RSA

HALF YEARLY FINANCIAL REPORT

2009

HALF YEARLY FINANCIAL REPORT TO 30 JUNE 2009

Strong Group performance in challenging conditions

- Net written premiums of £3.5bn up 4%
- Combined operating ratio (COR) of 93.5%
- Operating result of £392m
- Profit before tax of £301m
- IGD surplus of £1.7bn, representing coverage of 2.4x
- Interim dividend up 7% to 2.92p

Delivery against strategic objectives

- Driving the Group forward through organic initiatives and acquisitions
- Maintaining tight operational and financial management
- Continuing to take the right action on rate and expenses
- Successfully issued £500m of lower tier two subordinated debt
- Strong capital and financial position
- Further de-risked the UK defined benefit pension schemes by insuring £1.9bn of liabilities

Outlook

- Combined operating ratio for 2009 expected to be around 95%

	6 Months 2009	6 Months 2008	Movement*
Net written premiums	**£3,486m**	£3,364m	+4%
Underwriting result	**£183m**	£179m	+2%
Combined operating ratio	**93.5%**	93.0%	(0.5)pts
Operating result [(1)]	**£392m**	£440m	(11)%
Profit before tax [(1)]	**£301m**	£395m	(24)%
Profit after tax [(1)]	**£223m**	£292m	(24)%
Interim dividend per ordinary share	**2.92p**	2.73p	+7%
	30 June 2009	31 December 2008	
Financial position			
Shareholders' funds	**£3,507m**	£3,839m	(9)%
Net asset value per share excluding IAS19	**95p**	101p	(6)%
Net asset value per share	**101p**	112p	(10)%

* Reported exchange rate

Andy Haste, Group CEO of RSA, commented:

"In what remain challenging trading and economic conditions, we have again delivered a robust performance. We've targeted profitable organic growth and completed acquisitions in Central and Eastern Europe, Canada and Ireland. We've maintained our tight operational and financial management and continued to take the right action on rate and expenses. We successfully completed our £500m subordinated debt issue and remain in a strong capital and financial position. These results continue to demonstrate the positive impact of our diversified portfolio and our high quality, low risk investment strategy.

With these actions and the strength of the portfolio, we are well positioned to take advantage of market opportunities and remain confident in the Group's ability to continue delivering sustainable profitable performance. As it stands today, we expect to achieve a combined operating ratio for 2009 of around 95%. The outlook for the Group is positive and this is reflected in the 7% increase in the interim dividend to 2.92p (H1 2008: 2.73p)."

RSA

CONTENTS **PAGE**

Important disclaimer

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This half yearly report has been prepared in accordance with the requirements of English Company Law and the liabilities of the directors in connection with this half yearly report shall be subject to the limitations and restrictions provided by such law. This document may contain "forward-looking statements" (as defined in the US Private Securities Litigation Reform Act of 1995) with respect to certain of the Company's plans and its current goals and expectations relating to its future financial condition, performance and results. By their nature, all forward-looking statements involve risk and uncertainty because they relate to future events and circumstances which are beyond the Company's control, including amongst other things, UK domestic and global economic business conditions, market-related risks such as fluctuations in interest rates and exchange rates, the policies and actions of regulatory authorities, the impact of competition, inflation, deflation, the timing impact and other uncertainties of future acquisitions or combinations within the relevant industries, as well as the impact of tax and other legislation and other regulations in the jurisdictions in which the Company and its affiliates operate. As a result, the Company's actual future financial condition, performance and results may differ materially from the plans, goals and expectations set forth in the Company's forward-looking statements. The Company undertakes no obligation to update any forward-looking statements, save in respect of any requirement under applicable law or regulation. Nothing in this document should be construed as a profit forecast.

(1) For a reconciliation of operating result to profit after tax see page 14.

INTERIM MANAGEMENT REPORT

CEO REVIEW

The Group continues to deliver robust results in challenging trading and economic conditions, clearly demonstrating the benefits of our strong and diversified portfolio and our high quality, low risk investment strategy. Net written premiums are up 4% to £3.5bn (down 2% on constant exchange), with management actions and foreign exchange offsetting the impact of the economic downturn. The underwriting result is up by 2% to £183m, reflecting the impact of management actions on rate and expenses offset by increased weather losses in International. The combined operating ratio (COR) is 93.5% (H1 2008: 93.0%).

The investment result is £270m (H1 2008: £311m) and includes investment income of £294m, in line with guidance, and total gains of £28m (H1 2008: £32m). The operating result is £392m and profit before tax of £301m is after £28m of reorganisation costs for the UK expense reduction programme announced in February. Profit after tax is £223m (H1 2008: £292m). The underlying ROE is 12.7% (H1 2008: 17.9%), with the movement on the prior year reflecting higher opening net assets and expected lower investment income.

Business Overview

Set out below are the net written premiums and combined operating ratios for our regions:

	Net written premiums				**Combined operating ratio**		
	6 Months 2009	6 Months 2008	Movement as reported	Movement at constant exchange	**6 Months 2009**	6 Months 2008	Movement
	£m	£m	%	%	**%**	%	Points
International	**1,764**	1,628	8	(1)	**90.0**	89.7	(0.3)
UK	**1,339**	1,377	(3)	(3)	**97.4**	96.2	(1.2)
Emerging Markets	**373**	351	6	(7)	**98.1**	96.2	(1.9)
Group Re	**10**	8	25	25	**-**	-	-
Total Group	**3,486**	3,364	4	(2)	**93.5**	93.0	(0.5)

Across the Group, we are continuing to take action on rate and targeting profitable growth to offset the effect of lower economic activity and exposures. We also continue to benefit from our strong and diversified portfolio and net written premiums are up 4%. We are not seeing any systemic impact from the downturn on claims frequency or severity trends. We are tightly managing claims and underwriting and where we identify, or expect, an impact, we have taken action by withdrawing capacity, enforcing existing underwriting standards and tightening underwriting criteria where required. These actions are enabling us to successfully manage through the downturn and continue delivering robust results.

International produced a resilient top line performance, with premiums up by 8% to £1.8bn (down 1% on constant exchange) reflecting continued action on rate, targeted growth and the benefit of new deals offset by the economic downturn. In Scandinavia, premiums are up by 6% to £1.0bn (down 1% on constant exchange), with strong performances in Personal, Danish Marine and Norway. In Canada, premiums have increased by 10% to £0.5bn (in line with 2008 on constant exchange, which included a £13m reinsurance benefit following the acquisition of CNS). Johnson continues to perform strongly, increasing premiums by 17% (6% on constant exchange). In Other Europe, premiums are up by 16% to £0.3bn (1% on constant exchange) with growth in Ireland offset by a withdrawal of capacity in Italy.

The UK remains one of our most competitive markets and premiums were marginally down at £1.3bn, with the impact of current conditions partly mitigated by targeted growth and action on rate. In Personal, premiums were down by 1% to £0.5bn, with lower Household premiums partially offset by good growth from Broker Panels, new Affinity deals and Pet. In Commercial, premiums declined by 4% to £0.8bn, with lower Motor premiums mitigated by strong growth in Specialty lines, with Risk Solutions up 25% and Marine up 12%. We have continued to take action on rate, increasing Personal Motor rates by 5% and Household by 4%, and achieving increases in Commercial of 7% in Liability, 6% in Property and 9% in Motor.

In Emerging Markets, premiums are up by 6% to £0.4bn (down 7% on constant exchange) with management actions and foreign exchange offsetting the impact of the downturn. In Asia and the Middle East, premiums grew by 46% (11% on constant exchange) with double digit growth in Oman and Singapore and the benefit of a large Construction contract win in Hong Kong. In Latin America, premiums are up 4% (down 2% on constant exchange), with growth in Chile, Brazil, Colombia and Uruguay offset by a reduction in Mexico and the move to six month policies in Argentina. In the Baltics, premiums are down by 21% (down 31% on constant exchange) due to the economic downturn, however, we continue to maintain our market leading position.

