

Interim Report 2007



We operate in 28 countries and provide insurance products and services in over 130 countries.

Our portfolio of businesses is diverse and provides exposure to markets at different stages of development and at different points in the insurance cycle.

We are committed to delivering sustainable returns, targeted profitable growth and continuous operational excellence.

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Highlights

Strong half year in challenging conditions

- Net written premiums of £3.0bn up 8% at constant exchange rates
- Combined operating ratio (COR) of 93.3%
- Operating result of £403m
- Profit after tax of £237m
- Interim dividend up 42% to 2.48p

Delivery against strategic objectives

- Achieved annualised expense savings target of £130m ahead of schedule
- Announced today a further £70m of expense savings bringing the total to £200m by mid 2008
- Successful buyout of the Codan minorities and Codan delisted on 31 July 2007
- Signed Eastern European joint venture
- Awarded China licence
- US disposal completed in March

Positive full year outlook

- UK flood losses of £55m in June and £65m in July
- Profitability to remain strong due to continued benefits of management actions and diversified portfolio
- After impact of the floods, expect to deliver a revised COR of around 96% for the full year

“In challenging market conditions, we’ve had a good first half – we’re driving profitable growth in each of our regions and we’ve achieved a strong bottom line result. The results have been delivered against the backdrop of the UK floods in June, as well as adverse weather and increased large losses across the Group, and clearly demonstrate the benefit of management actions and the strong and diversified portfolio.

The outlook for the Group remains positive. After allowing for the impact of the UK floods in June and July of £120m, as it stands today, we expect to deliver a combined operating ratio for the full year of around 96%. With our strong portfolio and the actions we are taking, we are confident that in 2008 and beyond, we will continue to deliver the profitable performance that we have seen over the last few years. This is reflected in the 42% increase in the interim dividend to 2.48p (H1 2006: 1.75p).”

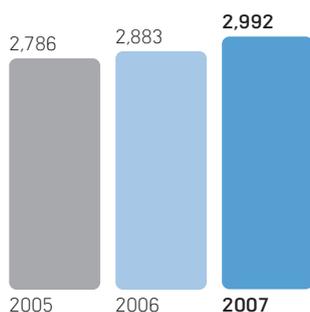
Andy Haste, Group CEO of Royal & Sun Alliance Insurance Group plc

Financial highlights -

Six months to 30 June

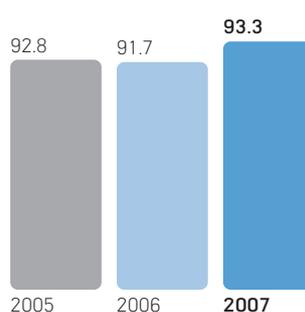
Net written premiums

£2,992m



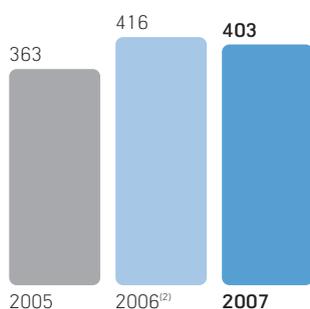
Combined operating ratio

93.3%



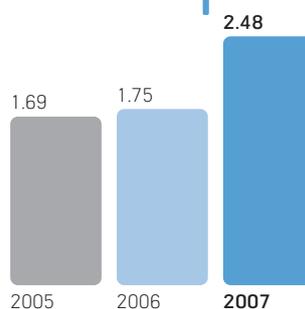
Operating result

£403m



Dividend

2.48p



	6 Months 2007	6 Months 2006 (restated) ⁽²⁾	Movement*
Total Group			
Net written premiums	£2,992m	£2,833m	+6%
Underwriting result	£144m	£171m	-16%
Combined operating ratio	93.3%	91.7%	-1.6pts
Operating result ⁽¹⁾	£403m	£416m	-3%
Profit after tax ⁽¹⁾	£237m	£238m	-
	30 June 2007	31 December 2006	
Balance sheet			
Shareholders' funds	£2,704m	£2,561m	+6%
Net asset value per share	81p	82p	-1%
Interim dividend per ordinary share	2.48p	1.75p	+42%**

* Reported exchange rate

** Represents an increase of 5% plus the commitment to rebase the dividend by 35%, as announced in March 2007

(1) For a reconciliation of operating result to profit after tax see page 10.

(2) Restated to exclude the US result as the US operation is disclosed as a discontinued operation.

Group CEO's review

The Group continues to deliver strong results in challenging market conditions. Net written premiums are up 8% on a constant exchange basis to £3.0bn (H1 2006: £2.8bn), reflecting above market growth in International, double digit growth in Emerging Markets, and targeted growth in the UK. The underwriting result of £144m (H1 2006: £171m) reflects the benefit of management actions, including our prudent reinsurance programme, positive action on rating, and the strong and diversified portfolio. This result was achieved despite the UK flood event in June, as well as adverse weather and large loss experience across the Group. As expected, International contributed the largest share of the Group's underwriting result, with continued strong profitable performance from the UK and Emerging Markets. The combined operating ratio (COR) is 93.3% (H1 2006: 91.7%).

The investment result of £302m is 3% higher than 2006, while costs for other activities are down 10% to £43m. The operating result is £403m, profit before tax is down 2% at £338m and profit after tax of £237m is in line with 2006. The effective tax rate is 26%, which is consistent with the rate in 2006. The underlying ROE remains strong at 18.1% for the first half.

