

A large, dark grey, 3D-rendered arch of a cable-stayed bridge dominates the background. The arch is supported by several thick cables that fan out from the top of the arch to the right side of the frame. The arch is positioned on the left side of the image, curving towards the right.

2008 Full Year Results Presentation

26 February 2009

AGENDA

Introduction

John Napier, Chairman

Business review

Andy Haste, CEO

Financials

George Culmer, CFO

UK update

Adrian Brown, UK CEO

Outlook

Andy Haste, CEO

Question & Answers

INTRODUCTION

- **Continued strong financial performance**
- **Benefiting from strong operational and financial management**
- **Full year dividend increased by 10% to 7.71p (2007: 7.01p)**

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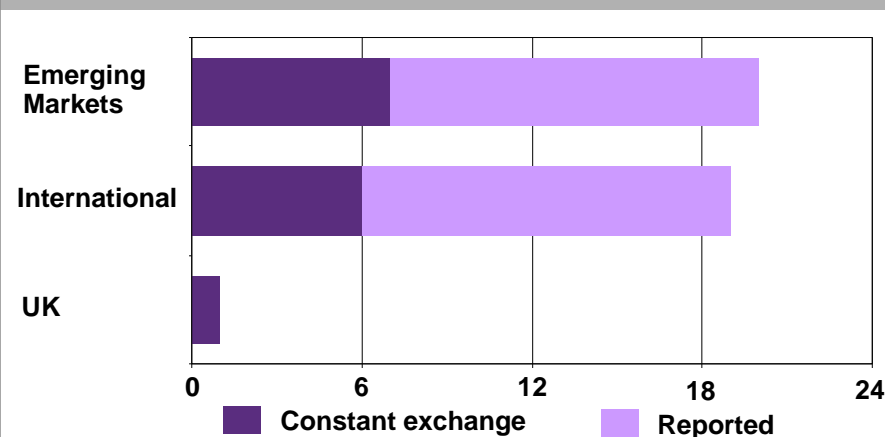
A STRONG AND HIGH PERFORMING BUSINESS

- **Strong performance in challenging conditions**
- **Good growth in shareholders funds**
- **Strong capital position**
- **Continuing to take the right action on rate and expenses**
- **Positioned to take advantage of market opportunities**

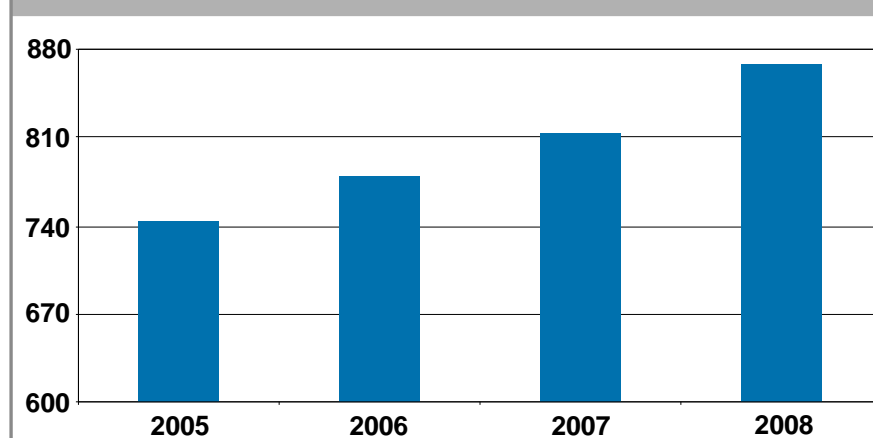
STRONG PERFORMANCE IN CHALLENGING CONDITIONS

(£m)	2008	2007	Mvt.
NWP	6,462	5,837	+11%
Underwriting result	384	278	+38%
COR	94.5%	94.9%	+0.4pts
Investment result	594	629	(6)%
Operating result	867	814	+7%
Profit before tax	759	670	+13%
Profit after tax	586	628	(7)%
Underlying ROE	18.5%	21.3%	(2.8)pts
NAV per share	112p	91p	+23%
NAV per share ex. IAS 19	101p	88p	+15%

Growth in Net Written Premiums (%)

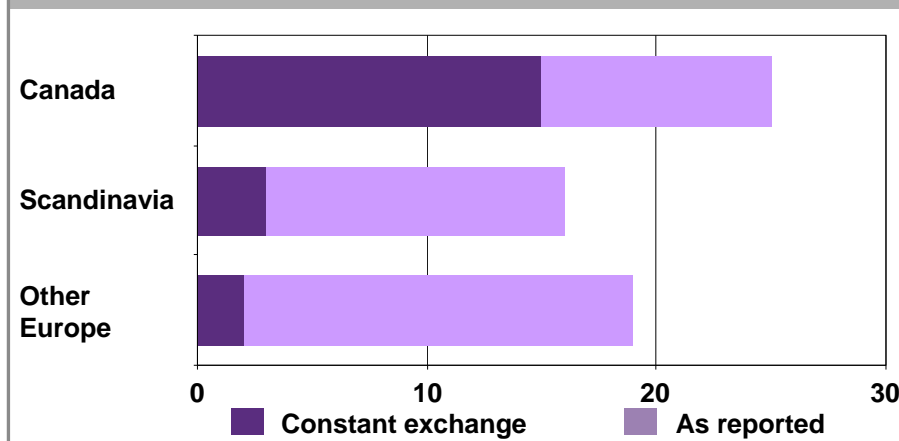


Operating Result (£m)