In June we concluded the purchase of the remaining 50% of Intouch. These businesses in Poland, the Czech Republic and Russia will be combined with the Baltics to create a Central & Eastern European (CEE) management structure. Our associate Indian business continues to perform well with 24% growth to £42m (11% on constant exchange). Emerging Markets remains attractive with good long term potential and we will continue to invest in the region.

Across the Group, our objective is to deliver sustainable profitable performance and each of our regions has again delivered a strong underwriting result. In International, we have achieved a 13% increase in underwriting profit to £137m and a COR of 90.0%. In the UK, we have maintained good profitability, with an underwriting profit of £33m and a COR of 97.4%. Emerging Markets has delivered a 30% increase in underwriting profit to £13m and a COR of 98.1%.

We remain focused on improving operational efficiency and reducing costs. Of the 1,200 UK headcount reduction target set out in February, 900 job reductions have been announced, of which over 450 have already left the business, delivering £38m of annualised savings at a cost of £28m. In Scandinavia we remain on track to deliver the additional £25m of expense savings by mid 2010.

Outlook

We have delivered robust results in challenging conditions. Our strong portfolio, management actions and low risk, high quality investment strategy are driving sustainable profitable performance and we remain confident about the outlook for the Group. We are well positioned to take advantage of opportunities to move the business forward. We have completed six acquisitions in 2009 and our deal pipeline is strong. While we anticipate that conditions will remain tough in the second half of the year, as it stands today, we expect to deliver a combined operating ratio for the full year of around 95%. As we announced in February, we expect investment income for the full year to be around 2007 levels and we do not expect a positive contribution from total gains. As a reflection of the Board's confidence in the future performance of the Group, we are increasing the interim dividend by 7% to 2.92p (H1 2008: 2.73p).

Andy Haste, Group CEO, RSA Insurance Group plc

OPERATIONS REVIEW

Operating Result

The operating result is £392m (H1 2008: £440m) and is driven by strong underwriting performances in all regions and an investment result of £270m. The underwriting result is up 2% to £183m (H1 2008: £179m), with a current year underwriting profit of £51m (H1 2008: £56m) and a prior year profit of £132m (H1 2008: £123m). The movement in the current year result reflects the continued benefits of management actions, offset by adverse weather in International (£16m worse than 2008). Across the Group, large losses are in line with 2008 with adverse experience in International offset by an improvement in the UK. The strong prior year result of £132m reflects continued positive run off from all three regions. The Group continues to adopt a prudent reserving policy for both current year and overall reserves. At 30 June 2009, reserves remain significantly to the right side of best estimate.

- International

International continues to drive the Group forward and has delivered a strong performance in challenging conditions. Net written premiums are up 8% to £1.8bn (down 1% on constant exchange). This reflects continued action on rate across the region, targeted growth and the benefit of new deals, offset by reductions in exposure. Premium growth comprises 10% growth in Canada (flat on constant exchange), 6% growth in Scandinavia (down 1% on constant exchange) and 16% growth in Other Europe (1% on constant exchange). International delivered a strong underwriting result, with a 13% increase in underwriting profit to £137m.

In Scandinavia, Personal lines performed strongly and premiums are up 9% to £523m (3% on constant exchange) reflecting good growth in Norwegian Motor and Swedish Personal Accident. Commercial lines delivered a 3% increase in net written premiums to £490m (down 5% on constant exchange). This comprises good growth in Norway and Marine offset by the impact of the economic downturn.

In Canada, Personal net written premiums increased by 11% to £345m (flat on constant exchange). Johnson, our direct personal business, continued to perform well, delivering 17% growth (6% on constant exchange) and adding 10 new sponsorship groups in the first half. Commercial net written premiums increased by around 9% to £127m (down 2% on constant exchange) due to strong new business and rate increases mitigating withdrawal of capacity in those sectors impacted by the recession.

In Other Europe, premiums are up by 16% to £279m (1% on constant exchange) with strong growth in Ireland driven by new affinity deals, the benefit of acquisitions and our early action on rate, (with increases of 20% in Household and 11% in Commercial Motor), offset by a withdrawal of capacity in Italy.

The International COR was 90.0% (H1 2008: 89.7%). The Scandinavian COR improved by 1.1 points to 86.2% driven by an improvement in the Personal lines result offsetting increased large losses in Commercial. In Canada, profitability remains strong despite adverse weather, with a COR improvement of 0.6pts to 93.1% (H1 2008: 93.7%), while the COR for Other Europe of 99.8% (H1 2008: 94.8%) was impacted by adverse weather in Ireland and the L'Aquila earthquake in Italy.

Our continued focus on operational excellence underpins this strong result and we remain on track to deliver the additional £25m of expense savings in Scandinavia announced in May 2008 by mid 2010.

- UK

The UK remains one of our toughest markets and we are maintaining our strategy of targeting profitable growth, taking the right action on rate and selective capacity withdrawal where we cannot achieve target returns. Premiums of £1.3bn are down by 3% on 2008, with a COR of 97.4% (H1 2008: 96.2%).

In Personal, premiums are down 1% to £543m. Broker Panels performed well, while lower mortgage originations and new car sales continue to impact new business. MORE TH>N Pet again grew strongly, with premiums up by 17%. In Commercial, overall premiums of £796m are down 4% on last year. The reduction in Motor premiums and our withdrawal of capacity from industries more exposed to the downturn have been partially offset by strong growth in Specialty lines, including Risk Solutions which is up 25% and Marine, up by 12%. We continue to take action on rate, increasing Personal Motor rates by 5% and Household by 4%, and Commercial rates by 7% in Liability, 6% in Property and 9% in Motor.

The underwriting result is £33m (H1 2008: £48m) benefitting from an improvement in large losses offset by the expected, more normalised levels of prior year development.

The UK expense ratio including commissions is 34.2%, compared with 33.3% in H1 2008, reflecting lower premium levels, with expense savings primarily offset by continued investment in the business. Good progress is being made with the expense savings programme announced in February. Of the 1,200 target headcount reduction, 900 job reductions have been announced and over 450 have already left the business. This has delivered £38m of annualised savings at a cost of £28m and we remain on target to deliver an expense ratio of around 14% by the end of 2012.

- Emerging Markets

In Emerging Markets, premiums are up by 6% to £373m (down 7% on constant exchange) reflecting management actions and foreign exchange offset by the impact of the economic downturn. We expected and planned for the challenging environment, and have taken early action on rate and expenses to protect the bottom line. Last year we reduced headcount by around 400 and this year we've reduced it by a further 156. Total premiums including our associates were £449m, an increase of 9% (down 3% on constant exchange).

In Asia and the Middle East, premiums are up by 46% (11% on constant exchange) with double digit growth in Oman and Singapore and the benefit of a large Construction contract win in Hong Kong. In Latin America, premiums are up 4% (down 2% on constant exchange), reflecting growth in Chile, Brazil, Colombia and Uruguay offset by a reduction in Mexico and the move to six month policies in Argentina. In the Baltics, premiums are down by 21% (down 31% on constant exchange) due to the economic downturn, however, we continue to maintain our market leading position. Across Emerging Markets, our Affinity business continues to grow and we have signed 17 deals in the first half of the year.

In June we concluded the purchase of the remaining 50% of Intouch, which performed strongly in the first six months with premiums growing by 13% to £34m (21% increase on constant exchange). The operations in Poland, the Czech Republic and Russia will be combined with the Baltics to create a Central & Eastern European (CEE) management structure, enabling us to drive additional cost synergies by taking out a further 260 heads in the second half of the year. Our associate business in India also performed strongly with premiums up by 24% to £42m (11% on constant exchange).