Business overview

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

We have continued to drive profitable growth across the Group. In International, we are delivering above market growth with net written premiums up 7% to £1.3bn, driven by both strong organic growth and the impact of recent acquisitions. In Scandinavia, premiums are up by 7% underpinned by a strong personal lines performance, where we are seeing the benefits of our strategy to expand distribution into channels such as bancassurance and car dealerships. In Canada, premiums are up by 6%, with good performances from both Commercial and Personal Intermediated, and another excellent result from Johnson where we have increased premiums by 13%. In Italy, we have delivered double digit growth, while in Ireland we are seeing the benefits of our acquisition of EGI in the second half of last year. In May, we launched an offer for the 24.3% of Codan owned by minority shareholders. We now hold 99.5% and Codan was delisted from the Copenhagen Stock Exchange on 31 July. The acquisition of the outstanding shares will complete in January 2008.

The UK remains our most competitive market and we continue to take a disciplined approach to risk selection and rating, while targeting opportunities for profitable growth. Net written premiums are up 7% to £1.4bn, due primarily to the strong performance of new Affinity partnerships. We have also achieved good growth in specialist Commercial lines and an 8%

	Net written premiums			Combined operating ratio		
	6 Months 2007	6 Months 2006	Movement at constant exchange %	6 Months 2007	6 Months 2006	Movement
	£m	£m	%	%	%	Points
International	1,324	1,281	7	89.5	90.7	1.2
UK	1,365	1,281	7	96.1	91.5	(4.6)
Emerging Markets	294	270	15	94.8	95.0	0.2
Group Re	9	1	-	-	-	-
Total Group	2,992	2,833	8	93.3	91.7	(1.6)

increase in premiums from MORE THAN. UK retention remains strong at over 80%. We have continued to take action on rate, achieving mid single digit increases across Personal lines, while in Commercial lines we have held rate in Property and Liability, while increasing Motor by 4%.

In Emerging Markets, our fastest growing region, we achieved double digit growth increasing net written premiums by 15% to £294m. Within Emerging Markets, we have identified priority countries and the actions required to deliver our growth plans. We are expanding distribution and our presence in Affinity, as well as launching new propositions in broker SME and Construction and Engineering to create a strong platform for future growth. We have strengthened the central and regional teams, including appointing new CEOs in India and China. Through our new joint venture in Eastern Europe, which we signed in May, we are now the number one direct writer in Poland. The joint venture has launched operations in the Czech Republic and plans to start writing direct business in Russia in 2008. In China, we received approval to convert our branch to a wholly owned subsidiary, which over time, will enable us to expand our geographic presence outside Shanghai.

Across the Group, our objective is sustainable profitable performance and each of our regions has delivered a strong underwriting result. In International, we have achieved a 25% increase in the underwriting profit to £95m and improved the combined ratio by over a point to 89.5%. In the UK, despite the June flood losses, we have maintained strong profitability, with a COR of 96.1% and an underwriting profit of £51m. Emerging Markets has delivered an underwriting result of £8m and an improved COR of 94.8%.

Our results continue to be underpinned by our focus on driving operational excellence through technical leadership, disciplined expense management and a strong management team. During the first half, we have added to the strength of the Executive team with three new appointments. On expense management,

today we are announcing that we have achieved on an annualised basis our targeted £130m of savings ahead of schedule and are increasing this target by £70m to £200m by mid 2008, at an additional cost of £50m which will be charged to the underwriting result.

Outlook

In challenging market conditions, the Group has delivered another strong performance in the first half and we are confident about the outlook for the Group. Despite the impact of the UK floods in June and July of £120m, as it stands today, we expect to deliver a combined operating ratio for the full year of around 96%. Within this, we continue to expect International to deliver the majority of the Group's underwriting result, and today reaffirm our guidance for Codan of a full year combined operating ratio of 91-93%.

With our strong portfolio and the actions we are taking, we are confident that in 2008 and beyond, we will continue to deliver the strong profitable performance that we have seen over the last few years. With our 2006 full year results, we announced that we would be increasing the 2007 interim dividend by at least inflation plus 35% and thereafter we will grow dividends by at least in line with inflation. As a reflection of the Board's confidence in the future earnings of the Group, we are increasing the interim dividend by 5% plus the previously committed 35% to 2.48p (H1 2006: 1.75p).

Andy Haste, Group CEO,
Royal & Sun Alliance Insurance Group plc

Operations review

Operating result

The operating result is £403m (H1 2006: £416m), with an improved investment result and lower central expenses offset by a lower underwriting result. The underwriting result of £144m (H1 2006: £171m) reflects a strong performance in challenging conditions. The current year underwriting loss is £31m (H1 2006: underwriting profit £104m) and is after the impact of the UK flood event in June of £55m, as well as adverse weather (an additional £9m loss compared with a £52m benefit in H1 2006) and large loss experience (£18m worse than H1 2006) across the Group.

Prior year development has emerged over the first two quarters and totalled £175m (H1 2006: £67m). This includes favourable development from our UK Specialist claims unit, where double digit case savings have been achieved, as well as the cumulative impact of actions taken to reduce claims leakage in Other Europe. The Group continues to adopt a prudent reserving policy for both current year and overall reserves, and reserves at 30 June 2007 were stronger than at the start of the year, with particular strength in International.

