

# 2016 INTERIM RESULTS

4 August 2016



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**Basis of presentation**

This presentation uses alternative performance measures, including certain underlying measures, to help explain business performance and financial position. Further information on these is set out in the 2016 Interim Results announcement.

# AGENDA

- 1 Introduction**
- 2 Strategy & Action Plan Progress**
- 3 2016 Interim Results**
- 4 Q&A**



# INTRODUCTION

# HIGHLIGHTS

## Winning for customers and for shareholders

- 1 Strategic refocus now completed
- 2 Excellent performance progress, ahead of our plans
- 3 Record half year underwriting profits
- 4 Underlying ROTE in our target range of 12-15% a year early

## GOOD PROGRESS TOWARD BEST-IN-CLASS AMBITIONS

### Strategic re-focus essentially complete

- Our Latin American disposals all completed in H1.
- £1.2bn disposal proceeds since 2014.
- RSA now focused on its strongest regional leadership positions.

### Financial strength

- Balance sheet in good shape, Solvency II at 158%.
- Successful £200m sub-debt retirement in July.
- Pension scheme risk reduction timely.

### High quality, sustainable improvements in core business performance

- Record half year underwriting results.
- Attritional loss ratio improved 3.1 points from prior year.
- Cost savings on track to beat £350m by 2018.
- Underlying ROTE in 12-15% range a year ahead of expectations.

# KEY FINANCIAL MEASURES SHOWING STRONG IMPROVEMENTS

**Core Group premiums flat on underlying basis.**

**Further excellent improvements in underwriting (record<sup>1</sup> £174m UW profit vs £96m<sup>2</sup> H1 15):**

- Record<sup>1</sup> Group current year underwriting profits of £119m.
- Core Group combined ratio 94.3%, 2.1 points better than H1 2015.
- Strong improvements in attritional loss ratios across all regions.

**Core business controllable costs down 5% (in 'real' terms). c.£200m of >£350m cost reduction target now done.**

**Operating profit £312m, up 20% (23% CFX).**

- Investment income £187m; expecting around £350m for FY 2016.

**Underlying pre-tax profit £258m, up 29%<sup>2</sup>, PBT £148m, reflecting one-off disposal accounting and restructuring costs.**

**Underlying EPS of 17.8p, up 29%.**

**Interim dividend declared (5.0p per share, up 43%).**

**STRATEGY**



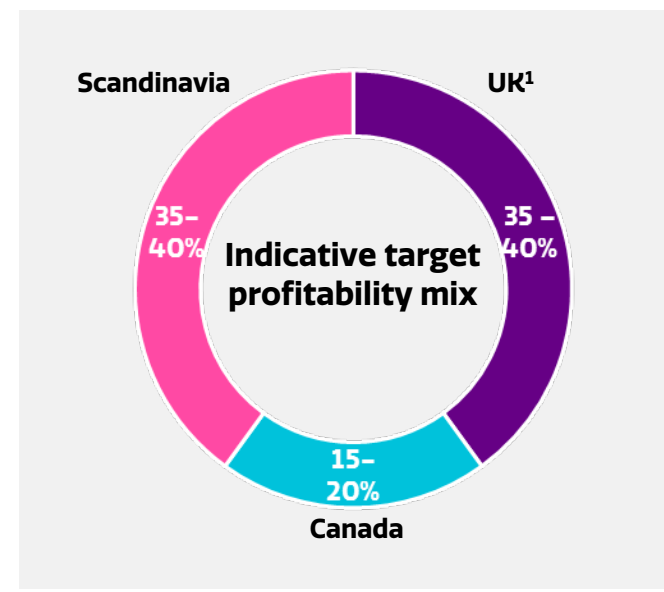
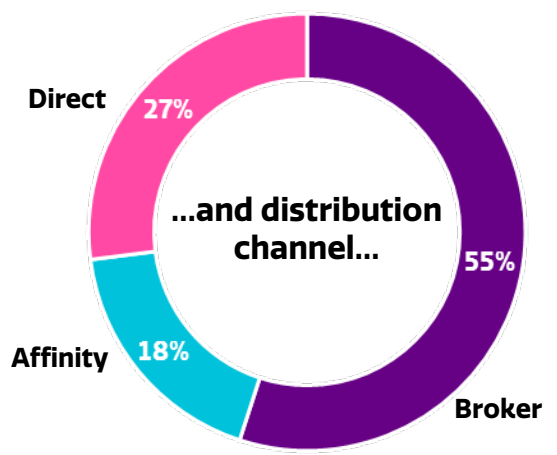
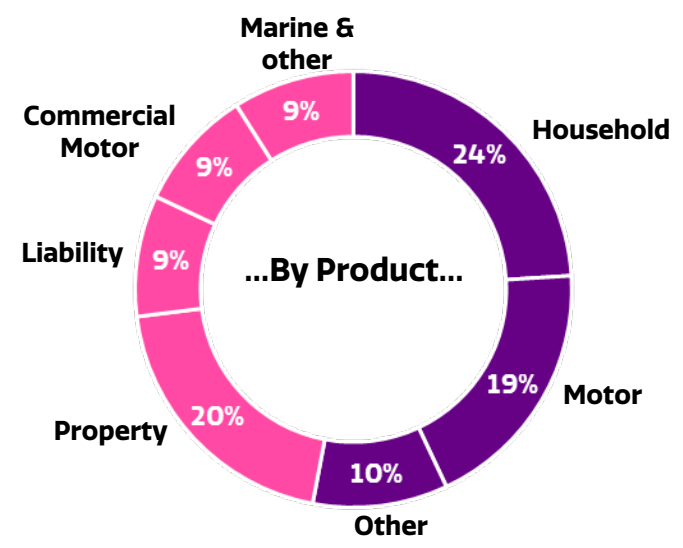
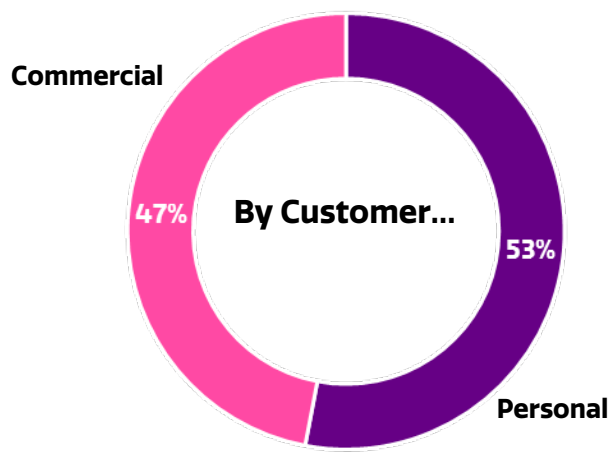
# FOCUSED; STRONGER; BETTER

Our ambition for RSA:

- 1 A leading international general insurer, focused on the UK<sup>1</sup>, Canada and Scandinavia**
- 2 Aiming to compete only where we can win. And to win where we compete**
- 3 Well capitalised, achieving sustainable attractive returns**
- 4 Strong operational delivery; transparent and easy to understand**
- 5 Enduring customer appeal**

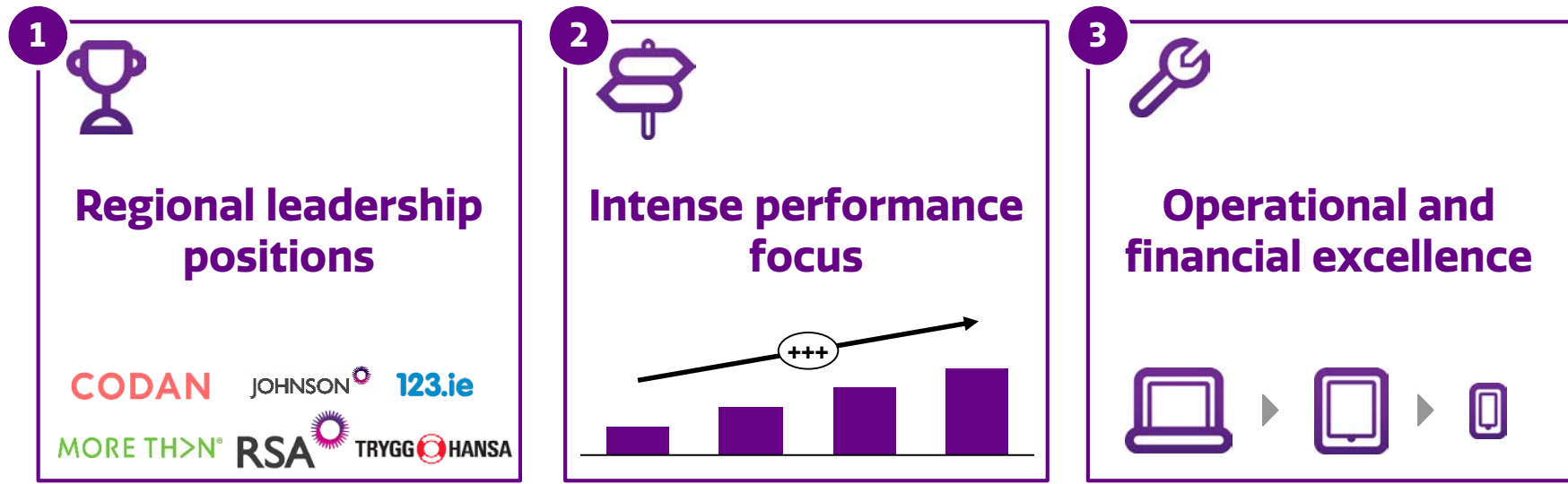
In short, **winning for customers and for shareholders**

# LEADERS IN OUR MARKETS, WITH ATTRACTIVE BUSINESS BALANCE



<sup>1</sup> Includes Western Europe  
 Note: Split based on 2015 core Group NWP, except indicative profitability - based on target combined Underwriting and Investment result