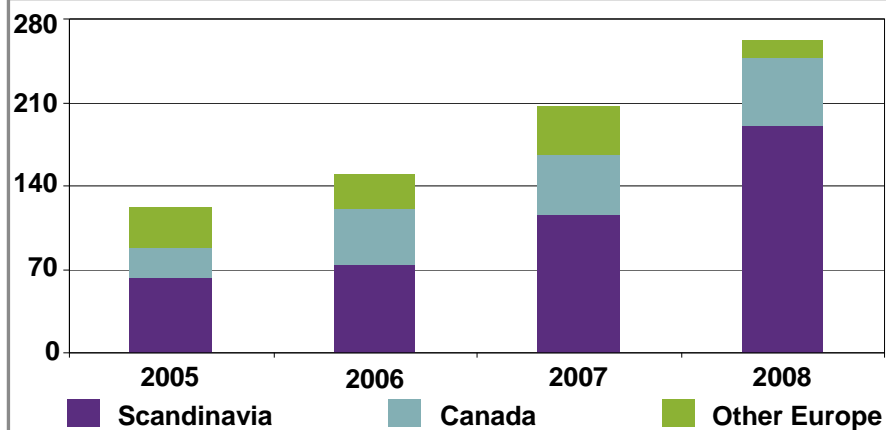


INTERNATIONAL: CONTINUING TO DRIVE THE GROUP FORWARD

Growth in Net Written Premiums (%)



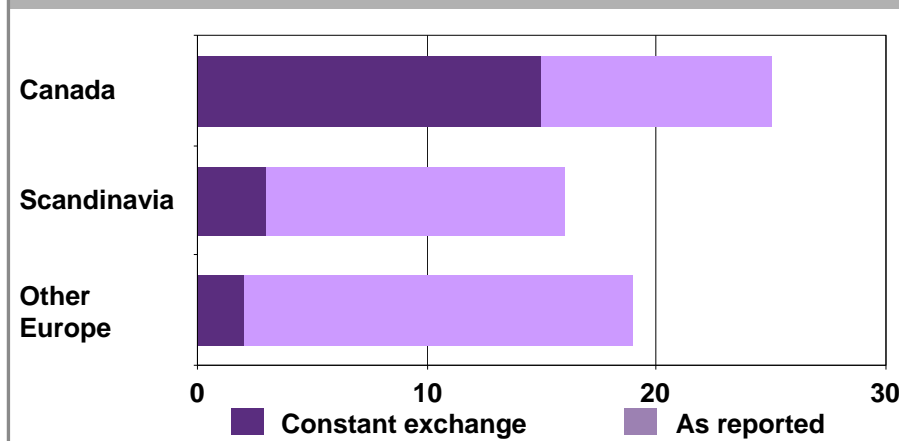
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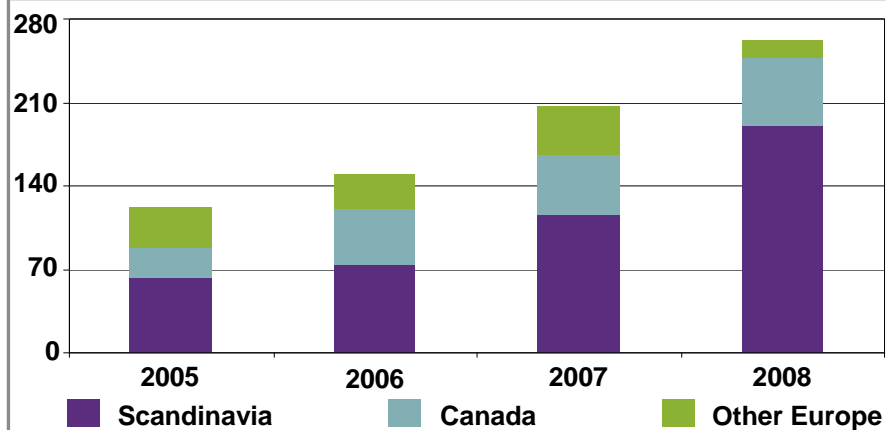
- **Scandinavia**
 - NWP up 3% to £1.6bn; COR of 88.3%
 - Good growth in Commercial
 - Underwriting result up by 64% to £190m
- **Canada**
 - NWP up 15% to £0.9bn; COR of 92.9%
 - Strong organic growth and CNS acquisition
 - Market hardening in Personal, remains competitive in Commercial
- **Other Europe**
 - NWP up 2% to £0.5bn; COR of 97.1%
 - Growing ahead of the market in Italy
 - Continuing to take action on rate in Ireland
 - Domestication of Irish branch

INTERNATIONAL: CONTINUING TO DRIVE THE GROUP FORWARD

Growth in Net Written Premiums (%)



Underwriting Result (£m)