International

	6 Months 2007 £m	6 Months 2006 £m
Net written premiums	1,324	1,281
Underwriting result	95	76
Combined operating ratio	89.5%	90.7%

In International, we are successfully driving the business harder, delivering above market growth while improving profitability. Net written premiums increased by 7% on constant exchange to £1,324m (H1 2006: £1,281m), reflecting 7% growth in Scandinavia, and 6% growth in Canada and Other Europe. International contributed the largest share of the Group's underwriting result, with a 25% increase in underwriting profit to £95m.

In Scandinavia, Personal performed particularly strongly, delivering a 12% increase in net written premiums to £413m on constant exchange, reflecting the strong performance of our bancassurance and car dealership Affinity schemes as well as the 2006 White Label acquisition. In Commercial, net written premiums increased by 3% on constant exchange to £394m, as we continue to focus on underwriting discipline while maintaining a strong pipeline of profitable opportunities.

In Canada, Personal net written premiums increased by 8% on a constant exchange basis to £225m, and Johnson, our direct personal business, continued to deliver double digit growth, with strong organic growth supplemented by the impact of acquisitions made in 2006. The Canadian business has also signed a number of major Affinity deals, including Airmiles, providing access to 7 million potential new customers. In Commercial, net written premiums increased by 3% at constant exchange to £90m reflecting a disciplined approach in increasingly competitive market conditions.

In Other Europe, Personal net written premiums increased by 1% to £115m, while Commercial delivered a 13% increase in premiums to £87m reflecting above market growth in Italy and strong performance from EGI, the Irish specialty insurer acquired in 2006.

The International COR improved 1.2 points to 89.5%. The overall Scandinavian COR improved 0.4 points to 89.9%; the Personal COR improved by 6.9 points reflecting strong performance in Sweden, while in Commercial, above average large loss experience resulted in a 7.0 point increase in the COR to 89.8%. In Canada, the COR is in line with the prior year at 91.2%, while in Other Europe, the COR improved by 5.3 points to 90.3%.

The result has been underpinned by our continued focus on operational excellence. We are on track to achieve our target of reducing the Scandinavian full year expense ratio to below 15%, and in Canadian Intermediated, the expense ratio is now 10.5% against our target of sub 10%.

UK

	6 Months 2007 £m	6 Months 2006 £m
Net written premiums	1,365	1,281
Underwriting result	51	95
Combined operating ratio	96.1%	91.5%

The UK delivered a strong performance in a competitive market. Net written premiums increased by 7% to £1,365m, driven primarily by the Affinity deals signed in 2006 and targeted growth in specialist Commercial lines. We have continued to take action on rating, and have once again achieved mid single digit increases across Personal lines. In Commercial lines we have held rate in Property and Liability, while increasing Motor by 4%. Retention remains strong at over 80%.

Personal net written premiums have increased by 28% to £548m driven by organic growth and the Affinity deals signed in 2006, including Paymentsshield. MORE THAN delivered a 15% increase in new business and an 8% increase in net written premiums to £242m. In Commercial, net written premiums were down 4% to £817m (H1 2006: £854m) reflecting our commitment to underwriting discipline and the withdrawal of capacity from areas of the market where the rate, terms and conditions do not meet our underwriting criteria. We continue to focus on driving profitable growth in target trades and segments, with premiums in Profin and Marine up 10% and 14% respectively. In 2006, we set a target to significantly grow the Affinity segment. With the deals signed in 2006, including Paymentsshield, our Affinity business has increased by over 50% from H1 2006. In 2007, we have signed four new deals, including Pendragon.

In response to the floods in June and July, we were once again one of the first insurers on the ground, setting up Emergency Response Centres and helplines in the worst affected areas. We proactively contacted our customers within 48 hours and we continue to work closely with local councils and customers to co-ordinate advice, fast track emergency payments and organise alternative accommodation.

The UK's first half result of £51m, which includes the impact of the June floods of £55m as well as other adverse weather, demonstrates continued profitability in challenging conditions with a COR of 96.1%.

The UK expense ratio is 33.5% compared with 30.4% in 2006. This comprises a 3.1 point increase in the commission ratio following the rapid growth in Affinity business during the first half, while the expense ratio remained flat year on year.

Emerging Markets

	6 Months 2007 £m	6 Months 2006 £m
Net written premiums	294	270
Underwriting result	8	10
Combined operating ratio	94.8%	95.0%

Emerging Markets increased net written premiums by 15% on constant exchange to £294m, reflecting strong organic growth across all markets, including 36% growth in the Baltics, 11% in Asia and the Middle East and 9% in Latin America.

Across Emerging Markets, we have identified the priority countries and the actions required to deliver our growth plans. We are building a platform to support further growth by building capability, expanding distribution and developing new propositions. The management team has been strengthened with the appointment of new heads of Underwriting, Finance, M&A, HR and Legal, as well as new CEO appointments in India and China.

We are focused on building our presence in Affinity markets across the region. In Asia and the Middle East, we have signed five new Affinity deals, while in Latin America, we have recruited the head of ACE's Personal Lines Affinity business to drive this segment forward. We also see opportunities in SME by providing brokers with efficient servicing models and in Mexico we have developed a solution with Willis that meets their SME needs and gives us first refusal on their portfolio. In terms of new propositions, we have partnered with Swiss Re to create Construction and Engineering underwriting centres of excellence in Singapore and Dubai.

