2020 INTERIM RESULTS

RSA Insurance Group plc — 30 July 2020

- **Group business operating result up 13% vs H1 2019**
- **Group underwriting profit £240m[1] up 33%**
- **Group combined ratio 92.2%[1]; underlying EPS 23.5p[1] per share**
- **Statutory profit before tax £211m down 7% due to COVID-19 market related impacts**

Stephen Hester, RSA Group Chief Executive, commented:

"RSA is reporting good growth in underwriting profits for the first half from continued business improvement actions. COVID-19 impacts on operating profits were broadly neutral in H1, though related financial market charges reduced our statutory results.

Each region of RSA contributed in line or better than our plans, driven by improved attritional loss ratios. We are pleased with progress towards our "best in class" ambitions, and the underwriting performance which is a first half record for RSA.

COVID-19 has dominated recent months. Uncertain times put a special premium on sustaining customer service whilst operating safely and securely for our people and other stakeholders. This has been our focus and will remain so over the rest of the year. The recovery path from the pandemic itself is not yet certain, as well as its human and economic consequences. Nevertheless, we see good prospects for RSA remaining resilient and emerging strongly from this period."

Trading results

- Underlying profit before tax £332m[1] up 14%. Statutory profit before tax £211m down 7% impacted by COVID-19 financial market impacts
- Group business operating result of £349m[1] up 13%: Scandinavia £164m; Canada £88m; UK & International £148m[1]. Group total business operating result of £316m (H1 2019: £280m). In aggregate, the net impact of COVID-19 from premiums, claims and investment income effects is neutral
- Group underwriting profit of £240m[1] up 33%. Group total underwriting profit £207m (H1 2019: £153m)
- Group combined ratio of 92.2%[1]: Scandinavia 83.2%; Canada 93.2%; UK & International 93.6%[1]. Group total combined ratio 93.3%; UK & International (including exits) 96.0%:
  - Group attritional loss ratio[1] improved 4 points vs. H1 2019 of which 2.5 points are COVID-19 related
  - Group weather costs 3.4%[1] of premiums (H1 2019[1]: 3.0%)
  - Large losses 9.9%[1] of which 0.9 points COVID-19 related (H1 2019[1]: 9.6%)
  - Group prior year underwriting profit of £18m[1] after £6m of COVID-19 related provisions (H1 2019[1]: £26m)

[1] Excluding UK/ London Market exit portfolios, refer to pages 33 to 42 for further information

- Personal Lines (55% of net written premiums) combined ratio 86.0%[1], Commercial Lines 96.8%[1]
- Net written premiums ('NWP') of £3,136m[1], down 3%[2] vs. H1 2019. We estimate that COVID-19 reduced NWP by c.£110m (3%), consisting of price reductions, refunds, coverage changes and specific business line volume impacts. Group NWP was on plan ex COVID-19 impacts. In total:
  - NWP down 1%[2] in Scandinavia
  - NWP up 3%[2] in Canada
  - NWP down 8%[1,2] in UK & International
- Group written controllable costs down to £680m (H1 2019: £694m). Earned controllable cost ratio 21.9%
- Investment income of £134m down 13% after £6m COVID-19 impacts
- Other charges include £54m of mark to market losses/impairments/discount rate change relating to COVID-19 market volatility and £18m for UK cost base restructuring as guided.
- Losses on UK/ London market exit portfolios were £33m reflecting one large "bau" claim, certain COVID-19 international construction claims and increased prior year reserves
- Statutory profit after tax £164m (H1 2019: £183m)
- Underlying EPS 23.5p[1] is up 12%, statutory earnings per share 13.5p down 12%
- Consistent with the 2019 final dividend suspension in April, an interim dividend for 2020 is not presently being announced. RSA expects to resume dividends as soon as judged prudent, which absent unforeseen events should be by the time of full year results 2020. We also aim to catch up on missed dividend payments over time consistent with prudent capital management.

Capital & balance sheet

- Solvency II coverage ratio of 172%[3] as stated, 158%[3] including proforma dividend accruals for full year 2019 and H1 2020 (31 December 2019: 168%), versus our 130-160% target range
- Tangible equity £3.17bn up 9% (31 December 2019: £2.91bn), 307p per share
- Underlying return on tangible equity of 16.7%[1], within the 13-17% target range
- IFRS pension surplus £328m (31 December 2019: £211m). Fall in bond yields increases estimated full year 2020 capital impact of bond 'pull-to-par' to c.£80m.

Strategic and market update

- RSA continues to benefit from a settled and consistent strategy. The focus is on building capabilities to outperform in our selected markets. In that context many initiatives continue, targeted at improving customer service, underwriting and costs
- From the base of strong 2019 results, the tasks for 2020 were around sustaining momentum in the large parts of our business that perform very well whilst focusing on driving remedial action in weaker performing areas. This latter principally involves completing the portfolio exits announced in 2018, building our UK performance track record (including reducing its cost base) and improving Danish and Canadian commercial lines results:

[1] Excluding UK/ London Market exit portfolios, refer to pages 33 to 42 for further information
[2]At constant FX, refer to pages 33 to 42 for further information
[3]The Solvency II capital position at 30 June 2020 is estimated

- In our UK domestic business, normalising for weather which hit results in H1, there has been sustained improvement into 2020 though with more to do. The exit portfolios are substantially run off (though with some tail exposures left) and the business is refocused and operating with greater clarity and intensity. Business simplification and cost improvements are vital and the programme which started in H2 last year will be expanded further this year, not least to offset top line threats from a weak economy. In both Canada and Denmark, good progress continues in commercial lines pricing and underwriting with strong attritional gains and large loss improvements starting to come through also.

Market conditions

- Insurance market conditions remain competitive across our territories. However, COVID-19 disruptions make it hard to accurately discern underlying prospects. On the one hand rate hardening and capacity adjustment is generally helping us re-price in loss-making business lines. But recessionary conditions normally bring lower business volumes which in turn can encourage greater competition for business and rate softening. It will take some time for the balance of these effects to become clear.
- Financial market conditions are volatile, and while they have recovered somewhat since March, the risk of further sharp movements cannot be excluded. RSA is relatively well protected with conservative investment portfolios and a broad array of internationally derived profits. However, risk free yields have fallen significantly in H1 2020 in addition to heightened risks around property and some other asset classes. Wider credit spreads offer partial offsets but the risk remains of mark to market volatility impacting investment income and capital ratios.

