NEWS

RSA

IMMEDIATE **2 May 2013**

RSA Insurance Group plc
Interim Management Statement

Encouraging start to 2013 with reported premium growth of 7% in three months to March 2013

Net asset value[1] up 5% in the quarter to 112p per share

Continued confidence in delivering a combined operating ratio of better than 95% and return on equity of 10-12% for 2013

- Trading in the first quarter of 2013 has been good.
- Net written premiums up 5%[2] to £2.3bn:
  - Scandinavia flat[2] at £694m;
  - Canada up 18%[2] to £359m;
  - Emerging Markets up 16%[2] to £325m;
  - UK & Western Europe up 1%[2] at £952m.
- IGD surplus is strong at £1.3bn; coverage remains at 1.9 times. Economic capital surplus of £1.2bn at 99.5% calibration.
- Net asset value (excluding IAS 19 pension deficit) up 5% to 112p per share (31 December 2012: 107p).

Simon Lee, Group Chief Executive of RSA, commented:

"We entered 2013 with good momentum. It has been an encouraging start to the year for the Group with reported premium growth of 7%. We believe there are significant opportunities to drive further value across the Group.

"The growth in net written premiums reflected good customer retention together with continued robust rating action. Growth has been led by Canada which has benefited from the 2012 acquisition of L'Union Canadienne but has also delivered strong organic growth of 7%. Emerging Markets grew by 16% benefitting from the acquisitions in Argentina in 2012 and good performances across Asia, Central and Eastern Europe and the Middle East. Scandinavian premiums were flat while the UK & Western Europe grew 1% as we continue to focus on improving performance in the UK and in Italy.

I remain confident in our ability to achieve our targets for 2013 of good premium growth, a combined ratio of better than 95%, and return on equity of 10-12%."

[1] Excluding IAS 19 pension deficit
[2] At constant exchange rates

Net Written Premiums

	Personal	Commercial	Global Specialty Lines	**3 Months 2013**	3 Months 2012	Change as reported	Change constant fx
	£m	£m	£m	**£m**	£m	%	%
Scandinavia	315	295	84	**694**	667	4	-
Canada	241	66	52	**359**	303	18	18
Emerging Markets	151	129	45	**325**	281	16	16
UK & Western Europe	426	293	233	**952**	937	2	1
Group Re	-	10	-	**10**	8	25	25
Total Group	1,133	793	414	**2,340**	2,196	7	5
Associates				**86**	78	10	12
Total Group (incl. associates)				**2,426**	2,274	7	5

The Group has delivered good growth in Q1 with net written premiums up by 5% at constant exchange. There was strong growth in Canada and Emerging Markets with lower growth in the UK & Western Europe reflecting continued active management of the portfolio. Our Global Specialty Lines business has grown by 4% at constant exchange to £414m with good growth in Risk Managed and Construction & Engineering.

2013 outlook

We remain focused on the ongoing active management of the portfolio. Ten years ago the Group operated in around 50 countries. Since then, the Group's focus has narrowed and RSA now operates a well diversified portfolio in 31 countries.

Where we do not see a route to achieve target returns on capital, we take the necessary action. As a result, we exited the Czech Republic in 2012 and completed the sale of our business in the Dutch Caribbean in April 2013.

We continue to expect the business to grow both organically and through selective bolt-on acquisitions. In 2013 we are focused on the integration of the acquisitions we made in 2012 in Canada and Argentina.

Our guidance for 2013 remains unchanged and we are confident in delivering good premium growth on a constant exchange rate basis, a combined operating ratio of better than 95%, investment income of around £470m and return on equity of 10-12% for the full year 2013. All of our businesses are on track to achieve performance in line with the expectations laid out at our 2012 preliminary results in February.

We are committed to a series of investor briefings for 2013 and 2014 to provide more detail to the market on the significant opportunities we see across RSA. The first of these briefings will take place on 12 June 2013 and will cover our Canadian business.

Scandinavia: A solid quarter; continue to expect low single digit growth in line with local GDP

Premiums in Scandinavia of £694m up 4% on a reported basis but flat at constant exchange.