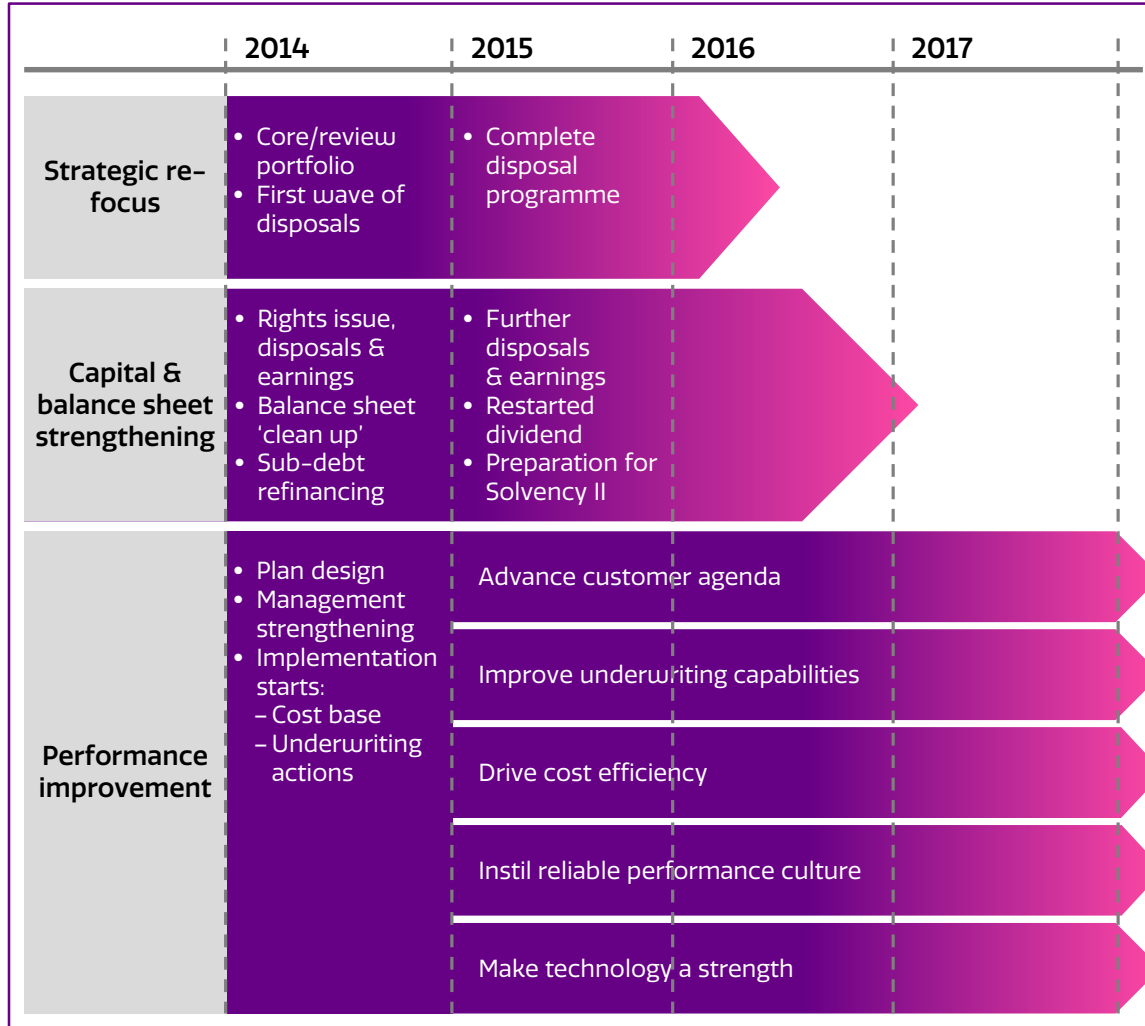
# 'FOCUSED MID-CAP' PROPOSITION



**Aim to deliver superior performance and justify a superior P/E**

# **ACTION PLAN**

# ACTION PLAN: TARGET TIMELINE



## H2 priorities

- 1 Continue performance improvement**
  - Customer
  - Loss ratios
  - Expenses
- 2 Further raise capabilities, ambition and future performance prospects**
- 3 Explore further debt and other risk/capital efficiency options**

# PERFORMANCE IMPROVEMENT

## Management Approach

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What is 'best in class' performance and how do we get there in our markets?

For each business:

- 1 Compare to 'best in class' in customer capabilities, underwriting excellence, costs and technology
- 2 Identify capability gaps and roadmap to improve
- 3 Validate and sequence change initiatives

## Improvement Actions

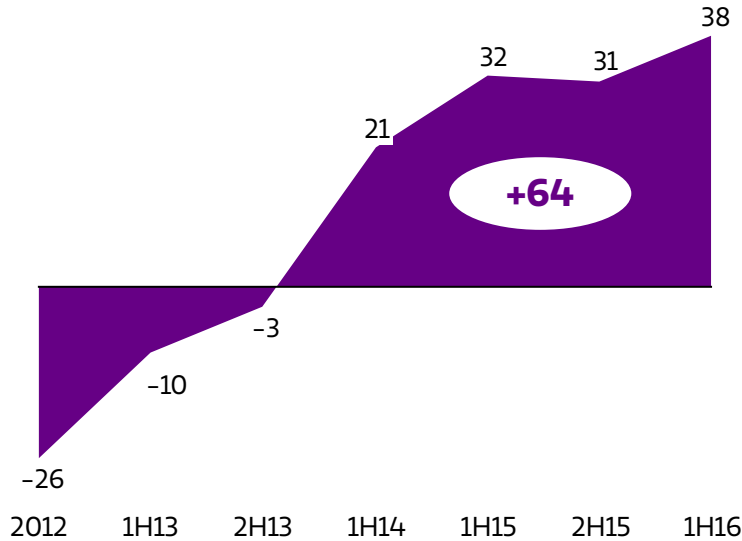
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Performance improvement actions in 5 areas:

- 1 Customer capabilities
- 2 Underwriting improvements
- 3 Cost efficiency and reduction
- 4 Technology enabling
- 5 People

# SERVING CUSTOMERS BETTER

## UK Commercial NPS

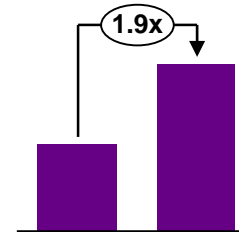


### 1 Promoters spend more...



Average premium 1.4x higher  
Total spend 2.6x higher

### 2 ...And are more likely to convert



Quote conversion almost double for promoters

 Codan CSAT ranked 2<sup>nd</sup> in SME in Denmark

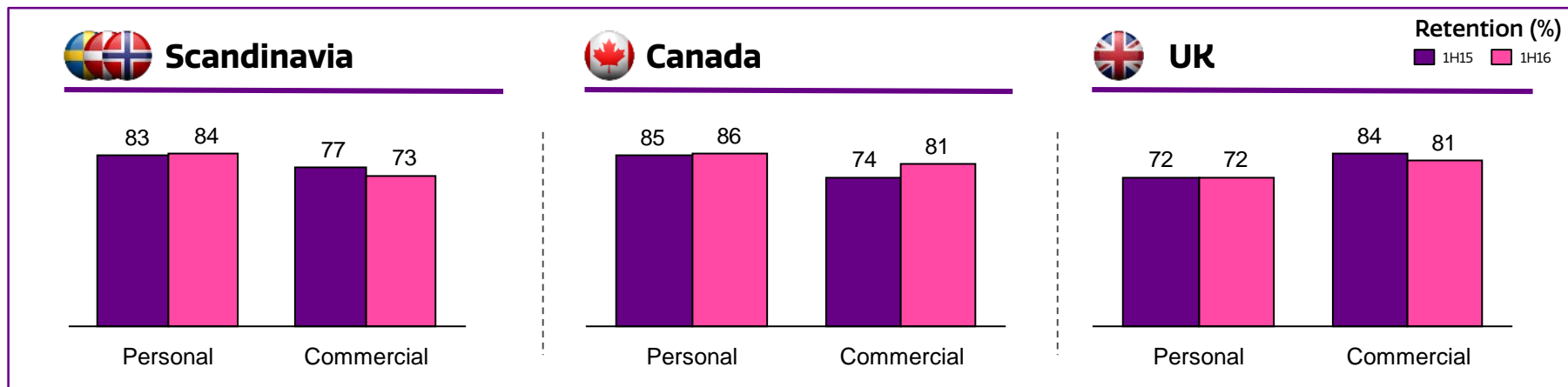
 Codan CSAT ranked 1<sup>st</sup> overall in Norway

 Outperforming claims NPS benchmarks in Canada

 RSA 2<sup>nd</sup> most recommended in Canadian broker survey

 RSA ranked 1<sup>st</sup> or 2<sup>nd</sup> in GSL European offices

# STRONG FRANCHISES WITH GOOD PROGRESS TOWARDS IMPROVED CAPABILITIES



## Examples of Customer improvement actions

- Customer service and sales training to raise capabilities and up cross-sales across group
- 'eBoks' digital mailbox going live in Codan in October will increase efficiency of policyholder communication & eliminate c.80% distribution costs
- Implemented customer retention 'save' desk in Johnson business – achieving >80% save rate (\$12m lower lapses H1'16 v H1'15) – and in Denmark small commercial (targeting DKK20–30m saves p.a.)
- Upgraded websites in Johnson business to enable home and multi-quote functionality (>10k quotes online; 9k higher than prior year)
- Launched new broker segmentation strategy in Canada to enhance broker footprint and sales methodologies
- Simplified underwriting processes in Sweden and Denmark for SME. 'Simple cases' (80% of quotes) are now rule-based rather than case managed enabling straight-through processing. Further roll-out anticipated in Canada.
- Simplifying product suite (>800 variants in the UK will go down to c.40)

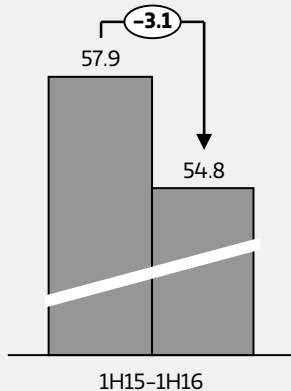


# EXCELLENT IMPROVEMENT IN ATTRITIONAL LOSS RATIOS ACROSS THE GROUP

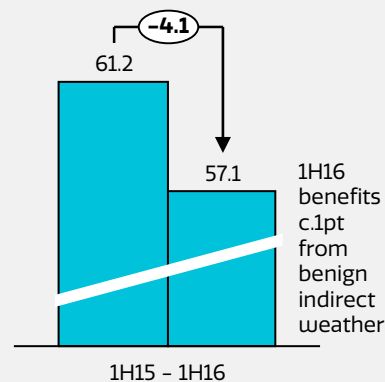
## Core Group attritional loss ratio progression

CY attritional loss ratio development, H1 2015 – H1 2016 (%)

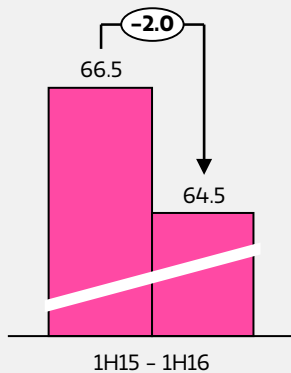
### Core Group



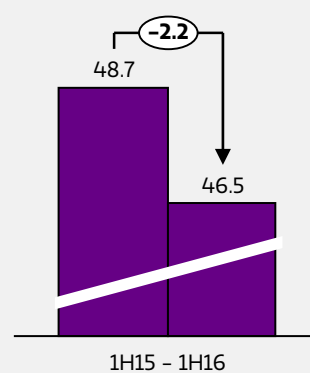
### Canada



### Scandinavia



### UK



## Key underwriting improvement actions

### a Portfolio re-underwriting

- Actions now largely complete
- Exited UK Broker Motor
- Exited certain municipality business in Sweden
- Germany Commercial lines exited
- Pruning of facilities business in Canada, plus revision of Property appetite more broadly

### b Tightening underwriting discipline

- Improved rigor and intensity of portfolio management – disciplined decile analysis of renewal business to improve profitability and risk mix within portfolios
- Optimisation of final price to technical pricing

### c Investing in tools and technology

- Re-built technical pricing models across the Group's Personal Lines businesses:
  - Increased sources, number and detail of rating factors
  - Greater granularity in customer segmentation
- Upgraded external rating engines utilising Radar Live & Earnix:
  - Enables use of more complex algorithms in rating
  - Significantly increases speed in bringing prices to market

# OPERATIONAL COSTS

Example

## Cost reduction themes and progress

- 1 Simplify end-to-end processes**
  - Lean operational excellence being deployed across all regions, focused on high volume processes in claims and underwriting
  - Strong early benefits being displayed
  - Digitisation and robotics initiatives in all regions
- 2 Optimise procurement**
  - Procurement savings in-flight across the Group, e.g. IT infrastructure, BPO transition
- 3 Streamline spans and layers**
  - Wave one process achieved up-to 17% improvement in spans of control by region
  - Further benefits anticipated
- 4 Simplify products**
  - As we deliver technology and process improvements, we will target the rationalisation of non-continuing product variants within our businesses.
- 5 IT change**
  - Transition to new WIPRO IT infrastructure arrangements in UK and Scandinavia completed in H1.
  - Introduction of Guidewire in Canada, new policy system (Duck Creek) in the UK and TIA in Scandinavia.

