obtained by persons inspecting the register. Shareholders are advised to be wary of any unsolicited advice, offers to buy shares at a discount, or offers of free reports about the Company. Details of any share dealing facilities that the Company endorses will be included in Company mailings or on our website. If you receive any unsolicited advice, make sure you get the correct name of the person and organisation and check that they are appropriately authorised by the FSA by visiting **www.fsa.gov.uk/register**. More information on protecting your investment can be found at **www.moneymadeclear.fsa.gov.uk**

Tips on protecting your shares

- Keep any documentation that contains your shareholder reference number in a safe place and destroy any documentation which you no longer need by shredding it
- Inform Equiniti promptly when you change your address
- Be aware of dividend payment dates and contact Equiniti if you do not receive your dividend cheque, or better still, make arrangements to have the dividend paid directly into your bank account
- Consider holding your shares electronically in a CREST account via a nominee.

Amalgamation of accounts

Shareholders who receive duplicate sets of Company mailings owing to multiple accounts in their name should contact Equiniti to request that their accounts be amalgamated.

Low cost share dealing facilities

Shareholders may purchase or sell their ordinary shares in RSA through their stockbroker, a high street bank or one of the providers detailed below:

RSA's registrar, Equiniti offers a telephone and internet dealing service. Commission is currently 1.5% with a minimum charge of £25 for telephone dealing and currently 1% with a minimum charge of £20 for internet dealing. For telephone sales call +44 (0)845 6037 037 between 8.30am and 4.30pm, Monday to Friday. For internet sales log on to **www.shareview.co.uk/dealing**. You will need your shareholder reference number as shown on your share certificate.

Stocktrade offer a telephone dealing service. Commission is currently 0.5% on amounts up to £10,000 and 0.2% on the excess thereafter, all of which are subject to a minimum charge of £17.50. A postal dealing service is also available upon request. For telephone sales call +44 (0)845 6010 995 between 8.00am and 4.30pm, Monday to Friday. Please quote reference: Low Cost 331. Alternatively visit their website **www.stocktrade.co.uk**

Please note that rates are as at February 2011 and may be subject to change. Please contact either provider for further guidance on their full terms and conditions.

ShareGift

Shareholders with a small number of shares, the value of which makes it uneconomic to sell them, may wish to consider donating them to charity through ShareGift, a registered charity administered by The Orr Mackintosh Foundation, registered charity number 1052686. The relevant share transfer form can be obtained from Equiniti. Further details can be obtained from **www.sharegift.org** or by calling +44 (0)20 7930 3737.

Disabled shareholders

RSA is committed to providing a quality service to all of its shareholders. An induction loop is installed at the AGM venue. Please contact the Group Secretariat department at the Registered Office, detailed on page 72, if you require particular assistance.

FINANCIAL CALENDAR

2 March 2011
Ex dividend date for the ordinary final dividend for 2010 and the first preference share dividend for 2011.

4 March 2011
Record date for the ordinary final dividend for 2010 and the first preference dividend for 2011.

10 March 2011
Announcement of the scrip dividend price for the ordinary final dividend for 2010.

1 April 2011
Payment date for the first preference dividend for 2011.

5 May 2011
Deadline for the receipt of scrip dividend mandates by Equiniti Limited in relation to the ordinary final dividend for 2010.

23 May 2011
Annual General Meeting at the Queen Elizabeth II Conference Centre.

3 June 2011
Payment date for the ordinary final dividend for 2010 (subject to shareholder approval at the AGM).

4 August 2011*
Announcement of the half year results for the six months ended 30 June 2011, the ordinary interim dividend for 2011 and the second preference dividend for 2011.

10 August 2011*
Ex dividend date for the ordinary interim dividend for 2011 and the second preference dividend for 2011.

12 August 2011*
Record date for the ordinary interim dividend for 2011 and the second preference dividend for 2011.

18 August 2011*
Announcement of the scrip dividend price for the ordinary interim dividend for 2011.

30 September 2011*
Payment date for the second preference dividend for 2011.

28 October 2011*
Deadline for the receipt of scrip dividend mandates by Equiniti Limited in relation to the ordinary interim dividend for 2011.

25 November 2011*
Payment of the ordinary interim dividend for 2011.

* Provisional date

JARGON BUSTER

Below is a simple explanation of some of the key technical terms used within this report.