Net Written Premiums (£m)	3 Months 2013 £m	3 Months 2012 £m	Movement as reported %	Movement at constant exchange %
Personal				
Household	**101**	95	6	3
Motor	**130**	127	2	(2)
Personal Accident and Other	**84**	77	9	4
Total Personal	**315**	299	5	1
Commercial				
Property	**128**	123	4	1
Liability	**71**	68	4	1
Motor	**88**	87	1	(2)
Marine and other	**92**	90	2	(2)
Total Commercial	**379**	368	3	(1)
Total Scandinavia	**694**	667	4	-
Sweden	**300**	282	6	-
Denmark	**319**	320	-	(2)
Norway	**75**	65	15	10
Total Scandinavia	**694**	667	4	-

Rate Increases (%)[1]	Personal		Commercial		
	Household	**Motor**	**Property**	**Liability**	**Motor**
Mar 13 vs Mar 12	9	3	3	4	4
Dec 12 vs Dec 11	12	3	1	4	5
Sept 12 vs Sept 11	12	2	6	-	4
Jun 12 vs Jun 11	7	2	1	4	4
Mar 12 vs Mar 11	6	2	4	5	5

Personal lines premiums of £315m were up by 1% at constant exchange, with good growth in Household and Personal Accident (PA). In Sweden, Personal premiums were up 2% driven by continued solid growth of 3% in Household and 5% in PA. In Norway, growth of 5% in Personal was driven by a solid performance in both Motor and Household. In Denmark, premiums were down 1% as we continue to focus on improving profitability.

In Commercial lines, premiums of £379m were down 1% at constant exchange rates with strong growth in Norway more than offset by falls in Sweden and Denmark. Norway Commercial grew 16% driven by strong rate and retention in Care. Commercial premiums were down 2% in both Sweden and Denmark. In Sweden we have seen an increase in lapses in Commercial Motor as we continue to maintain our rating discipline, whilst Denmark has been affected by the timing of Marine renewals which are now expected to conclude later in 2013.

[1]Rating increases reflect rate movements achieved for risks renewing in the month versus comparable risks renewing in the same month the previous year

Canada – Premiums up 18% with strong growth across the business. Quebec integration on track.

Premiums in Canada grew strongly by 18% at constant exchange to £359m. Underlying growth excluding the acquisition of L'Union Canadienne (UC) was 7% with good rate and strong retention. The integration of UC is on track and delivered premiums of £32m in the quarter which was in line with our expectations.

Net Written Premiums (£m)	**3 Months 2013**	3 Months 2012	Movement as reported	Movement at constant exchange
	£m	£m	%	%
Personal				
Household	**89**	70	27	25
Motor	**152**	136	12	11
Total Personal	**241**	206	17	16
Commercial				
Property	**52**	43	21	21
Liability	**32**	27	19	19
Motor	**23**	19	21	21
Marine and other	**11**	8	38	38
Total Commercial	**118**	97	22	22
Total Canada	**359**	303	18	18

Rate Increases (%)[1]	**Personal**		**Commercial**		
	Household	**Motor**	**Property**	**Liability**	**Motor**
Mar 13 vs Mar 12	7	1	4	2	2
Dec 12 vs Dec 11	11	3	4	2	2
Sept 12 vs Sept 11	12	2	3	1	-
Jun 12 vs Jun 11	11	3	3	1	1
Mar 12 vs Mar 11	12	5	3	1	1

In Personal, premiums of £241m were up by 16% at constant exchange (up 5% excluding UC). Growth was driven by Household (up by 14% excluding UC) with continued strong rates albeit slightly lower than the double digit rate increases experienced in 2012. In Personal Motor, premiums were flat excluding UC, with the Ontario Auto Reforms continuing to result in lower rate increases. The Ontario Auto market remains attractive, although we are seeing some political pressure for further reform. Personal Broker delivered strong growth of 30% (7% excluding UC) whilst Johnson premiums were up 4%.

Commercial premiums were up 22% to £118m, with growth of 12% excluding UC. Growth is driven by our Large Commercial and Specialty lines business which was up 15% excluding UC, with strong performances in our Property and Liability lines. Overall, we've seen good rate increases, in particular across some of our smaller Commercial lines.