## 15 Simplify processes, IT change

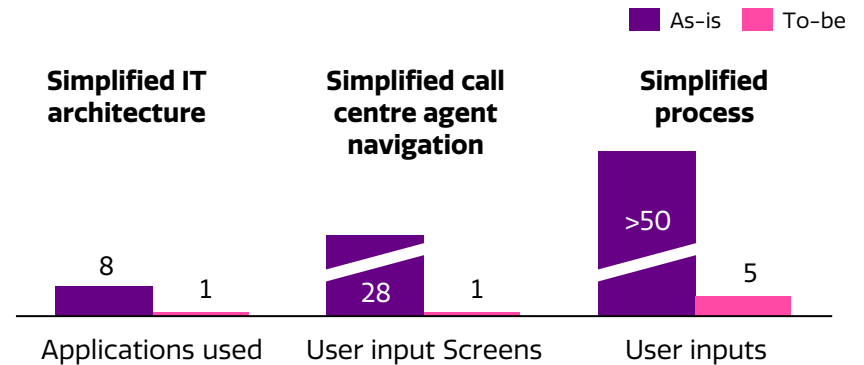
**Opportunity:** Potential to increase scale and efficiency of transformation through investment in robotic automation and digital self-service.

**Approach:** Robotic automation offers benefits through process simplification and digital self-service. Ambition to utilise robotics to deliver and accelerate transformation programme benefits.

Initial pilot programmes have been run in UK PL and elsewhere with positive early results.

### UK Personal Lines pilot results

Below is 'before and after' for a customer agent in a UK Home renewal enquiry:



# **REGIONAL FINANCIAL AMBITION & UPDATE**

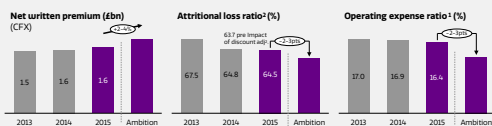
# FINANCIAL AMBITION FOCUSED ON CLOSING GAPS TO BEST IN CLASS COMBINED RATIO PERFORMANCE

## RSA's Financial Ambition



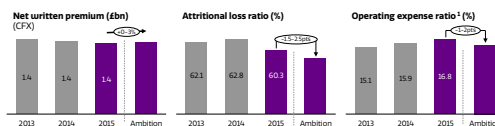
### Scandinavia

< 85%



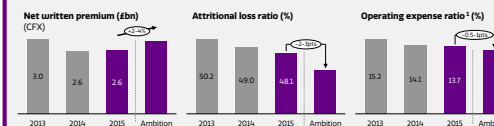
### Canada

< 94%



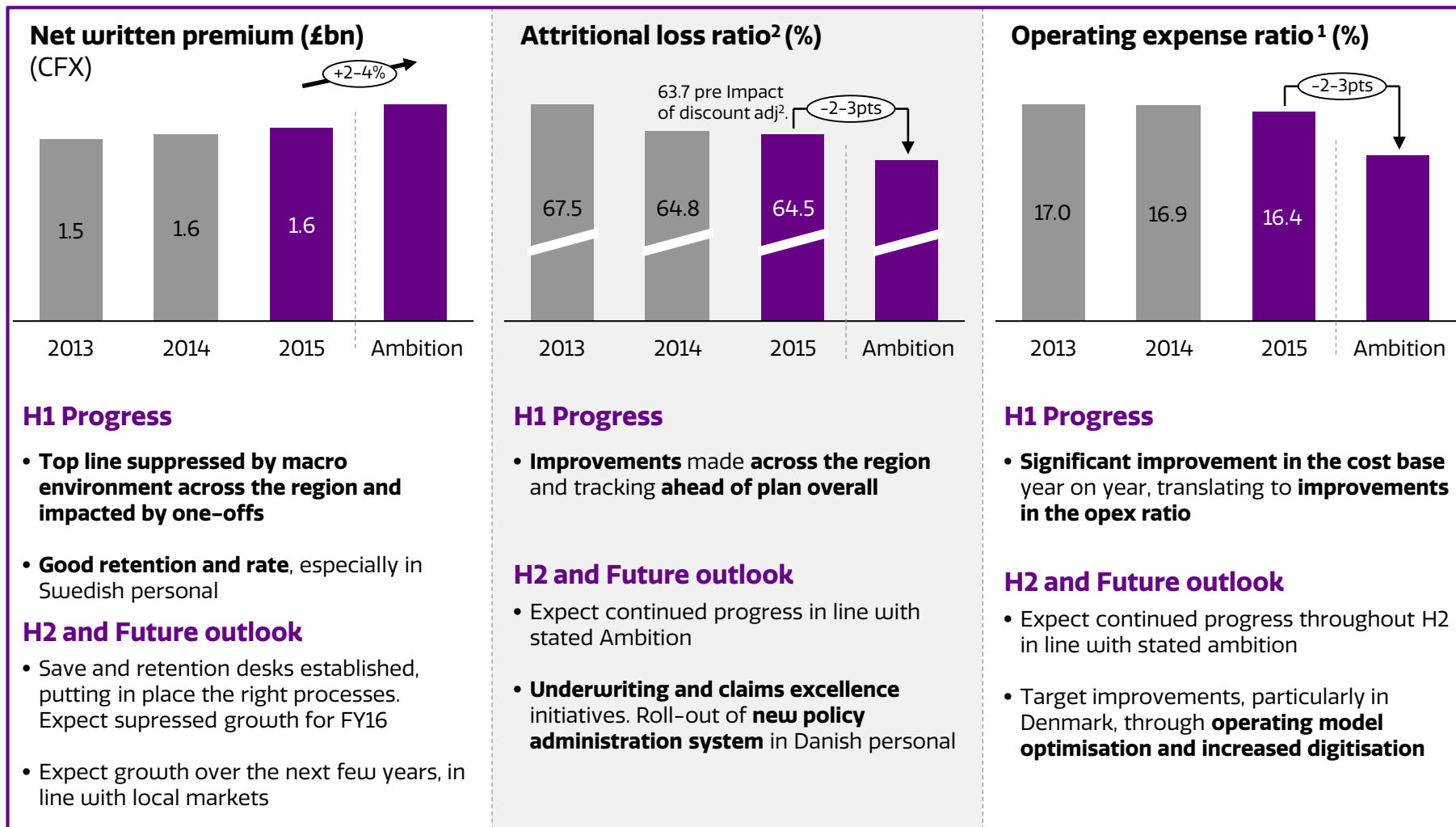
### UK<sup>1</sup>

< 94%



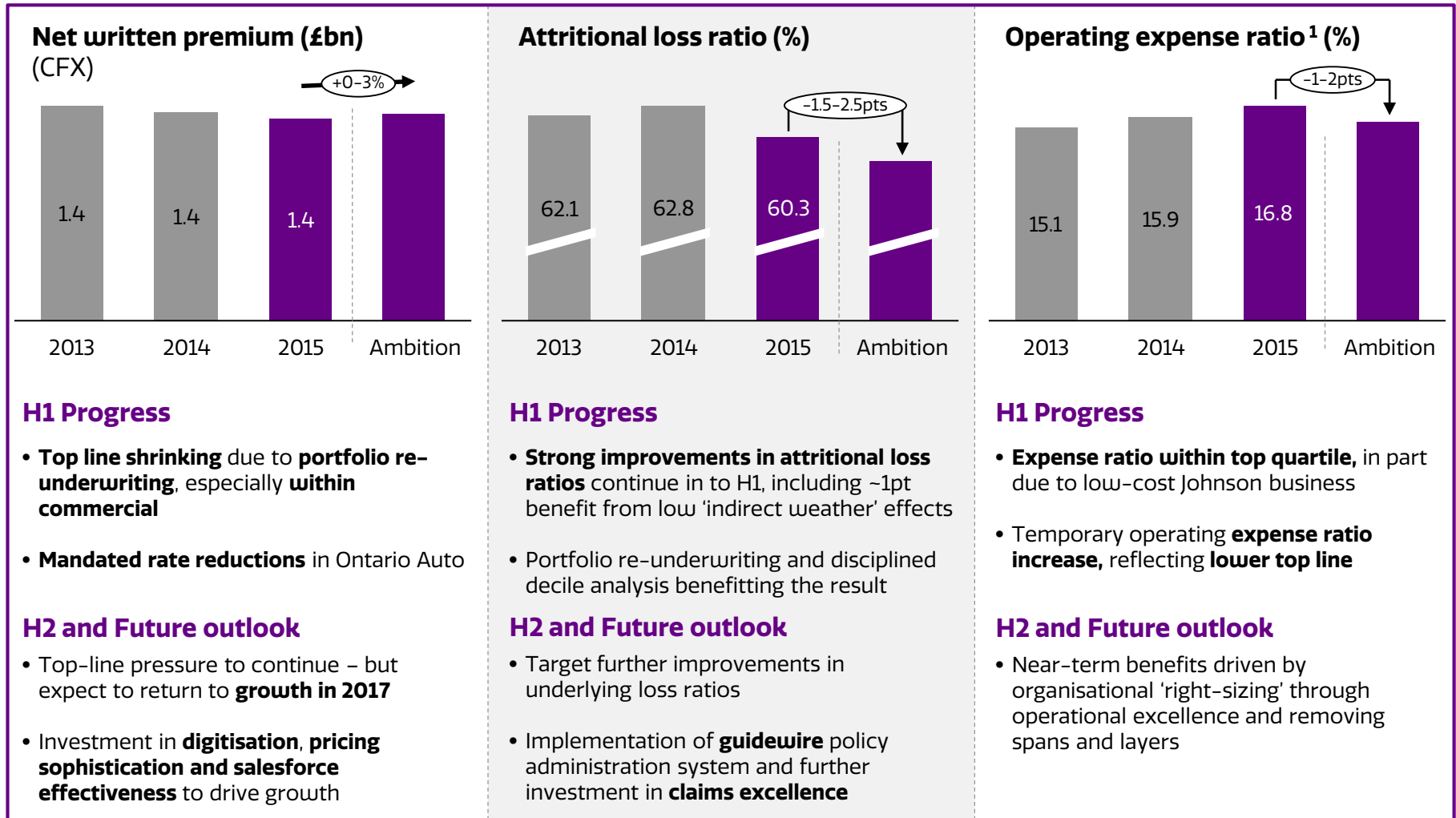
# SCANDINAVIA PROGRESS AND FINANCIAL AMBITION

Significant improvements made in costs & underwriting. Target CORs converging with the best regional competitors