COVID-19 impacts

- While the impacts of COVID-19 on RSA are ongoing, we discuss the principal areas affected below with data for H1:
  - Financial market movements will continue to affect balance sheet, solvency ratios, pension surplus and investment income. Data as at end June is presented above.
  - Our priority is to sustain good service to customers. RSA is working hard to settle claims promptly and fairly and where relevant to offer interim payment to support customers, as well as sustaining supply chains similarly. We are also providing a range of customer relief measures across our different territories, ranging from coverage adjustments and waivers, payment timing relief and discount or price capping of rates. We are participating fully in industry initiatives including exploring future pandemic coverage options and voluntary relief funds.
  - Claims impacts are complex to interpret as claims patterns are distorted by the impact of lockdowns. It is still too early to have settled trends or to know the full timing and pattern of pandemic impacts, government actions and their economic effects. Encouragingly all of our territories have begun a steady normalisation though we do not yet know how this will play out.
  - For the second quarter 2020 non COVID-19 claims frequency was down vs prior year in a range 15-60%, mostly reflecting lower economic activity levels. Frequencies increased in June as lockdown easings began. It is not yet possible to fully assess the impact on claims severity of disrupted supply chains or on timing of claims notifications. However, we can see that frequency effects overall will provide a material offset to areas of negative COVID-19 impact on premiums, costs and claims. The first half claims reserving calculations show frequency benefits broadly matched with COVID-19 claims costs and premium reductions resulting in a neutral overall impact to the business operating result at Group level after building some cautionary reserves for the uncertainties described above.

- Most business interruption coverages are not expected to be eligible under their terms for COVID-19 claims. However, there are a number of areas where claims are being paid. In addition, RSA is one of 8 participants in the FCA “test case” on business interruption coverage wordings in the UK, the result of which may also have wider implications for the industry in this sector. We are not able to comment on this process at present, beyond confirming that RSA’s position on its BI wordings is supported by external legal advice.
- In H1 2020 RSA booked c.39,000 travel claims with estimated costs of £26m but £1m net of reinsurance and 2,700 claims for wedding cancellation, with an estimated cost of £9m. In addition, we have received claims under Business Interruption coverages with case reserves and actuarial IBNR of £47m (of which £7m relates to delayed construction projects). The development since our reporting on 7th May, represents the receipt of some additional claims but primarily the completion of reserve reviews which has led to revisions to ultimate estimates and IBNR to the up to date values provided here.
- The great majority of the non-travel claims relate to our UK&I division. Claims backlogs at period end were within normal tolerances overall.
- Away from the reinsurance coverage on travel claims, we expect most other COVID-19 related claims can be aggregated by week and applied against the Group’s GVC programme if over £10m, and against the Group’s Cat programmes if reaching higher levels. This is expected to provide substantial protection in relation to downside claims scenarios. So far, these coverages have not been applied. Please see page 28 for further details of the GVC and Group Cat programmes.
- There is also a COVID-19 effect on premium income for 2020, which has so far totalled c £110m in H1. This results from a range of customer driven coverage changes, volume impacts and specific premium relief schemes across our different territories. We continue to monitor any increase in credit risks arising from customers experiencing financial difficulties as a result of weaker economic conditions and are actively working with those in most need on payment deferral plans. In H1 the bad debt charge did not increase materially, however.
- RSA itself was able to adjust well to substantially all employees working from home and is only cautiously beginning to return to office working in certain territories so far. While there are areas of service slippage, in general business as usual remains the norm. We have prioritised health and welfare of our staff and have not taken part in government furlough programmes.

MANAGEMENT REPORT – KEY FINANCIAL PERFORMANCE DATA

Management basis

£m (unless stated)	*H1 2020*	H1 2019	***H1 2020 ex. exits***	*H1 2019 ex. exits*
Profit and loss				
Group net written premiums	*3,135*	3,254	*3,136*	*3,242*
Underwriting profit ◊	***207***	**153**	***240***	***181***
Combined operating ratio ◊	*93.3%*	95.2%	*92.2%*	*94.3%*
Investment result ◊	*112*	131	*112*	*131*
Business operating result ◊	***316***	**280**	***349***	***308***
Profit before tax	*211*	227	*244*	*255*
Underlying profit before tax ◊	*299*	**264**	*332*	***292***
Profit after tax	*164*	183		
Metrics				
Earnings per share (pence)	*13.5p*	15.3p		
Underlying earnings per share (pence) ◊	***20.6p***	**18.6p**	***23.5p***	***20.9p***
Interim dividend per ordinary share (pence)	-	7.5p		
Return on tangible equity (%)	*9.6%*	11.0%		
Underlying return on tangible equity (%) ◊	***14.6%***	**13.4%**	***16.7%***	***15.0%***

	30 June 2020	31 Dec 2019
Balance sheet		
Net asset value (£m)	*4,165*	3,872
Tangible net asset value (£m) ◊	*3,171*	2,910
Net asset value per share (pence) ◊	*391p*	363p
Tangible net asset value per share (pence) ◊	*307p*	282p
Capital (including dividend)		
Solvency II surplus (£bn)	*1.1*	1.2
Solvency II coverage ratio	*158%*	168%
Capital (excluding dividend)		
Solvency II surplus (£bn)	1.3	1.3
Solvency II coverage ratio	*172%*	178%

◊ Alternative performance measures:

The Group uses Alternative Performance Measures (marked ◊ throughout), including certain underlying measures, to help explain business performance and financial position. Where not defined in the body of this announcement, further information is set out in the appendix on pages 33 to 42.

CHIEF EXECUTIVE’S FIRST HALF 2020 REVIEW

RSA has reported a strong first half 2020 performance. We have been able to operate throughout the period with limited COVID-19 related impacts on our service to customers and in so doing continue to support and protect, per our policy promises. We expect to pay out c.£2bn in claims costs for H1. This is our raison d’etre. At the same time we have safeguarded our staff and continued to make contributions to our communities more broadly. While this has been our focus in a time of great external challenges, our mission to improve RSA’s business thereby serving shareholders and others well has not been neglected. A record first half underwriting performance, and a healthy increase in underlying earnings per share are important proof points.

We are in uncertain times and as a financial institution must keep resilience and prudent financial management central to our decision making. In that regard we were sorry to suspend our 2019 final dividend payment and not presently to have announced a 2020 interim payment either. These decisions reflect regulatory guidance and a consideration for wider reputational arguments. We expect to resume dividend payments as soon as prudent to do so, and aim to catch up on missed dividends over time on the same basis.

Financial results

Our underwriting profits rose 33%[1]. In turn this drove a 13%[1] increase in the business operating result. Earnings per share rose to 23.5p[1] on an underlying basis, producing a return on tangible equity of 16.7%[1]. Statutory earnings were down 7% impacted by a variety of COVID-19 related charges.

These results are driven by business improvement actions taken over recent years and focussed on underwriting quality, whilst pushing hard on cost efficiency. Even excluding COVID-19 impacts, attritional loss ratios have improved again, as have large losses. Weather costs were above prior year though switching in severity from Canada to UK on this occasion.