[1]Rating increases reflect rate movements achieved for risks renewing in the month versus comparable risks renewing in the same month the previous year

Emerging Markets – Continued strong growth; integration of 2012 acquisitions in Argentina on track

Emerging Markets has continued to deliver strong growth with net written premiums of £325m up by 16% at constant exchange. Total premiums, including our associates in India and Thailand, are £411m representing growth of 15% at constant exchange.

In April 2013 we completed the sale of our business in the Dutch Caribbean which we announced in December 2012.

Net Written Premiums (£m)	**3 Months 2013 £m**	3 Months 2012 £m	Movement as reported %	Movement at constant exchange %
Latin America	**187**	163	15	17
CEE & ME	**97**	85	14	13
Asia	**41**	33	24	21
Total Emerging Markets	**325**	281	16	16
Associates	**86**	78	10	12
Total Emerging Markets (incl Associates)	**411**	359	14	15

In Latin America, premiums were up by 17% at constant exchange to £187m. Growth has been driven by the acquisitions made in 2012 in Argentina and also by continued strong growth in our affinity channel. During the first quarter we signed eight new affinity deals across the region.

In Central and Eastern Europe, premiums are up by 9% at constant exchange to £59m. Adjusting for the exit of the Czech Republic in June 2012, underlying growth is 16%, driven primarily by Lithuania following strong Commercial renewals. In the Middle East, premiums of £38m are up 19% at constant exchange with strong growth in Oman and Saudi Arabia.

We have seen good growth in Asia with premiums of £41m up by 21% at constant exchange driven by strong performances in our retail businesses across the region, particularly in Hong Kong.

Our associates delivered continued growth, with premiums of £86m up by 12% at constant exchange.

We remain confident of meeting our target of £2.2bn of premiums (including our associates) by 2015. We are also confident that the business will continue to deliver operating leverage in 2013, leading to better combined ratios and improved return on capital.

UK and Western Europe – Premiums up 1% as we continue our active management of the portfolio

Net Written Premiums (£m)	**3 Months 2013 £m**	3 Months 2012 £m	Movement as reported %	Movement at constant exchange %
UK	**726**	725	-	-
Western Europe	**226**	212	7	5
Total UK & Western Europe	**952**	937	2	1

UK and Western Europe premiums were up 1% at constant exchange as we deliver on our strategy to refocus the business, reduce exposure to less attractive segments and continue to grow in areas where we believe we can deliver shareholder value.

UK – Continuing focus on underwriting profit over volume

Net Written Premiums (£m)	**3 Months 2013 £m**	3 Months 2012 £m	Movement as reported %	Movement at constant exchange %
Personal				
Household	**161**	159	1	1
Motor	**107**	112	(4)	(4)
Pet	**62**	59	5	5
Total Personal	**330**	330	-	-
Commercial				
Property	**120**	122	(2)	(2)
Liability	**56**	58	(3)	(3)
Motor	**143**	133	8	8
Marine	**77**	82	(6)	(6)
Total Commercial	**396**	395	-	-
Total UK	**726**	725	-	-

Rate Increases (%)[1]	**Personal**		**Commercial**		
	Household	**Motor**	**Property**	**Liability**	**Motor**
Mar 13 vs Mar 12	2	(4)	4	3	4
Dec 12 vs Dec 11	3	(2)	4	6	10
Sept 12 vs Sept 11	4	1	4	4	9
Jun 12 vs Jun 11	5	4	3	6	9
Mar 12 vs Mar 11	7	8	3	2	9

In UK Personal, premiums were flat at £330m. Growth of 1% in Household, and 5% in Pet was offset by a reduction of 4% in Motor. In Household, positive but lower rate and competitive market conditions have resulted in broadly flat volumes. In July we will commence offering Household products through our new affinity partner, John Lewis. Pet premiums were up 5% as growth trends towards more normal levels following the new affinity deals in 2012. Motor contraction has slowed to 4% as volumes begin to stabilise, although we are still seeing aggressive rate reduction in the market.