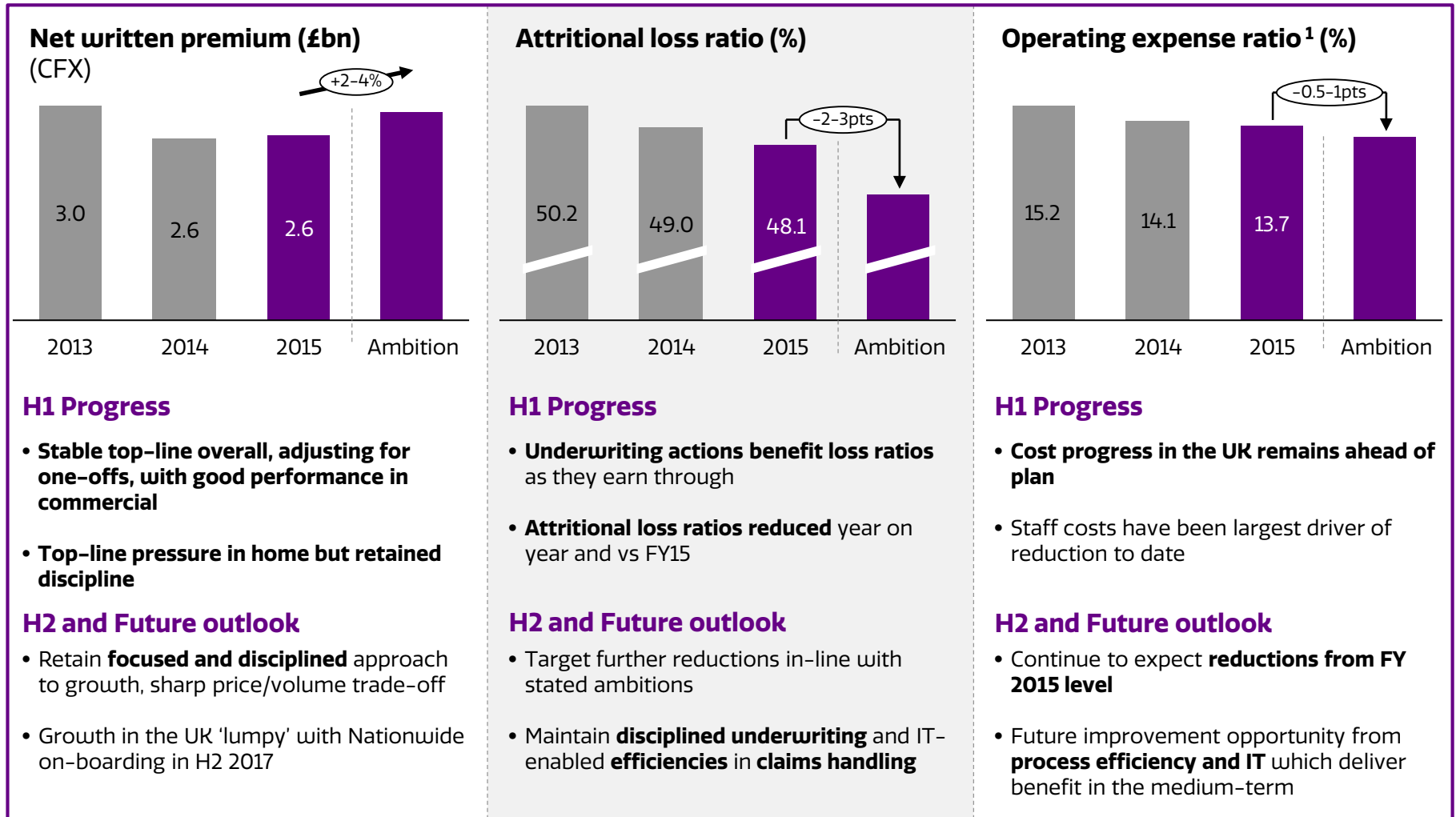
# CANADA PROGRESS AND FINANCIAL AMBITION

Strong improvement in the attritional loss ratio, progress on cost reduction continues



# UK PROGRESS AND FINANCIAL AMBITION

Underlying performance best for many years with significant opportunity for further improvement



# 2016 INTERIM RESULTS



# STRONG AND HIGH QUALITY RESULTS, AHEAD OF OUR PLANS

£m (unless stated)	1H16	1H15	1H15 CFX
Net written premiums	<b>3,247</b>	3,443	3,445
<i>Core group</i>	<b>3,029</b>	2,892	2,947
Underwriting result	<b>① 174</b>	101	96
COR (%)	<b>94.7</b>	97.2	
Investment result	<b>150</b>	167	166
Operating result	<b>② 312</b>	259	254
Underlying PBT <sup>2</sup>	<b>③ 258</b>	205	200
Profit / (loss) after tax	<b>91</b>	215	208
Underlying RoTE (%)	<b>④ 12.8</b>	9.7	
	<b>30 Jun 2016</b>	<b>31 Dec 2015</b>	
TNAV per share (p)	<b>326</b>	279	
Tangible net asset value	<b>3,324</b>	2,838	

**①**  
Excellent improvement in underwriting result, up over 80%<sup>1</sup> with COR 94.7%

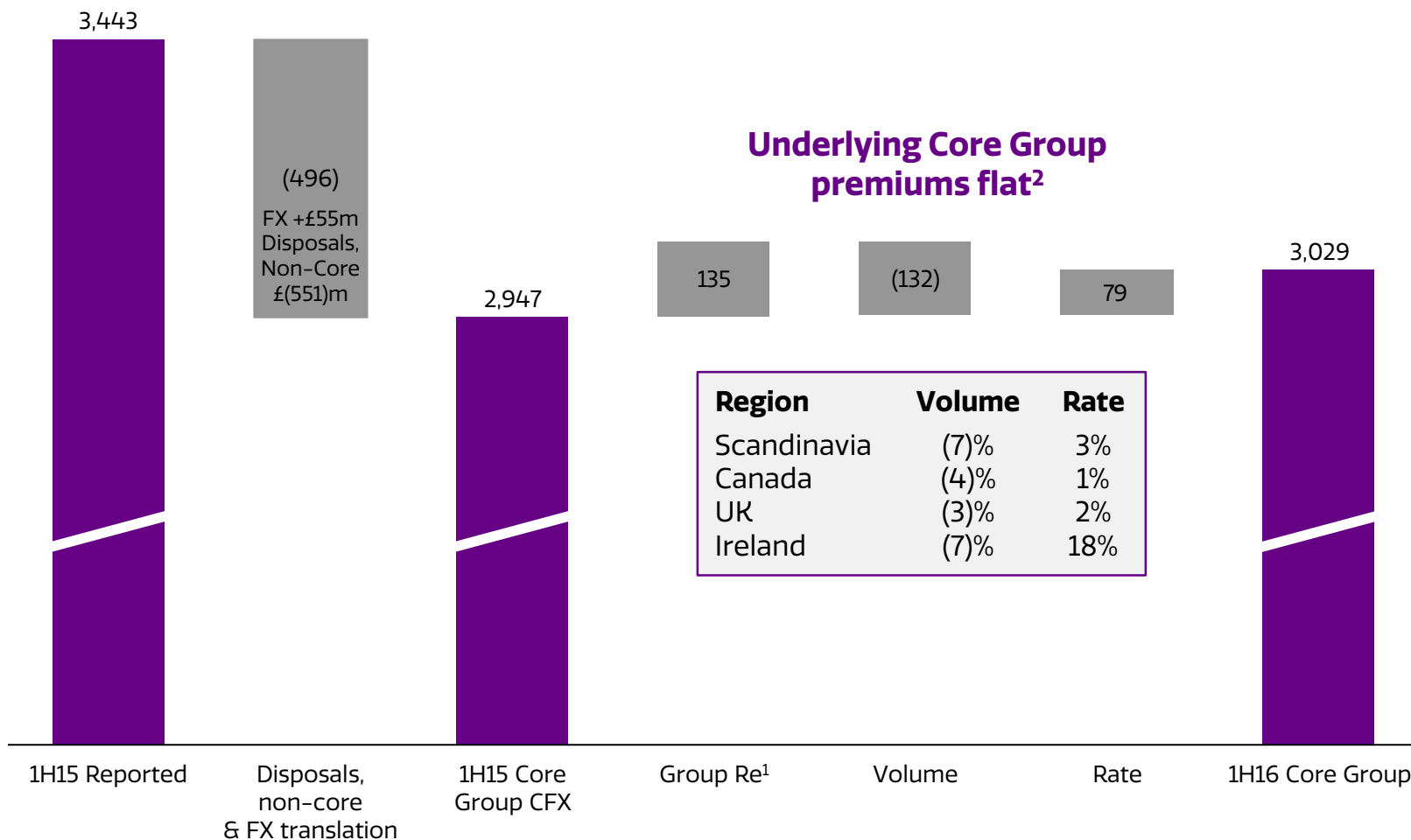
**②**  
Operating result up 23% on prior year<sup>1</sup>

**③**  
Underlying PBT up 29%<sup>1</sup>

**④**  
Underlying ROTE of 12.8%, inside our 12-15% target range a year early

# PREMIUM GROWTH

Net written premiums (£m) 1H16 v 1H15

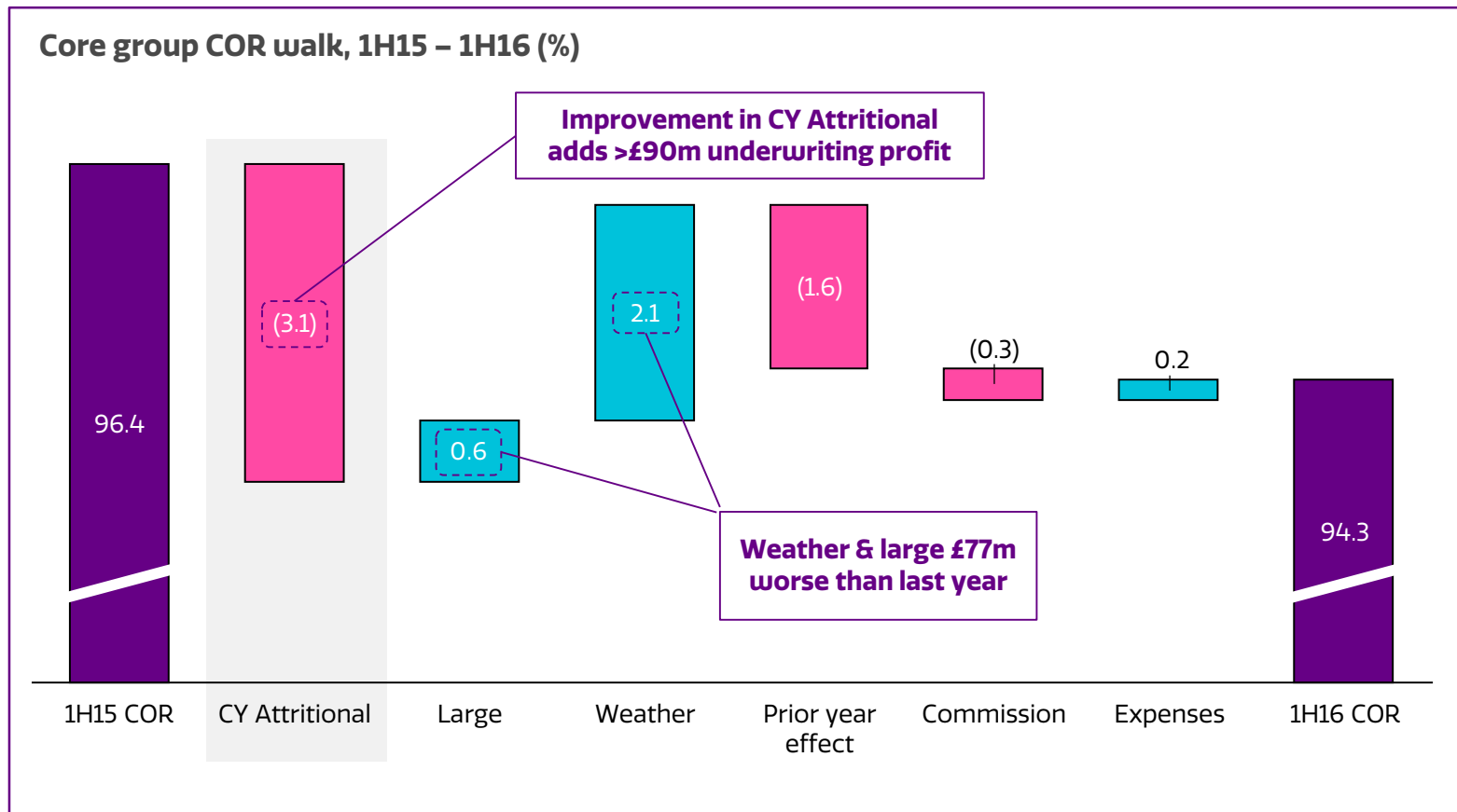


<sup>1</sup>Majority of Group Re variance due to 3 year Group aggregate cover purchased in 2015 for £139m

