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**RSA Insurance Group plc  
Q1 2018 Trading Update****10 May 2018**

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**RSA reports further progress in Q1 2018****Gross written premiums up 1% versus the prior year<sup>1</sup>****Large loss ratio, expense ratio and attritional loss ratios improved. Weather losses elevated due to a tougher winter****Stephen Hester, RSA Group Chief Executive, commented:**

“We are happy with RSA’s progress at this early stage of the year. The underlying business is tracking consistent with our ambitions overall, whilst winter weather volatility is a normal part of our business. Headline profits are also strongly up, reflecting the absence (as planned) of restructuring costs.”

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**Trading update***Market conditions*

Insurance market trends are largely unchanged versus 2017. Market pricing remains subdued overall, except in portfolios responding to industry losses.

Financial markets have shown modest upside in bond yields. Stronger sterling FX rates and a weaker Swedish krona are a headwind in nominal terms for RSA versus the prior year (impact circa 2% in Q1).

*Premiums*

- Group gross written premiums of £2,099m were up 1% at constant FX rates<sup>2</sup> and in line with Q1 2017 at reported rates
- Net written premiums of £1,517m were up 2%<sup>1</sup> on an underlying basis<sup>2</sup>. At a headline level, reinsurance costs for the triennial GVC renewal, a reduction in retention levels for certain programmes and rate inflation in reinsurance areas such as UK Motor dampened net written premiums by £197m. However, these were budgeted in our plans
- Q1 saw progress continue with customers, bounded by a disciplined remediation approach where profitability is threatened. In each region, we saw positive developments
- In Scandinavia, Q1 saw 6%<sup>1</sup> underlying premium growth in our Swedish Personal Lines business. Volume and rate both contributed
- In Canada, we closed the acquisition of Deeks, a Personal Lines brokerage (specialising in Affinity business) with annual net written premiums of circa \$48m, which fits our Johnson division very well
- In the UK, our new Nationwide partnership is now in full swing, delivering the customer and operating benefits we anticipated and forming the basis for our platform rollout across the rest of the UK business in coming years.

Please see footnotes overleaf

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### *Profitability*

- Pre-tax profit for the first quarter was higher than Q1 2017, although on an underlying basis it was lower due to elevated winter weather costs being not fully offset by other improvements
- Underwriting profit:
  - Group weather costs were 5.1% of net earned premiums. This was 3.1 points higher than Q1 2017 and 1.9 points higher than the 5 year average of 3.2%, with all regions impacted. Poor weather experience continued into April in Canada
  - The large loss ratio improved to 9.7%, trending closer to the 5 year average of 9.0%
  - The attritional loss ratio improved slightly versus Q1 last year
  - The controllable expense ratio fell again
  - Prior year development was more favourable than Q1 last year
- Investment income was consistent with the range guided in February 2018.

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### *Balance sheet and capital*

- Tangible shareholders' equity at 31 March 2018 increased to £2,789m<sup>2</sup> (31 December 2017: £2,765m) and tangible net asset value per share was 272p<sup>2</sup> (31 December 2017: 270p)
- Balance sheet unrealised gains were £352m at 30 March 2018, down £76m or 18% since year end, with the movement mainly a function of higher bond yields
- The Group's Solvency II coverage ratio<sup>3</sup> was 162% at 31 March 2018 (31 December 2017: 163%), with Tier I coverage at 96% (31 December 2017: 98%).

<sup>1</sup> At constant FX

<sup>2</sup> The Group uses Alternative Performance Measures, including certain underlying measures, to help explain business performance and financial position. These measures have been calculated consistently with those for the year ended 31 December 2017 and reconciliations will be provided with the condensed consolidated financial statements for the period ended 30 June 2018

<sup>3</sup> The Solvency II capital position at 31 March 2018 is estimated

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**Conference call for analysts and investors**

A conference call for analysts and investors will be held at 08:30am on Thursday 10 May to discuss the Q1 Trading Update. Participants should call +44 (0)800 358 9473 (toll free) or +44 (0)33 3300 0804, using participant pin code 31259867#. A recording of the call will be available via the company website ([www.rsagroup.com](http://www.rsagroup.com)).

**Important disclaimer**

This press release and the associated conference call may contain ‘forward-looking statements’ with respect to certain of the Group’s plans and its current goals and expectations relating to its future financial condition, performance, results, strategic initiatives and objectives. Generally, words such as “may”, “could”, “will”, “expect”, “intend”, “estimate”, “anticipate”, “aim”, “outlook”, “believe”, “plan”, “seek”, “continue” or similar expressions identify forward-looking statements. These forward-looking statements are not guarantees of future performance. By their nature, all forward-looking statements are inherently predictive and speculative and involve risk and uncertainty because they relate to future events and circumstances which are beyond the Group’s control, including amongst other things, UK domestic and global economic business conditions, market-related risks such as fluctuations in interest rates and exchange rates, the policies and actions of regulatory authorities, the impact of competition, inflation, deflation, the timing impact and other uncertainties of future acquisitions or combinations within relevant industries, as well as the impact of tax and other legislation or regulations in the jurisdictions in which the Group and its affiliates operate. As a result, the Group’s actual future financial condition, performance and results may differ materially from the plans, goals and expectations set forth in the Group’s forward-looking statements. Forward-looking statements in this press release are current only as of the date on which such statements are made. The Group undertakes no obligation to update any forward-looking statements, save in respect of any requirement under applicable law or regulation. Nothing in this press release shall be construed as a profit forecast.