The Emerging Markets underwriting result is £13m, up 30% on the prior year due to our early action on rate and expenses. The COR is 98.1% compared with 96.2% in 2008 as a result of the impact of the reduction in net written premiums in the Baltics on the expense ratio.

The Emerging Markets remain an attractive place to do business and we will continue to invest in the region.

- Rating movements

Rate movements achieved for risks renewing in June 2009 versus comparable risks renewing in June 2008 are set out in the table below. Our action on rating demonstrates our commitment to maintaining pricing discipline and to delivering sustainable profitable performance.

	Personal		**Commercial**		
	Motor	**Household**	**Motor**	**Liability**	**Property**
	%	**%**	**%**	**%**	**%**
UK	5	4	9	7	6
Scandinavia	6	4	1	3	4
Canada	5	8	3	-	2

- Other activities

The analysis of the other activities result is as follows:

	6 Months 2009 £m	6 Months 2008 £m	Movement
Central expenses	**(30)**	(29)	(3)%
Investment expenses and charges	**(14)**	(12)	(17)%
Other operating activities	**(17)**	(9)	(89)%
Other activities	**(61)**	(50)	(22)%

Expenses from other activities for 2009 have increased by £11m to £61m. Other operating activities of £17m include business development expenses for Emerging Markets, as well as investment in our associates in India and Central and Eastern Europe of £14m (H1 2008: £7m).

Following the acquisition of the remaining 50% of Intouch, going forward we will be consolidating these businesses. We will continue to include the development investment for Russia and the Czech Republic in Other activities. In the second half of 2009 we expect this investment to be around £13m.

- Investment result

The analysis of the investment results is as follows:

	6 Months 2009 £m	6 Months 2008 £m	Movement
Bonds	**232**	228	+2%
Equities	**26**	30	(13)%
Cash and cash equivalents	**11**	35	(69)%
Land and buildings	**9**	5	+80%
Other	**16**	25	(36)%
Investment income	**294**	323	(9)%
Realised gains	**60**	36	+67%
Unrealised gains/(losses), impairments and foreign exchange	**(32)**	(4)	(700)%
Total gains	**28**	32	(13)%
Unwind of discount including ADC	**(52)**	(44)	(18)%
Investment result	**270**	311	(13)%

The Group continues to maintain a low risk investment strategy with the portfolio dominated by high quality fixed income and cash assets. The investment result is £270m (H1 2008: £311m) and includes investment income of £294m, in line with guidance, total gains of £28m and unwind of discount of £52m.

The investment income of £294m primarily reflects the lower yields on cash, partially offset by action taken to lock in higher returns as well as the impact of foreign exchange. The average underlying yield on the portfolio (excluding the yield on the ADC funds withheld account) was 3.9% (H1 2008: 4.6%).

Total gains of £28m (H1 2008: £32m) comprise gains on equity hedges of £24m, on equity and bond sales of £43m and foreign exchange of £11m, offset by mark to market movements on commercial property of £26m and impairments of £24m.

We have taken action to mitigate the impact of falling yields and in 2008 we began to increase our proportion of non government holdings. We've continued this action in 2009, with non governments now forming 53% of the fixed income portfolio, up from 44% at the end of 2007. New purchases of non government bonds in 2009 were at an average credit rating of AA-, maintaining the overall high credit quality of the portfolio and were well diversified by sector and individual name.

With the actions we are taking and our geographic spread, we still expect investment income for the 2009 full year to be around 2007 levels. Total gains will continue to be impacted by any further negative market movements in commercial property values as well as financial market volatility. If the FTSE 100 remains at the end of June level, of around 4,250, throughout the second half of 2009, the net movement of the equity hedges is expected to be broadly flat, while total impairments are estimated to be between £5m and £25m in the second half. The value of commercial property is expected to broadly track the IPD index. As a result, as it stands today, we are still not anticipating a positive contribution from total gains in 2009.

The table below sets out the key movements in the investment portfolio during the first half of 2009:

	Value 31/12/2008 £m	Foreign Exchange £m	Mark to Market £m	Other Movements £m	**Value 30/06/09 £m**
Government Bonds	**6,011**	(422)	(69)	(395)	**5,125**
Non Government Bonds	**5,631**	(453)	63	451	**5,692**
Cash	**1,614**	(101)	-	254	**1,767**
Equities	**780**	(18)	(1)	13	**774**
Property	**365**	(13)	(26)	20	**346**
Prefs & CIVs	**160**	(9)	19	44	**214**
Other	**166**	(5)	-	(6)	**155**
Total	**14,727**	**(1,021)**	**(14)**	**381**	**14,073**

The investment portfolio decreased by 4% over the first half of the year to £14,073m, with foreign exchange of £1,021m and mark to market movements of £14m offset by positive inflows of £381m. The foreign exchange movement reflects the appreciation of Sterling against the Canadian Dollar, the Euro, the Danish Krone and the Swedish Krona. The mark to market movement reflects small negatives on bonds, equities and property offset by positive movements on preference shares and CIVs. The movement on equities does not include the £24m gain on the equity hedges, which is recognised in total gains.

At 30 June 2009, unrealised gains on the balance sheet were £265m (31 December 2008: £263m).

90% of the total investment portfolio remains invested in high quality fixed income and cash assets. The fixed interest portfolio is concentrated on high quality short dated assets, with 99% of the bond portfolio investment grade, and 78% rated AA or above. The bond holdings are well diversified, with 71% invested in currencies other than Sterling, and 53% invested in non government bonds (FY 2008: 48%). The average duration is 2.7 years for the Group, and 2.2 years in the UK.

The non government bond portfolio of £5.7bn comprises £1.7bn of Scandinavian Mortgage Bonds, £2.4bn of other financials and £1.6bn of non financials. The Scandinavian Mortgage Bonds portfolio comprises £1.0bn of Swedish bonds, which are all rated AAA, and £0.7bn of Danish bonds, which are principally rated AAA. The average duration on the Scandinavian Mortgage Bond portfolio is 2.6 years with an average LTV of around 60%. Within the £2.4bn of other financial exposure, £0.5bn is in supranational and sovereign backed entities, £0.2bn in other non bank financials and £1.7bn in banks. Of the £1.7bn in banks, just £250m of this is subordinated debt and only £52m is Tier 1, the vast majority of which is in Canadian banks, with only £5m in the UK.

Equities (excluding preference shares and Collective Investment Vehicles backed by fixed income and cash) comprised 5% of the portfolio. We continue to hedge our equity portfolio, with around 60% of the exposure hedged with a rolling programme of put and call options, providing protection down to a FTSE level of 2,800. The commercial property portfolio is only 2% of investment assets and comprises high quality commercial properties and does not include any development properties.

We have a high quality, low risk portfolio and this has served us well over the last few years. With the changed investment conditions and outlook we have reviewed our strategy in the first half of the year. This review reconfirmed the principles of our existing strategy, in particular the need to maintain the high quality, low risk portfolio. We are, however, implementing a number of actions to further mitigate falling yields and respond to changed investment conditions.

We will continue to be a cautious purchaser of high quality non government bonds and anticipate non governments increasing to around 60% of the fixed income portfolio. We also see opportunities for a measured increase in equity and property holdings. Going forward, we will be a net purchaser of both and would expect, over time, for a moderate rise in the proportion of the portfolio they represent.