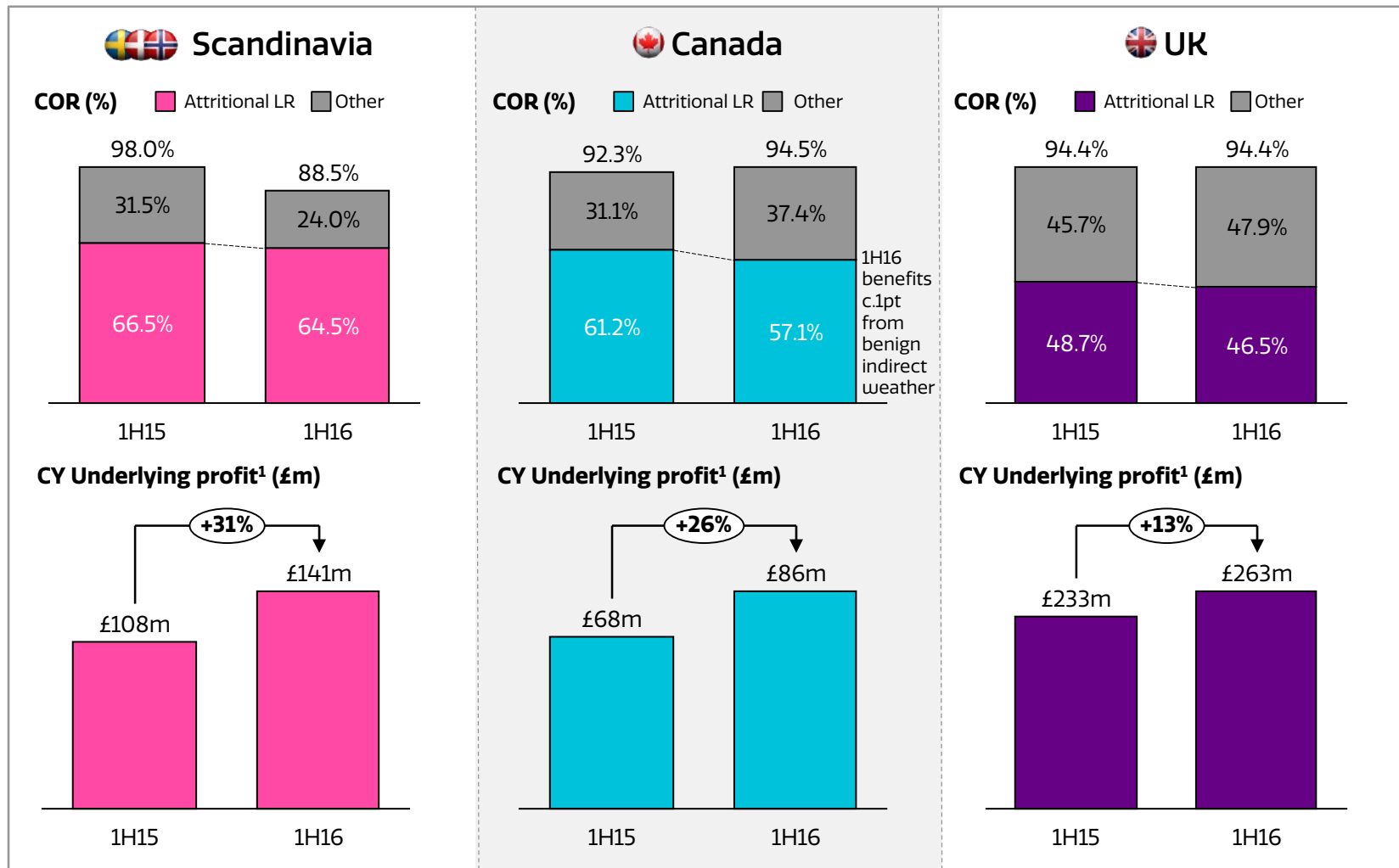
<sup>2</sup>Growth flat adjusting for exit of Broker motor in the UK and non-renewal of certain contracts in Scandinavia

# STRONG IMPROVEMENT IN UNDERWRITING

**Core combined ratio improved by 2.1pts, with strong improvements in current year attritional loss ratios, down 3.1pts and contributing >£90m to underwriting profits**



# GOOD UNDERWRITING PERFORMANCE ACROSS ALL REGIONS

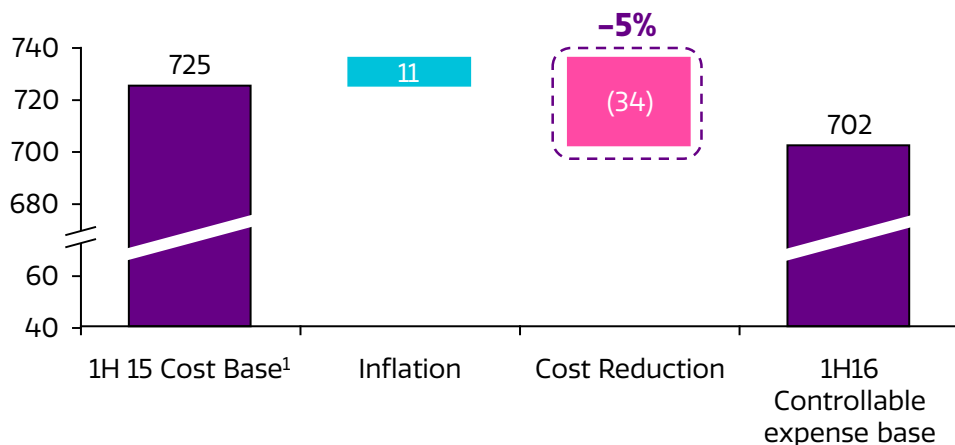


<sup>1</sup>Current year underwriting result less weather and large losses

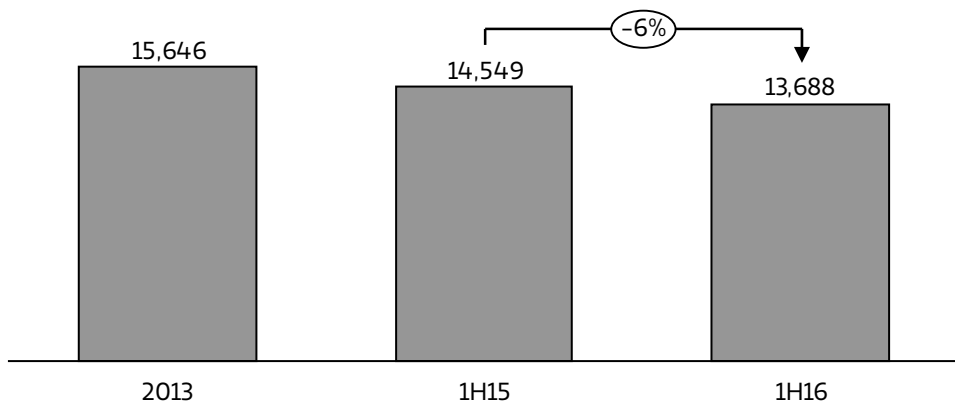
# COST REDUCTIONS CONTINUE AHEAD OF PLAN

On track to achieve >£350m cost savings by 2018 and c£250m by FY 2016

**Core Group controllable cost base walk, 1H15 – 1H16 (£m)**



**Core Group FTE walk, 2013 – 1H16**



## Cost savings: Key Comments

- £180m of annual cost savings achieved by FY 2015; up to £200m in H1 2016.
- On track to achieve >£350m by 2018.
- Expect to be in the region of £250m by FY 2016, as cost savings accelerate into the second half.
  - Run rate benefits of the Wipro IT infrastructure deal, announced in 2015 and successfully implemented in H1, to come through.
  - Run-rate benefits from site rationalisation announced in H1.
  - Further headcount reductions associated with our transformation programme.

# INVESTMENT INCOME

- **Investment income** £187m (H1 2015: £206m)
- **Average yield** on bond portfolios was 2.6%, with a **reinvestment rate** of 1.5%
- **Unrealised gains** of £719m (31 December 2015: £415m): increase driven by lower bond yields and positive FX movements.
  - Yield curves have flattened in H1, therefore, expect to largely unwind over next 4 years
- **Investment strategy unchanged:** High quality, low risk fixed income portfolio – **protecting capital** for both policyholders and shareholders
- **Investment income guidance**<sup>1</sup>: c.£350m in 2016 (incl. c.£15m for Latin America, now disposed), c.£320m in 2017, c.£300m in 2018. Discreet H2 2016 discount unwind c.£27m.

# FOREIGN EXCHANGE A POTENTIAL TAILWIND INTO H2

Sterling has depreciated c.8–10% against our core foreign territories during H1 2016

## FX impact on RSA result

£m	<sup>2</sup> 1H 16 (as reported)	<sup>1</sup> 1H 16 (1 August 2016 spot rates)	Variance <sup>1</sup> - <sup>2</sup> (%)
NWP	3,247	3,426	+6%
Underwriting result	174	185	+6%
Investment result	150	157	+5%
Operating result	312	330	+6%
Underlying PBT	258	277	+7%