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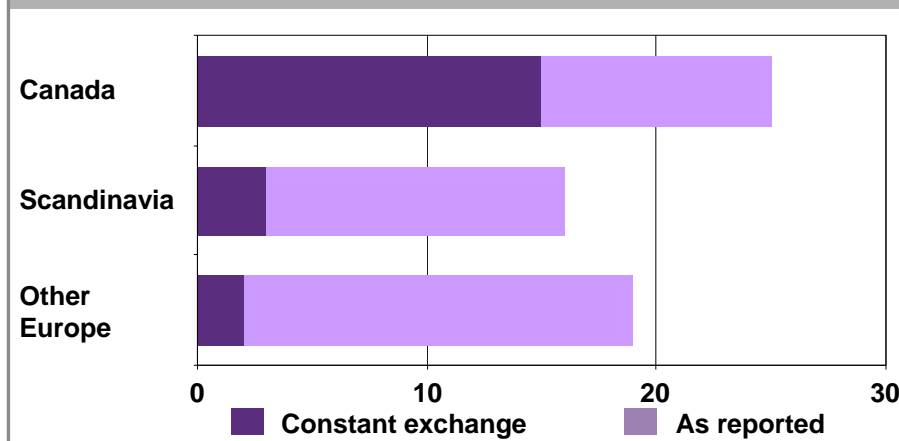
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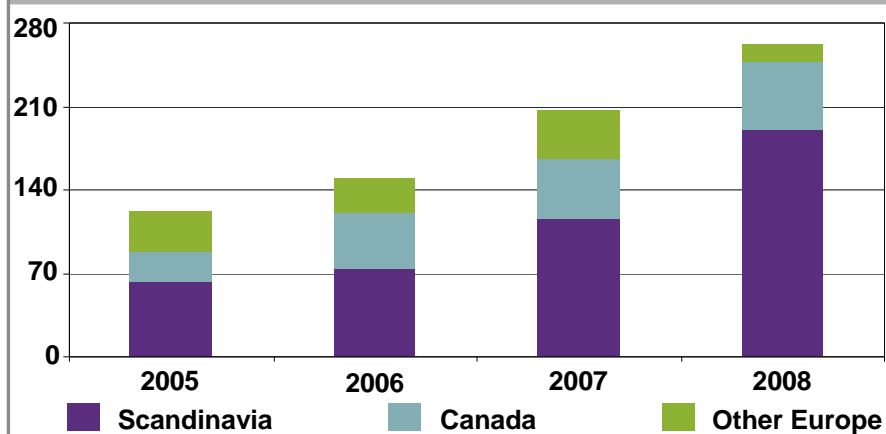
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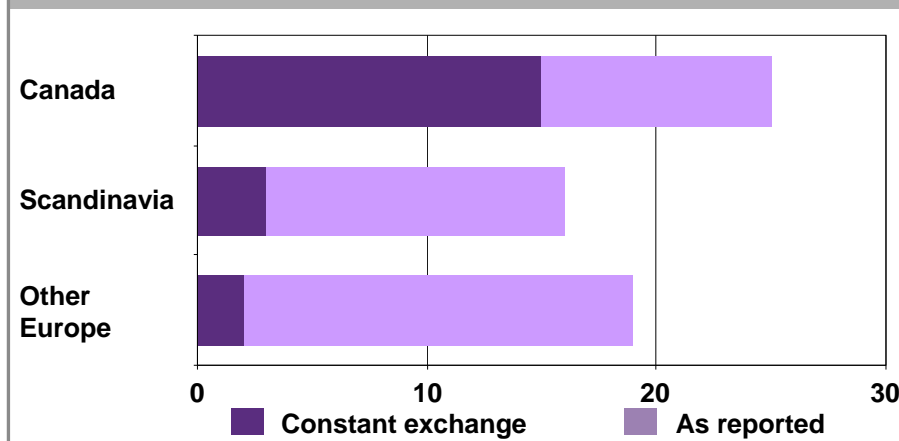
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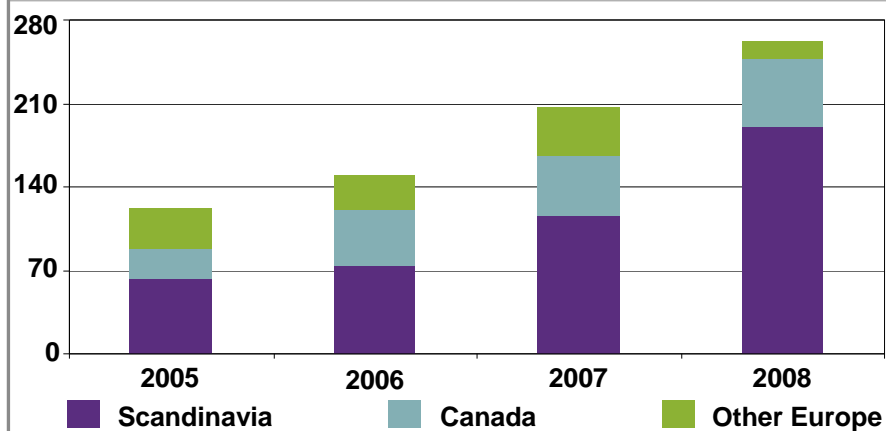
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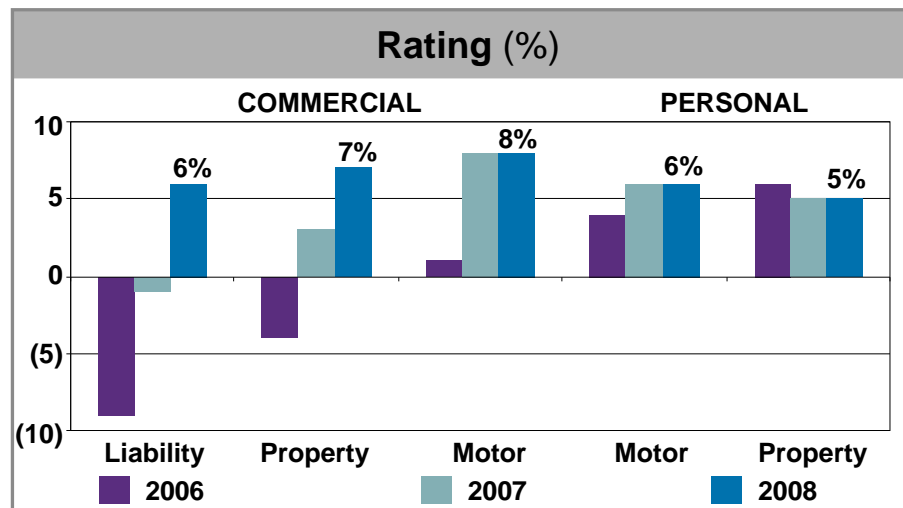
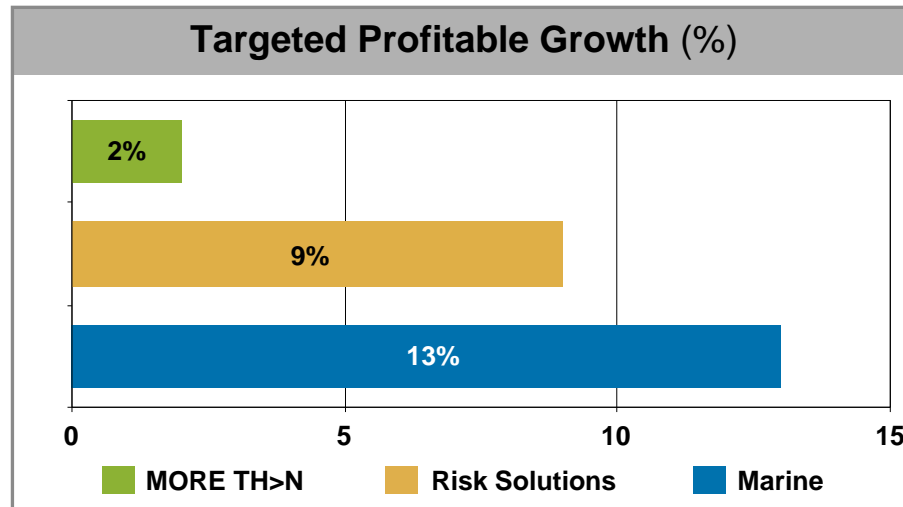


