



RSA INSURANCE GROUP: PURSUIT OF OUTPERFORMANCE

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BAML BANKING & INSURANCE CONFERENCE

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CONFERENCE THEME: “PRICED FOR UNCERTAINTY. LOOKING FOR ANSWERS”

RSA Insurance:

- 1 A 'self help' story
- 2 Resilient in challenging economic and financial market conditions
- 3 'Focused mid-cap', a proven value strategy in P&C Insurance
- 4 Unusually attractive EPS & dividend increases – delivered and in prospect¹
- 5 Momentum ahead of 'street' expectations; good value entry point if progress continues

PURSUIT OF OUTPERFORMANCE

1

**RSA has
successfully
completed its
turnaround
phase**

2

**Now focused
on move
towards
'best in class'
performance**

3

**Today's
presentation
updates on
what we are
doing to
achieve that
goal**

THESIS

To win in P&C insurance you need:

- 1 Strong customer franchise(s)**
- 2 Disciplined strategy that focuses on strengths and avoids mistakes**
- 3 A balance sheet that protects customers and the company**
- 4 Intense and accomplished operational delivery – across customers, underwriting and costs**

RSA'S STRATEGY & FRANCHISE

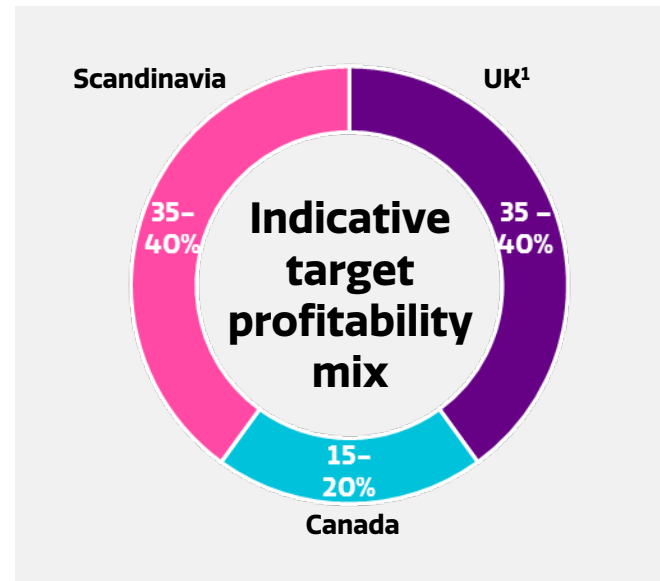
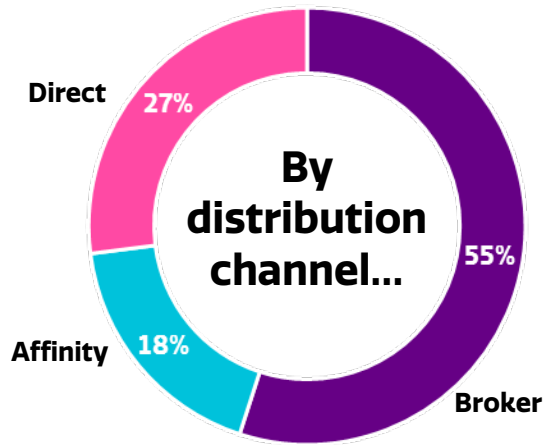
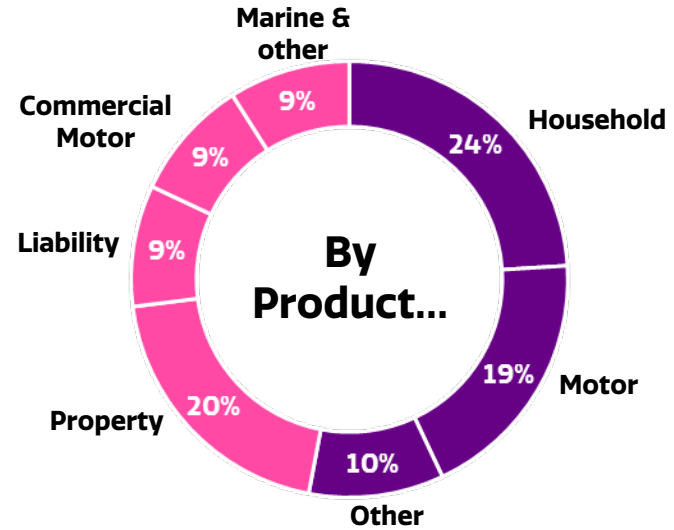
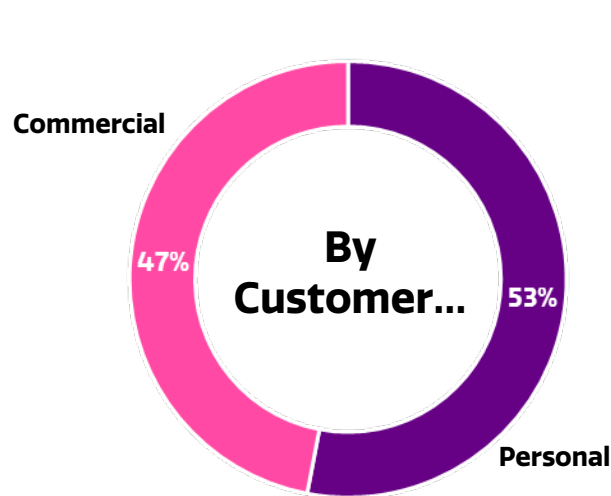
FOCUSED; STRONGER; BETTER

What is RSA?

