
RSA Insurance Group plc Q3 2018 Trading Update¹

28 September 2018

RSA reports a strong Q3 in its international businesses but poor UK underwriting results drive a disappointing quarter overall

Group net written premiums for Q3 discrete up 4%² versus the prior year

Large and weather losses above expected levels in Q3 overall, but particularly elevated in the UK

Stephen Hester, RSA Group Chief Executive, commented:

“RSA’s international businesses performed well in Q3, making strong progress against our best-in-class ambitions. However, our UK and ‘London market’ business reported an underwriting loss which is disappointing. Actions to improve in the UK are well underway and we are determined to restore satisfactory performance whilst continuing our progress internationally.”

Trading update¹

Market conditions

- Insurance and financial market trends are largely unchanged versus H1 2018 in RSA’s territories.

Premiums

- Group Net Written Premiums year-to-date of £4.9 billion up c.1%² net of changes in reinsurance³ but down 2%² at a headline level
- Regional premium trends comparable to H1. Growth in areas where underlying profitability is positive, tempered by the impact of pricing and portfolio remediation actions where required
- In Scandinavia, attractive growth continues in Swedish Personal Lines with policy counts, retention and rate all contributing
- Positive trends continue in Canada with Johnson, Personal Broker and Commercial premiums all up in a hardening market
- UK premiums remain lower than 2017 as pricing and re-underwriting action is taken.

Profitability

- Pre-tax profit for the year-to-date higher than 2017 but lower on an underlying basis due primarily to elevated weather costs
- Preliminary underwriting result for Q3 discrete:
 - The Group’s international businesses performed strongly in Q3 with combined ratios of c.84% for Scandinavia, c.94.5% for Canada, c.88% for Ireland and c.81% for the Middle East
 - The UK and London market business made an underwriting loss of c.£70m (combined ratio c.110%) with higher weather, large losses and attritional claims. The Marine portfolio was the hardest hit

¹

The information contained within this announcement is deemed to constitute inside information under the Market Abuse Regulations (EU) No 596/ 2014 (“MAR”)

- Year-to-date underwriting trends:
 - Weather losses have been higher than last year in all regions but particularly in Canada and the UK; Group weather ratio c.4.6% (five year average: 3.2%; Q3 2017: 2.4%)
 - Large losses in the UK are better than last year (despite Q3 spike) and a little worse in Canada and Scandinavia; Group large loss ratio c.11% (five year average: 9.0%; Q3 2017: 11.3%)
 - Attritional loss ratios year-to-date in all regions are broadly consistent with the prior year⁵. Q3 deterioration in the UK reflects improvements in Household and Commercial Property which were more than offset by deterioration in Motor and Marine
 - Controllable expense ratio continues to reduce
 - Prior year development in line with H1
- Retention ceiling now reached on Group aggregate reinsurance cover, providing protection for individual losses over £10m in Q4
- Investment income consistent with improved guidance issued in August 2018.

Capital

- The Group's Solvency II coverage ratio at the end of Q3 is expected to be around 172% (31 December 2017: 163%).

¹ Results reported in this update are subject to the finalisation of quarterly reporting processes and controls; they are therefore preliminary

² At constant exchange

³ Reinsurance changes amount to c.£180m and mainly comprise the triennial renewal of the Group's aggregate volatility cover

⁴ 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 6 months ended 30 June 2018 and reconciliations will be provided with the condensed consolidated financial statements for the year ended 31 December 2018

⁵ Ex. the impact of reinsurance changes

Enquiries:

Investors & analysts

Kerry McConnell
Group Director of Investor Relations
Tel: +44 (0) 20 7111 1891
Email: kerry.mcconnell@gcc.rsagroup.com

Press

Natalie Whitty
Group Head of External Communications
Tel: +44 (0) 20 7111 7213
Email: natalie.whitty@gcc.rsagroup.com

Laura de Mergelina
Investor Relations Manager
Tel: +44 (0) 20 7111 7243
Email: laura.demergelina@gcc.rsagroup.com

Conference call for analysts and investors

A conference call for analysts and investors will be held at 08:30am on Friday 28 September to discuss the Q3 Trading Update. Participants should call +44 (0)800 358 9473 (toll free) or +44 (0)33 3300 0804, using participant pin code 25571429#. A recording will be available via the company website (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.