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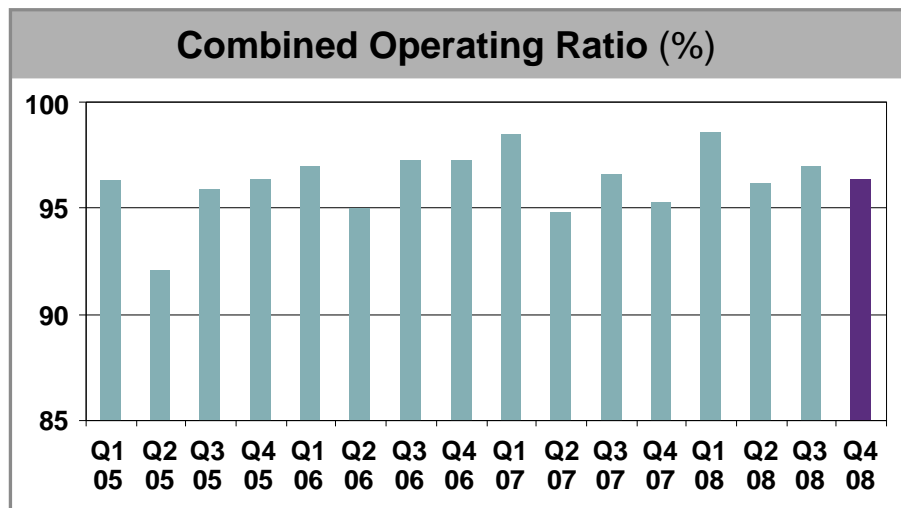
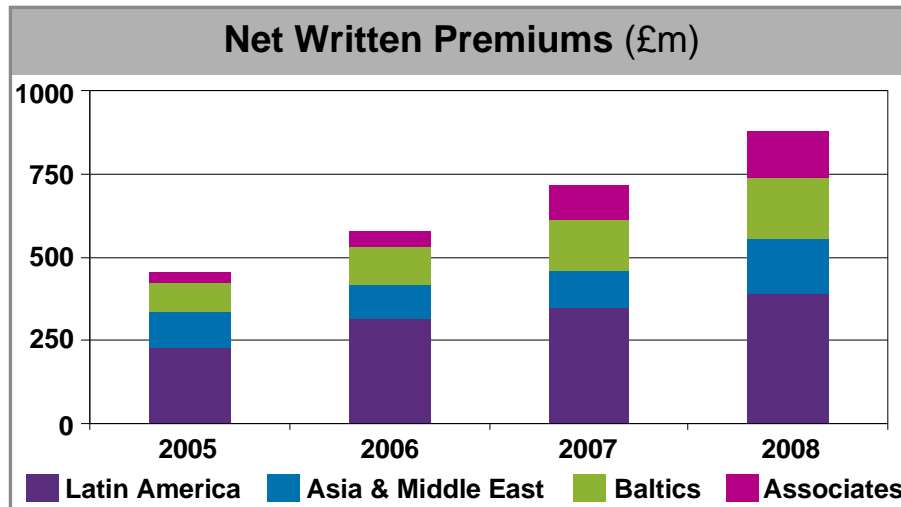
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UK: TAKING THE RIGHT ACTION



- **NWP up 1% to £2.7bn**
 - **Maintaining discipline and targeting profitable growth**
- **COR of 97.6%**
 - **Improved weather offset by increased large losses**
- **Continuing to take the right action on rate**
- **New expense targets**
 - **£70m of annual savings by mid 2010**
 - **Headcount reduction of 1,200**
 - **Expense ratio of around 14% by end 2012**

EMERGING MARKETS: MAINTAINING FOCUS, REALISING THE POTENTIAL



- NWP up 7% to £738m; 12% ex Venezuela
- Underwriting result £23m; COR 96.4%
- Taking action to mitigate impact of downturn
- Baltics NWP up 4%; Asia & Middle East up 30%; Latin America up 10%
- Associates NWP up 25% to £140m
- Affinity strategy delivering: 47 new deals
- On track to deliver NWP of £1bn by end of 2010

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Profit before tax	759	670	+13%
Profit after tax	586	628	(7)%
Underlying return on equity	18.5%	21.3%	(3)pts
(p)			
Net asset value per share	112p	91p	+23%
Net asset value per share excluding IAS 19	101p	88p	+15%

OPERATING RESULT

(£m)	2008	2007	Mvt.
Underwriting result	384	278	+38%
Investment income	654	591	+11%
Total gains	32	119	(73)%
Discount unwind	(92)	(81)	(14)%
Investment result	594	629	(6)%
Other activities	(111)	(93)	(19)%
Operating result	867	814	+7%

- Underwriting result comprises current year profit of £93m and prior year of £291m