- 1 A leading international general insurer, focused on Northern developed markets**
- 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**

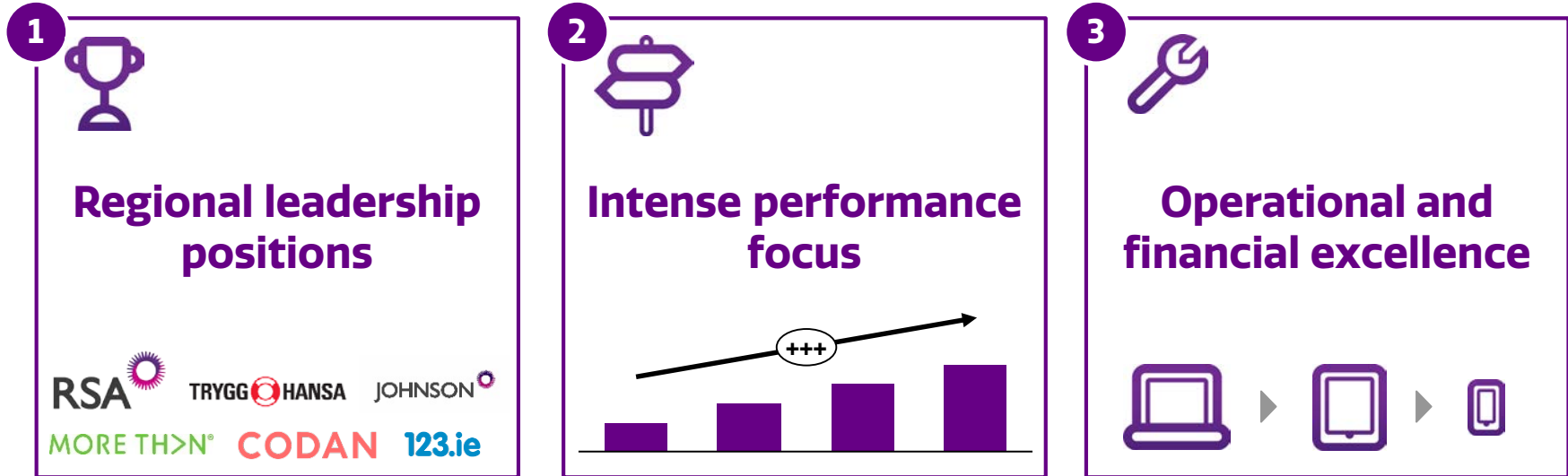
In short, **winning for customers and for shareholders**

LEADERS IN OUR MARKETS, WITH ATTRACTIVE BUSINESS BALANCE



¹ Includes Ireland, Specialty businesses in the Eurozone, and Middle East
 Note: Split based on 2015 core Group NWP, except indicative profitability - based on target combined Underwriting and Investment result