Customer focus & market conditions

RSA’s mission is to serve customers well. In that regard our change efforts continue across the business focused on digital enablement, improving service and sustaining strong and effective claims support. We remain equally dedicated to good and productive partnerships with our brokers and affinity clients. The mutual support and focus on our end customer is much appreciated.

COVID-19 has brought many particular challenges – from an unprecedented shift to “working from home”, to supply chain interruptions and then a range of new claims in those policy areas responding to COVID-19. While never perfect, I am proud of our teams’ response to these challenges. RSA has operated near normally throughout the crisis, supporting our customers and responding to the new challenges. There have inevitably been questions around some policy coverage wordings, since few customers, brokers or underwriters had concentrated on a COVID-19 scenario when establishing covers. But we remain determined to pay claims promptly and in accordance with our policies whilst protecting all stakeholders against unaffordable widening of covers. We support the UK legal test case on business interruption wording in that regard as an important contribution to clarity of cover.

[1] *Excluding UK/ London Market exit portfolios, refer to pages 33 to 42 for further information*

Insurance markets inevitably reflect the broader economic conditions around them. As such there are uncertainties and the prospect of a reduction of business volumes as a direct result of COVID-19 and as a result of the economic weakness it gives rise to. We will weather these impacts but will work hard to keep costs in line with any reduced income. Financial markets are also important to insurers. The fall in risk free interest rates hurts investment income and the volatility of credit and other asset classes impacts capital too. We will continue to prioritise resilience and a conservative risk profile in navigating these challenges.

Business improvement

Across RSA we are pushing determinedly towards our "best in class" performance ambitions. At its heart we seek to sustain and improve those business areas already achieving excellent performance, whilst taking strong action to improve where lagging. The report card for H1 2020 is good.

RSA's international businesses, which constitute c.87% of H1 profits, are all performing very well. Scandinavian H1 combined ratio is good and consistent with our ambition at 83%, and the particular work needed to improve Danish commercial lines results is showing good progress though with more to do here and on cost in H2.

In Canada a COR of 93% is also at very attractive levels, flattered a bit by better weather conditions but strong anyway. And similarly our businesses in Ireland and Middle East have had excellent first halves.

In the UK our results were down on H1 last year due to February's flooding, but improved if normalising for weather. We are making encouraging progress in re-establishing good performance standards here but with much left to do. Improved cost competitiveness is most needed in the UK. The cost programme we announced in 2019 has gone well and will be increased further this year to address economic challenges and faster bring the business to where we need to be.

Outlook

Given the particular challenges of 2020, our goals for the year are first and foremost to provide customer service, to safeguard our people's health and to sustain financial strength and resilience. However, we are also determined that RSA should enter 2021 in good shape and with strong "business as usual" results for this year, whatever the other challenges that superimpose on this. Half one is encouraging in this regard.

Stephen Hester
Group Chief Executive
29 July 2020

MANAGEMENT REPORT

SEGMENTAL INCOME STATEMENT

Management basis – 6 months ended 30 June 2020

	Scandi -navia £m	Canada £m	*UK&I ex. exits[1] £m*	UK&I total £m	Central functions £m	***Group HY20 £m***	***Group HY19 £m***	**Group ex exits[1] HY20 £m**	**Group ex exits[1] HY19 £m**
Net written premiums	**1,012**	**795**	**1,292**	**1,291**	**37**	**3,135**	**3,254**	***3,136***	***3,242***
Net earned premiums	840	848	1,389	1,400	(4)	3,084	3,209	*3,073*	*3,152*
Net incurred claims	(557)	(544)	(808)	(846)	(44)	(1,991)	(2,160)	*(1,953)*	*(2,101)*
Commissions	(26)	(103)	(265)	(269)	3	(395)	(414)	*(391)*	*(398)*
Operating expenses	(116)	(143)	(227)	(229)	(3)	(491)	(482)	*(489)*	*(472)*
Underwriting result ◊	**141**	**58**	**89**	**56**	**(48)**	**207**	**153**	***240***	***181***
Investment income	36	32	66	66	-	134	154	134	*154*
Investment expenses	(2)	(1)	(4)	(4)	-	(7)	(7)	(7)	*(7)*
Unwind of discount	(11)	(1)	(3)	(3)	-	(15)	(16)	(15)	*(16)*
Investment result ◊	**23**	**30**	**59**	**59**	**-**	**112**	**131**	***112***	***131***
Central expenses	-	-	-	-	(3)	(3)	(4)	*(3)*	*(4)*
Business operating result ◊	**164**	**88**	**148**	**115**	**(51)**	**316**	**280**	***349***	***308***
Interest						(17)	(16)		
Other charges						(88)	(37)		
Profit before tax						**211**	**227**		
Tax						(47)	(44)		
Profit after tax						**164**	**183**		
Non-controlling interest						(12)	(13)		
Other equity costs[2]						(12)	(12)		
Net attributable profit ◊						**140**	**158**		
Loss ratio (%)	*66.3*	*64.1*	*58.2*	*60.4*		*64.6*	67.3	*63.6*	*66.6*
Weather loss ratio	*0.1*	*5.4*	*3.7*	*3.8*		*3.4*	*3.2*	*3.4*	*3.0*
Large loss ratio	*7.4*	*7.4*	*11.8*	*13.0*		*10.4*	*9.9*	*9.9*	*9.6*
Current year attritional loss ratio ◊	*61.8*	*50.5*	*42.5*	*42.8*		*51.0*	*54.9*	*50.9*	*54.9*
Prior year effect on loss ratio	*(3.0)*	*0.8*	*0.2*	*0.8*		*(0.2)*	*(0.7)*	*(0.6)*	*(0.9)*
Commission ratio (%)	*3.1*	*12.2*	*19.1*	*19.3*		*12.8*	12.9	*12.7*	*12.7*
Expense ratio (%)	*13.8*	*16.9*	*16.3*	*16.3*		*15.9*	15.0	*15.9*	*15.0*
Combined ratio (%)◊	***83.2***	***93.2***	***93.6***	***96.0***		***93.3***	**95.2**	***92.2***	***94.3***
Controllable expense ratio (%)[3] ◊	*22.3*	*20.1*	*22.3*	*22.4*		*21.9*	*21.3*	*21.8*	*21.3*

Notes:

UK & International comprises the UK (and European branches), Ireland and Middle East. Refer to page 29 for comparatives.