OTHER INFORMATION

Capital position

The regulatory capital position of the Group under the Insurance Groups Directive (IGD) is set out below:

	30 June 2009 Requirement £bn	**30 June 2009 Surplus £bn**	31 December 2008 Surplus £bn
Insurance Groups Directive	**1.2**	**1.7**	1.7

The IGD surplus is £1.7bn (31 December 2008: £1.7bn) and coverage over the IGD requirement remains strong at 2.4 times (31 December 2008: 2.5 times). A 30% fall in the FTSE from the 30 June level of around 4,250 would reduce the IGD surplus by an estimated £0.2bn.

At 30 June 2009, the Group had surplus economic capital of around £1.7bn (31 December 2008: £1.8bn), calculated to fully reflect current lower asset values and lower current and future investment returns. The economic capital is based on a risk tolerance consistent with Standard & Poor's long term A rated bond default curve. This is equivalent to a probability of solvency over 1 year of 99.92%. The Group calculates its economic capital position using a global multi year stochastic economic capital model. The model is a key decision making tool and is used for a range of strategic, operational and financial management purposes throughout the Group, and has also been the basis for the Group's Individual Capital Assessment submissions to the FSA since the 2004 year end.

Our financing and liquidity position is strong. The next call on any external financing is on the €500m subordinated guaranteed bonds in October 2009 and our committed £455m senior facility remains undrawn. New subordinated guaranteed Sterling bonds were issued on 20 May 2009. The bonds have a nominal value of £500m and bear interest at a fixed rate of 9.375% until 20 May 2039. The Group has the option to repay the bonds on specific dates after 20 May 2019. In accordance with FSA requirements, for regulatory capital purposes we have recognised the new Sterling notes and derecognised the €500m bonds.

The Group is currently rated A stable outlook by Standard & Poor's, A2 stable outlook by Moody's and A stable outlook by AM Best, upgraded in February 2009.

Return on equity

Underlying return on equity is 12.7% (H1 2008: 17.9%) and is calculated as the profit after tax attributable to ordinary shareholders from continuing operations, excluding gains and losses on disposals and reorganisation costs expressed in relation to opening shareholders' funds attributable to ordinary shareholders.

Combined operating ratio

The combined operating ratio represents the sum of expense and commission costs expressed in relation to net written premiums and claim costs expressed in relation to net earned premiums. The calculation of the COR of 93.5% was based on net written premiums of £3,486m and net earned premiums of £3,340m.

Net asset value per share

The net asset value per share at 30 June 2009 excluding IAS 19 was 95p (31 December 2008: 101p) and including the pension surplus was 101p (31 December 2008: 112p). At 5 August 2009, the net asset value per share excluding IAS 19 was estimated at 98p and including the pension deficit was estimated at 97p.

The net asset value per share at 30 June 2009 was based on total shareholders' funds of £3,507m, adjusted by £125m for preference shares, and shares in issue at the period end of 3,360,546,672 (excluding those held in the ESOP trusts).

Earnings per share

The earnings per share is calculated by reference to the result attributable to the equity shareholders and the weighted average number of shares in issue during the period. Operating earnings per share is calculated by reference to the result attributable to the equity shareholders excluding amortisation, reorganisation costs and profit on disposals and the weighted average number of shares in issue during the period.

On a basic and diluted basis the weighted average number of shares in issue was 3,325,925,249 and 3,364,700,737 respectively (excluding those held in ESOP trusts). The number of shares in issue at 30 June 2009 was 3,360,546,672 (excluding those held in ESOP trusts).

Dividend

The directors have declared an interim ordinary dividend of 2.92p per share. The interim dividend will be payable on 27 November 2009 to shareholders on the register at the close of business on 14 August 2009. Shareholders will be offered a scrip dividend alternative. Scrip dividend mandates need to be received by Equiniti by 30 October 2009. The second preference share dividend for 2009 will be payable on 1 October 2009 to holders of such shares on the register at the close of business on 14 August 2009.

Risks and uncertainties

There are a number of potential risks and uncertainties which could have a material impact on the Group's performance over the remaining six months of the financial year and could cause actual results to differ materially from expected and historical results. The Board considers the risks and uncertainties disclosed in the latest Annual Report and Accounts to continue to reflect the principal risks and uncertainties of the Group over the remaining six months of the financial year, except where specifically mentioned in this half yearly financial report.

The principal risks and uncertainties of the Group, as per pages 31 and 32 of the latest Annual Report and Accounts, are: prolonged economic downturn in our key markets negatively impacts premium growth and increases claims frequency; adverse financial markets and lower interest rates impact the investment portfolio and investment income; rating environment softens significantly in key markets; insurance risks are accepted outside the Group's risk appetite or below technical price and adverse loss experience arising through catastrophic, increasing frequency and severity of large losses or deterioration in long tail reserves.

Further information on the risks and uncertainties of the Group is included in the latest Annual Report and Accounts.

Related party transactions

In 2009, there have been no related party transactions that have materially affected the financial position of the Group.

Events after the reporting period

On 14 July 2009, the Trustees of the RIGPS and Sal pension schemes entered into an agreement to insure £1.9bn or around one third of the Group's total UK defined benefit liabilities against movements in inflation, interest rates and longevity. This transaction is similar to a bulk buy-in but with significantly enhanced security, with the schemes retaining ownership of the assets.

For accounting purposes we effectively derecognise both the market value of the £1.9bn asset portfolio, whose returns are swapped under the transaction, and the matching liabilities, which are covered by the insurance. For accounting purposes, these insured liabilities must be discounted at the higher corporate bond rate rather than the gilt rate used for the transaction. This gives a lower level of liabilities and the difference between the derecognised assets and these lower liabilities causes a reduction in the accounting surplus.

The IFRS surplus for the UK schemes at the end of June is £219m. Following this transaction, the proforma deficit for these schemes at 31 July is approximately £34m.

FURTHER INFORMATION

The full text of the above is available to the public at 1 Leadenhall Street, London EC3V 1PP. The text is also available online at www.rsagroup.com. A live audiocast of the analyst presentation, including the question and answer session, will be broadcast on the website at **10.30am** today and is available via a listen only conference call by dialling UK Freephone 0800 358 5271 or International dial in: +44 (0)20 7190 1596. An indexed version of the audiocast will be available on the website by the end of the day. Copies of the slides to be presented at the analyst meeting will be available on the site from **10.00am** today.

A Q3 interim management statement will be released on 5 November 2009.

The full year 2009 results will be announced on 25 February 2010.

MANAGEMENT BASIS OF REPORTING

The following analysis on pages 14 to 17 has been prepared on a non statutory basis as management believe that this is the most appropriate method of assessing the financial performance of the Group. The management basis reflects the way management monitor the business. The underwriting result includes insurance premiums, claims and commissions and underwriting expenses. In addition, the management basis also discloses a number of items separately such as investment result, interest costs, reorganisation costs and other activities. Estimation techniques, risks, uncertainties and contingencies are included on pages 20 to 22. Financial information on a statutory basis is included on pages 24 to 30.