[1]Rating increases reflect rate movements achieved for risks renewing in the month versus comparable risks renewing in the same month the previous year

We're confident in the progress we're making in UK Commercial. Premiums were flat at £396m reflecting the actions we took in 2012 to respond to the challenges in the UK Commercial Market and our continued underwriting discipline in 2013. Motor was up 8% driven by rate, although excluding the single large long-term motor contract we have referenced previously, premiums were down 10%. This reflects our exit from a number of Commercial Motor segments in 2012, including Risk Managed Motor and Motor Trade. We are making good progress in finalising the details of new arrangements for the single large contract, which will be effective from October 2013.

Property and Liability were down 2% and 3% respectively, reflecting a continued focus on profitability over volume. Marine premiums were down 6% following a particularly strong first quarter in 2012 which included some one-off premiums. We expect modest growth in targeted areas in Marine during the remainder of 2013 reflecting soft market conditions and our increased focus on profitability. In UK Commercial overall, we continue to expect profitability to improve as our actions take effect.

Western Europe – Strong growth in European Specialty lines; Italian remediation on track

Net Written Premiums (£m)	**3 Months 2013**	3 Months 2012	Movement as reported	Movement at constant exchange
	£m	£m	%	%
European Specialty lines	**80**	71	13	10
Ireland	**99**	95	4	3
Italy	**47**	46	2	-
Total Western Europe	**226**	212	7	5

In Western Europe, European Specialty premiums of £80m were up by 10% driven by targeted growth in France and the Netherlands. In Ireland, premiums grew by 3% to £99m, driven by good growth in 123.ie where premiums were up 8%. Italian premiums of £47m were flat at constant exchange as the premium base stabilises following the actions we have taken to return the business to profitability. We remain on track to be trading on a break even basis in Italy by the end of the year.

Investment Portfolio

The investment portfolio totalled £14.9bn at 31 March 2013, representing an increase of 4% on the position at 31 December 2012 caused primarily by foreign exchange movements of £529m. There were significant foreign exchange benefits across our portfolio but most notably within our Danish Krone, Swedish Krona, Canadian Dollar and Euro holdings as these currencies strengthened against Sterling during the quarter.

	Value 31 Dec 2012 £m	Foreign Exchange £m	Mark to Market £m	Other Movements £m	**Value 31 Mar 2013 £m**
Government Bonds	4,207	174	(16)	(8)	**4,357**
Non Government Bonds	7,517	274	(21)	(91)	**7,679**
Cash	1,329	49	-	(2)	**1,376**
Equities	553	17	38	49	**657**
Property	340	2	(3)	(3)	**336**
Prefs & CIVs	286	10	14	13	**323**
Other	97	3	-	63	**163**
Total	14,329	529	12	21	**14,891**
Split by currency:					
Sterling	3,855				**3,742**
Danish Krone	1,353				**1,401**
Swedish Krona	2,680				**2,865**
Canadian Dollar	3,110				**3,262**
Euro	1,500				**1,560**
Other	1,831				**2,061**
Total	14,329				**14,891**

The portfolio remains invested in widely diversified fixed income securities, with 4% in equities, 9% in cash and 2% in property.

Average duration is unchanged at 3.8 years (31 December 2012: 3.8 years; 31 March 2012: 3.6 years). The proportion of our bond portfolio held in non-government bonds has also remained unchanged at 64% (31 December 2012: 64%).

The quality of the bond portfolio remains very high with 98% investment grade and 69% rated AA or above. We are well diversified by sector and geography.

At 31 March 2013, balance sheet unrealised gains of £765m (31 December 2012: £730m) primarily relate to unrealised gains on the bond portfolio which we expect to reduce over time as our bond holdings reach maturity. Balance sheet unrealised equity gains amounted to £127m (31 December 2012: £86m).

In 2013, we continue to follow our high quality, low risk strategy. Given current portfolio disposition and market levels further increases in bond duration and non-government bond holdings are likely to be modest. We will however continue to seek opportunities to enhance yield within our low risk framework and we continue to expect income of around £470m in 2013.