[1] Exit portfolios in UK & International which was substantially ran off in 2019, with residual premium still to earn out in 2020
[2] Preference dividends of £5m and coupons of £7m paid on Restricted Tier 1 securities
[3] On an earned basis

Premiums[1]

Net written premiums ('NWP') of £3,136m were down 3% vs. H1 2019 at constant FX. We estimate that COVID-19 impacts on NWP were c.£110m (3%), consisting of price reductions, refunds, coverage changes and specific business line volume impacts. Outside of COVID-19 impacts, areas of profitable growth were balanced by planned underwriting effects in portfolios being remediated, with the process nearing its conclusion.

Group retention declined slightly to 79.6% in the period (H1 2019: 80.7%) with retention ahead of our plans in Swedish Personal Lines and the UK. In Commercial Lines, retention was up in the UK and Canada, but down in Scandinavia (principally Danish Commercial) where we are taking the most rating and underwriting action.

Regional trends for H1 2020 include:

- Scandinavian premiums were down 1% at constant FX. Personal Lines premiums grew 1%[2] and included growth in Swedish Household and Personal Accident, our most attractive markets. Premiums were down 4%[2] in Commercial Lines reflecting portfolio actions in Danish Commercial Lines where volumes were down 13%.
- Premiums grew 3% in Canada at constant FX, this included an estimated £22m of COVID-19 related customer relief measures impacting written premiums in the second quarter. Personal Lines premiums grew 4%[2] driven by strong growth in Johnson which increased 12% (of which 5% was organic growth). We achieved high single-digit rate and hard market conditions meant that retention remained strong at 89% for Johnson, while PIFs were also up 4%. Premiums in Commercial Lines increased by 1%[2] where double digit rate more than offset lower volumes.
- Premiums were down 8% in the UK & International region at constant FX, this included an estimated £81m impact from COVID-19. UK Personal Lines premiums were down 9% as reported (4% excluding COVID-19 impacts). Household premiums were broadly flat and despite pushing good rate, stronger retention helped to offset lower new business volumes. Motor and Pet premiums decreased as we continue to prioritise margin improvements. UK Commercial Lines premiums were down 5% (2% growth excluding COVID-19 impacts). We achieved rate ahead of our plans across all major lines of business and both retention and new business were better than prior year. Premiums in Ireland decreased by 11%[2] (1% excluding COVID-19 impacts) due to lower Personal Motor new business. In the Middle East, premiums were down 17%[2] (9% excluding COVID-19 impacts) largely due to lower volumes in Commercial Lines and rating pressure in Personal Lines.
- Although there was no net written premium in the UK/ London Market exit portfolios, there was £11m of premium earned in H1 2020. The remainder of any unearned premium will earn through in the second half of the year.

More detail is provided in the regional reviews on pages 16 to 22.

[1] Excluding UK/ London Market exit portfolios, refer to pages 33 to 42 for further information
[2] At constant FX

Underwriting result[1]

Total Group underwriting result:

£m	Current year UW ◊ H1 2020	Current year UW ◊ H1 2019	Prior year UW ◊ H1 2020	Prior year UW ◊ H1 2019	Total UW result ◊ H1 2020	Total UW result ◊ H1 2019
Scandinavia	116	87	25	9	141	96
Canada	65	6	(7)	13	58	19
UK & International	67	61	(11)	(3)	56	58
UK & International ex. exits	89	*82*	-	*4*	89	*86*
Central functions	(48)	(20)	-	-	(48)	(20)
Total Group	**200**	**134**	**7**	**19**	**207**	**153**
Total Group ex. exits	**222**	***155***	**18**	***26***	**240**	***181***

- The impacts of COVID-19 provided a small underwriting benefit overall. COVID-19 related frequency benefits were offset by lower premiums, direct COVID-19 related claims, claims provisions and projected claims inflation impacting both the prior year and current year.
- The Group attritional loss ratio of 50.9% was 4 points better than H1 2019. Excluding the impacts of COVID-19 the attritional loss ratio was 53.4%, a 1.5 points improvement. The ratio improved by 2.0 points in Scandinavia (of which COVID-19 provided a 1.6 point benefit). In Canada, the attritional loss ratio improved by 5.7 points (of which COVID-19 provided a 1.7 point benefit). The UK & International attritional loss ratio improved by 5.9 points (of which COVID-19 provided a 5.5 point benefit).
- Weather losses amounted to £104m or 3.4% of net earned premiums (H1 2019: 3.0%; five year average: 2.9%[2]) a little worse than prior year. Weather costs were adverse in the UK & International due to February flooding in the UK, while Canada was better overall though not in the second quarter.
- Large losses were £303m or 9.9% of net earned premiums (Inc. exits: 10.4%; H1 2019: 9.6%; five year average: 10.0%[2]). Excluding the impacts of COVID-19 the large loss ratio was 9.0%, a 0.6 points improvement versus H1 2019. Scandinavia improved by 1.1 points. Large losses were 1.5 points better in Canada. The UK & International was flat excluding COVID-19 and 1.9 points worse than H1 2019 altogether.
- Reinsurance: Excluding any COVID-19 related loss, the percentage retention reached for each of our covers was as follows: GVC 54%; Scandinavia 68%; Canada large 37%; Canada catastrophe 80%; UK 17%. Please see page 28 for further details of the relevant covers.

Group prior year profit provided 0.6% of benefit to the combined ratio or £18m, this included a COVID-19 reserve of £6m (H1 2019: 0.9 points benefit to the combined ratio).

Our assessment of the margin in reserves for the Group (the difference between our actuarial indication and the booked reserves in the financial statements) remains over its target level at c.5% of best estimate claims reserves. We added to this margin by £25m in H1 with a precautionary COVID-19 general reserve.

[1] *Excluding UK/ London Market exit portfolios, refer to pages 33 to 42 for further information*
[2] *2015 to 2019*

Underwriting operating expenses

The Group underwriting expense ratio of 15.9% increased as expected due to lower premiums from COVID-19 impacts. Scandinavia improved by 0.3 points while Canada and the UK & International increased by 2.2 points and 0.8 points respectively. The Canadian expense ratio also reflected increased amortisation (as guided) but was impacted by lower premiums driven by COVID-19. The UK cost programme has continued and is expected to be further increased in the second half of the year.

Commissions

The Group commission ratio of 12.7% was flat versus prior year (H1 2019: 12.7%)

Investment result

The investment result was £112m (H1 2019: £131m) with investment income of £134m (H1 2019: £154m), investment expenses of £7m (H1 2019: £7m) and the liability discount unwind of £15m (H1 2019: £16m).

Investment income was down 13% on prior year, primarily reflecting the impact of reinvestment at lower yields. The average book yield across our major bond portfolios was 1.9% (H1 2019: 2.2%). Approximately £6m of the reduction in investment income was a result of COVID-19 market impacts.