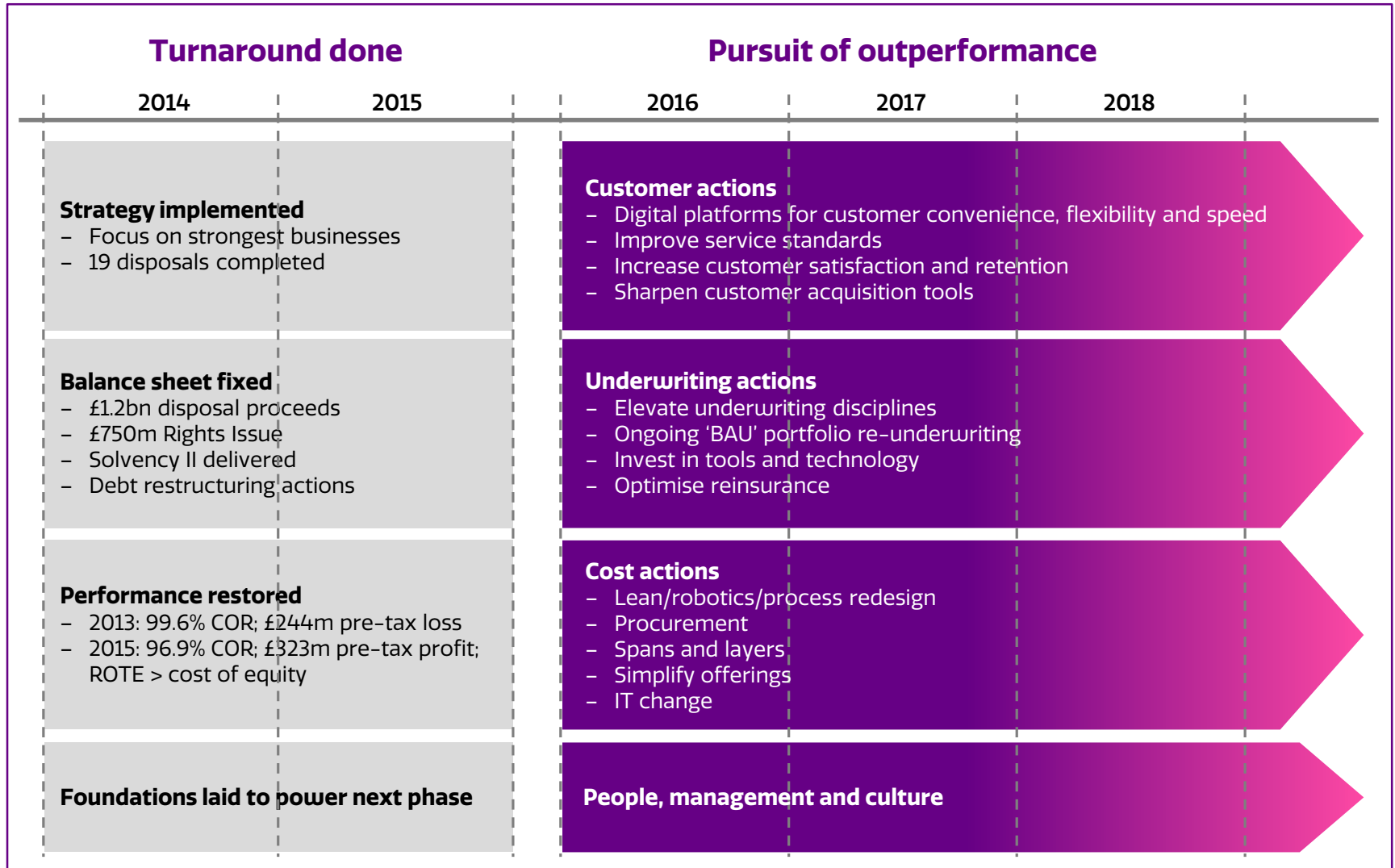
'FOCUSED MID-CAP' PROPOSITION



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

ACTION PLAN

ACTION PLAN



PURSUIT OF OUTPERFORMANCE

Management Approach

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

For each business:

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

Improvement Actions

Performance improvement actions in 5 areas:

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

SERVING CUSTOMERS BETTER

1

Customer Actions

Multi-channel distribution	Enhance direct/broker/affinity choice for clients.
Speed, convenience & flexibility	Digital trends at the forefront of customer evolution.
Proposition	Drive to sharpen targeted customer propositions.
Service	Differentiate on service standards and delivery.
Satisfaction	Target strong positive NPS and effective brand promise.

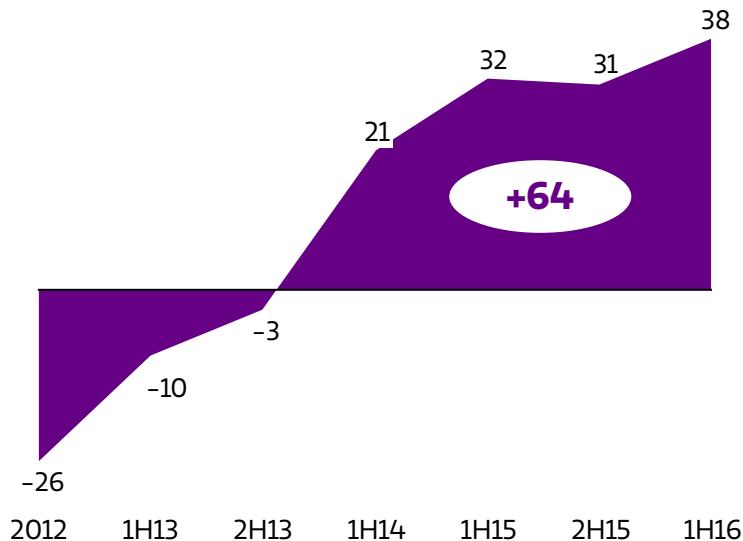
2

Sales Actions

Salesforce effectiveness	Multiple disciplines to improve delivery to customers.
Trading capabilities	Greater market responsiveness in pricing and policy make up.
Pricing expertise	Richer risk segmentation.
E-trading	Drive 'industrialisation' of B2B delivery for price competitiveness and growth.

SERVING CUSTOMERS BETTER

Example: UK Commercial NPS

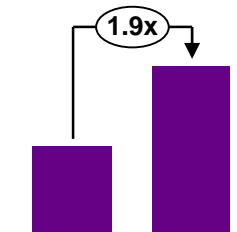


1 Promoters spend more...



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 2nd in SME in Denmark

 Codan CSAT ranked 1st overall in Norway

 RSA ranked 1st or 2nd in GSL European offices

 RSA 2nd most recommended in Canadian broker survey

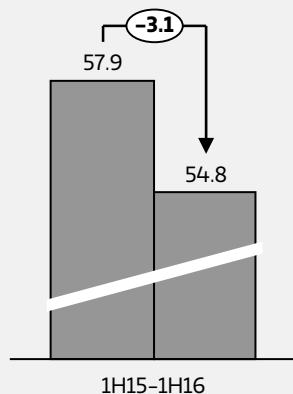
 Customer Agent NPS +60, significantly ahead of benchmark

UNDERWRITING BETTER

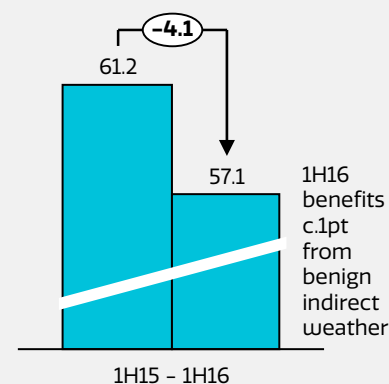
Core Group attritional loss ratio progression