Shareholders' Funds

	Shareholders' funds ex. IAS 19 £m	Pension deficit £m	Shareholders' funds £m	Shareholders' funds ex. IAS 19 per share	Shareholders' funds per share
31 December 2012	3,957	(207)	3,750	107p	101p
31 March 2013	**4,161**	**(178)**	**3,983**	**112p**	**107p**

During the first quarter of 2013, shareholders' funds excluding the pension scheme deficit increased by 5% to £4,161m reflecting profits generated in the period and foreign exchange gains following the depreciation of Sterling against other Group currencies.

The deficit on the pension schemes as at 31 March 2013 is £178m compared with £207m at 31 December 2012. The movement primarily reflects higher than expected returns on pension plan assets partly offset by an increase in the pension inflation rate to 3.1% (31 December 2012: 2.6%).

Shareholders' funds including the pension scheme deficit were £3,983m, an increase of 6% over the quarter.

Tangible net asset value (TNAV) per share at 31 March 2013 was 65p (31 December 2012: 60p). Excluding IAS 19, TNAV per share was 70p (31 December 2012: 65p).

Capital position

	31 March 2013 Coverage	**31 March 2013 Surplus £bn**	31 December 2012 Surplus £bn
Insurance Groups Directive	**1.9x**	**1.3**	1.2
Economic Capital (1in 200 Calibration)		**1.2**	1.2
Economic Capital (1in 1,250 Calibration)		**0.7**	0.7

The Group continues to maintain strong capital positions. The IGD surplus has increased to £1.3bn (31 December 2012: £1.2bn) and coverage over the IGD requirement remains strong at 1.9 times (31 December 2012: 1.9 times). The increase in the surplus over the quarter mainly reflects profits and investment gains.

When calibrated to a risk tolerance consistent with the expected Solvency II calibration of 1 in 200 per annum, the ECA surplus was unchanged at £1.2bn (31 December 2012: £1.2bn). When calibrated to Standard & Poor's long term A rated bond default curve, equivalent to a probability of insolvency over one year of 1 in 1,250 the ECA surplus was also unchanged at £0.7bn (31 December 2012: £0.7bn). Profits generated have been offset by the accrual of the final dividend for 2012.

Foreign Exchange Rates

Foreign exchange rates used to translate the 2013 and 2012 consolidated results included in this statement are as follows:

Local currency/£	Average		Closing		
	3 Months 2013	3 Months 2012	**31 March 2013**	31 December 2012	31 March 2012
Canadian Dollar	**1.56**	1.57	**1.55**	1.62	1.60
Danish Krone	**8.77**	8.91	**8.84**	9.20	8.93
Swedish Krona	**10.00**	10.61	**9.92**	10.57	10.61
Euro	**1.18**	1.20	**1.19**	1.23	1.20

Forthcoming events

Annual General Meeting	15 May 2013
RSA Canada investor briefing	12 June 2013
Interim results	1 August 2013
Further investor briefing	Autumn 2013
Q3 IMS	7 November 2013

Enquiries:

Analysts
Matt Hotson
Investor Relations Director
Tel: +44 (0) 20 7111 7212
Email: matt.hotson@gcc.rsagroup.com

Rupert Taylor Rea
Investor Relations Manager
Tel: +44 (0) 20 7111 7140
Email: rupert.taylorrea@gcc.rsagroup.com

Press
Louise Shield
Director of External Communications
Tel: +44 (0) 20 7111 7047
Email: louise.shield@gcc.rsagroup.com

Bart Nash
Head of Media Relations
Tel: +44 (0) 20 7111 7336
Email: bart.nash@gcc.rsagroup.com

Conference Call
A conference call for analysts and investors will be held at 11.30am on Thursday 2 May to discuss the Q1 Interim Management Statement. Participants should call 0800 358 5256 from the UK or +44 (0)20 8515 2336 from elsewhere quoting reference "RSA Q1 2013 Interim Management Statement". Scanning the QR code opposite will download details of the conference call to a smart phone.

About RSA
With a heritage of over 300 years, RSA is one of the world's leading multinational quoted insurance groups. RSA has major operations in the UK, Scandinavia, Canada, Ireland, Latin America, Asia and the Middle East and Central and Eastern Europe and has the capability to write business in around 140 countries. Focusing on general insurance, RSA has around 23,000 employees and, in 2012, its net written premiums were £8.4 billion.

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.