Based on current forward bond yields and FX rates, for H2 2020 we project investment income of c.£120-135m and the capital element of the bond pull-to-par of c.£40m (post tax).

Controllable costs

Group written controllable costs were £680m (H1 2019: £694m). This comprised 3% cost reductions, offset by 2% inflation. Scandinavia delivered cost reductions of 1% and UK & International delivered 11% savings, all gross of inflation and at constant FX.

Group FTE[2] was flat versus H1 2019, despite additional resources required to support the new Scotiabank partnership in Canada.

The earned controllable expense ratio of 21.8% (ex. exits) was up slightly versus H1 2019 (21.3%) due to a lower premium base driven by both portfolio actions and COVID-19. The ratio is down over 2.5[1] points since H1 2013 and our ambition of an earned controllable expense ratio of less than 20% is unchanged.

Earned controllable expense ratio: ◊	Scandinavia %	Canada %	*UK&I ex. exits %*	UK&I total %	***Group ex. exits %***	**Total Group %**
6 months ended 30 June 2020	**22.3**	**20.1**	***22.3***	**22.4**	***21.8***	**21.9**
6 months ended 30 June 2019	22.0	17.6	*22.9*	22.8	*21.3*	21.3

[1] At constant FX and ex. disposals (where relevant)
[2] Full time equivalent employees

Other charges

Interest costs:

- Interest costs were £17m (£24m including the Tier 1 issuance), up from £16m in H1 2019.
- Coupon costs of £7m (H1 2019: £7m) for the 2017 Tier 1 issuance are presented at the bottom of the management P&L as 'other equity costs'. Under IFRS, these are recognised in the statement of changes in equity.

Other charges:

£m	**H1 2020**	**H1 2019**
Net gains/ losses/ FX	(57)	(18)
Amortisation	(6)	(6)
Pension net interest cost	1	2
Restructuring costs	(18)	-
Changes in economic assumptions	(8)	(15)
Other	-	-
Total ◊	**88**	**(37)**

- Net losses of £57m were incurred, of which £46m related to COVID-19 market volatility. This was split between unrealised losses of £26m on inflation linked derivatives and property as well as impairments of £20m, primarily driven by REITs[1].
- £18m of restructuring charges were incurred relating to the UK cost reduction programme that commenced in H2 2019 in the business. £45m of costs have been incurred since the start of the programme.
- Changes in economic assumptions represents £8m for the accounting impact of a reduction in the discount rate on long-term insurance liabilities in Denmark driven by COVID-19 impacts on interest rates, while there was also a £5m goodwill write-down relating to our Norwegian business

Tax

The Group reported a tax charge of £47m for H1 2020, giving an effective tax rate ('ETR') of 22% (H1 2019: 20%). The tax charge largely comprises tax payable on overseas profits. The Group underlying tax rate for H1 2020 was 20% (ex. exits) and 21% (inc. exits) in line with our plans (H1 2019: 18% inc. and ex. exits).

The carrying value of the Group's deferred tax assets at 30 June 2020 was £202m (31 December 2019: £209m), of which £180m (31 December 2019: £180m) are in the UK. At expected tax rates, a further c.£310m (31 December 2019: £254m) of deferred tax assets remain available for use but not recognised on balance sheet; these are predominantly in the UK and Ireland. The majority of the movement in H1 2020 relates to the change in the UK tax rate from 17% to 19% effective 1 April 2020.

The carrying value of the Group's deferred tax liabilities at 30 June 2020 was £102m (31 December 2019: £84m), the majority of which are in Sweden and Denmark.

For 2020 as a whole, we expect the Group's ETR and underlying tax rate to be comparable to the rates for H1 2020, subject to profit mix. In the medium term, we continue to expect the ETR and underlying rate to be in the region of 20%, given the scale of unrecognised UK and Irish tax assets.

[1] *Real Estate Investment Trusts*

Dividend

- Consistent with the 2019 final dividend suspension in April, an interim dividend for 2020 is not presently being announced. RSA expects to resume dividends as soon as judged prudent, which absent unforeseen events should be by the time of full year results 2020. We also aim to catch up on missed dividend payments over time consistent with prudent capital management.

BALANCE SHEET

Movement in Net Assets

	Share-holders' funds[1] £m	Non-controlling interests £m	Tier 1 notes £m	Total equity £m	Loan capital £m	Equity & loan capital £m	TNAV ◊ £m
Balance at 1 January 2020	**3,872**	**173**	**297**	**4,342**	**402**	**4,744**	**2,910**
Profit after tax	152	12	-	164	-	164	199
Foreign exchange gains net of tax	93	13	-	106	1	107	67
Fair value gains net of tax	35	1	-	36	-	36	35
Pension fund gains net of tax	14	-	-	14	-	14	14
Share based payments & share issue	11	-	-	11	-	11	11
Prior year final dividends	-	(5)	-	(5)	-	(5)	-
Other equity costs[2]	(12)	-	-	(12)	-	(12)	(12)
Goodwill and net intangible additions	-	-	-	-	-	-	(53)
Balance at 30 June 2020	**4,165**	**194**	**297**	**4,656**	**403**	**5,059**	**3,171**
Per share (pence) ◊							
At 1 January 2020	363						282
At 30 June 2020	**391**						**307**

Tangible net assets increased by 9% to £3.17bn at 30 June 2020.

The increase was driven by profit after tax of £199m[3] and fair value exchange gains and mark-to-market movements of £102m, mainly reflecting translational gains from weaker sterling and lower bond yields respectively. Tangible net assets were reduced by investment of £53m in intangible assets which were primarily IT related (net investment of £13m after amortisation of £40m shown as part of profit).

The pension schemes generated a profit of £14m in net asset terms with market movements and experience slightly positive in aggregate. The IAS 19 surplus at 30 June 2020 was £328m, please see page 27 for more details.

TNAV per share increased by 9% to 307p.

[1] Ordinary shareholders' funds including preference share capital of £125m
[2] Includes preference dividends of £5m and coupons of £7m paid on 2017 issued restricted tier 1 securities
[3] Adjusted for items relating to goodwill and intangible assets

CAPITAL POSITION

Solvency II position[1]:	Requirement (SCR) £bn	Eligible Own Funds £bn	Surplus £bn	Coverage %
30 June 2020	**1.8**	**2.9**	**1.1**	**158%**
31 March 2020	1.8	2.8	1.0	151%
31 December 2019	1.7	2.9	1.2	168%

The Solvency II coverage ratio[1] decreased to 158% during the period:

	%
At 1 January 2020	**168**
Underlying capital generation	14
Net capital investment	(1)
Impact of pension contributions (paid annually in Q1)	(4)
Pull-to-par on unrealised bond gains	(2)
Exit losses	(2)
Reorganisation costs	(1)
Notional dividend[2]	(6)
Market movements (including IAS 19) and other	(8)
At 30 June 2020	**158**

Please refer to appendix (page 26) for further Solvency II details (including sensitivities).