- Reserves remain significantly to the right side of best estimate

- Increased investment income reflects action taken to lock in higher bond yields and FX

- Total gains of £32m comprise gains on equity hedges and sales, offset by unrealised losses and impairments

- Increase in discount unwind reflects FX

- Other activities includes investment in associates

INCOME STATEMENT

(£m)	2008	2007	Mvt.
Operating result	867	814	+7%
Interest and other	(126)	(122)	(3)%
Profit/(loss) on disposal	18	(22)	+182%
Profit before tax	759	670	+13%
Tax	(173)	(29)	(497)%
Profit after tax from continuing operations	586	641	(9)%
Discontinued US	-	(13)	-
Profit after tax	586	628	(7)%

- Increase in interest costs reflects repo activity and FX impact on Euro bonds
- Profit on disposal relates to recycling of FX on liquidation of French subsidiary
- Tax charge of £173m
 - Represents effective tax rate of 23%
 - 2007 includes one off release of £103m of deferred tax provisions on Scandinavian security funds
- Profit after tax £586m

CASHFLOW

(£m)	2008	2007	Mvt.
Operating cashflow	780	652	+20%
Income tax paid	(101)	(127)	+20%
Interest paid	(107)	(92)	(16)%
Dividends paid	(189)	(142)	(33)%
Net cashflow	383	291	+32%
Pension funding	(37)	(86)	+57%
Net financing activity	17	527	(97)%
Corporate activity	(101)	(888)	(89)%
Cash movement	262	(156)	+268%

- Cashflow up 20% to £780m on strong operating flows and sale of Group occupied properties

- Decrease in tax paid of £26m due to timing of statutory tax instalments

- Increase in interest paid of £15m reflects repo activity and FX impact on Euro bonds

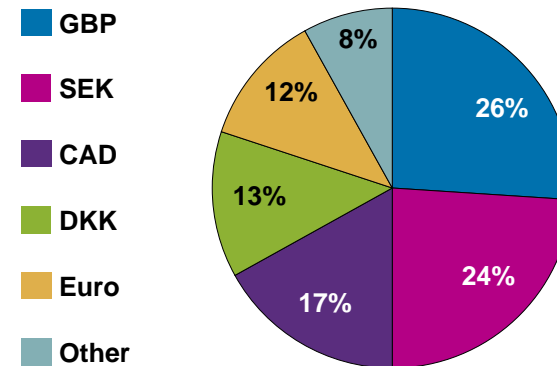
- Increase in dividend payment of £47m reflects dividend increase and lower take up of scrip

- Net financing and corporate activity in 2007 relates to purchase of Codan minority

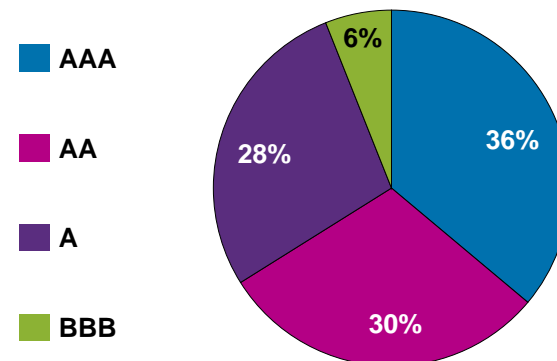
INVESTMENT PORTFOLIO

- High quality, low risk investment portfolio
- Impact of falling yields mitigated by actions taken on the portfolio and geographic spread
- Actions taken to enhance yield
 - Extended duration to lock in yield for longer term
 - Selective purchases of net £600m of high quality corporate bonds
 - Average credit rating of purchases AA-
 - Broad diversification by name and sector
- Geographic diversification - FX benefit
- 2009 investment income expected to be in line with 2007

Bond Portfolio – Currency Exposure (%)



Corporate Bond Purchases - Credit Quality



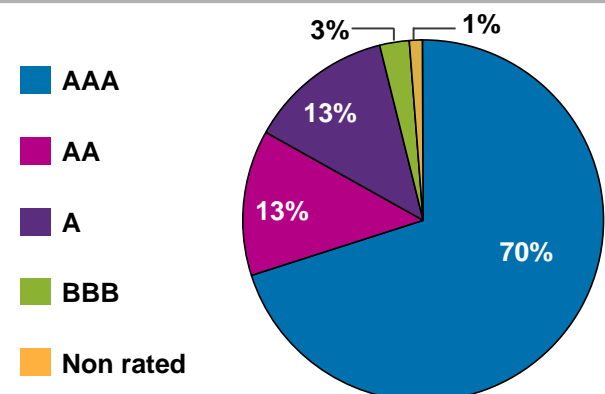
INVESTMENT PORTFOLIO

- Portfolio increased by £1.4bn to £14.7bn in 12 months to 31 December 2008
 - FX benefit of £1.6bn
 - Mark to market adjustments of £(233)m include bonds £304m and equities £(363)m
- High quality fixed income portfolio
 - 52% government, 48% non government
 - 83% rated AA or above
 - Duration 2.7 years; 2.0 years in the UK
- Equities only 5% of the portfolio
 - Around 75% of equity exposure remains hedged

