

4 February 2003

ROYAL & SUNALLIANCE WITH PROFITS BONUS DECLARATION

Royal & SunAlliance today announced details of the bonuses it will be adding to unitised and conventional with profits policies.

Most customers with maturing with profits policies continue to receive real returns which are ahead of inflation. However, in line with many other life offices, it has been necessary to reduce bonus rates for the majority of with profits policies this year due to the extremely difficult market conditions affecting most classes of investments.

Mike Kipling, Chief Actuary, said: "Over the last three years, there has been the most sustained downturn in share markets worldwide for over 50 years. During this time, UK share prices have fallen by 42%, of which 25% was during 2002 alone. As a consequence, the returns on the assets underlying our with profits funds have not been sufficient to sustain bonus rates at current levels. Nevertheless, due to our current investment strategies, investment returns attributable to with profits policies in 2002 only reflected the share price falls to a limited extent."

"To reflect the low returns earned relative to the minimum guaranteed returns underlying most with profits policies, it has been necessary to reduce rates of bonus. Apart from some short term policies, with profits policyholders continue to receive real returns on their maturing policies which are ahead of inflation. Maturities on 25 year R&SA Life & Pensions Ltd endowments show an annual return of 10.4%, equivalent to a real return of 5% a year."

"Minimum guaranteed returns and annual bonuses are only one part of the equation. Terminal bonuses are also added where justified to reflect the total investment return and other profits and losses earned whilst policies have been in force. The profit we have been able to earn over the life of policies maturing now is significantly lower than for policies

maturing twelve months ago. Terminal bonus rates have been reduced in stages over the last twelve months to reflect this and further reductions will be necessary in the future.”

UNITISED WITH PROFITS

- On with profits bonds and other unitised life policies, the annual bonus rate for policies taken out after 1 August 2000 will reduce by 1.5% to 1.5%* on 1 March 2003. For policies issued prior to 1 August 2000 the annual bonus rate will reduce by 1.5% to 1%**.

*(*These policies contain a ten year money back guarantee. **These policies contain the guarantee that no MVR will apply at the tenth anniversary).*

- On pension policies the annual bonus rate for policies taken out after 6 April 2001 will reduce by 1.5% to 2.5%. For policies issued prior to 6 April 2001 the annual bonus rate will reduce by 1.5% to 2%.
- On single premium bonds, the total profit or loss over the life of each policy is reviewed once a month. Our aim is to closely reflect changes in investment markets both up and down. This means that while any downturns in the market are likely to be reflected in increased Market Value Reductions (MVRs), any improvements can also be quickly passed on in the form of lower MVRs.
- During the course of last year, the average MVR fluctuated, with an average of 9% in January 2002 and 14% in December 2002.
- The fund value of a £10,000 investment made into a unitised with profits pension at launch on 1.1.1995 would have risen to £16,820* on 1.1.2003, an annualised return of 6.7% (compared to £17,842 on 1.1.2002).
*(*Calculated on an offer to bid basis, including terminal bonus but excluding any explicit product charges).*
- The surrender value of a £10,000 with profits bond taken out five years ago would have been £10,961* on 1.1.2003 (compared to £13,865 on 1.1.2002). This represents growth of 9.6% over five years, compared to a 23% fall in the FTSE 100 over the same period and inflation of 2% p.a. Investing in the average balanced managed fund over the same period would have returned £9,320** (a return of -6.8%). *(*Net to the basic rate taxpayer. Includes a MVR of 13% **Source: S&P average life balanced managed fund, up to 1.1.2003).*

CONVENTIONAL WITH PROFITS

- Annual bonus rates differ by issuing company and are detailed separately (Table 1).
- Terminal bonus rates have been reduced at four-monthly intervals during 2002 to reflect the falling value of the underlying assets. The impact on 25 year endowment payouts are detailed separately (Table 2).

- Although we have provided the figures, it by no means tells the whole story simply to compare payouts today with those on a similar policy twelve months ago. We have therefore also provided the history over the last five years of the 'asset share' of 25 year endowment policies to illustrate the effect of regular investment and our conservative investment policies. For comparison, we show the progression of a similar investment in our unit-linked equity fund over the same period (see Example in Notes to Editors).
- The much smoother progression of the with profits policy value can clearly be seen.

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For further press information, please contact the Royal & SunAlliance UK media relations team:

Jay Aitken Tel. 0151 239 3151
 Janine Goodison Tel. 0151 239 4012
 Andrew Bayley Tel. 0151 224 4593

Customer Helpline: Tel. 0845 6060251

NOTES TO EDITORS

- Royal & SunAlliance announced in December 2001 that its unitised with profits products would no longer be available to new customers.
- In August 2002 Royal & SunAlliance announced the completion of its UK Life review and decision to close its UK Life company to new business.