Note: IFRS pension surplus increased £117m, providing a 5 point additional unrecognised buffer to the Solvency II ratio This brings the total unrecognised pension buffer to c.8 points.

[1] The Solvency II capital position at 30 June 2020 is estimated and is shown post dividend accrual
[2] Represents 6 months' accrual of a 'notional' dividend amount for the year 2020

REGIONAL REVIEW – SCANDINAVIA

Management basis

	Net written premiums H1 2020 £m	H1 2019 £m	Change CFX %	Underwriting results H1 2020 £m	H1 2019 £m	Change CFX %
Split by country						
Sweden	557	556	2	116	115	2
Denmark	389	412	(6)	29	(12)	333
Norway	66	71	4	(4)	(7)	34
Total Scandinavia	**1,012**	**1,039**	**(1)**	**141**	**96**	**49**
Split by class						
Household	183	183	2			
Personal Motor	194	200	(1)			
Personal Accident & Other	186	184	2			
Total Scandinavia Personal	**563**	**567**	**1**	**109**	**109**	**1**
Policy count change			-			
Property	187	196	(4)			
Liability	91	96	(4)			
Commercial Motor	119	128	(6)			
Other	52	52	4			
Total Scandinavia Commercial	**449**	**472**	**(4)**	**32**	**(13)**	**336**
Volume change			*(8)*			
Total Scandinavia	**1,012**	**1,039**		**141**	**96**	**49**
Investment result				23	31	(25)
Scandinavia business operating result				**164**	**127**	**30**

Operating ratios (%)	Claims H1 2020	H1 2019	Commission H1 2020	H1 2019	Expenses H1 2020	H1 2019	Combined H1 2020	H1 2019
Scandinavia Personal	**63.2**	63.8	**3.1**	3.1	**12.1**	12.1	**78.4**	79.0
Scandinavia Commercial	**71.0**	83.8	**3.1**	3.1	**16.4**	16.9	**90.5**	103.8
Total Scandinavia	**66.3**	71.9	**3.1**	3.1	**13.8**	14.1	**83.2**	89.1
Earned controllable expense ratio	**22.3**	*22.0*						

	H1 2020	H1 2019	*5 year average*
Claims ratio:			
Weather loss ratio	*0.1*	*0.9*	*0.4*
Large loss ratio	*7.4*	*8.5*	*6.8*
Current year attritional loss ratio	*61.8*	*63.8*	
Prior year effect on loss ratio	*(3.0)*	*(1.3)*	

SCANDINAVIA

Scandinavia delivered a business operating result of £164m for H1 2020, up 30%. The combined ratio of 83.2% was 5.9 points better than the first half last year. Excluding impacts of COVID-19 the combined ratio was 84.7%. Personal Lines performance remained excellent with a combined ratio of 78.4%. Commercial Lines improved significantly by 13 points to 90.5% with the Danish Commercial Lines generating a £10m profit in the first half (H1 2019: £25m loss).

Net written premiums of £1,012 decreased by 1% at constant FX. Personal Lines premiums were up 1%[1] driven by Swedish Personal Lines which grew 2%[1] with both Household and Personal Accident up. This was driven by strong new business trends, particularly in Personal Accident, whilst retention was ahead of our Plans across all classes. Danish Personal Lines premiums were flat with rate offsetting slightly lower retention. PIFs grew in all lines of business.

Net written premiums decreased by 4%[1] in Commercial Lines. Rate was ahead of plan and H1 last year across the majority of lines of business but was impacted by significant portfolio action taken in Danish Commercial where volumes were down 13% (as planned). Swedish Commercial was up 1%[1] driven by strong new business levels.

During the second quarter the majority of our employees in Scandinavia have been successfully working from home. Despite changes to the work environment, customer satisfaction measures have remained strong during the period for both sales and service and claims. Digital sales in both Personal Lines and Commercial Lines have increased year on year in each of our geographies with online traffic also up between 25-55% in the period.

Large losses of 7.4% improved (H1 2019: 8.5%). The attritional loss ratio of 61.8% included 1.6 points of COVID-19 related frequency benefits. Excluding COVID-19 the attritional loss ratio of 63.4% was 0.4 points better than H1 2019.

Written controllable expenses were flat in H1 2020, with 1% cost reductions offset by 1% inflation. The earned controllable cost ratio of 22.3% increased by 0.3 points, driven by lower earned premiums.

Geographically, Sweden generated an underwriting profit of £116m (H1 2019: £113m[1]) and a combined ratio of 77.0% (H1 2019: 77.3%). Lower large losses, better weather experience and lower expenses were partly offset by adverse prior year development. Denmark reported an underwriting profit of £29m (H1 2019: £13m[1] loss) and a combined ratio of 89.6% (H1 2019: 104.0%). This was supported by a strong turnaround in Danish Commercial Lines performance. The underwriting loss in Norway of £4m was lower (H1 2019: £6m[1] loss) driven by modest improvements in the attritional loss ratio and expenses.

[1] *At constant FX*

REGIONAL REVIEW – CANADA

Management basis

	Net written premiums		Change	Underwriting result		Change
	H1 2020	H1 2019	**CFX**	**H1 2020**	H1 2019	**CFX**
	£m	£m	**%**	**£m**	£m	**%**
Household	230	217	6			
Personal Motor	340	329	3			
Total Canada Personal	**570**	**546**	**4**	**79**	**33**	**142**
Policy count change			*(5)*			
Property	98	85	15			
Liability	43	44	(4)			
Commercial Motor	58	68	(15)			
Marine & Other	26	25	5			
Total Canada Commercial	**225**	**222**	**1**	**(21)**	**(14)**	**(49)**
Volume change			*(7)*			
Total Canada	**795**	**768**	**3**	**58**	**19**	**213**
Investment result				30	31	(6)
Canada business operating result				**88**	**50**	**76**

Operating ratios (%)	**Claims**		**Commission**		**Expenses**		**Combined**	
	H1 2020	H1 2019	**H1 2020**	H1 2019	**H1 2020**	H1 2019	**H1 2020**	H1 2019
Canada Personal	**60.1**	69.6	**9.9**	10.3	**17.2**	14.6	**87.2**	94.5
Canada Commercial	**74.7**	73.6	**18.3**	17.3	**16.0**	14.7	**109.0**	105.6
Total Canada	**64.1**	70.8	**12.2**	12.3	**16.9**	14.7	**93.2**	97.8
Earned controllable expense ratio	20.1	17.6						