Term	Definition
Affinity	• Selling insurance through a partner's distribution network, usually to a group of similar customers, e.g. store card holders, alumni groups, unions and utility company customers.
Bancassurance	• Selling insurance through a bank's distribution network.
Capacity	• Largest amount of insurance available from a company • Can also refer to the largest amount of insurance or reinsurance available in the marketplace.
Capital	• The money invested in the Group. This includes the money invested by shareholders and profits retained within the Group.
Claims Frequency	• Average number of claims per policy over the year.
Claims Handling Expenses	• The administrative cost of processing a claim (salary costs, costs of running claims centres, etc. and allocated shares of the costs of head office units). Not the cost of the claim itself.
Claims Ratio (Loss Ratio)	• Percentage of Net Earned Premiums which is paid out in claims and Claims Handling Expenses.
Claims Reserve (Provision for Losses and Loss Adjustment Expenses)	• Reserve established by the Group to reflect the estimated cost of claims payments and related expenses that we estimate we will ultimately be required to pay.
Claims Severity	• Average cost of claims incurred over the period.
Combined Operating Ratio (COR)	• The sum of the Claims Ratio and Expense Ratio • Measures how much we pay out in claims and expenses for each unit of net premium received • A COR of less than 100% indicates that we are writing profitable business • Calculated as: $\frac{\text{Net Incurred Claims}}{\text{Net Earned Premiums}}\% + \frac{\text{Expenses (including commissions)}}{\text{Net Written Premiums}}\%$
Commission	• An amount paid to an intermediary such as a broker for generating business.
Commission Ratio	• Ratio of net commission costs to Net Written Premiums.
Current Year Result	• The underwriting profit or loss earned from business for which protection has been provided in the current financial period.
Earned Premium	• The portion of an insurance premium for which we have already provided protection.
Economic Capital	• The Group's assessment of the capital we must hold to have a high confidence of meeting our obligations given our risk appetite.
Expense Ratio	• Percentage of Net Written Premiums which is paid out in operating expenses e.g. salaries, premises costs, etc. The ratio does not include claims related expenses but can include or exclude commissions.
Exposure	• A measurement of risk we are exposed to through the premiums we have written. For example, in motor insurance one vehicle insured for one year is one unit of exposure.
Financial Services Authority (FSA)	• The regulatory authority for the UK financial services industry (or its successor(s) for the UK insurance industry).
Gross Written Premium (GWP)	• Total premium written or processed in the period, irrespective of whether it has been paid.
IBNR (Incurred but Not Reported)	• A reserve for accidents or incidents that have occurred but which have not yet been reported to us.
IGD Capital Requirement	• Insurance Groups Directive capital is the capital the Group is required to hold based on standard calculations defined by the FSA under the EU Solvency I directive.
Insurance Result	• This is a measure of how well we have done, including both our underwriting result and investment performance.
Net Asset Value (NAV)	• The value of the Group calculated by subtracting our total liabilities including loan capital from our total assets. This represents the funds that would be available to ordinary shareholders if the Group were wound up.

JARGON BUSTER CONTINUED

Net Earned Premium (NEP)	• The portion of Net Written Premiums for which we have already provided protection. This is included as income in the period.
Net Incurred Claims (NIC)	• The total claims cost incurred in the period less any share to be paid by reinsurers. It includes both claims payments and movements in claims reserves in the period.
Net Written Premium (NWP)	• Net Written Premium is premium written or processed in the period, irrespective of whether it has been paid, less the amount paid out in reinsurance premiums.
Operating Profit	• The profit generated by the ordinary activities of the Group including both insurance and investment activity.
Portfolio Management	• Management of a group of similar risks, these are usually grouped by geography and line of business.
Prior Year Result	• Profit or loss generated by settling claims incurred in a previous year at a better or worse level than the previous estimated cost.
Property and Casualty (P&C) (Non Life Insurance or General Insurance)	• Property insurance covers loss or damage through fire, theft, floods, storms and other specified risks. Casualty insurance primarily covers losses arising from accidents that cause injury to other people or damage to the property of others.
QIS 5	• Quantitative Impact Study 5. Part of the development process of Solvency II, it was designed to test the financial impact and suitability of the proposed requirements.
Rate	• The price of a unit of insurance based on a standard risk for one year. Actual premium charged to the customer may differ from the rate due to individual risk characteristics and marketing discounts.
Reinsurance	• The practice whereby we transfer part or all of the risk we have accepted to another insurer (the reinsurer).
Return on Equity (ROE)	• A measure of the profits the Group earns relative to funds attributable to ordinary shareholders.
Run-off	• A situation where an insurer is no longer underwriting new business but continues to meet its liabilities under existing contracts.
Solvency II	• New capital adequacy regime for the European insurance industry. Establishes a revised set of EU wide capital requirements and risk management standards.
Scrip Dividend	• Where shareholders choose to receive the dividend in the form of additional shares rather than cash. The Group issues new shares to meet the scrip demand.
Total Shareholder Return	• A measure of performance based on the overall value to shareholders of their investment in the Group over a period of time. Includes the movement in the share price and dividends paid, expressed as a percentage of the share price at the beginning of the period.
Underwriting Result	• This is a measure of how well the Group has done excluding its investment performance and is calculated as: NEP – Claims (including Claims Handling Expenses) – Expenses (including commissions).
Unearned Premium	• The portion of a premium that relates to future periods, for which protection has not yet been provided, irrespective of whether the premium has been paid or not.
Yield	• Rate of return on an investment in percentage terms • The dividend payable on a share expressed as a percentage of the market price.

www.rsagroup.com

Designed and produced by Addison
www.addison.co.uk

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