SUMMARY CONSOLIDATED INCOME STATEMENT

MANAGEMENT BASIS

	6 Months 2009 £m	6 Months 2008 £m	12 Months 2008 £m
Continuing operations			
Net written premiums	**3,486**	3,364	6,462
Underwriting result	**183**	179	384
Investment income	**294**	323	654
Realised gains	**60**	36	150
Unrealised gains/(losses), impairments and foreign exchange	**(32)**	(4)	(118)
Unwind of discount including ADC	**(52)**	(44)	(92)
Investment result	**270**	311	594
Insurance result	**453**	490	978
Other activities	**(61)**	(50)	(111)
Operating result	**392**	440	867
Interest costs	**(52)**	(54)	(108)
Amortisation	**(11)**	(9)	(18)
Reorganisation costs	**(28)**	-	-
Profit before disposals	**301**	377	741
Profit on disposals	**-**	18	18
Profit before tax	**301**	395	759
Taxation	**(78)**	(103)	(173)
Profit after tax	**223**	292	586

Earnings per share on profit attributable to the ordinary shareholders of the Company:			
Basic	**6.5p**	8.7p	17.3p
Diluted	**6.4p**	8.6p	17.0p
Operating earnings per share on profit attributable to the ordinary shareholders of the Company:			
Basic	**7.4p**	8.5p	16.7p
Diluted	**7.4p**	8.4p	16.5p

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

MANAGEMENT BASIS

	30 June 2009 £m	30 June 2008 £m	31 December 2008 £m
Assets			
Goodwill and other intangible assets	**854**	694	744
Property and equipment	**276**	422	309
Associated undertakings	**29**	106	123
Investments			
Investment property	**346**	396	365
Equity securities	**988**	1,230	940
Debt and fixed income securities	**10,817**	10,148	11,642
Other	**155**	284	166
Total investments - management basis	**12,306**	12,058	13,113
Reinsurers' share of insurance contract liabilities	**1,828**	1,832	1,759
Insurance and reinsurance debtors	**2,811**	2,747	2,890
Deferred acquisition costs	**639**	577	653
Other debtors and other assets	**1,404**	1,455	1,659
Cash and cash equivalents	**1,767**	1,158	1,614
Assets associated with continuing operations	**21,914**	21,049	22,864
Assets associated with discontinued operations*	**11**	13	3
Total assets	**21,925**	21,062	22,867
Equity, reserves and liabilities			
Equity and reserves			
Shareholders' funds	**3,507**	3,221	3,839
Minority interests	**75**	68	81
Total equity and reserves	**3,582**	3,289	3,920
Loan capital	**1,742**	1,221	1,311
Total equity, reserves and loan capital	**5,324**	4,510	5,231
Liabilities (excluding loan capital)			
Insurance contract liabilities	**14,306**	14,107	15,055
Insurance and reinsurance liabilities	**562**	485	545
Borrowings	**302**	302	300
Provisions and other liabilities	**1,431**	1,658	1,736
Total liabilities (excluding loan capital)	**16,601**	16,552	17,636
Total equity, reserves and liabilities	**21,925**	21,062	22,867

These summary consolidated financial statements have been approved for issue by the Board of Directors on 5 August 2009.

* Assets associated with discontinued operations in 2009 and 2008 relate to property held for sale.

OTHER INFORMATION

MANAGEMENT BASIS

Movement in net assets

	Shareholders' funds	Minority interest	Loan capital	Net assets
	£m	£m	£m	£m
Balance at 1 January 2009	**3,839**	**81**	**1,311**	**5,231**
Profit after tax	220	3	-	**223**
Exchange losses net of tax	(204)	(5)	(58)	**(267)**
Fair value gains/(losses) net of tax	19	(1)	-	**18**
Pension fund actuarial losses net of tax	(244)	-	-	**(244)**
Issue of loan capital	-	-	491	**491**
Amortisation of loan capital	-	-	(2)	**(2)**
Share issue	31	-	-	**31**
Share options	16	-	-	**16**
Prior year final dividend	(165)	(3)	-	**(168)**
Preference dividend	(5)	-	-	**(5)**
Balance at 30 June 2009	**3,507**	**75**	**1,742**	**5,324**

Net assets have increased by £93m to £5,324m. This increase primarily reflects the issue of loan capital of £491m and the profit after tax for the period of £223m, offset by exchange losses of £267m, pension fund actuarial losses of £244m and the 2008 final dividend of £168m.

Pension fund surplus

The table below provides a reconciliation of the Group pension fund surplus (net of tax) from 1 January 2009 to 30 June 2009.

	UK £m	Other £m	Group £m
Pension fund at 1 January 2009	**412**	**(49)**	**363**
Actuarial losses	(240)	(4)	**(244)**
Asset reallocation funding	28	-	**28**
Other movements	19	30	**49**
Pension fund at 30 June 2009	**219**	**(23)**	**196**

The surplus on the pension scheme as at 30 June 2009 is £196m compared with £363m at the start of the year. The movement is due to lower than expected return on assets for the UK schemes. The discount rate for the UK schemes has been increased from 6.2% to 6.4%, in line with increasing bond yields in the first six months. The inflation assumption has been strengthened from 2.8% to 3.0%.

The Group uses medium cohort assumptions for mortality, using PFA92 and PMA92 tables. The life expectancy of a male pensioner aged 60 is assumed to be 25.8 years, and 27.0 years for a female pensioner.

On 14 July 2009, the Trustees of the RIGPS and Sal pension schemes entered into an agreement to insure £1.9bn or around one third of the Group's total UK defined benefit liabilities. Further information on the transaction is included in 'Events after the reporting period' on page 12.

Cashflow – management basis

	6 Months 2009 £m	6 Months 2008 £m
Operating cashflow	**285**	344
Tax paid	**(111)**	(50)
Interest paid	**(37)**	(42)
Group dividends	**(143)**	(88)
Dividend to minorities	**(3)**	(2)
Net cashflow	**(9)**	162
Issue of share capital	**4**	5
Pension asset reallocation funding	**(37)**	(37)
Net movement of debt	**493**	(5)
Corporate activity	**(92)**	(91)
Cash movement	**359**	34
Represented by:		
Increase/(decrease) in cash and cash equivalents	**254**	(408)
Purchase of other investments	**105**	442
	359	34

The Group's operating cashflow is £285m, a reduction of 17%, due to increased large losses and adverse weather in International, Direct Indemnification in Italy and reorganisation costs in the UK. Tax paid of £111m is £61m higher than 2008, primarily due to lower allocation to the Swedish Security Fund in 2008. Group dividends have increased by £55m to £143m, due to the dividend increase and the lower take up of scrip dividend in 2009. The pension funding payment of £37m is part of our ongoing pension scheme asset reallocation strategy. Net movement of debt reflects the issue of £500m of subordinated debt in May and corporate activity in 2009 of £92m includes acquisitions in Central and Eastern Europe, Canada and Ireland.

REGIONAL ANALYSIS OF INSURANCE OPERATIONS

SIX MONTHS TO 30 JUNE

	Net written premiums		Increase as reported	Increase at constant exchange
	2009 £m	2008 £m	%	%
United Kingdom	**1,339**	1,377	(3)	(3)
International	**1,764**	1,628	8	(1)
Emerging Markets	**373**	351	6	(7)
Group Re	**10**	8	25	25
Total Group	**3,486**	3,364	4	(2)

	Underwriting result		Investment result		Insurance result	
	2009 £m	2008 £m	**2009 £m**	2008 £m	**2009 £m**	2008 £m
United Kingdom	**33**	48	**123**	182	**156**	230
International	**137**	121	**126**	107	**263**	228
Emerging Markets	**13**	10	**23**	21	**36**	31
Group Re	**-**	-	**(2)**	1	**(2)**	1
Total Group	**183**	179	**270**	311	**453**	490

	Operating ratios					
	2009			2008		
	Claims %	**Expenses %**	**Combined %**	Claims %	Expenses %	Combined %
United Kingdom	**63.2**	**34.2**	**97.4**	62.9	33.3	96.2
International	**69.4**	**20.6**	**90.0**	68.7	21.0	89.7
Emerging Markets	**55.6**	**42.5**	**98.1**	56.6	39.6	96.2
Total Group	**65.3**	**28.2**	**93.5**	65.1	27.9	93.0

INVESTMENT RESULT BY REGION

SIX MONTHS TO 30 JUNE 2009

	UK	International	Emerging Markets	Group Re	**Group**
	£m	£m	£m	£m	**£m**
Investment income	123	134	21	16	**294**
Realised gains	27	28	4	1	**60**
Unrealised gains/(losses), impairments and foreign exchange	(14)	(15)	(2)	(1)	**(32)**
Unwind of discount including ADC	(13)	(21)	-	(18)	**(52)**
Investment result	**123**	**126**	**23**	**(2)**	**270**

The total investment income is allocated to the regions based on economic capital requirements. Realised gains, unrealised gains and impairment losses are allocated with reference to the above amounts. The unwind of discount is attributed on an actual basis.