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

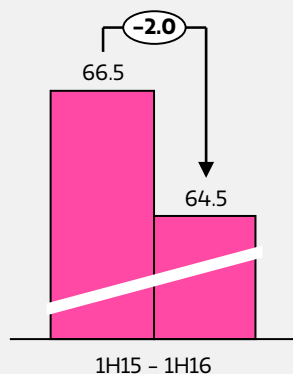
Core Group



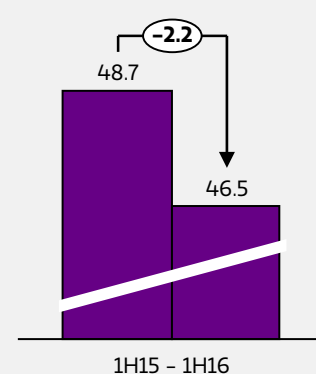
Canada



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
- Building initiatives in data analytics

LOWER COSTS – TARGET >£350m SAVINGS BY 2018

Example

Cost reduction themes and progress

- 1 Simplify end-to-end processes**
 - Lean operational excellence being deployed across all regions
 - 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

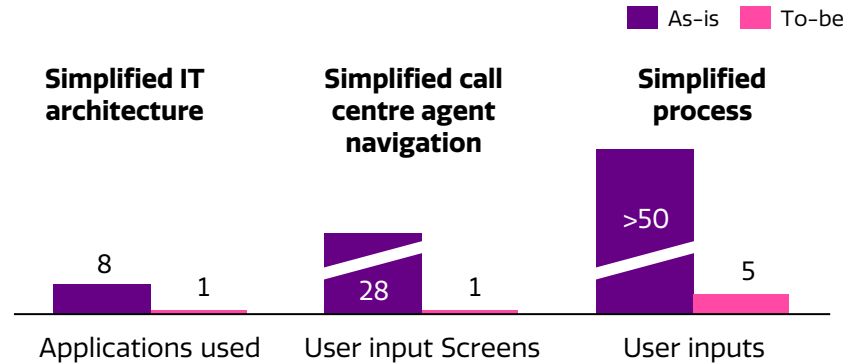
Opportunity: Potential to increase scale and efficiency of transformation through investment in robotic automation and digital self-service.

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.

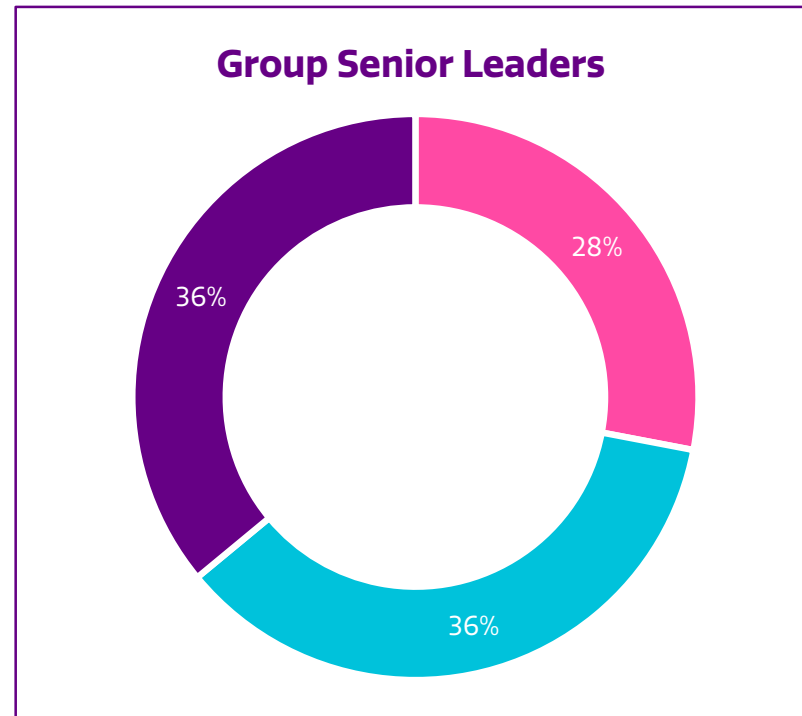
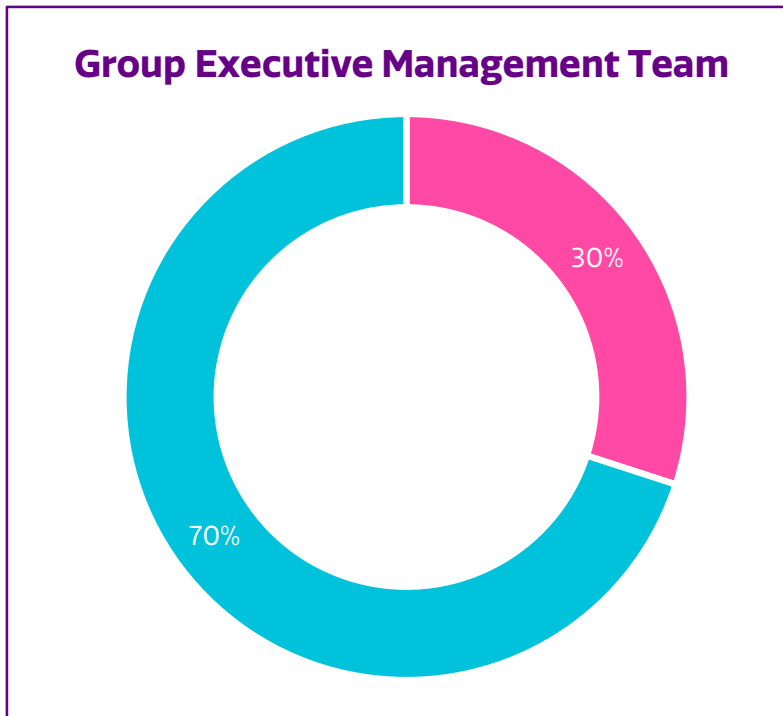
UK Personal Lines pilot results