	H1 2020	H1 2019	*5 year average*
Claims ratio:			
Weather loss ratio	*5.4*	*7.2*	*4.7*
Large loss ratio	*7.4*	*8.9*	*7.3*
Current year attritional loss ratio	*50.5*	*56.2*	
Prior year effect on loss ratio	*0.8*	*(1.5)*	

CANADA

Canada delivered a business operating result of £88m for H1 2020, up 76% versus H1 last year. The combined ratio improved by 4.6 points to 93.2%. Excluding the impacts of COVID-19 the combined ratio was 94.3%. Personal Lines continued to perform well and the combined ratio improved by over 7 points to 87.2%. Pleasingly, Personal Broker performance showed continued improvement and is now operating at target profitability levels. In the Personal Motor segments, rate reductions and premium adjustments offset COVID-19 related frequency benefits. The combined ratio in Commercial Lines remained disappointing at 109.0% (H1 2019: 105.6%) with improved attritional and large loss improvements offset by higher weather costs and adverse prior year development. The Commercial Lines current year combined ratio improved by c.4 points to 103.4%.

Net written premiums of £795m increased by 3% at constant FX. This was driven by growth of 4%[1] in Personal Lines in H1, despite COVID-19 related customer relief measures made in the second quarter. These relief measures, which totalled an estimated $75m CAD included premium rebates, coverage changes as well as changes to rate filings. We applied rate of c.9% in Personal Auto, while we applied double digit rate in Household. This helped to combat ongoing and significant claims inflation and build an allowance for heavier weather losses expected as a result of climate change. Retention remained strong at 89% for Johnson, our direct business. Personal Broker reported a 3 point decrease to 81%; this was in line with our plans and reflected targeted actions to improve profitably. Johnson continued to grow organically (5%). We commenced writing new business for Scotiabank in April last year and renewals followed in July and the portfolio has performed well to date. Premiums in Commercial Lines increased by 1%[1] where a 7% reduction in volumes was more than offset by rate achieved. Lower volumes were in line with our plans and mainly driven by targeted lapses. We expect to continue to prioritise profitability over volume.

Lockdown measures in Canada have meant that 95% of employees quickly transitioned to work from home at the beginning of the pandemic in Canada. Despite this, business operations and performance kept on track. Johnson service levels exceeded plan with brand and agent net promoter scores at a twelve month high. Meanwhile, digital transactions were up 11% and site visits up 46% for Johnson since the onset of COVID-19.

While the weather loss ratio reduced by 1.8 points to 5.4%, it remained above the five year average of 4.7%[2]. This included the June Alberta Hailstorm which was the fourth-most-expensive insured natural disaster in Canadian history at $1.2bn[3]. The large loss charge of 7.4% was 1.5 points better than H1 2019. The attritional loss ratio of 50.5% improved by nearly 6 points in H1 2020. Excluding COVID-19 the attritional loss ratio was 52.2%.

Written controllable expenses of £170m were 15%[1] higher than H1 last year driven primarily by an increase in both planned software amortisation charges as well as higher staff costs (also planned) relating to the Scotiabank partnership and some one-off items. The earned controllable expense ratio of 20.1% is expected to trend back below 20% for 2020.

[1] *At constant FX*
[2] *2015-2019*
[3] *Source: Catastrophe Indices and Quantification Inc.*

REGIONAL REVIEW – UK & INTERNATIONAL

Management basis[1]	Net written premiums				Underwriting result			
	H1 2020 Ex. exits £m	*H1 2020 Total £m*	*H1 2019 Ex. exits £m*	H1 2019 Total £m	*H1 2020 Ex. exits £m*	*H1 2020 Total £m*	*H1 2019 Ex. exits £m*	H1 2019 Total £m
Household	*270*	*270*	*273*	273				
Personal Motor	*59*	*59*	*93*	93				
Pet	*116*	*116*	*122*	122				
Total UK Personal	***445***	***445***	***488***	**488**	***29***	***29***	***8***	**2**
Policy count change ex. exits	*(11)*							
Property	*219*	*218*	*211*	219				
Liability	*115*	*116*	*114*	115				
Commercial Motor	*70*	*70*	*89*	88				
Marine & Other	*78*	*77*	*90*	87				
Total UK Commercial[1]	***482***	***481***	***504***	**509**	***11***	***(24)***	***38***	**24**
Volume change ex. exits	*(10)*							
Total UK[1]	***927***	***926***	***992***	**997**	***40***	***5***	***46***	**26**
Europe[1]	*134*	*134*	*144*	151	*5*	*7*	*(4)*	(12)
Ireland	*143*	*143*	*160*	160	*28*	*28*	*26*	26
Middle East	*88*	*88*	*103*	103	*16*	*16*	*18*	18
Total UK & International	***1,292***	***1,291***	***1,399***	**1,411**	***89***	***56***	***86***	**58**
Investment result					*59*	*59*	*69*	69
UK & International operating result					***148***	***115***	***155***	**127**

Operating ratios (%)	Claims		Commission		Expenses		Combined	
	H1 2020	H1 2019	**H1 2020**	H1 2019	**H1 2020**	H1 2019	**H1 2020**	H1 2019
Total UK Personal	**55.3**	60.2	**20.4**	20.9	**18.6**	18.6	**94.3**	99.7
UK Personal ex. exits	*55.3*	*59.2*	*20.4*	*20.6*	*18.5*	*18.7*	*94.2*	*98.5*
Total UK Commercial[1]	**70.6**	63.1	**20.7**	20.7	**13.1**	11.9	**104.4**	95.7
UK Commercial ex. exits[1]	*64.5*	*60.7*	*20.4*	*20.1*	*13.0*	*11.8*	*97.9*	*92.6*
Total UK[1]	**63.1**	61.7	**20.6**	20.8	**15.8**	15.2	**99.5**	97.7
UK ex. exits[1]	*59.9*	*59.9*	*20.5*	*20.4*	*15.7*	*15.4*	*96.1*	*95.7*
Europe[1]	65.0	82.0	14.7	12.0	14.3	16.4	94.0	110.4
Europe ex. exits[1]	66.3	77.7	14.7	11.8	14.2	14.6	95.2	104.1
Ireland	51.1	57.3	13.0	11.9	17.8	14.1	81.9	83.3
Middle East	40.7	43.7	19.6	17.2	22.7	20.8	83.0	81.7
Total UK & International	**60.4**	61.6	**19.3**	18.9	**16.3**	15.6	**96.0**	96.1
UK & International ex. exits	*58.2*	*59.9*	*19.1*	*18.6*	*16.3*	*15.5*	*93.6*	*94.0*
Earned controllable exp ratio[2]	22.3	22.9						

	H1 2020[2]	H1 2019[2]	*5 year average*	*5 year average adj[3]*
Claims ratio:				
Weather loss ratio	3.7	*1.8*	4.3	c.3.0
Large loss ratio	11.8	*9.9*	12.9	c.11.0
Current year attritional loss ratio	42.5	*48.4*		
Prior year effect on loss ratio	0.2	*(0.2)*		

[1] Europe, previously reported within UK Commercial, is now reported separately.
[2] Excluding UK/ London Market exit portfolios, refer to pages 33 to 42 for further information
[3]Adjusted for changes in UK&I business mix resulting from exits.