UNITED KINGDOM INSURANCE OPERATIONS

SIX MONTHS TO 30 JUNE

	Net written premiums		Underwriting result		Operating ratio	
	2009	2008	**2009**	2008	**2009**	2008
	£m	£m	**£m**	£m	**%**	%
Personal						
Household	**255**	279	**18**	3	**93.5**	95.8
Motor	**249**	234	**(6)**	6	**102.6**	97.3
Other	**39**	35	**-**	(3)	**99.5**	99.6
Total UK Personal	**543**	548	**12**	6	**97.3**	96.5
Commercial						
Property	**327**	316	**7**	(17)	**94.6**	109.6
Casualty	**139**	147	**(5)**	8	**104.4**	99.3
Motor	**208**	258	**(4)**	25	**103.5**	87.7
Other	**122**	108	**23**	26	**81.4**	71.6
Total UK Commercial	**796**	829	**21**	42	**97.6**	96.0
Total UK	**1,339**	1,377	**33**	48	**97.4**	96.2

INTERNATIONAL INSURANCE OPERATIONS

SIX MONTHS TO 30 JUNE

	Net written premiums		Underwriting result		Operating ratio	
	2009	2008	**2009**	2008	**2009**	2008
	£m	£m	**£m**	£m	**%**	%
Personal						
Scandinavia	**523**	482	**95**	58	**79.5**	86.0
Canada	**345**	311	**12**	13	**96.7**	95.7
Other Europe	**169**	140	**(19)**	3	**111.4**	97.9
Total Personal	**1,037**	933	**88**	74	**90.7**	91.0
Commercial						
Scandinavia	**490**	477	**10**	23	**94.5**	89.2
Canada	**127**	117	**20**	13	**81.1**	87.9
Other Europe	**110**	101	**19**	11	**83.4**	91.7
Total Commercial	**727**	695	**49**	47	**88.9**	87.8
Total						
Scandinavia	**1,013**	959	**105**	81	**86.2**	87.3
Canada	**472**	428	**32**	26	**93.1**	93.7
Other Europe	**279**	241	**-**	14	**99.8**	94.8
Total International	**1,764**	1,628	**137**	121	**90.0**	89.7

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 liabilities of the company.

The insurance liabilities of an insurance company include the provision for unearned premiums and unexpired risks and the provision for outstanding claims. 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 balance sheet date. Outstanding claims represent the company's estimate of the cost of settlement of claims that have occurred by the balance sheet date 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 balance sheet date 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; and
- 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 claims provisions 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 outstanding claims and unexpired periods of risk.

It should be emphasised that the estimation techniques for the determination of insurance 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. A stochastic valuation approach, whereby a range of possible outcomes is estimated and probabilities assigned thereto, is only possible in a limited number of situations.

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; and
- 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 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 claims provision 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 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 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 claims provisions 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 we 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; and
- for US liabilities from our London market business, developments in the tactics of US plaintiff lawyers and court decisions and awards.

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 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 us 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 cash flows 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 we do business our strategy is to seek reinsurers with the best combination of financial strength, price and capacity. We publish internally a list of authorised reinsurers who pass our selection process and which our 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 currency 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 interest rates, 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.

Our insurance investment portfolios are concentrated in listed securities with very low levels of exposure to assets without quoted market prices. We use 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' (stable outlook) from S&P upgraded from 'A-' in December 2007, 'A' (stable outlook) from AM Best upgraded in February 2009 and 'A2' (stable outlook) from Moody's upgraded from 'A3' in December 2008. Any 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.

Changes in foreign exchange rates may impact our results
We publish our consolidated financial statements in Pounds Sterling. Therefore, fluctuations in exchange rates used to translate other currencies, particularly other European currencies and the US dollar, into Pounds Sterling will impact our reported consolidated financial condition, results of operations and cash flows from period to period. These fluctuations in exchange rates will also impact the Pound Sterling value of our investments and the return on our investments.

Income and expenses for each income statement item are translated at average exchange rates. Balance sheet assets and liabilities are translated at the closing exchange rates at the balance sheet date.

Regulatory environment
The legal, regulatory and accounting environment is subject to significant change in many of the jurisdictions in which we operate, including developments in response to changes in the economic and political environment and the recent financial crisis. We continue to monitor the developments and react accordingly.

In particular the Group is continuing to monitor and respond to developments relating to the Solvency II Framework Directive, which is intended, in the medium term, to achieve greater harmonisation of approach across European member states to assessing capital resources and requirements. The directors are confident that the Group will continue to meet all future regulatory capital requirements.

Condensed Consolidated Financial Statements

CONDENSED CONSOLIDATED INCOME STATEMENT

STATUTORY BASIS

	6 Months 2009 £m	6 Months 2008 £m	12 Months 2008 (audited) £m
Continuing operations			
Income			
Gross written premiums	**4,035**	3,767	7,273
Less: reinsurance premiums	**(549)**	(403)	(811)
Net written premiums	**3,486**	3,364	6,462
Change in the gross provision for unearned premiums	**(181)**	(294)	(112)
Less: change in provision for unearned premiums, reinsurers' share	**35**	22	8
Change in provision for unearned premiums	**(146)**	(272)	(104)
Net earned premiums	**3,340**	3,092	6,358
Net investment return	**311**	355	681
Other operating income	**54**	54	104
Total income	**3,705**	3,501	7,143
Expenses			
Gross claims incurred	**(2,386)**	(2,118)	(4,205)
Less: claims recoveries from reinsurers	**205**	106	63
Net claims and benefits	**(2,181)**	(2,012)	(4,142)
Underwriting and policy acquisition costs	**(1,028)**	(950)	(1,925)
Unwind of discount including ADC	**(52)**	(44)	(92)
Other operating expenses	**(77)**	(54)	(117)
Total expenses	**(3,338)**	(3,060)	(6,276)
Results of operating activities	**367**	441	867
Finance costs	**(52)**	(54)	(108)
Profit on disposals	**-**	18	18
Net share of loss after tax of associates	**(14)**	(10)	(18)
Profit before tax	**301**	395	759
Income tax expense	**(78)**	(103)	(173)
Profit after tax	**223**	292	586
Attributable to:			
Equity holders of the Company	**220**	287	574
Minority interests	**3**	5	12
Profit after tax	**223**	292	586

Earnings per share on profit attributable to the ordinary shareholders of the Company:			
Basic	**6.5p**	8.7p	17.3p
Diluted	**6.4p**	8.6p	17.0p

The attached notes are an integral part of these condensed consolidated financial statements. For dividend information refer to note 8.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

STATUTORY BASIS

	6 Months 2009 £m	6 Months 2008 £m	12 Months 2008 (audited) £m
Profit after tax	**223**	292	586
Exchange (losses)/gains	**(209)**	35	326
Fair value gains/(losses) net of tax	**18**	(244)	(193)
Pension fund actuarial (losses)/gains net of tax	**(244)**	136	204
Other comprehensive income for the period, net of tax	**(435)**	(73)	337
Total comprehensive income for the period	**(212)**	219	923
Attributable to:			
Equity holders of the Company	**(209)**	216	901
Minority interests	**(3)**	3	22
	(212)	219	923