1 August 2016 spot rates would imply a 7% increase in the reported Sterling underlying PBT

# OPERATING PROFIT £312M, UP 23%

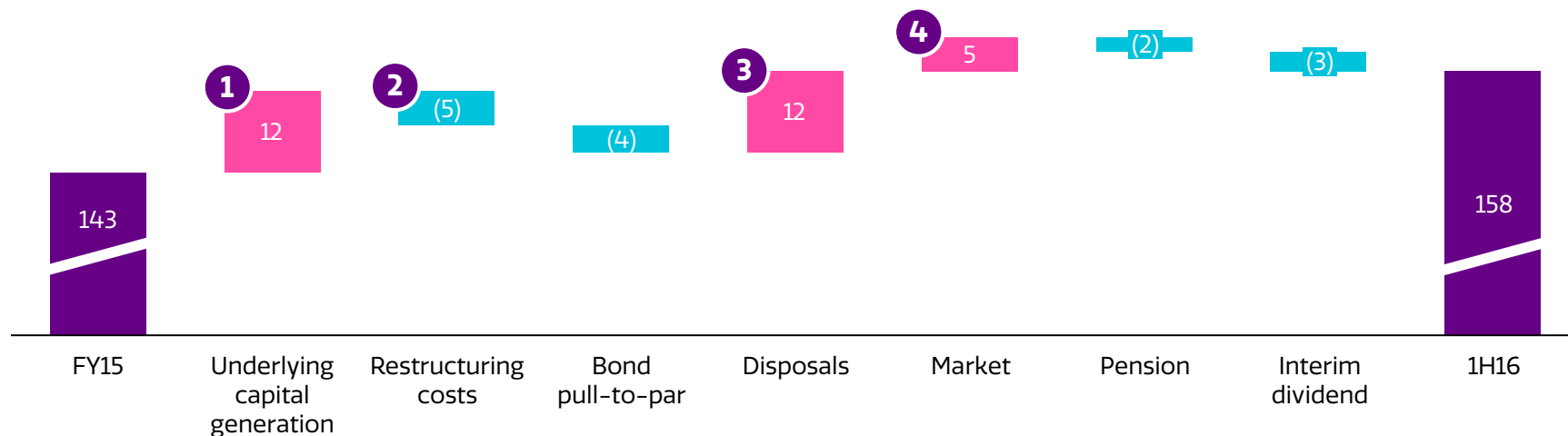
£m	H1'16	H1'15	H1'15 CFX
<b>Operating result</b>	<b>312</b>	<b>259</b>	<b>254</b>
Net gains/losses/exchange – tangible	<b>169</b>	128	127
– intangible	<b>(188)</b>	41	40
Interest	<b>(54)</b>	(54)	(54)
Non-operating charges	<b>(9)</b>	(17)	(17)
Non-recurring charges	<b>(82)</b>	(69)	(69)
<b>Profit before tax</b>	<b>148</b>	288	281
Tax	<b>(57)</b>	(73)	(73)
<b>Profit after tax</b>	<b>91</b>	215	208

- 1** Strong tangible gains from Latin America disposal, offset mainly by intangible FCTR recycle, in line with expectations
- Expect one-time cost of £39m in H2 for debt retirement delivering annual run-rate debt cost saving of c.£19m.
- 2** Non-recurring charges incurred with respect to the restructuring programme are running in-line with expectations indicated at FY 2015.
- 3** Effective tax rate of 39%, in line with expectations, due to one-off taxes on disposals. Core Group underlying tax rate of 24%.



# SOLVENCY II: TOWARDS THE TOP OF OUR TARGET RANGE

Movement in Solvency II coverage ratio (%)

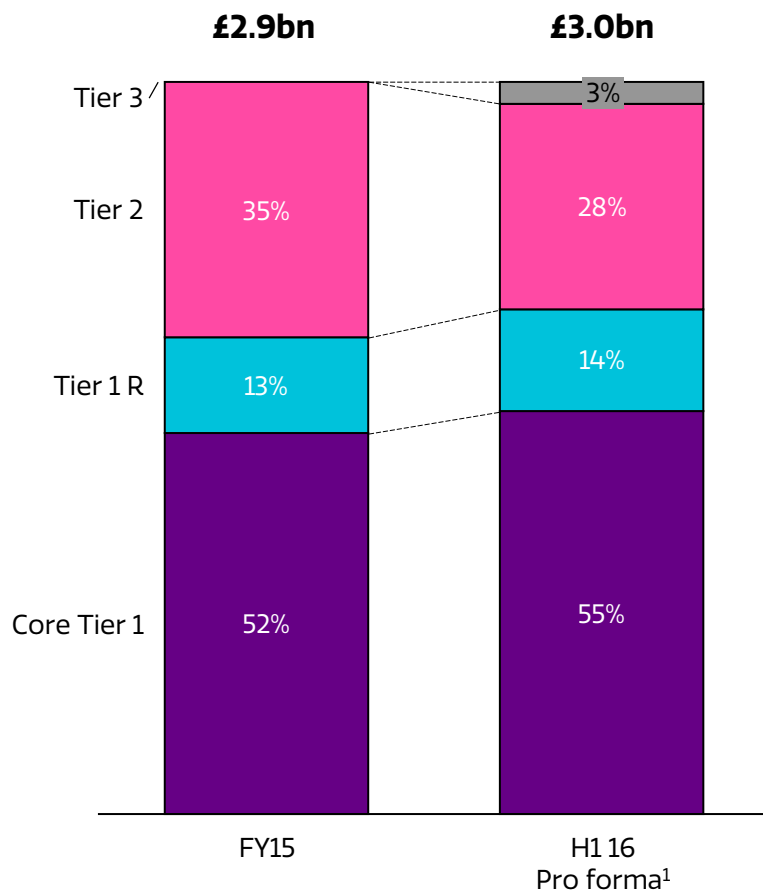


## Solvency II: key movements

- ① Underlying PAT (operating profit less interest cost less underlying tax)
- ② Restructuring charges and other non-operating items
- ③ Benefit of Latin American and Russian disposals, completed in the period.
- ④ Mainly driven by positive foreign exchange movements. Low exposure to yield movements due to matching of assets and liabilities. Equities and credit spreads broadly flat over the period.

# CAPITAL TIERING & IMPACT OF DEBT RETIREMENT

## Solvency II Eligible Own Funds by tier



### Capital tiering and impact of debt retirement

- £200m subordinated debt (nominal value) retirement completed 12 July.
- One-off charge in H2 of c.£39m below the Operating Result in the P&L. Annualised run-rate interest costs saving of c.£19m.
- SII neutral as the market value of the debt was replaced by c.£130m of previously ineligible Tier 2 and c.£100m of Tier 3 (deferred tax asset).
- Ambition to further improve quality of capital. We will continue to look for opportunities to retire debt, as well as exploring other risk/capital efficiency options.

# H2 OUTLOOK

## H2 Outlook

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- 1 Strong H1 gives us confidence for H2 and 2017.
- 2 Prioritise underwriting discipline over growth in near term.
- 3 Pace of attritional loss ratio improvement to moderate.  
Cost reductions to continue.
- 4 On track for a strong underwriting improvement overall in 2016.
- 5 Take opportunities to optimise capital structure.

# SUMMARY

## Winning for customers and for shareholders

- 1 Strategic refocus now completed
- 2 Excellent performance progress, ahead of our plans
- 3 Record half year underwriting profits
- 4 Underlying ROTE in our target range of 12-15% a year early

**Q&A**

# APPENDIX

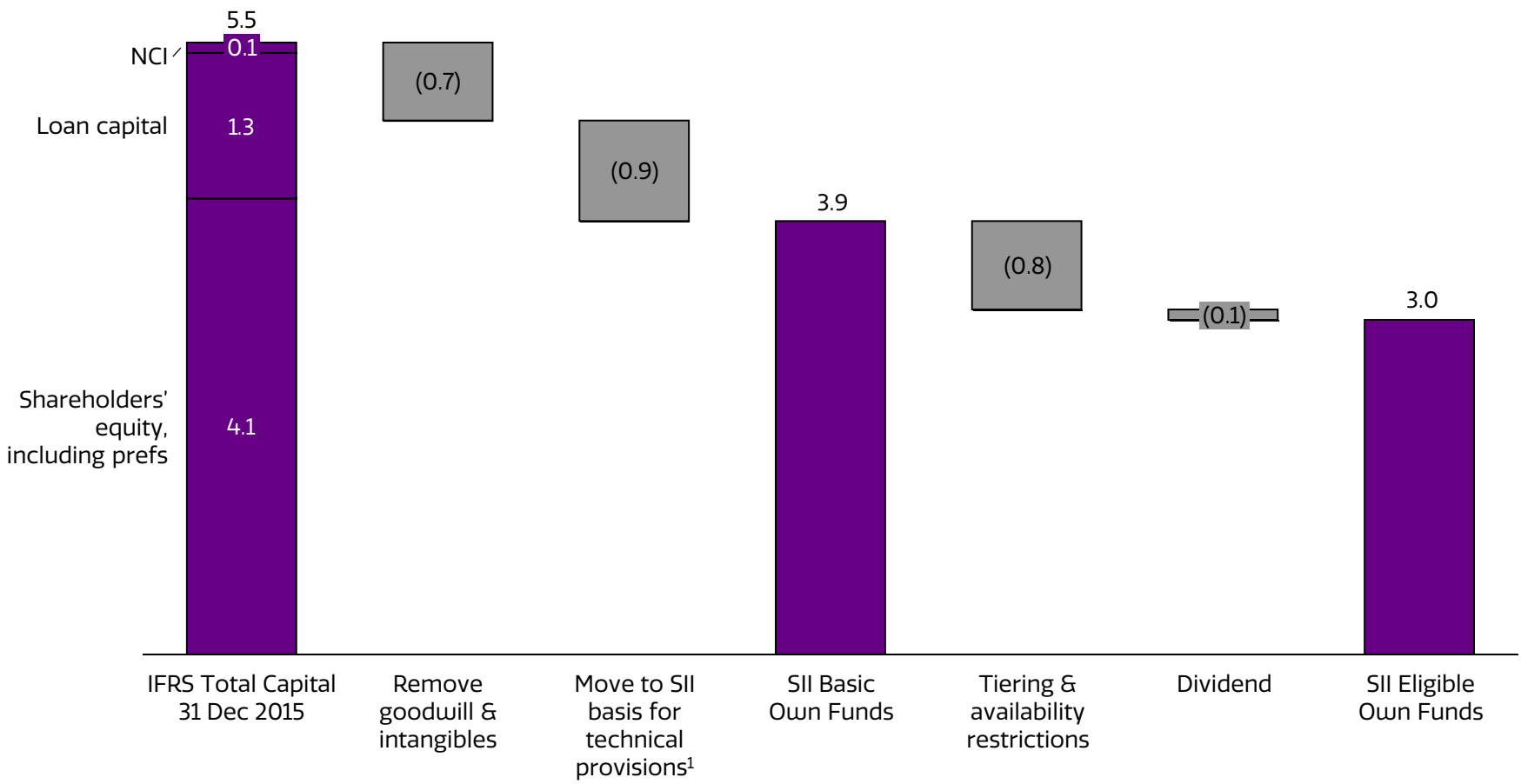
# CAPITAL: OPERATING RANGES & APPETITE

**RSA retains a measured approach to capital management, targeting a single 'A' capital rating. 130% – 160% operating range under Solvency II is appropriate for the Group's risk profile**

Metric	Appetite	Solvency II Appetite
Credit rating	<ul style="list-style-type: none"> <li>Target single A credit rating (S&amp;P, Moody's)</li> </ul>	<ul style="list-style-type: none"> <li>A measured approach to capital risk appetite, targeting a minimum buffer above the SCR in addition to capital resilience based on a range of sensitivities</li> <li>RSA is a diversified, multi-channel, multi-product general insurer and is not normally exposed to significant volatility from the business mix</li> <li>Pension scheme provides a degree of IAS 19 volatility under Solvency II, though not in cash terms</li> </ul>
Solvency II coverage ratio	<ul style="list-style-type: none"> <li>Target coverage 130% - 160%</li> </ul>	
Pillar II	<ul style="list-style-type: none"> <li>Not disclosed</li> </ul>	
TNAV:NWP	<ul style="list-style-type: none"> <li>Reasonableness test against other metrics</li> </ul>	

# SOLVENCY II: AVAILABLE CAPITAL RECONCILIATION

Reconciliation from IFRS capital at 30 June 2016 (£bn)