In May, we signed a joint venture agreement that will roll out a direct insurance proposition in Central and Eastern Europe. The joint venture owns the largest direct insurer in Poland, with annual premiums of over £30m and launched in the Czech Republic in May. It plans to start writing direct business in Russia in 2008.

In China, we received approval to convert our branch to a wholly owned subsidiary, which over time, will enable us to expand our geographic presence outside Shanghai.

We are leveraging Group best practice to strengthen capabilities, including moving 20 senior technical staff and managers from our established businesses into roles across the region.

The underwriting result is £8m, down from £10m in 2006 following the impact of Cyclone Gonu in Oman and adverse large loss experience across the region. In spite of these losses, the COR remained strong at 94.8% and the Latin American COR has improved from 103.7% at the year end to 99.4% following the actions taken to improve performance.

Operations review

continued

Rating movements

Rate movements achieved for risks renewing in June 2007 versus comparable risks renewing in June 2006 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	5	4	(1)	-
Scandinavia	3	3	2	5	1
Canada	-	4	(6)	(3)	1

Other activities

The analysis of the other activities result is as follows:

	6 months 2007 £m	6 months 2006 £m	Movement
Central expenses	(28)	(34)	+18%
Investment expenses and charges	(11)	(12)	+8%
Other operating activities	(4)	(2)	-100%
Other activities	(43)	(48)	+10%

The result from other activities for the first six months has improved by £5m to £43m, driven by the 18% reduction in central expenses to £28m (H1 2006: £34m). Other operating activities include non insurance activities and derivatives, associates as well as business development expenses in Emerging Markets.

Investment result

The analysis of the investment results is as follows:

	6 Months 2007 £m	6 Months 2006 £m	Movement %
Bonds	187	193	-3%
Equities	28	29	-3%
Cash and cash equivalents	42	29	+45%
Land and buildings	8	5	+60%
Other	27	6	-
Investment income	292	262	+11%
Realised gains	63	33	+91%
Unrealised (losses)/gains, impairments and foreign exchange	(10)	19	-153%
Total gains	53	52	+2%
Unwind of discount	(43)	(21)	-105%
Investment result	302	293	+3%

With the sale of our US operation the investment result now includes the impact of the Adverse Development Cover (ADC) which was put in place in 2003. While the ADC has a minimal net impact on the overall investment result, investment income includes £13m in relation to the funds withheld account, offset by £14m of discount unwind on the liabilities included within the unwind of discount total of £43m.

Excluding the ADC, underlying investment income is up 6% to £279m with an increase in the average yield from 4.0% to 4.4% partially offset by a £0.2bn reduction in the size of the average portfolio. Total realised and unrealised gains were £53m (H1 2006: £52m).

Our investment portfolio stood at £12.5bn at the end of June compared with £12.8bn at the year end. The portfolio is dominated by high quality fixed interest and cash assets. We have around 1% invested in Collateralised Debt Obligations (CDOs) and the vast majority of these are AAA rated. Our Residential Mortgage Backed Securities exposure is just £2m.

The fixed interest portfolio remains concentrated on high quality short dated assets, with an average duration of 3 years. At the end of June, 99% of the bond portfolio was investment grade, with 84% rated AA or above. We continue to expect that our full year 2007 investment result will be broadly in line with 2006 (£556m).

As at 30 June 2007 unrealised gains in the balance sheet were £490m (31 December 2006: £575m).

Other information US

We completed the sale of our US operation on 4 March. In accordance with IFRS, and as noted at our preliminary results announcement, the income statement shows a loss of £13m net of tax for the six months to 30 June 2007, representing the recycling of cumulative US foreign exchange losses. As this amount has been previously recognised in reserves, it is shown outside the operating result and has no impact on net assets. The income statement comparatives have been restated to show the US as discontinued in 2006. The balance sheet comparatives have not been restated for this disposal.

Capital position

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

	30 June 2007 Requirement £bn	30 June 2007 Surplus £bn	31 December 2006 Surplus £bn
Insurance Groups Directive	1.3	1.2	1.3

The IGD surplus was £1.2bn compared with £1.3bn at 31 December 2006. The coverage over our IGD requirement is 1.9 times (31 December 2006: 1.9 times).

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.

At 31 December 2006, the Group had surplus economic capital of £2.0bn 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 99.94%.

The Group is currently rated A- by Standard and Poor's, and continues to target an insurance financial strength rating of A.

We will provide more detail on capital at our presentation to analysts on 10 September 2007.

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 93.3% was based on net written premiums of £2,992m and net earned premiums of £2,731m.

Net asset value per share

The net asset value per share at 30 June 2007 was 81p (31 December 2006: 82p). At 3 August 2007 the net asset value per share was estimated at 78p.

The net asset value per share for 30 June 2007 was based on total shareholders' funds of £2,704m, adjusted by £125m for preference shares, and shares in issue at the period end of 3,190,959,794 (excluding those held in the ESOP trusts).

Dividend

The directors have declared an interim ordinary dividend of 2.48p per share. The interim dividend will be payable on 30 November 2007 to shareholders on the register at the close of business on 17 August 2007. Shareholders will be offered a SCRIP dividend alternative. SCRIP dividend mandates need to be received by Lloyds TSB Registrars before 2 November 2007. The second preference share dividend for 2007 will be payable on 2 October 2007 to holders of such shares on the register at the close of business on 31 August 2007.

Management basis of reporting

The following analysis on pages 10 to 13 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. Estimation techniques, uncertainties and contingencies are included on pages 14 to 16. Financial information on a statutory basis is included on pages 18 to 22.