The attached notes are an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

STATUTORY BASIS

	Shareholders' funds £m	**Minority interest £m**	**Total equity and reserves £m**
Balance at 1 January 2009	**3,839**	**81**	**3,920**
Total comprehensive income for the year	(209)	(3)	**(212)**
Share issue	31	-	**31**
Share options	16	-	**16**
Prior year final dividend	(165)	(3)	**(168)**
Preference dividend	(5)	-	**(5)**
Balance at 30 June 2009	**3,507**	**75**	**3,582**
Balance at 1 January 2008	3,077	67	3,144
Total comprehensive income for the year	216	3	219
Share issue	69	-	69
Changes in shareholders' interests in subsidiaries	(2)	-	(2)
Share options	13	-	13
Prior year final dividend	(147)	(2)	(149)
Preference dividend	(5)	-	(5)
Balance at 30 June 2008	3,221	68	3,289

The attached notes are an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

STATUTORY BASIS

	30 June 2009	30 June 2008	31 December 2008 (audited)
	£m	£m	£m
Assets			
Goodwill and other intangible assets	**854**	694	744
Property and equipment	**276**	422	309
Investment property	**346**	396	365
Investment in associates	**29**	106	123
Financial assets	**11,960**	11,662	12,748
Total investments	**12,335**	12,164	13,236
Reinsurers' share of insurance contract liabilities	**1,828**	1,832	1,759
Insurance and reinsurance debtors	**2,811**	2,747	2,890
Deferred acquisition costs	**639**	577	653
Current tax assets	**13**	26	40
Deferred tax assets	**110**	140	142
Other debtors and other assets	**1,281**	1,289	1,477
	1,404	1,455	1,659
Cash and cash equivalents	**1,767**	1,158	1,614
	21,914	21,049	22,864
Non current and disposal group assets held for sale*	**11**	13	3
Total assets	**21,925**	21,062	22,867
Equity, reserves and liabilities			
Equity and reserves			
Shareholders' funds	**3,507**	3,221	3,839
Minority interests	**75**	68	81
Total equity and reserves	**3,582**	3,289	3,920
Liabilities			
Loan capital	**1,742**	1,221	1,311
Insurance contract liabilities	**14,306**	14,107	15,055
Insurance and reinsurance liabilities	**562**	485	545
Borrowings	**302**	302	300
Current tax liabilities	**152**	133	215
Deferred tax liabilities	**101**	277	238
Provisions	**246**	287	240
Other liabilities	**932**	961	1,043
Provisions and other liabilities	**1,431**	1,658	1,736
Total liabilities	**18,343**	17,773	18,947
Total equity, reserves and liabilities	**21,925**	21,062	22,867

These condensed consolidated financial statements have been approved for issue by the Board of Directors on 5 August 2009.

The attached notes are an integral part of these condensed consolidated financial statements.

* Non current and disposal group assets held for sale in 2009 and 2008 relate to property.

CONDENSED CONSOLIDATED STATEMENT OF CASHFLOWS

STATUTORY BASIS

	6 Months 2009 £m	6 Months 2008 £m
Cash generated from continuing operations	**(5)**	48
Tax paid	**(111)**	(50)
Interest received	**313**	320
Interest paid	**(38)**	(42)
Dividends received	**-**	1
Pension asset reallocation funding	**(37)**	(37)
Net cashflows from operating activities	**122**	240
Proceeds from sales or maturities of:		
Investment contracts	**1,790**	2,805
Investment property	**-**	1
Property and equipment	**1**	2
Intangible assets	**-**	2
Investments in subsidiaries (net of cash disposed of)	**-**	(21)
Purchase or settlement of:		
Investment contracts	**(1,895)**	(3,246)
Investment property	**(1)**	(1)
Property and equipment	**(16)**	(31)
Intangible assets	**(41)**	(23)
Investments in subsidiaries (net of cash acquired)	**(57)**	(21)
Investments in associates	**-**	(25)
Net cashflows from investing activities	**(219)**	(558)
Proceeds from issue of share capital	**4**	5
Dividends paid to ordinary shareholders	**(138)**	(83)
Dividends paid to preference shareholders	**(5)**	(5)
Dividends paid to minority interests	**(3)**	(2)
Net movement in long term borrowings	**491**	-
Net movement in other borrowings	**2**	(5)
Net cashflows from financing activities	**351**	(90)
Net increase/(decrease) in cash and cash equivalents and bank overdrafts	**254**	(408)
Cash and cash equivalents and bank overdrafts at beginning of the year	**1,614**	1,538
Effect of exchange rate changes on cash and cash equivalents	**(101)**	24
Cash and cash equivalents and bank overdrafts at end of the period	**1,767**	1,154

A reconciliation of cash and cash equivalents and bank overdrafts at the end of the period to the condensed consolidated statement of financial position is included in note 7.

The attached notes are an integral part of these condensed consolidated financial statements.

EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Changes in significant accounting policies

The annual financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The condensed financial information in this half yearly report has been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' (IAS 34).

During the period, the Group has adopted a revised version of IAS 1 (2007) 'Presentation of Financial Statements'. This is mandatory for accounting periods beginning on or after 1 January 2009. The revised standard changes certain aspects of the presentation of financial statements. The effect of this is to introduce a new primary statement, the "Statement of changes in equity", which was previously a note to the accounts and to rename the primary statements. There have been no other significant changes in accounting policy and methods of computation in the six months to 30 June 2009. A full list of accounting policies applied in these condensed financial statements can be found in the 2008 Annual Report and Accounts (see note 10 below).

The Board have reviewed the Group's ongoing financial commitments for the next twelve months and beyond. The Board's review included consideration of the Group's underwriting plans, strong regulatory capital surplus, diverse insurance risk profile, considerable undrawn financing facilities and highly liquid investment portfolio. As a result of this review, the Directors have satisfied themselves that it is appropriate to prepare these financial statements on a going concern basis.

2. Operating segments

Six months ended 30 June 2009

	UK	International	Emerging Markets	Group Re	**Group**
	£m	£m	£m	£m	**£m**
Net written premiums	**1,339**	**1,764**	**373**	**10**	**3,486**
Underwriting result	**33**	**137**	**13**	**-**	**183**
Investment result	**123**	**126**	**23**	**(2)**	**270**
Insurance result	**156**	**263**	**36**	**(2)**	**453**
Other activities	**1**	**(5)**	**(23)**	**(34)**	**(61)**
Operating result (management basis)	**157**	**258**	**13**	**(36)**	**392**
Amortisation					**(11)**
Reorganisation costs					**(28)**
Less net share of loss after tax of associates					**14**
Results of operating activities (per condensed consolidated income statement)					**367**
Combined operating ratio (%)	**97.4**	**90.0**	**98.1**	**-**	**93.5**
Segment assets (£m)	**8,409**	**10,118**	**2,206**	**1,152**	**21,885**

Six months ended 30 June 2008

	UK	International	Emerging Markets	Group Re	Group
	£m	£m	£m	£m	£m
Net written premiums	1,377	1,628	351	8	3,364
Underwriting result	48	121	10	-	179
Investment result	182	107	21	1	311
Insurance result	230	228	31	1	490
Other activities	1	(2)	(11)	(38)	(50)
Operating result (management basis)	231	226	20	(37)	440
Amortisation					(9)
Less net share of loss after tax of associates					10
Results of operating activities (per condensed consolidated income statement)					441
Combined operating ratio (%)	96.2	89.7	96.2	-	93.0
Segment assets (£m)	8,845	9,547	1,545	1,006	20,943

The Group's results are not subject to any significant impact arising from the seasonality or cyclicality of operations, although there is some seasonality in the regions within which the Group operates.

The information above (including the 2008 comparative data) has been prepared on the same basis as reported in the 2008 Annual Report and Accounts. The segment assets exclude investment in associates and non current and disposal group assets held for sale.