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



MANAGEMENT RENEWAL

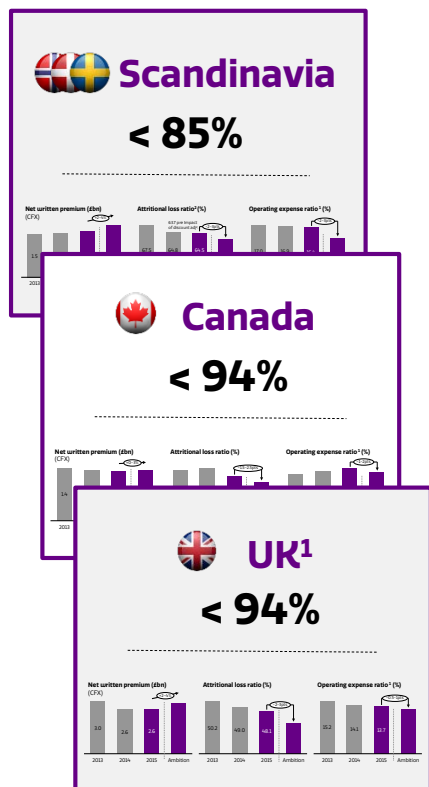
All of our Group Executive and 64% of our Senior Leaders have been newly appointed since January 2014



■ New to RSA ■ New to Role ■ Unchanged

FINANCIAL AMBITION: DRIVEN BY CLOSING GAPS TO BEST IN CLASS COMBINED RATIO PERFORMANCE

'Best in class' underwriting



Operational & financial optimisation

Investment income
 Conservative, high quality fixed income portfolio

FX translation
 c.75% profits are non-Sterling. Recent weakening worth 3p² EPS

Cost reduction
 >£350m by 2018

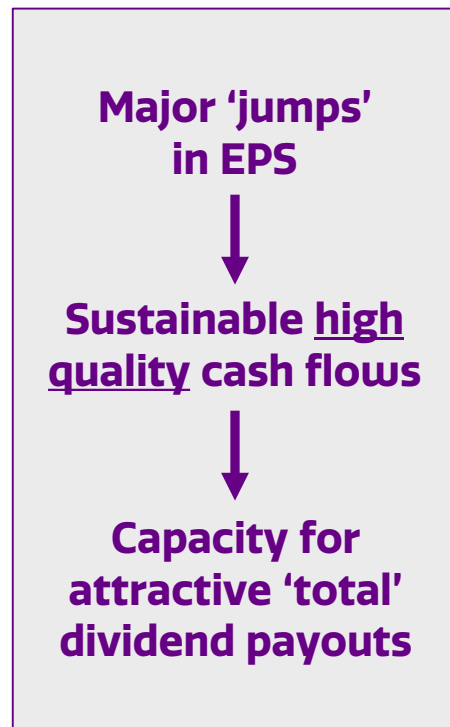
Interest costs
 Further debt actions = lower interest costs

Reorganisation costs
 Materially taken by end of 2017

Tax
 Underlying tax rate falling to low 20s (%)