TABLE 1: CONVENTIONAL WITH PROFITS ANNUAL BONUS RATES		
Issuing Company	Annual bonus on Sum assured/attaching bonuses	
	2003 (%)	2002 (%)
Royal & SunAlliance Life & Pensions*		
Life	0.50%/0.50%	0.75%/2.0%
Pensions	0.40%/0.40%	0.50%/0.75%
Sun Alliance & London Assurance Co.	2003 (%)	2002 (%)
Life	0.25%/0.25%	0.50%/1.50%
Pensions**	0.10%/0.10%	0.25%/0.25%
Deferred Annuities	0.25%/0.25%	0.50%/0.75%

* Includes former Royal Life Insurance Limited policies.

** On many pension policies the basic amount guaranteed at the outset significantly exceeds the premiums payable, providing a guaranteed return before any bonuses are added. Annual bonuses declared are therefore in addition to the substantial return already guaranteed. As a simple example, if you have a ten year pension policy with a guaranteed sum at retirement of £10,000 and you had paid £6,000 at the outset, this would represent a guaranteed return of over 5% each year. Annual bonus is payable from our profits after we have provided that guaranteed return. Your total return is the total of the two; together with any terminal bonus which may be paid.

TABLE 2: PAYOUTS

Conventional with profits endowment maturity payouts: 25 year, £50 per month, male aged 30 next birthday at commencement		
Royal & SunAlliance Life & Pensions		
Maturity value on:	Payout (£)	Yield per annum
1 February 02	82,685	11.8%
1 May 02	78,705	11.5%
1 September 02	70,746	10.8%
1 February 03	66,262	10.4%
Sun Alliance and London Assurance Company		
Maturity value on:	Payout (£)	Yield per annum
1 February 02	70,714	10.8%
1 May 02	66,950	10.5%
1 September 02	59,188	9.7%
1 February 03	55,165	9.2%

EXAMPLE – conventional with profits endowment policy

These examples show how a 25 year with profits endowment policy, maturing on 1 February 2003, has performed in the five years prior to its maturity. Compared to an equity-linked policy, the smoother progression of the with profits policy value can clearly be seen.

Please note, a policy maturing on a different date will show a different performance history, reflecting the returns achieved during the period the policy was held.

Royal & Sun Alliance Life & Pensions	1.2.1998	1.2.1999	1.2.2000	1.2.2001	1.2.2002	1.2.2003
Asset share of 25 year endowment	£54,364	£62,862	£73,367	£72,887	£67,329	£66,262
% change	-	+16%	+17%	-1%	-8%	-2%
Value of equity linked policy*	£54,364	£56,293	£67,704	£66,867	£60,388	£47,897
% change	-	+4%	+20%	-1%	-10%	-21%

Sun Alliance & London Assurance Company	1.2.1998	1.2.1999	1.2.2000	1.2.2001	1.2.2002	1.2.2003
Asset share of 25 year endowment	£43,663	£50,278	£57,279	£58,217	£55,240	£55,165
% change	-	+15%	+14%	+2%	-5%	0%
Value of equity linked policy*	£43,663	£46,953	£54,908	£53,362	£48,848	£38,031
% change	-	+8%	+17%	-3%	-8%	-22%

* Unit-linked policy assumed to have same value as the endowment asset share on 1.2.1998 and to receive same monthly premium of £50 thereafter (and be subject to standard Royal & SunAlliance charges on such policies).

Important Notes

Full written terms and conditions of our with profits products are available on request.

Past performance cannot be taken as a guide to what may happen in the future.

The value of investments taken out in the past may reflect previous high interest rates and capital appreciation, which may not be sustained in the future. Past performance should therefore be treated with caution and should not be the only basis for investment decisions.

Royal & Sun Alliance follows an active terminal bonus philosophy on its unitised With Profits policies. When stock market performance is good this can lead to strong performance in comparison to some other companies' policies. However, in declining markets, a market value reduction, which would reduce the value of the investment, is more likely to be applied.

The amount and addition of bonuses is not guaranteed, may vary and is subject to deductions.

Members of the Royal & Sun Alliance Life & Pensions Marketing Group are regulated by the Financial Services Authority for life assurance and pensions business.

The Royal & Sun Alliance Life & Pensions Marketing Group is composed of:

Royal & Sun Alliance Life & Pensions Limited 1565099

Royal & Sun Alliance Linked Insurances Limited 1016269

Sun Alliance and London Assurance Company Limited 894616

Phoenix Assurance Plc 71805

Other associated companies in the Royal & Sun Alliance Insurance Group

Plc group of companies:

Royal Life Holdings Limited 2656289

Royal & Sun Alliance Life Holdings Limited 864196

Royal & Sun Alliance Pensions Trustee Services Limited 1967589

Royal & Sun Alliance Life Insurance Services Limited 2680269

All companies are registered in England and have their registered offices at New Hall Place, Old Hall Street, Liverpool, L3 9UE. Telephone: 0151 239 3000.