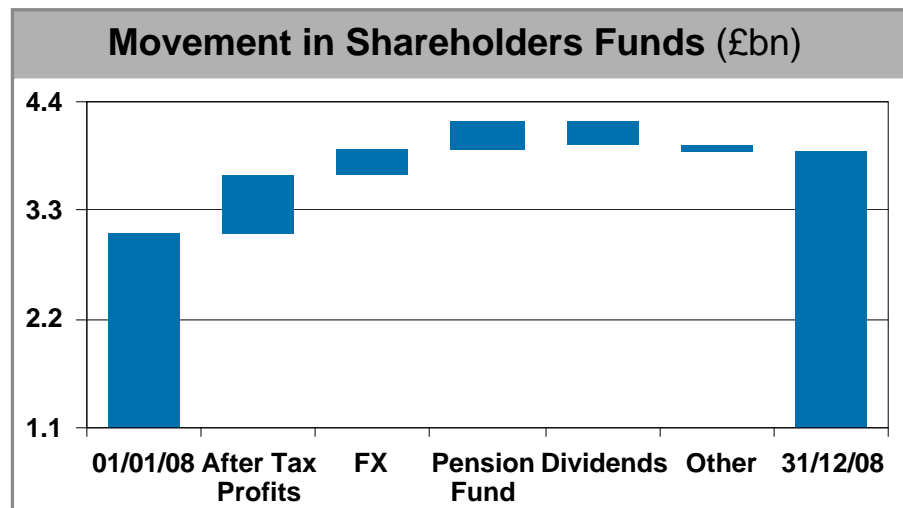
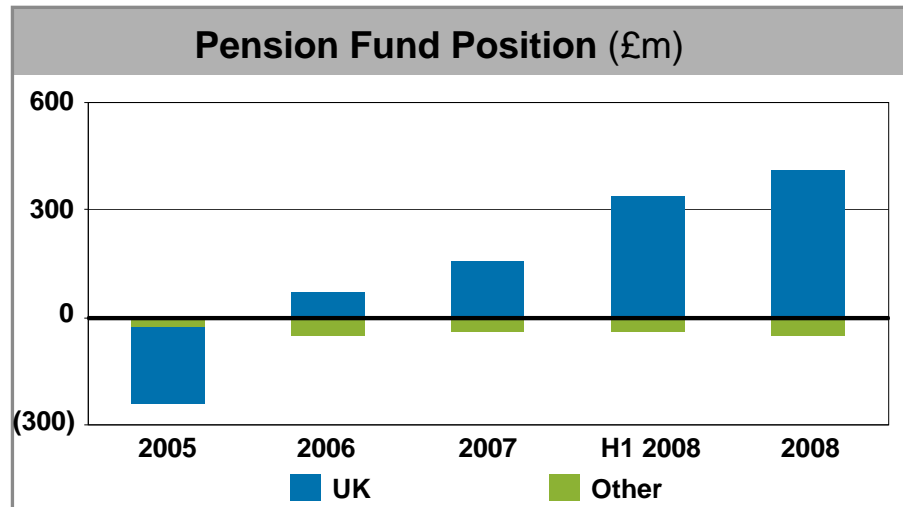
Movement in Investment Portfolio (£m)

	31/12/07	FX	MtM	Other	31/12/08
Government	5,333	743	261	(326)	6,011
Non government	4,248	604	43	736	5,631
Cash	1,509	167	-	(62)	1,614
Equities	1,132	32	(363)	(21)	780
Property	429	27	(98)	7	365
Prefs & CIVs	355	21	(78)	(138)	160
Other	272	17	2	(125)	166
TOTAL	13,278	1,611	(233)	71	14,727

Bond Portfolio - Credit Quality (%)



PENSION & CAPITAL POSITION



- Pension fund surplus increased by £247m to £363m, reflects
 - Increase in discount rate from 5.6% to 6.2%
 - Change in inflation assumption from 3.2% to 2.8%
- Shareholders funds up 25% to £3.8bn
 - Increase primarily reflects after tax profits, FX and pension fund gains
- IGD coverage increased by 13% to £1.7bn; 2.5x requirement
- Economic surplus £1.8bn
- Upgraded by Moody's to A2 stable outlook

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AGENDA

- **Market update**
- **RSA position & performance**
- **Taking the right action**
- **Summary**

MARKET UPDATE

Commercial

Distribution

- **Significant impact of consolidators and networks – growth slowing**
- **Global and regional brokers remain critical**
- **Financial turmoil: security and quality becoming increasingly important**

Rate

- **Discipline returning: some signs of positive rating action**
- **Insurers pushing back on commission**

Personal

Distribution

- **Direct, Affinity and Broker distribution**
- **Aggressive marketing driving Aggregator growth**
- **Competitors adopt different approaches to Aggregators**
- **Potential for additional Affinity deals to come to market**