Summary consolidated income statement – management basis

	6 Months 2007	6 Months 2006 (restated)*	12 Months 2006
	£m	£m	£m
Continuing operations			
Net written premiums	2,992	2,833	5,484
Underwriting result	144	171	310
Investment income	292	262	516
Realised gains	63	33	46
Unrealised (losses)/gains, impairments and foreign exchange	(10)	19	36
Unwind of discount	(43)	(21)	(42)
Investment result	302	293	556
Insurance result	446	464	866
Other activities	(43)	(48)	(86)
Operating result	403	416	780
Interest costs	(52)	(48)	(92)
Amortisation	(8)	(7)	(15)
Reorganisation costs	-	(14)	(23)
Profit before disposals	343	347	650
Loss on disposals	(5)	(1)	(1)
Profit before tax	338	346	649
Taxation	(88)	(91)	(170)
Profit after tax from continuing operations	250	255	479
Discontinued operations			
Loss after tax from discontinued operations	(13)	(17)	(499)
Profit after tax	237	238	(20)

Earnings per share for profit from continuing operations attributable to the ordinary shareholders of the Company:

Basic	7.2p	8.0p	15.0p
Diluted	7.1p	7.9p	14.8p

Earnings per share on profit/(loss) attributable to the ordinary shareholders of the Company:

Basic	6.7p	7.4p	(2.1)p
Diluted	6.6p	7.3p	(2.1)p

* The comparatives have been restated to show the US operations as discontinued.

Summary consolidated balance sheet – management basis

	30 June 2007	30 June 2006 (restated)*	31 December 2006
	£m	£m	£m
Assets			
Goodwill and other intangible assets	589	479	552
Property and equipment	366	383	385
Investments			
Investment property	474	451	454
Investment in associated undertakings	28	27	27
Equity securities	1,649	1,568	1,620
Debt and fixed income securities	8,850	10,995	8,568
Other	315	239	269
Total investments	11,316	13,280	10,938
Reinsurers' share of insurance contract liabilities	1,935	3,617	1,927
Insurance and reinsurance debtors	2,881	2,513	2,225
Deferred acquisition costs	493	465	453
Other debtors and other assets	1,124	1,004	852
Cash and cash equivalents	1,173	1,564	1,831
Assets associated with continuing operations	19,877	23,305	19,163
Assets associated with discontinued operations	-	-	3,485
Total assets	19,877	23,305	22,648
Equity, reserves and liabilities			
Equity and reserves			
Shareholders' funds	2,704	2,863	2,561
Minority interests	66	379	331
Total equity and reserves	2,770	3,242	2,892
Loan capital	1,165	1,208	1,192
Total equity, reserves and loan capital	3,935	4,450	4,084
Liabilities (excluding loan capital)			
Insurance contract liabilities	13,749	16,259	12,790
Insurance and reinsurance liabilities	428	439	391
Borrowings	121	6	8
Provisions and other liabilities	1,644	2,151	1,781
Liabilities associated with continuing operations	15,942	18,855	14,970
Liabilities associated with discontinued operations	-	-	3,594
Total liabilities (excluding loan capital)	15,942	18,855	18,564
Total equity, reserves and liabilities	19,877	23,305	22,648

Assets and liabilities associated with discontinued operations relate to the discontinued US business.

These summary consolidated interim financial statements have been approved for issue by the Board of Directors on 7 August 2007.

* The comparatives have been restated to reflect the fair value adjustment of the loan capital, see note 3 on page 21.

Other information - management basis

Movement in net assets

	Shareholders' funds £m	Minority interests £m	Loan capital £m	Net assets £m
Balance at 1 January 2007	2,561	331	1,192	4,084
Profit after tax	208	29	-	237
Exchange gains	21	-	-	21
Fair value losses net of tax	(38)	(17)	-	(55)
Pension fund actuarial gains and losses net of tax	88	-	-	88
Repayment and amortisation of dated loan capital	-	-	(27)	(27)
Share issue	354	-	-	354
Changes in shareholders' interests in subsidiaries	(368)	(246)	-	(614)
Share options	6	-	-	6
Prior year final dividend	(123)	(31)	-	(154)
Preference dividend	(5)	-	-	(5)
Balance at 30 June 2007	2,704	66	1,165	3,935

The repayment and amortisation of dated loan capital of £27m includes the repurchase of the majority of the remaining Yankee Bond, following the debt exchange transaction in 2006. Share issue of £354m includes the equity placing to fund the acquisition of the Codan minority interest and the scrip dividend. Changes in shareholders' interests in subsidiaries of £614m relates to two transactions; the purchase by Codan of its own shares in the first quarter of 2007 and the purchase by the Group of the remaining Codan minority interest in May.

Pension fund surplus

The table below provides a reconciliation of the Group pension fund surplus (net of tax) from 1 January 2007 to 30 June 2007.

