NEWS

RSA Insurance Group plc
Q3 2017 Trading Update

2 November 2017

RSA reports continued progress YTD despite hurricane costs in Q3

Group premium income up 8% YTD (3% at constant exchange)

Other trends broadly in line with those reported at H1, ex weather impacts

Stephen Hester, RSA Group Chief Executive, commented:

"The progress at RSA overall leaves Group profits ahead of the same period in 2016 though by less than we had targeted.

"We are continuing to drive business enhancements across the Group, whilst taking further underwriting action in some portfolios to improve performance for 2018."

Trading update

Market conditions

- Insurance and financial market conditions are largely unchanged with the exception of challenges in wholesale and international commercial markets from US and Caribbean Cat activity. The impact on market pricing trends from these events is as yet unclear.

Premiums

- YTD Group net written premiums of £5,077m at Q3 2017 are up 8%[1] as reported, and up 3%[1] at constant fx rates, versus Q3 2016.
- Volumes accounted for 1% growth in the quarter, with rate increases adding 2%.
- Scandinavian premiums of £1,444m were up 8% as reported and flat at constant fx. Rates were up 2% offsetting volume reductions of 2%. Growth in Sweden and Norway was offset by lower premiums in Denmark.
- Premiums in Canada of £1,194m were up 16% as reported and up 5% at constant fx. Growth comprised 2% from increased volumes, 2% from rate increases, and 1% from lower reinsurance costs. Growth continues to be strong in the personal broker channel, and Johnson, our personal direct business, is now reporting YTD volume growth.
- UK premiums of £2,022m were up 5% as reported and up 4% at constant fx with volume growth of 3% and rating increases adding 1%. Volumes were driven by continued growth in our motor telematics proposition, whilst commercial volumes were flat overall.
- Premiums in Ireland of £232m were flat as reported and down 7% at constant fx; Middle East premiums of £158m were up 17% as reported and up 7% at constant fx.

[1] *Excluding impact of Latin America & Russia disposals in 2016.*

Profitability

- EPS YTD is ahead of 2016 though held back by Q3 underwriting results.
- Underwriting results for Scandinavia, Canada, Ireland and Middle East YTD are ahead of 2016 and our plans overall, continuing H1 trends. UK reported results have been impacted by US/Caribbean hurricane costs as well as continuing adverse household and large loss experience. Overall Group underwriting results are therefore slightly weaker than prior year.
- The Group YTD attritional loss ratio overall is slightly better than prior year (at CFX). YTD attritional loss ratios improved versus prior year in all regions with the exception of the UK. The UK continues to see the impact of the adverse household trends reported in H1. Strong pricing and other actions are expected to improve this position during 2018.
- YTD weather and large loss ratios are 2.4% and 11.3% respectively (versus 1.2% and 11.4% for the first half).
  - Weather losses in Q3 include a provision of £50m against US & Caribbean Cat events (booked in the UK business segment). Claims notifications for these events are still developing, and we expect this provision to increase somewhat. Our reinsurance protection provides good cover for Q4 'event' losses overall. The discrete Q3 weather ratio was 4.7%.
  - The Q3 discrete large loss ratio was 10.9%, slightly better than first half experience. Regional trends were broadly in line with our expectations except in the UK, where they were improved from Q2 levels but still worse than long-term averages. UK large losses YTD are elevated in the marine and international portfolios (these constitute c.25% of UK reported NWP), and certain UK domestic broker schemes. Underwriting actions are underway to improve performance for 2018.
- Prior year releases were in line with first half trends.
- The investment result was consistent with current year guidance as were other items below the operating result.

Balance sheet and capital

- Tangible shareholders' equity[1] at 30 September 2017 was £2,810m (30 June 2017: £2,790m) and tangible net asset value per share was 275p.
- Balance sheet unrealised gains were £431m as at the end of the third quarter, down £56m or 11% since half year. The movement, in line with previous guidance, reflects the impact of market movements and the 'pull to par' of unrealised gains in the quarter.
- The Group's Solvency II coverage ratio was 161%[2] at 30 September 2017 (30 June 2017: 163%).

[1] *Tangible shareholders' equity comprises shareholders' equity of £3,683m less £748m of goodwill and intangibles and £125m of preference shares.*
[2] *The Solvency II capital position at 30 September 2017 is estimated.*

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Conference call for analysts and investors

A conference call for analysts and investors will be held at 08:30am on Thursday 2 November to discuss the Q3 Trading Update. Participants should call +44 (0)800 358 9473 (toll free) or +44 (0)33 3300 0804, using participant pin code 43208030#. A recording of the call will be available via the company website (www.rsagroup.com).

Important disclaimer

This press release and the associated conference call may contain 'forward-looking statements' with respect to certain of the Group's plans and its current goals and expectations relating to its future financial condition, performance, results, strategic initiatives and objectives. Generally, words such as "may", "could", "will", "expect", "intend", "estimate", "anticipate", "aim", "outlook", "believe", "plan", "seek", "continue" or similar expressions identify forward-looking statements. These forward-looking statements are not guarantees of future performance. By their nature, all forward-looking statements are inherently predictive and speculative and involve risk and uncertainty because they relate to future events and circumstances which are beyond the Group'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 relevant industries, as well as the impact of tax and other legislation or regulations in the jurisdictions in which the Group and its affiliates operate. As a result, the Group's actual future financial condition, performance and results may differ materially from the plans, goals and expectations set forth in the Group's forward-looking statements. Forward-looking statements in this press release are current only as of the date on which such statements are made. The Group undertakes no obligation to update any forward-looking statements, save in respect of any requirement under applicable law or regulation. Nothing in this press release shall be construed as a profit forecast.