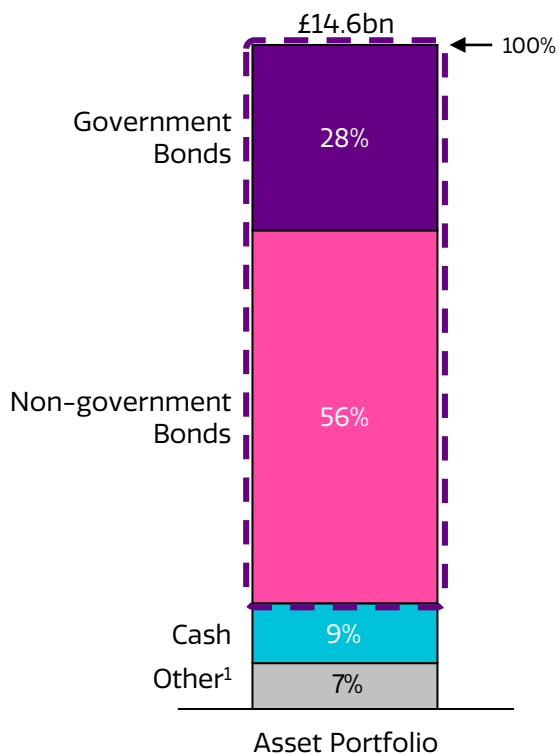


<sup>1</sup>Including DAC

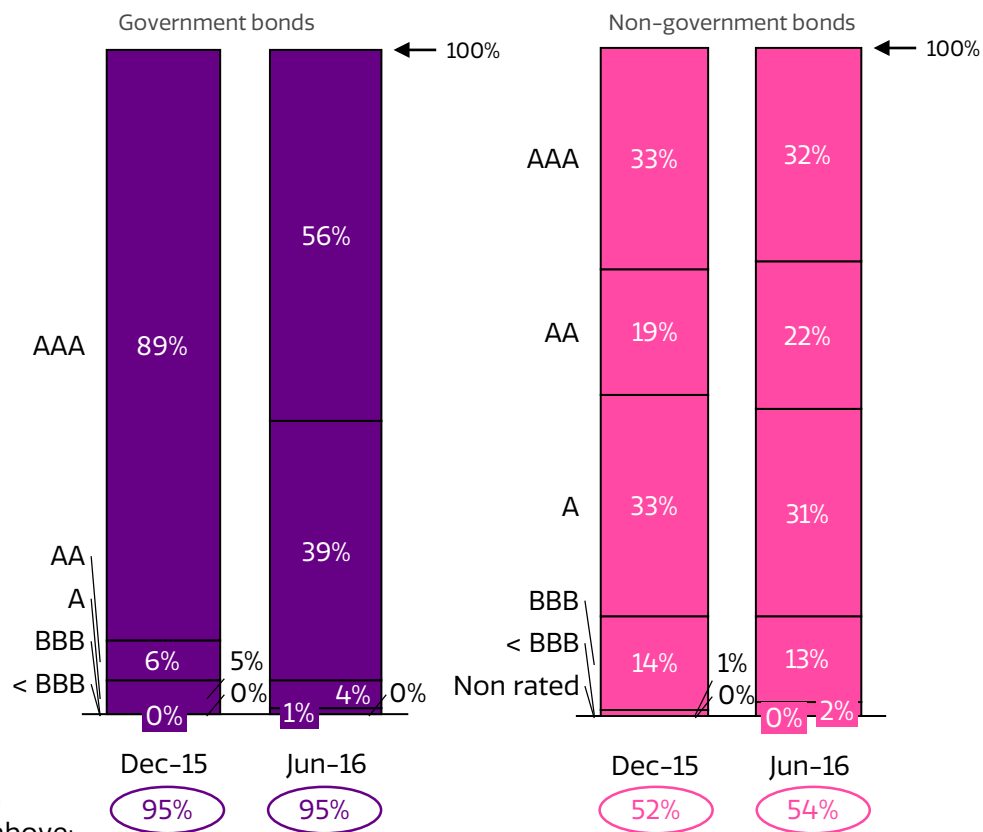


# INVESTMENT PORTFOLIO COMPOSITION & CREDIT QUALITY

Investment portfolio, June 2016 (£m)



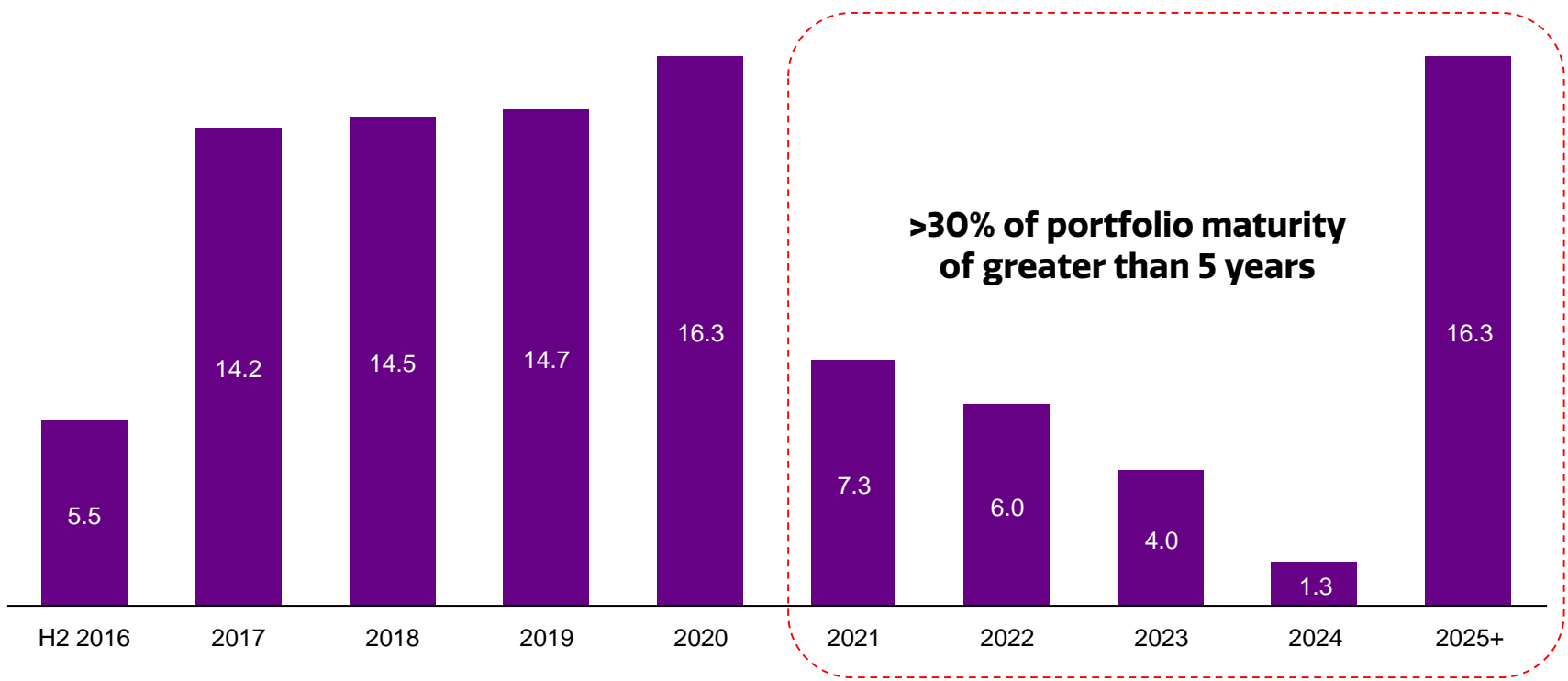
Bond portfolio credit quality (at Jun 2016)



Total portfolio rated AA and above:

# BOND MATURITY PROFILE

Bond portfolio by maturity (%)



Maturity profile of corporate and government bond portfolios as at 30/06/2016

# CORE GROUP UNDERWRITING RESULT DETAIL

£m unless stated	Current year	Prior year	1H 16 Total	Current year	Prior year	1H 15 Total
<b>Net written premiums</b>	<b>3,026</b>	<b>3</b>	<b>3,029</b>	<b>2,892</b>	<b>-</b>	<b>2,892</b>
Net earned premiums	① 3,001	(11)	② 2,990	3,016	(6)	3,010
Net incurred claims	(2,028)	74	③ (1,954)	(2,052)	25	(2,027)
Commission expenses	(406)	(4)	④ (410)	(429)	6	(423)
Operating expenses	(451)	(3)	⑤ (454)	(450)	(2)	(452)
<b>Underwriting result</b>	<b>116</b>	<b>56</b>	<b>172</b>	<b>85</b>	<b>23</b>	<b>108</b>
CY attritional claims	⑥ (1,645)			(1,746)		
Weather claims	⑦ (107)			(45)		
Large losses	⑧ (276)			(261)		
<b>Net incurred claims</b>	<b>(2,028)</b>			<b>(2,052)</b>		
<b>Loss ratio (%)</b>	= ③ / ②		⑨ <b>65.3</b>			<b>67.3</b>
Weather ratio (%)	= ⑦ / ①		⑩ 3.6			1.5
Large loss ratio (%)	= ⑧ / ①		⑪ 9.2			8.6
CY attritional ratio (%)	= ⑥ / ①		⑫ 54.8			57.9
PY effect (%)	= ⑨ - (⑩ : ⑫)		(2.3)			(0.7)
<b>Commission ratio (%)</b>	= ④ / ②		⑬ <b>13.8</b>			<b>14.1</b>
<b>Expense ratio (%)</b>	= ⑤ / ②		⑭ <b>15.2</b>			<b>15.0</b>
<b>Combined ratio</b>	= ⑨ + ⑬ + ⑭		<b>94.3</b>			<b>96.4</b>

# SCANDINAVIA UNDERWRITING RESULT DETAIL

£m unless stated	Current year	Prior year	1H 16 Total	Current year	Prior year	1H 15 Total
<b>Net written premiums</b>	<b>965</b>	-	<b>965</b>	<b>949</b>	-	<b>949</b>
Net earned premiums	① 832	-	② 832	782	-	782
Net incurred claims	(584)	2	③ (582)	(580)	(33)	(613)
Commission expenses	(24)	-	④ (24)	(27)	-	(27)
Operating expenses	(130)	-	⑤ (130)	(126)	-	(126)
<b>Underwriting result</b>	<b>94</b>	<b>2</b>	<b>96</b>	<b>49</b>	<b>(33)</b>	<b>16</b>
CY attritional claims	⑥ (537)			(521)		
Weather claims	⑦ (2)			(4)		
Large losses	⑧ (45)			(55)		
<b>Net incurred claims</b>	<b>(584)</b>			<b>(580)</b>		
<b>Loss ratio (%)</b>	= ③ / ②		⑨ <b>70.0</b>			<b>78.3</b>
<i>Weather ratio (%)</i>	= ⑦ / ①		⑩ 0.3			0.6
<i>Large loss ratio (%)</i>	= ⑧ / ①		⑪ 5.4			7.0
<i>CY attritional ratio (%)</i>	= ⑥ / ①		⑫ 64.5			66.5
<i>PY effect (%)</i>	= ⑨ - (⑩ : ⑫)		(0.2)			4.2
<b>Commission ratio (%)</b>	= ④ / ②		⑬ <b>2.9</b>			<b>3.5</b>
<b>Expense ratio (%)</b>	= ⑤ / ②		⑭ <b>15.6</b>			<b>16.2</b>
<b>Combined ratio</b>	= ⑨ + ⑬ + ⑭		<b>88.5</b>			<b>98.0</b>