	UK £m	Other £m	Group £m
Pension fund at 1 January 2007	72	(48)	24
Actuarial gains and losses	89	(1)	88
Deficit funding	62	-	62
Other movements	32	(1)	31
Pension fund at 30 June 2007	255	(50)	205

Cashflow – management basis

	6 months 2007 £m	6 months 2006 £m
Operating cashflow	322	292
Interest paid	(34)	(16)
Group dividends	(71)	(60)
Dividend to minorities	(31)	(6)
Net cashflow	186	210
Issue of share capital	301	3
Pension deficit funding	(86)	(86)
Net movement of debt	49	(166)
Corporate activity	(741)	(40)
Cash movement	(291)	(79)
Funded by:		
Decrease in cash and cash equivalents	(680)	(8)
Purchase/(sale) of other investments	389	(71)
	(291)	(79)

The Group's operating cashflow of £322m increased 10% on 2006. The increase in interest payments to £34m reflects a change in interest payment dates following the Yankee Bond exchange in 2006. The £25m increase in the dividend to minorities to £31m purchase/(sale) of other reflects the minorities' share of an exceptional dividend paid by our non-wholly owned UK subsidiary, British Aviation Insurance Company, in which we have a 57% holding. The £49m net movement in debt is the partial repurchase of the Yankee Bond offset by an increase in borrowings to fund the Codan minority buyout. Corporate activity of £741m includes the disposal of the US operation, the buyout of the Codan minorities and a number of small acquisitions in International and Emerging Markets.

Estimation techniques, 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 represents 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 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, 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 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 geographical 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 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.

Estimation techniques, uncertainties and contingencies

continued

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 R&SA 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 performing their obligations in accordance with the terms and conditions of the contracts.

Litigation, mediation and arbitration

The Group, in common with the insurance industry in general, is subject to litigation, mediation and arbitration, and regulatory, governmental and other sectoral inquiries in the normal course of its business. In addition the Group is subject to 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 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 resulting from any current mediation, arbitration, regulatory, governmental or sectoral inquiries 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. In selecting the reinsurers with whom we do business our strategy is to seek reinsurers with the best combination of credit rating, 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.

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.

Investment risk

The Group is exposed to credit risk on its invested assets. 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. Our insurance investment portfolios are concentrated in listed securities. We use derivative financial instruments to reduce our exposure to adverse fluctuations in interest rates, foreign exchange rates and equity markets. We have strict controls over the use of derivative instruments.

Rating agencies

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-' from S&P; 'A-' (positive outlook) from AM Best and 'A3' (stable) from Moodys'. Any worsening in the ratings could have an adverse impact on the ability of the Group to write certain types of general insurance business.

Regulatory environment

The legal, regulatory and accounting environment is subject to significant change in many of the jurisdictions in which we operate. We continue to monitor the developments and react accordingly.

In particular the Group is continuing to monitor and respond to ongoing consultation following publication of 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.

Statutory information

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20	Summary cashflow statement
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Summary consolidated income statement – statutory basis

	6 Months 2007 £m	6 Months 2006 (restated)* £m	12 Months 2006 (audited) £m
Continuing operations			
Net written premiums	2,992	2,833	5,484
Income			
Net earned premiums	2,731	2,625	5,292
Net investment return	346	314	600
Other operating income	50	60	121
Total income	3,127	2,999	6,013
Expenses			
Net claims and benefits	(1,786)	(1,693)	(3,453)
Underwriting and policy acquisition costs	(845)	(816)	(1,626)
Unwind of discount	(43)	(21)	(42)
Other operating expenses	(59)	(75)	(151)
Total expenses	(2,733)	(2,605)	(5,272)
Results of operating activities	394	394	741
Finance costs	(52)	(48)	(92)
Loss on disposals	(5)	(1)	(1)
Net share of profit after tax of associates	1	1	1
Profit before tax	338	346	649
Income tax expense	(88)	(91)	(170)
Profit after tax from continuing operations	250	255	479
Discontinued operations			
Loss after tax from discontinued operations	(13)	(17)	(499)
Profit/(loss) after tax	237	238	(20)
Attributable to:			
Equity holders of the Company	208	220	(52)
Minority interests	29	18	32
Profit/(loss) after tax	237	238	(20)

Earnings per share for profit from continuing operations attributable to the ordinary shareholders of the Company:

Basic	7.2p	8.0p	15.0p
Diluted	7.1p	7.9p	14.8p

Earnings per share for profit/(loss) attributable to the ordinary shareholders of the Company:

Basic	6.7p	7.4p	(2.1)p
Diluted	6.6p	7.3p	(2.1)p

The attached notes are an integral part of these summary consolidated financial statements. For dividend information refer to note 6.

* The comparatives have been restated to show the US operation as discontinued.

Summary consolidated balance sheet – statutory basis

	30 June 2007	30 June 2006 (restated)*	31 December 2006 (audited)
	£m	£m	£m
Assets			
Goodwill and other intangible assets	589	479	552
Property and equipment	366	383	385
Investment property	474	451	454
Investment in associated undertakings	28	27	27
Financial assets			
Equity securities	1,649	1,568	1,620
Debt and fixed income securities	8,850	10,995	8,568
Other	315	239	269
Total financial assets	10,814	12,802	10,457
Reinsurers' share of insurance contract liabilities	1,935	3,617	1,927
Insurance and reinsurance debtors	2,881	2,513	2,225
Deferred acquisition costs	493	465	453
Other debtors and other assets	1,124	1,004	852
Cash and cash equivalents	1,173	1,564	1,831
	19,877	23,305	19,163
Non current assets and assets of operations held for sale	-	-	3,485
Total assets	19,877	23,305	22,648
Equity, reserves and liabilities			
Equity and reserves			
Shareholders' funds	2,704	2,863	2,561
Minority interests	66	379	331
Total equity and reserves	2,770	3,242	2,892
Liabilities			
Loan capital	1,165	1,208	1,192
Insurance contract liabilities	13,749	16,259	12,790
Insurance and reinsurance liabilities	428	439	391
Borrowings	121	6	8
Provisions and other liabilities	1,644	2,151	1,781
	17,107	20,063	16,162
Liabilities of operations held for sale	-	-	3,594
Total liabilities	17,107	20,063	19,756
Total equity, reserves and liabilities	19,877	23,305	22,648

Assets and liabilities associated with operations held for sale at 31 December 2006 relate to the discontinued US business.