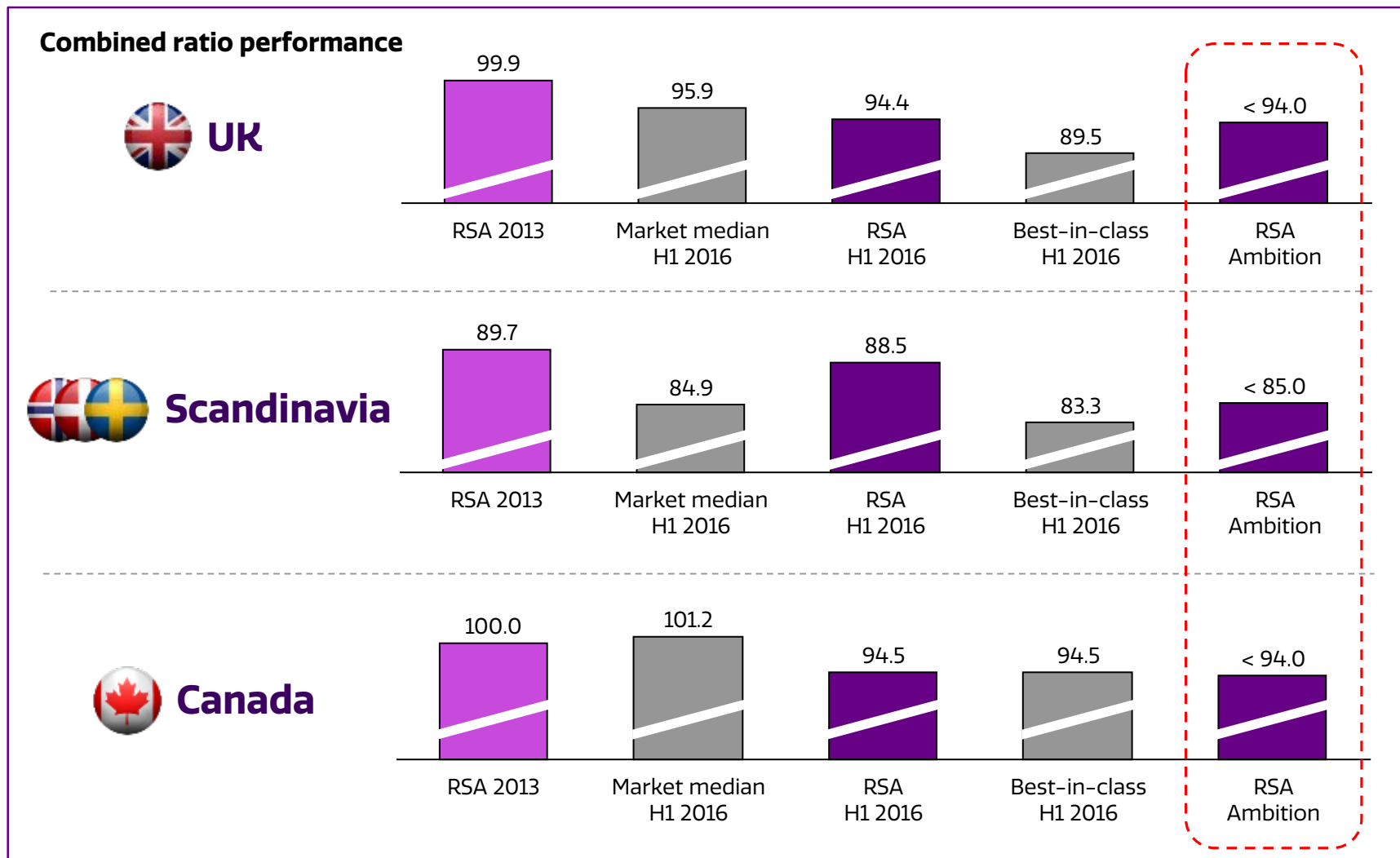


Attractive investment case



Current consensus dividend yield in line with FTSE 100 in 2017 and ahead in 2018

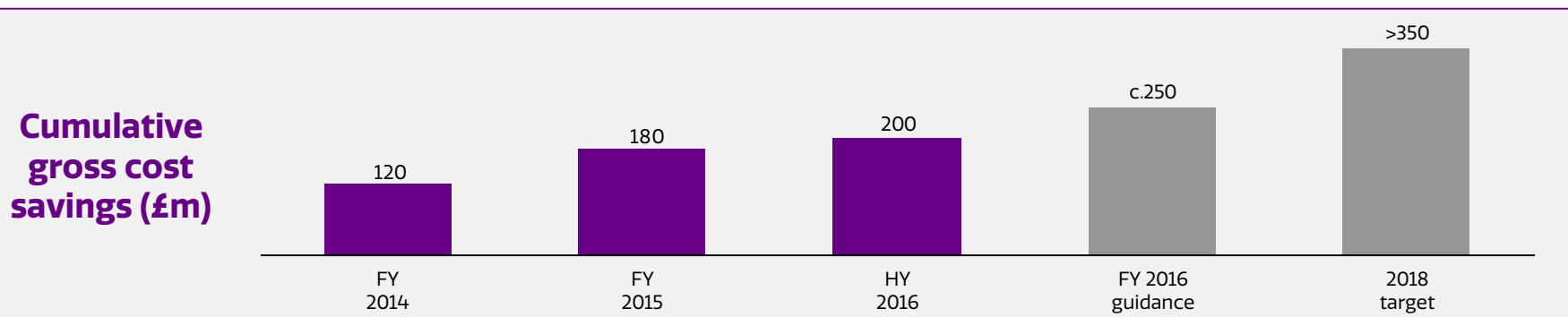
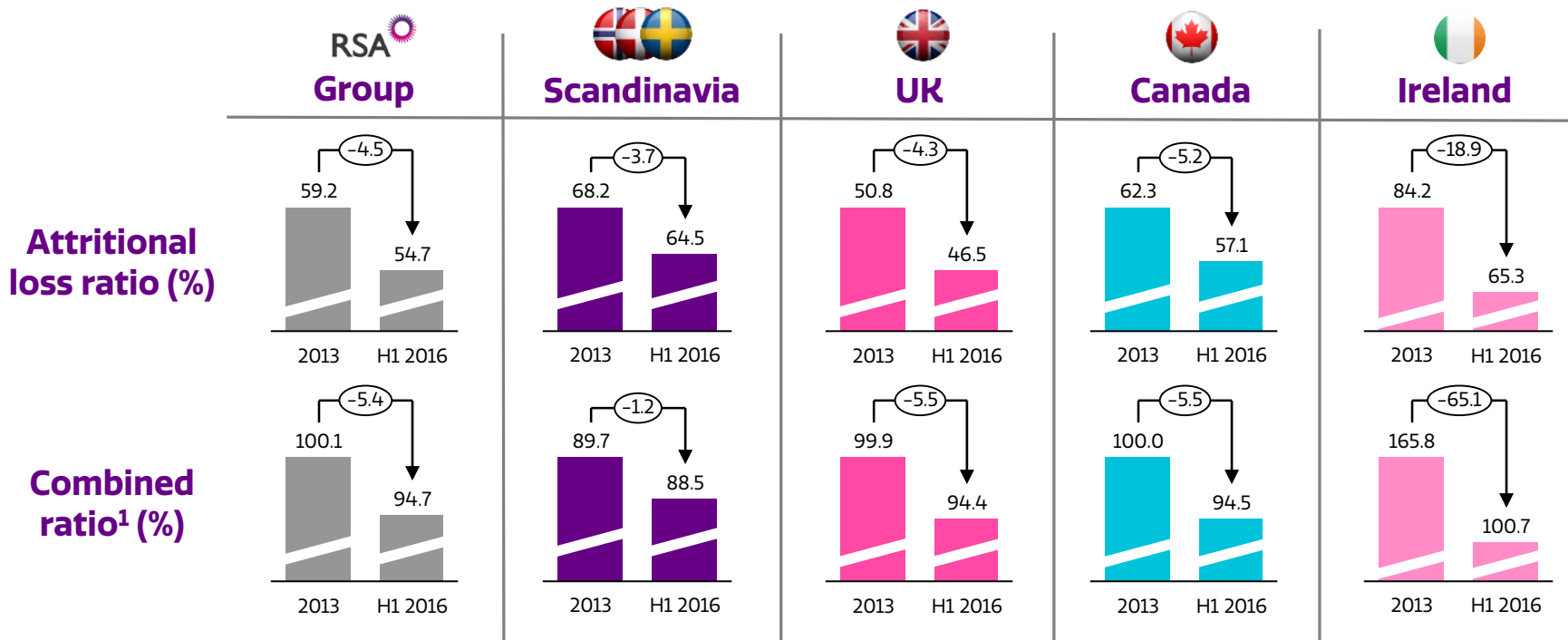
REASONS TO BELIEVE