3. Earnings per share

The earnings per share is calculated by reference to the result attributable to the equity shareholders and the weighted average number of shares in issue during the period. On a basic and diluted basis this was 3,325,925,249 and 3,364,700,737 respectively (excluding those held in ESOP trusts). The number of shares in issue at 30 June 2009 was 3,360,546,672 (excluding those held in ESOP trusts).

4. Changes in estimates of amounts reported in prior financial years

During the first half of the year, changes to claims reserve estimates made in prior years as a result of reserve development is included in the prior year profit of £132m (H1 2008: £123m).

The Group pension fund surplus net of tax as at 30 June 2009 is £196m (31 December 2008: £363m). Further information on the pension fund surplus is included on page 16.

5. Business combination and other changes in the structure of the Group

On 15 May 2009, the Group acquired the remaining 50% of the share capital of Intouch Insurance Group BV (Intouch). On 8 April 2009 the Group also acquired 100% of the share capital of Benchmark Underwriting Limited. In addition, a number of smaller acquisitions completed in Canada during the period. The total consideration was £75m and goodwill of £67m arose on acquisition.

	Intouch (50%) £m	Other £m	**Total £m**
Investments	24	-	**24**
Intangible assets (excluding goodwill)	7	2	**9**
Other assets	27	1	**28**
Cash and cash equivalents	8	2	**10**
Insurance contract liabilities	(35)	-	**(35)**
Other liabilities	(25)	(3)	**(28)**
Net assets	6	2	**8**
Cash consideration including acquisition costs	65	10	**75**
Goodwill on acquisitions completed in six months to 30 June 2009	59	8	**67**
Goodwill on associate transferred on acquisition of remaining 50% of Intouch associate	66	-	**66**
Total goodwill additions in six months to 30 June 2009	125	8	**133**

If the acquisitions had occurred on 1 January 2009, Group net written premiums for the period would have increased by £39m and the Group's profit after tax would have decreased by £13m. The total profit after tax of the acquired entities since the acquisition dates included in the Group's profit for the period is £nil.

Goodwill is individually assessed on each acquisition. The goodwill shown above arose from the premium paid for strengthening the Group's market position in targeted business segments and acquiring the skilled workforce to drive future profitability in those segments. Goodwill also represents the future cost saving from expected synergies and economies of scale.

The valuation of Intouch above is provisional as the acquisition completed at the end of the reporting period.

6. Ordinary share and loan issues during the period to 30 June

During the six months to 30 June 2009, 18,767,476 (H1 2008: 6,631,414) ordinary shares were issued on the exercise of employee share options. The Company also issued 21,132,787 (H1 2008: 50,784,107) ordinary shares under the scrip scheme approved by the shareholders at the 2009 Annual General Meeting.

New subordinated guaranteed Sterling bonds were issued on 20 May 2009. The bonds have a nominal value of £500m and bear interest at a fixed rate of 9.375% until 20 May 2039. The Group has the option to repay the bonds on specific dates after 20 May 2019.

7. Cashflow

	6 Months 2009 £m	6 Months 2008 £m
Cash and cash equivalents and bank overdrafts (as reported within the condensed statement of cashflows)	**1,767**	1,154
Add: bank overdrafts	**-**	4
Total cash and cash equivalents	**1,767**	1,158

8. Dividends

	30 June 2009		30 June 2008	
	Per share p	**Total £m**	Per share p	Total £m
Ordinary dividend				
Final paid in respect of prior year	**4.98**	**165**	4.53	147
Interim proposed/paid in respect of current year	**2.92**	**98**	2.73	90
	7.90	**263**	7.26	237
Preference dividend		**5**		5
		268		242

9. Exchange rates

Local currency/£	**6 Months 2009**		6 Months 2008		12 Months 2008	
	Average	**Closing**	Average	Closing	Average	Closing
Canadian Dollar	**1.80**	**1.91**	1.99	2.02	1.96	1.77
Danish Kroner	**8.34**	**8.74**	9.63	9.42	9.39	7.70
Swedish Kroner	**12.15**	**12.76**	12.11	11.97	12.09	11.35
Euro	**1.12**	**1.17**	1.29	1.26	1.26	1.03

10. Results for 2008

The financial information set out for the year ended 31 December 2008 does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985, but has been abridged from the statutory accounts. The statutory Group financial statements of RSA Insurance Group plc for the year ended 31 December 2008 have been delivered to the Registrar of Companies. The independent auditors' report on the Group financial statements for the year ended 31 December 2008 is unqualified, did not draw attention to any matters by way of emphasis and did not include a statement under section 237(2) or (3) of the Companies Act 1985.

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

a) The condensed set of financial statements on pages 24 to 30 has been prepared in accordance with IAS 34 'Interim Financial Reporting',

b) The interim management report on pages 5 to 22 includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year), and

c) The interim management report on pages 5 to 22 includes a fair review of the information required by DTR 4.2.8R (disclosure of related party transactions and changes therein).

Signed on behalf of the Board

Andy Haste
Chief Executive Officer

5 August 2009

George Culmer
Chief Financial Officer

5 August 2009

INDEPENDENT REVIEW REPORT TO RSA INSURANCE GROUP PLC

Introduction

We have been engaged by the Company to review the condensed set of consolidated financial statements in the half yearly financial report for the six months ended 30 June 2009 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity, the condensed consolidated statement of financial position, the condensed consolidated statement of cashflows and related notes 1 to 10. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half yearly financial report has been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting', as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed financial statements in the half yearly financial report for the six months ended 30 June 2009 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Deloitte LLP
Chartered Accountants and Statutory Auditors
5 August 2009
London, UK

SHAREHOLDER INFORMATION

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.

Company website
The Annual Report and Accounts, Interim Management Statements, Half Yearly Report and other useful information about the Company, such as the current share price, is available on our website www.rsagroup.com. Frequently asked questions and answers in respect of shareholding matters are detailed on the Company's website.

Registrar
The Company's share register is maintained by Equiniti.

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 account 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 provider costs may vary.)

Electronic Communications
Following the adoption of electronic communication provisions into the Company's Articles of Association in May 2008, RSA now provides the majority of information to shareholders via the Company's website. Receiving the Company's communications electronically allows the Company to communicate with its shareholders in a more environmentally friendly, cost effective and timely manner. Shareholders are encouraged to elect to receive notification of shareholder communications electronically by signing up for paper-free communications at Shareview (www.shareview.co.uk).

Scrip dividend scheme
The Company operates a Scrip Dividend Scheme whereby ordinary shareholders can receive dividends in the form of shares. The Scheme enables shareholders to increase their holding in the Company without incurring dealing costs or stamp duty. The price of the shares for the 2009 interim dividend is fixed by reference to the average of the Company's middle market closing price for the five consecutive dealing days commencing on the ex dividend date of 12 August 2009. If you wish to participate in the Scheme please contact Equiniti. Mandate forms with respect to the 2009 interim dividend should be returned to Equiniti to arrive no later than 30 October 2009.

FINANCIAL CALENDAR

12 August 2009
Ex dividend date for the ordinary interim dividend for 2009 and the second preference dividend for 2009

14 August 2009
Record date for the ordinary interim dividend for 2009 and the second preference dividend for 2009

20 August 2009
Announcement of the scrip dividend price for the ordinary interim dividend for 2009

1 October 2009
Payment date for the second preference dividend for 2009

30 October 2009
Deadline for the receipt of scrip dividend mandates by Equiniti in relation to ordinary interim dividend 2009

5 November 2009
Announcement of Q3 interim management statement

27 November 2009
Payment of the ordinary interim dividend for 2009

25 February 2010
Announcement of the full year results for 2009, the ordinary final dividend for 2009 and the first preference dividend for 2010