Rate

- **Competitive market**
- **Positive rate on broker panels**

MARKET UPDATE

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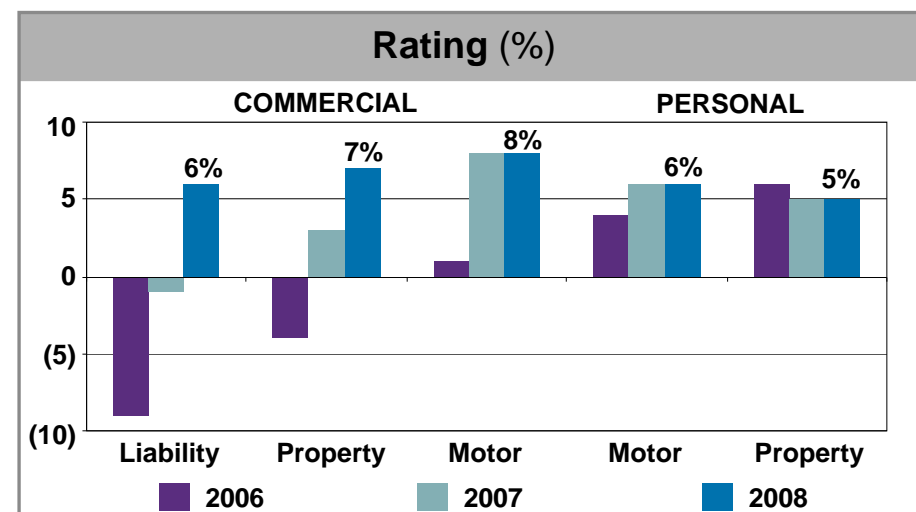
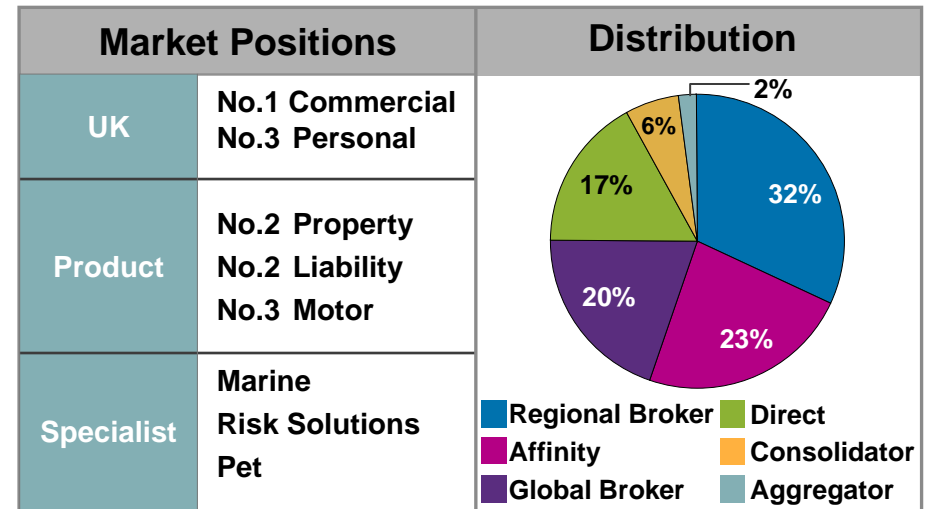
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RSA POSITION & PERFORMANCE

- CORs in the 90s over past 5 years
- Strong market position
- Balanced distribution strategy
- Technical mastery in underwriting and claims
- Strong action on rate
- Delivery of expense savings



TAKING THE RIGHT ACTION

Commercial

- Re-organised to focus on market segments:
 - Global & Specialist risks
 - Mid market
 - Volume & SME
- Growing distribution through global and strategic brokers

Personal

- Excellence in selling
- Easy to do business with
- Fresh propositions
- Effective direct marketing

Operational Excellence

- Technical mastery in pricing, underwriting and claims
- Expense savings
- Investing in capability

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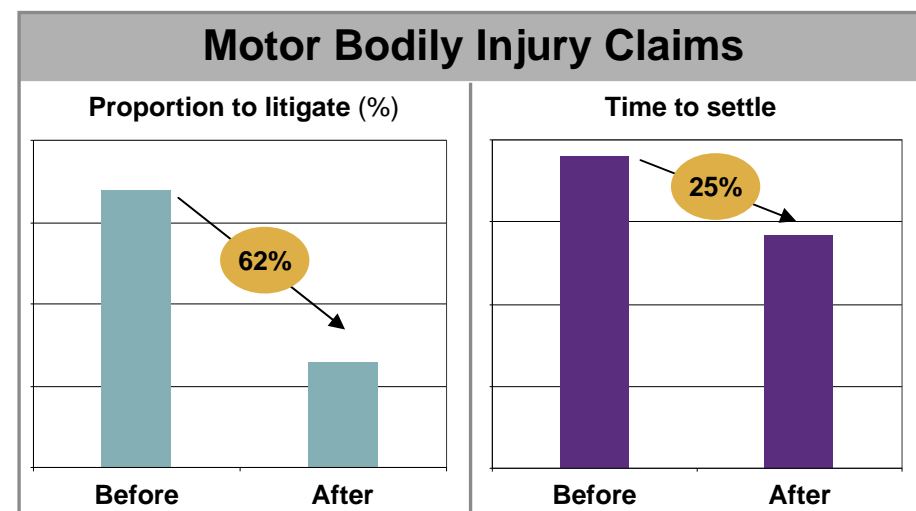
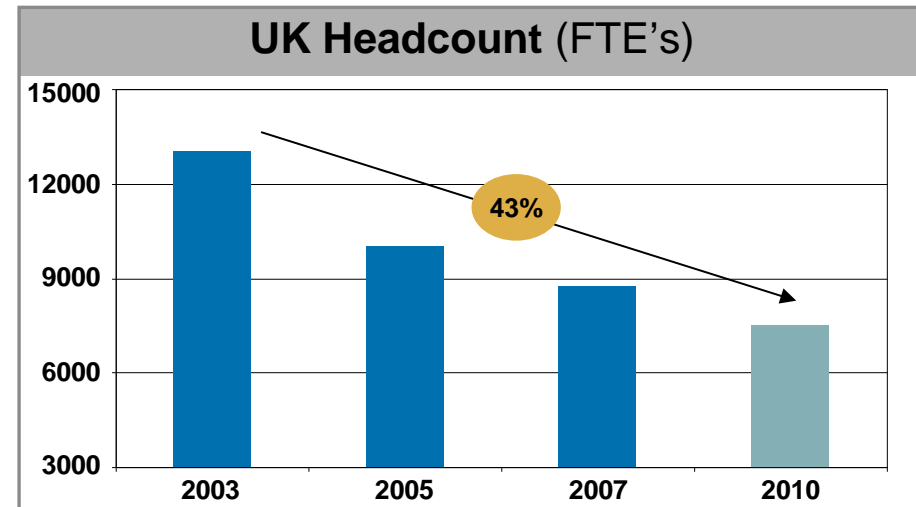
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FOCUS ON OPERATIONAL EXCELLENCE