These summary consolidated interim financial statements have been approved for issue by the Board of Directors on 7 August 2007.

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

* The comparatives have been restated to reflect the fair value adjustment of the loan capital. See note 3 on page 21.

Summary statement of recognised income and expense - statutory basis

	6 Months 2007	6 Months 2006	12 Months 2006 (audited)
	£m	£m	£m
Profit/(loss) after tax	237	238	(20)
Exchange gains/(losses)	21	(37)	(151)
Fair value (losses)/gains net of tax	(55)	(130)	32
Pension fund actuarial gains and losses net of tax	88	163	153
Net gains/(losses) not recognised in income statement	54	(4)	34
Total recognised income for the year	291	234	14
Attributable to:			
Equity holders of the Company	279	229	(10)
Minority interests	12	5	24
	291	234	14

Summary cashflow statement - statutory basis

	6 Months 2007		6 Months 2006	
	Continuing operations	Total Group	Continuing operations	Total Group
Net cashflows from operating activities	(29)	(66)	314	(38)
Net cashflows from investing activities	(386)	(561)	(81)	266
Net cashflows from financing activities	(265)	(265)	(241)	(251)
Net decrease in cash and cash equivalents	(680)	(892)	(8)	(23)
Cash and cash equivalents at the beginning of the period	1,827	2,040	1,440	1,612
Effect of exchange rate changes on cash and cash equivalents	26	25	(17)	(29)
Cash and cash equivalents at the end of the period	1,173	1,173	1,415	1,560

	6 Months 2007		6 Months 2006	
	Continuing operations	Total Group	Continuing operations	Total Group
Cash and cash equivalents per cashflow statement	1,173	1,173	1,415	1,560
Add: bank overdrafts	-	-	4	4
Cash and cash equivalents per balance sheet	1,173	1,173	1,419	1,564

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

Explanatory notes to the summary consolidated financial statements

1. Changes in significant accounting policies

The unaudited interim results and the summary financial information have been prepared in accordance with the Listing Rules issued by the Financial Services Authority. There have been no significant changes in accounting policy in the six months to 30 June 2007. A full list of accounting policies can be found in the 2006 Annual Report and Accounts, (see note 9 below). The Group has not adopted IAS 34 'Interim Financial Reporting'.

2. Purchase of minority interests

Through two transactions in 2007, the Group has entered into agreements to purchase the remaining 25.49% minority interest in Codan.

During Q1 2007, Codan purchased £24m of its own shares from minority holders. These shares continue to be in issue and are held as treasury shares. This had the effect of reducing shareholders' funds by £10m and minority interests by £14m. This increased the Group's holding in Codan by 0.83% to 75.34%.

On 24 May 2007, the Group launched a voluntary conditional public tender offer for the acquisition of all the outstanding issued shares and voting rights in Codan. The offer expired on 21 June, by which time the Group had acquired sufficient shareholding to effect a compulsory acquisition of the remaining shares. The Group has exercised this right. The total consideration was £590m.

The Group increased its holding in Codan to 97.43% at 30 June 2007, up from 74.51% at the start of the year and as the transaction is not reversible, Codan has been accounted for as a 100% subsidiary of the Group at 30 June 2007. The transaction reduced minority interests by £232m and shareholders' funds was reduced by £358m.

The purchase was funded by an equity placing of £300m and existing resources.

The Group now owns 99.5% of Codan and the compulsory acquisition process to acquire remaining 0.5% will complete in January 2008. On 31 July 2007 Codan delisted from the Copenhagen Stock Exchange.

3. Prior year restatement due to change in accounting treatment

The terms of the Group's £450m of perpetual notes were revised during 2005 to align the accounting treatment with the economic substance of the notes being debt. At that time there was no change in the carrying value of the notes as the conversion was treated as an exchange.

During 2006, the International Financial Reporting Interpretations Committee provided guidance on its understanding of the accounting to be used in these circumstances. As a result, the Group changed its accounting treatment and recognised the notes at fair value at the date of the revision to the terms.

The carrying value of the notes at 30 June 2006 has been increased by £81m in line with the new treatment and a corresponding deferred tax asset of £24m has also been recognised, resulting in a net £57m reduction to shareholders' funds as previously stated.

4. 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 3,011,688,024 and 3,057,641,909 respectively (excluding those held in ESOP trusts). The number of shares in issue at 30 June 2007 was 3,190,959,794 (excluding those held in ESOP trusts).