# CANADA UNDERWRITING RESULT DETAIL

£m unless stated	Current year	Prior year	1H 16 Total	Current year	Prior year	1H 15 Total
<b>Net written premiums</b>	<b>612</b>	<b>(3)</b>	<b>609</b>	<b>637</b>	-	<b>637</b>
Net earned premiums	① 685	(3)	② 682	722	-	722
Net incurred claims	(479)	42	③ (437)	(503)	49	(454)
Commission expenses	(94)	3	④ (91)	(98)	3	(95)
Operating expenses	(114)	(3)	⑤ (117)	(114)	(3)	(117)
Underwriting result	(2)	39	37	7	49	56
CY attritional claims	⑥ (391)			(442)		
Weather claims	⑦ (45)			(19)		
Large losses	⑧ (43)			(42)		
Net incurred claims	(479)			<b>(503)</b>		
<b>Loss ratio (%)</b>	= ③ / ②		⑨ <b>64.0</b>			<b>62.9</b>
<i>Weather ratio (%)</i>	= ⑦ / ①		⑩ 6.6			2.7
<i>Large loss ratio (%)</i>	= ⑧ / ①		⑪ 6.3			5.8
<i>CY attritional ratio (%)</i>	= ⑥ / ①		⑫ 57.1			61.2
<i>PY effect (%)</i>	= ⑨ - (⑩ : ⑫)		(6.0)			(6.8)
<b>Commission ratio (%)</b>	= ④ / ②		⑬ <b>13.4</b>			<b>13.2</b>
<b>Expense ratio (%)</b>	= ⑤ / ②		⑭ <b>17.1</b>			<b>16.2</b>
<b>Combined ratio</b>	= ⑨ + ⑬ + ⑭		<b>94.5</b>			<b>92.3</b>

# UK UNDERWRITING RESULT DETAIL

£m unless stated	Current year	Prior year	1H 16 Total	Current year	Prior year	1H 15 Total
<b>Net written premiums</b>	<b>1,269</b>	<b>6</b>	<b>1,275</b>	<b>1,283</b>	<b>(1)</b>	<b>1,282</b>
Net earned premiums	① 1,348	(1)	② 1,347	1,377	1	1,378
Net incurred claims	(849)	43	③ (806)	(845)	13	(832)
Commission expenses	(271)	(7)	④ (278)	(285)	4	(281)
Operating expenses	(187)	-	⑤ (187)	(188)	-	(188)
<b>Underwriting result</b>	<b>41</b>	<b>35</b>	<b>76</b>	<b>59</b>	<b>18</b>	<b>77</b>
CY attritional claims	⑥ (627)			(671)		
Weather claims	⑦ (58)			(14)		
Large losses	⑧ (164)			(160)		
<b>Net incurred claims</b>	<b>(849)</b>			<b>(845)</b>		
<b>Loss ratio (%)</b>	= ③ / ②		⑨ 59.8			60.4
Weather ratio (%)	= ⑦ / ①		⑩ 4.3			1.1
Large loss ratio (%)	= ⑧ / ①		⑪ 12.2			11.6
CY attritional ratio (%)	= ⑥ / ①		⑫ 46.5			48.7
PY effect (%)	= ⑨ - (⑩:⑫)		(3.2)			(1.0)
<b>Commission ratio (%)</b>	= ④ / ②		⑬ 20.7			20.3
<b>Expense ratio (%)</b>	= ⑤ / ②		⑭ 13.9			13.7
<b>Combined ratio</b>	= ⑨ + ⑬ + ⑭		<b>94.4</b>			<b>94.4</b>

# UK PERSONAL UNDERWRITING RESULT DETAIL

£m unless stated	Current year	Prior year	1H 16 Total	Current year	Prior year	1H 15 Total
<b>Net written premiums</b>	<b>496</b>	-	<b>496</b>	<b>536</b>	-	<b>536</b>
Net earned premiums	① 553	-	② 553	582	-	582
Net incurred claims	(334)	3	③ (331)	(341)	13	(328)
Commission expenses	(119)	-	④ (119)	(126)	(2)	(128)
Operating expenses	(89)	-	⑤ (89)	(90)	-	(90)
Underwriting result	11	3	14	25	11	36
CY attritional claims	⑥ (282)			(307)		
Weather claims	⑦ (33)			(11)		
Large losses	⑧ (19)			(23)		
<b>Net incurred claims</b>	<b>(334)</b>			<b>(341)</b>		
<b>Loss ratio (%)</b>	= ③ / ②		⑨ <b>59.9</b>			<b>56.5</b>
Weather ratio (%)	= ⑦ / ①		⑩ 6.1			1.9
Large loss ratio (%)	= ⑧ / ①		⑪ 3.5			3.9
CY attritional ratio (%)	= ⑥ / ①		⑫ 50.8			52.9
PY effect (%)	= ⑨ - (⑩ : ⑫)		(0.5)			(2.2)
<b>Commission ratio (%)</b>	= ④ / ②		⑬ <b>21.5</b>			<b>22.0</b>
<b>Expense ratio (%)</b>	= ⑤ / ②		⑭ <b>16.1</b>			<b>15.3</b>
<b>Combined ratio</b>	= ⑨ + ⑬ + ⑭		<b>97.5</b>			<b>93.8</b>

# UK COMMERCIAL UNDERWRITING RESULT DETAIL

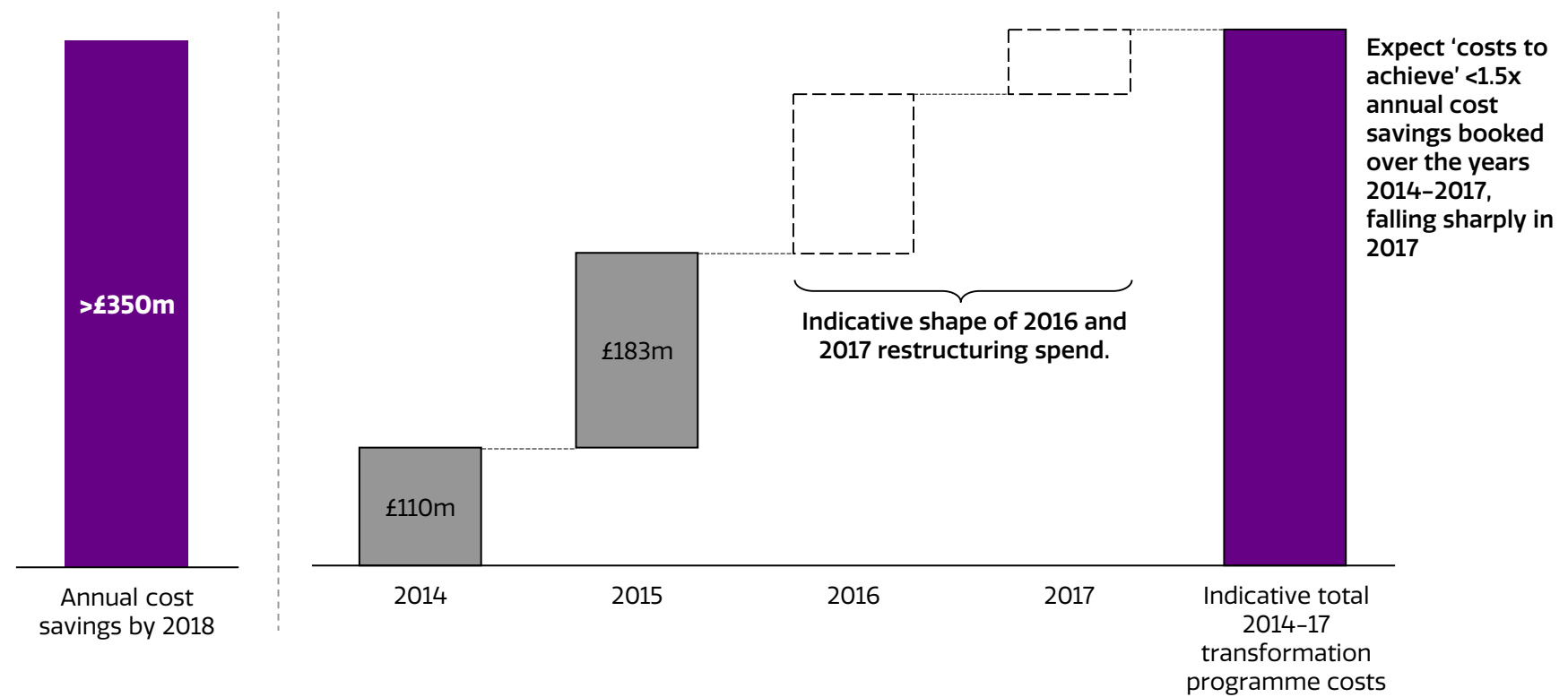
£m unless stated	Current year	Prior year	1H 16 Total	Current year	Prior year	1H 15 Total
<b>Net written premiums</b>	<b>773</b>	<b>6</b>	<b>779</b>	<b>747</b>	<b>(1)</b>	<b>746</b>
Net earned premiums	① 795	(1) 794	② 794	795	1	796
Net incurred claims	(515)	40	③ (475)	(504)	-	(504)
Commission expenses	(152)	(7)	④ (159)	(159)	6	(153)
Operating expenses	(98)	-	⑤ (98)	(98)	-	(98)
<b>Underwriting result</b>	<b>30</b>	<b>32</b>	<b>62</b>	<b>34</b>	<b>7</b>	<b>41</b>
CY attritional claims	⑥ (345)			(364)		
Weather claims	⑦ (25)			(3)		
Large losses	⑧ (145)			(137)		
<b>Net incurred claims</b>	<b>(515)</b>			<b>(504)</b>		
<b>Loss ratio (%)</b>	= ③ / ②		⑨ 59.8			63.2
Weather ratio (%)	= ⑦ / ①		⑩ 3.0			0.4
Large loss ratio (%)	= ⑧ / ①		⑪ 18.2			17.3
CY attritional ratio (%)	= ⑥ / ①		⑫ 43.6			45.6
PY effect (%)	= ⑨ - (⑩ : ⑫)		(5.0)			(0.1)
<b>Commission ratio (%)</b>	= ④ / ②		⑬ 20.1			19.1
<b>Expense ratio (%)</b>	= ⑤ / ②		⑭ 12.3			12.5
<b>Combined ratio</b>	= ⑨ + ⑬ + ⑭		<b>92.2</b>			<b>94.8</b>



# REORGANISATION COSTS

Cost savings target and indicative restructuring spend profile, cumulative 2014–2017 (£m)

Illustrative



Note: £110m recognised in 2014 accounts as redundancy (£73m) and restructuring (£37m) costs. A further £183m has been recognised in 2015. £59m in respect of redundancies and £124m of restructuring costs

# 2016 REINSURANCE PROGRAMME

## Group aggregate cover

- Aggregate cover for 2016 renegotiated following LatAm sale
- Events or individual net losses > £10m ('franchise level') are added together across our financial year (when a loss exceeds £10m or local currency franchise level it is included in full)
- Cover attaches when total of these retained losses is greater than £150m
- Limit of cover £150m in any year
- 3 year deal (2015-17) with max recovery available of £300m

## 2015 utilisation (2015 £150m vs £180m)

Gross weather impact c174m. Net impact pre aggregate cover £150m due to conservative Cat programme. Net losses post aggregate cover, £76m