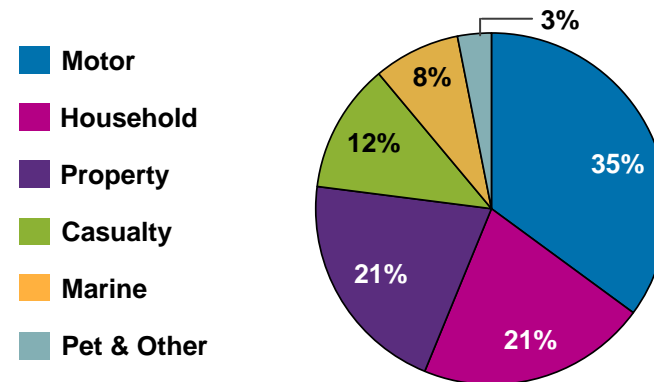
- Expense savings
 - £70m of annual savings by mid 2010
 - £80m restructuring costs
 - 1,200 headcount reduction
 - 15% manager reduction achieved
- Expense ratio around 14% by end 2012
- Investing in capability
 - Proposition development
 - Web
 - Claims
 - Pricing



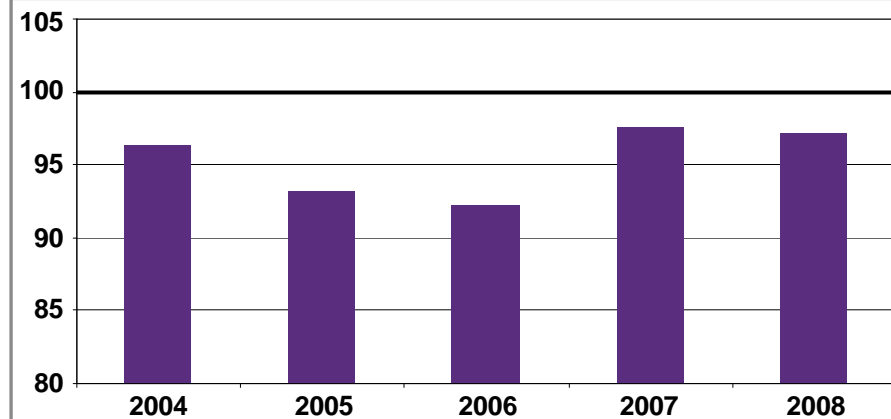
SUMMARY

- Strong business
- Scale and expertise in key products and markets
- Investing in capability
- £70m expense savings
- Sustainable profitable performance

Strong and Diversified Business (NWP)



Sustainable Profitable Performance (COR%)



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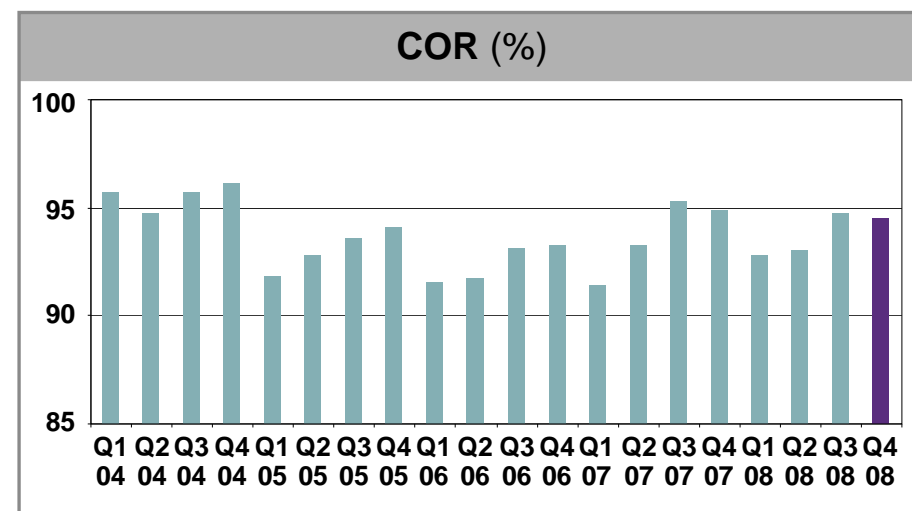
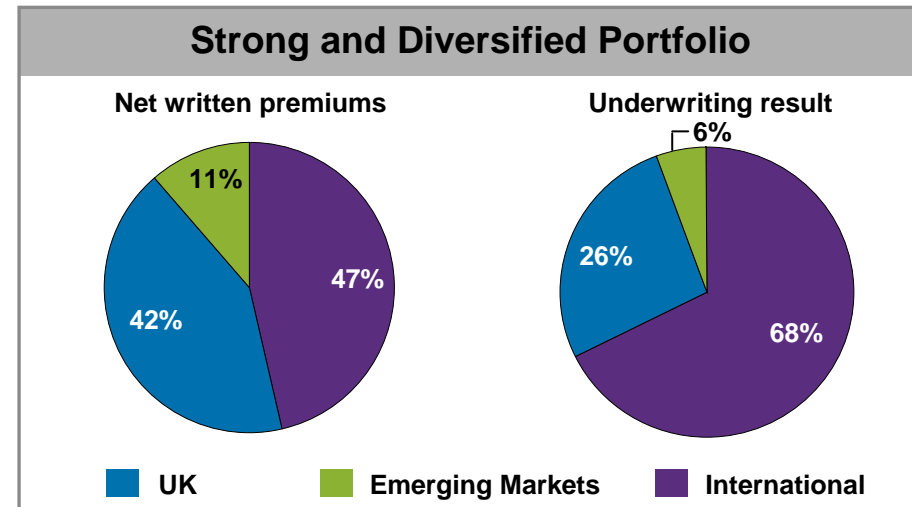
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DRIVING THE GROUP FORWARD

- Will continue to deliver sustainable profitable performance
 - Taking action to mitigate against economic downturn and falling yields
 - Taking right action on rate and expenses
 - Seeing positive signs on rate
- Positioned to take advantage of market opportunities
- Confident outlook
 - 2009 COR guidance: around 95%
 - 10% increase in dividend from 7.01p to 7.71p



This presentation 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 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 presentation should be construed as a profit forecast.

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**2008 Full Year
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