¹ RSA figures presented on a 'like-for-like' basis.

Source: As reported in published H1 2016 financial statements. Peer group consists of: **UK**: Aviva, DLG, AXA, Allianz, Zurich, and Ageas. **Scandinavia**: Top, Tryg, If, LF, Folksam, Gjensidige and Alm Brand. **Canada**: Intact, Aviva, Cooperators, Desjardins, TD, Wawanesa, and Economical. Note that there are some differences in accounting treatment for reported COR between local peers and RSA.

FINANCIAL MOMENTUM



SUMMARY

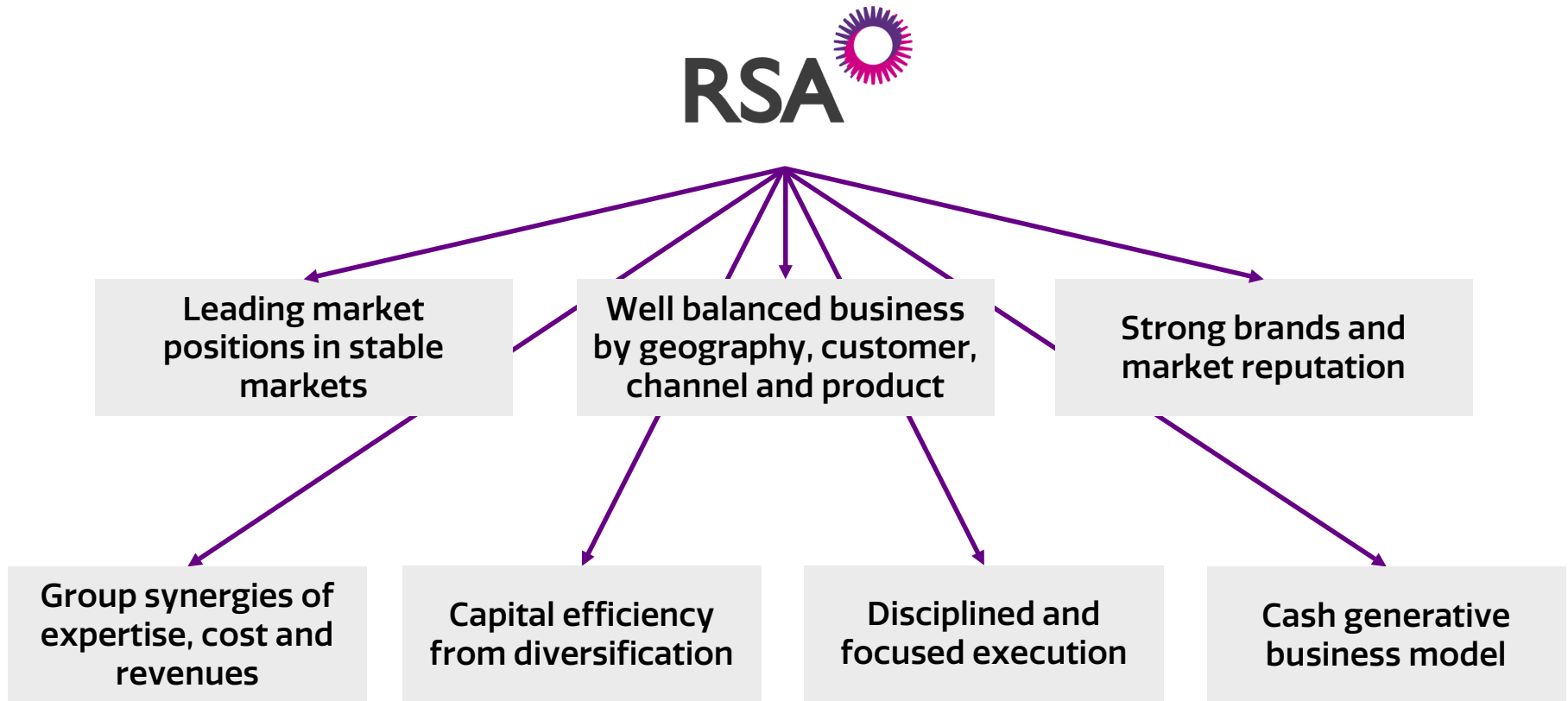
Winning for customers and for shareholders