Explanatory notes to the summary consolidated financial statements

continued

5. Changes in total equity and reserves for the period to 30 June

	Shareholders' funds £m	Minority interest £m	Total equity and reserves £m
Balance at 1 January	2,561	331	2,892
Total recognised income for the period	279	12	291
Share issue	354	-	354
Changes in shareholders' interests in subsidiaries	(368)	(246)	(614)
Share options	6	-	6
Prior year final dividend	(123)	(31)	(154)
Preference dividend	(5)	-	(5)
Balance at 31 December 2007	2,704	66	2,770

6. Dividends

	30 June 2007		30 June 2006	
	Per share p	Total £m	Per share p	Total £m
Ordinary dividend				
Final paid in respect of prior year	4.12	123	3.05	89
Interim proposed/paid in respect of current year	2.48	79	1.75	51
	6.60	202	4.80	140
Preference dividend		5		5
		207		145

7. Taxation

Of the £88m (H1 2006: £91m) of income tax expense in the year, £41m (H1 2006: £42m) relates to UK corporation tax and £47m (H1 2006: £49m) to overseas taxation.

8. Exchange rates

£/local currency	6 Months 2007		6 Months 2006		12 Months 2006	
	Average	Closing	Average	Closing	Average	Closing
Canadian Dollar	2.23	2.13	2.04	2.06	2.09	2.28
Danish Kroner	11.04	11.05	10.86	10.79	10.95	11.07
US Dollar	1.97	2.01	1.79	1.85	1.85	1.96

9. Results for 2006

The results for the year ended 31 December 2006 and the balance sheet at that date, which have been included as comparatives in these summary consolidated interim financial statements, are not statutory accounts but have been abridged from the statutory accounts. The statutory Group financial statements of Royal & Sun Alliance Insurance Group plc for the year ended 31 December 2006 have been delivered to the Registrar of Companies. The independent auditors' report on the Group financial statements for the year ended 31 December 2006 is unqualified and does not contain a statement under Section 237(2) or (3) of the Companies Act 1985.

Independent review report to Royal & Sun Alliance Insurance Group plc

Introduction

We have been instructed by the company to review the financial information for the six months ended 30 June 2007 which comprise the Summary consolidated income statement – Statutory basis, the Summary consolidated balance sheet – Statutory basis, the Summary statement of recognised income and expense, the Summary cashflow statement – Statutory basis and related notes 1 to 9. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the company in accordance with Bulletin 1999/4 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 interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures are consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with the guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2007.

Deloitte & Touche LLP

Chartered Accountants

7 August 2007

Notes:

A review does not provide assurance on the maintenance and integrity of the website, including controls used to achieve this, and in particular on whether any changes may have occurred to the financial information since first published. These matters are the responsibility of the directors but no control procedures can provide absolute assurance in this area.

Legislation in the United Kingdom governing the preparation and dissemination of financial information differs from legislation in other jurisdictions.

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 No. 2339826.

Company website

The Annual Report & Accounts, interim results and other useful information about the Company is available on our website www.royalsunalliance.com.

Investor relations

For further information about Royal & SunAlliance, please contact the Investor Relations department at: Royal & Sun Alliance Insurance Group plc, 9th Floor, One Plantation Place, 30 Fenchurch Street, London EC3M 3BD. Telephone: +44 (0)20 7111 7136.

Share price

The Company's share price is shown on Ceefax BBC1 page 230 and on Teletext Ch4 page 519. It is also available on the Company's website www.royalsunalliance.com and by telephoning Financial Times Cityline on 0906 843 4134 (calls charged at 60p per minute).

Registrars

Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 6DA.

The Company has appointed Lloyds TSB Registrars as its registrars to manage the shareholder register, ensuring that all information held about the Company's shareholders is kept up to date, and to pay dividends. The shareholder helpline telephone number is +44 (0)870 600 3988. Mobile phone users and overseas callers should use +44 (0)121 415 7064. Please quote your shareholder account number and the company reference number '0059'. Shareholders with a text phone facility should use +44 (0)870 600 3950.

Electronic communications

Lloyds TSB Registrars offer shareholders an electronic communications service, www.shareview.co.uk. Shareview offers a range of shareholder information allowing you to manage your shareholder account, download useful forms and reference to a Frequently Asked Questions area. Shareholders can also register their email address to receive shareholder information and annual and interim reports and other circulars electronically. To register you will need your shareholder account number and then follow the on-screen registration process.

Receiving documents by electronic communication supports the Group's environmental programme. We encourage shareholders to share this commitment to reduce environmental impact and manage the use of resources such as paper consumed.

Share dealing

Shares can be bought or sold through a stockbroker, bank or building society. The rates of commission charged for share dealing services will vary depending on the kind of service required. The cheapest way to deal in shares is usually on an 'execution only' basis which means that a broker will act on their client's instructions to buy or sell, but will not give advice on the merits of the transaction.

The Company has established an execution only share dealing service with Lloyds TSB Registrars for existing shareholders with a UK registered address. Shares can be bought or sold within minutes, between the hours of 8.30am and 4.30pm (UK time), Monday to Friday. To deal, log on to www.shareview.co.uk/dealing or telephone +44 (0)870 850 0852. Shareholders will need to have their share certificate(s) to hand when dealing.

Scrip dividend

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 2007 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 15 August 2007.

If you wish to participate in the Scheme please contact Lloyds TSB Registrars, either by telephoning their helpline or by writing to them at The Causeway, Worthing, West Sussex BN99 6DA. Mandate forms with respect to the 2007 interim dividend should be returned to Lloyds TSB Registrars to arrive no later than 2 November 2007.

American Depositary Receipts

The Company terminated its listing, in the form of American Depositary Shares, on the New York Stock Exchange on 30 October 2006.

Should you have an enquiry relating to the above please contact the Royal & SunAlliance Investor Relations department.



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Royal & Sun Alliance Insurance Group plc

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