- 1 Strategic refocus now completed & balance sheet fixed
- 2 Excellent performance progress, ahead of our plans
- 3 Record half year 2016 underwriting profits
- 4 Underlying ROTE in our target range of 12-15% a year early
– good prospects of further upside

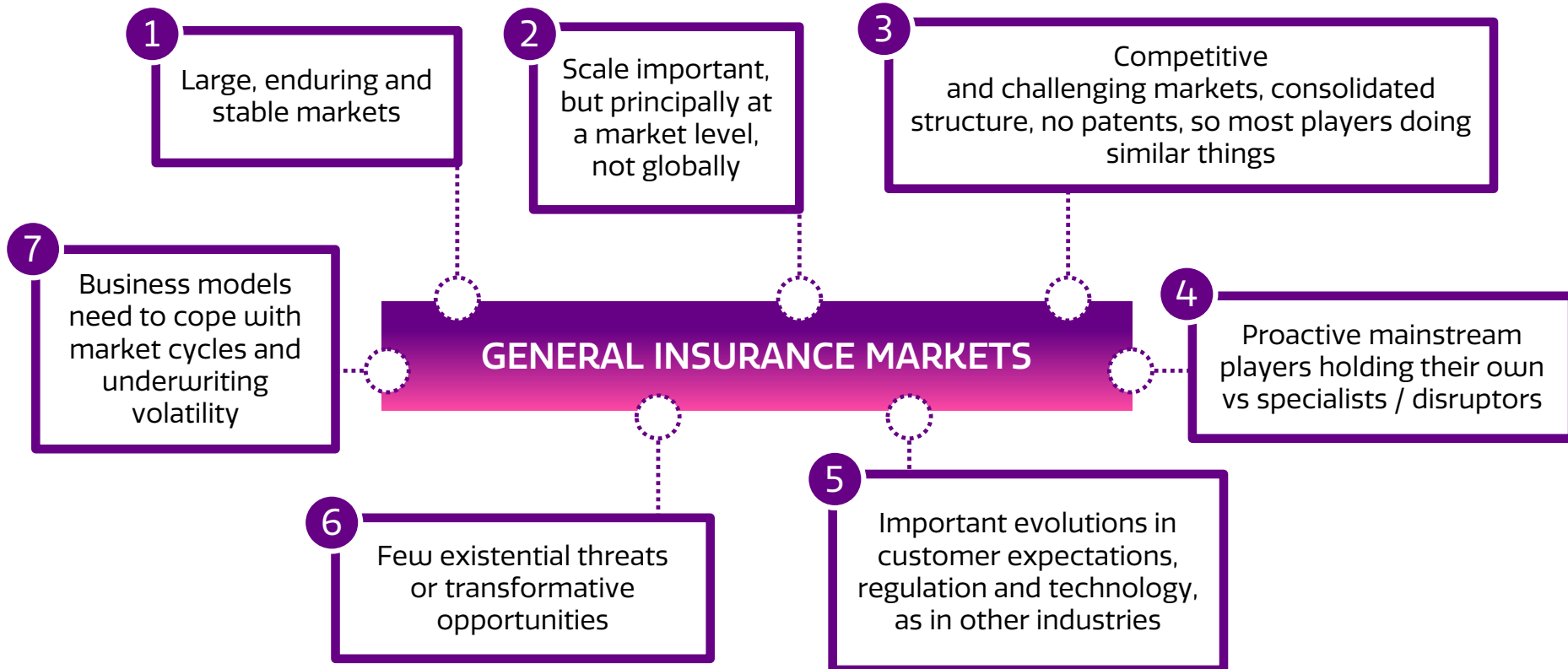
Q&A

APPENDIX

WHAT MAKES RSA ATTRACTIVE



MARKET CHARACTERISTICS INFORMING RSA'S STRATEGY



CAPITAL

Targeting single 'A' category ratings, and 130% – 160% operating range under Solvency II

Metric	Appetite	Solvency II Appetite
Credit rating	<ul style="list-style-type: none"> Target single A category ratings (S&P, Moody's) 	<ul style="list-style-type: none"> 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 RSA is a diversified, multi-channel, multi-product general insurer and is not normally exposed to significant volatility from the business mix Pension scheme provides a degree of IAS 19 volatility under Solvency II, though not in cash terms
Solvency II coverage ratio	<ul style="list-style-type: none"> Target coverage 130% – 160% Coverage at 30 June 2016: 158% 	
Pillar II	<ul style="list-style-type: none"> Full economic capital position consistent with other measures 	
TNAV:NWP	<ul style="list-style-type: none"> Reasonableness test against other metrics 	

CAPITAL GENERATION

- 1** Gross capital generation annually closely equivalent to net earnings. No obstacles to cash dividends to Group centre from subsidiaries.
- 2** SCR increase from targeted growth expected to be marginal due to benefit of increased profitability and diversification of insurance risks.
- 3** Pension contributions neutral to capital unless schemes are in surplus greater than the SCR allocation to pension risk.
- 4** In steady state, great majority of earnings available for shareholder distributions subject to any inorganic capital needs and any bond pull-to-par.
- 5** Dividend policy of 40-50% regular dividend payout; additional surpluses considered for share buybacks or special dividends once steady state capital and operating earnings achieved.