UK & INTERNATIONAL

The UK & International region delivered a business operating result of £148m[1] for the period (£115m including exits), slightly down on prior year due to lower investment income. The business delivered a combined ratio of 93.6%[1] (96.0% including exits). Excluding the impacts of COVID-19 the combined ratio was 94.7%[1] with the attritional loss ratios improved by c.0.5 points while the large loss ratio stayed below the adjusted five year average, with weather being adverse.

UK

The UK reported an underwriting profit of £40m[1] in the period and a combined ratio of 96.1%[1]. This was £6m below prior year though would have been £19m better if equalising for weather.

Net written premiums of £927m were down 7%[1] as reported, reflecting COVID-19 impacts plus the underwriting and pricing action taken in 2018 and 2019. Rates were strong and ahead of plan in Commercial Lines while we saw an improvement in retention in both Personal and Commercial Lines, albeit partly helped by lower churn in some of the business lines due to the UK lockdown.

Personal Lines premiums decreased by 9% in the period of which 5% relates to COVID-19, mainly driven by lower sales in our telematics business and through some of our branch-based partners. Household premiums were down 1% with retention being better than both plan and prior year. MORE TH>N Home premiums exceeded our expectations and delivered positive new business growth. Overall, new business volumes were down as we continued to hold our discipline on rate.

Commercial Lines premiums were down 5%[2] excluding exits with the majority of this driven by the impacts of COVID-19. Rates were ahead of our plans as we achieved double digit rate increases in London Market and mid-single digit in our Regions business. Positive momentum continued in our Regions business as we grew premiums by 14% on prior year, supported by strong new business, retention and rates all of which were ahead of our plans.

Throughout COVID-19 we were able to maintain service to our customers, transitioning our customer contact centres almost exclusively to remote working. Customer migration to digital channels of communication has been sustained, with More Than digital renewals increasing 18% in the month of June, versus a year ago. In Commercial Lines, we implemented a new Claims Commitment, accelerating our standard response times for customers.

The weather ratio of 4.6%[1] was 2.5 points worse than prior year and was driven by the February floods which cost c.£35m. The large loss ratio of 12.3%[1] was 1.8 points worse than last year, but was stable versus prior year excluding COVID-19 impacts. The attritional loss ratio of 41.6%[1] was 5.9 points better than H1 2019 driven substantially by frequency benefits associated with COVID-19 and improved by 0.3 points excluding COVID-19. Prior year underwriting result was an £11m loss[1] or 1.1%[1] on the combined ratio (H1 2019: 0.3% benefit). The expense ratio increased slightly due to premium shortfalls but controllable expenses fell in absolute terms. As a result, the 2019 cost programme will be expanded in the second half.

[1] *Excluding UK/ London Market exit portfolios, refer to pages 33 to 42 for further information*
[2] *At constant FX*

Europe, Ireland and the Middle East

Europe[1], which is now reported separately within UK & International, delivered an underwriting profit of £5m and a combined ratio of 95.2%. The combined ratio was nearly 10 points better than the same period last year, with attritional loss ratios significantly improved and large loss ratio better than prior year and plan (excluding COVID-19). Premiums were lower versus prior year as we cautiously rebuild the portfolio, although market hardening has allowed us to achieve double digit rate increases but we remain mindful of possible volatility in this portfolio.

Ireland reported another excellent performance, generating an underwriting profit of £28m (H1 2019: £26m) on a combined ratio of 81.9% (H1 2019: 83.3%). Net written premiums fell by 11%[2] driven by the COVID-19 impact on new business levels in Personal Motor. Improved attritionals and large loss ratio helped to improve the combined ratio versus H1 last year.

The Middle East delivered an underwriting profit of £16m (H1 2019: £18m) on a combined ratio of 83.0% (H1 2019: 81.7%). Net written premiums decreased by 17%[2] with COVID-19 impact on business activity a key driver. An improved attritional loss ratio was more than offset by increased expenses and commissions as a result of lower premium contribution.

Exit portfolios

The underwriting loss from these portfolios was £33m for the period. Net written premiums were negligible, while net earned premiums were £11m reflecting the ongoing run-off of exposures. The portfolios are expected to be materially run-off by the end of 2020.

[1] *Excluding UK/ London Market exit portfolios, refer to pages 33 to 42 for further information*

[2] *At constant FX*

INVESTMENT PERFORMANCE

Management basis

Investment result	H1 2020 £m	H1 2019 £m	Change %
Bonds	99	113	(12)
Equities	15	18	(17)
Cash and cash equivalents	3	4	(25)
Property	9	9	-
Other	8	10	(20)
Investment income	**134**	**154**	**(13)**
Investment expenses	(7)	(7)	-
Unwind of discount	(15)	(16)	6
Investment result	**112**	**131**	**(15)**

Balance sheet unrealised gains (pre-tax)	30 June 2020 (£m)	31 Dec 2019 (£m)	Change %
Bonds	497	370	34
Equities	(69)	1	(7000)
Total	**428**	**371**	**15**

Investment portfolio	Value 31 Dec 2019	Foreign exchange	Mark to market	Other movements	Transfer from assets held for sale	Value 30 June 2020
	£m	£m	£m	£m	£m	**£m**
Government bonds	3,441	92	64	(93)	-	3,504
Non-Government bonds	6,970	271	17	(134)	-	7,124
Cash	909	27	-	(8)	-	928
Equities	218	26	(54)	(10)	-	180
Property	300	-	(14)	9	-	295
Preference shares & CIVs	455	3	(30)	27	-	455
Other	338	7	-	23	-	368
Total	**12,631**	**426**	**(17)**	**(186)**	**-**	**12,854**
Split by currency:						
Sterling	3,567					3,307
Danish Krone	1,030					1,040
Swedish Krona	2,367					2,506
Canadian Dollar	2,901					3,008
Euro	1,474					1,578
Other	1,292					1,415
Total	**12,631**					**12,854**

Credit quality – bond portfolio	Non-government		Government	
	30 June 2020 %	31 Dec 2019 %	**30 June 2020 %**	31 Dec 2019 %
AAA	41	42	65	62
AA	13	13	33	33
A	28	29	2	5
BBB	16	13	-	-
< BBB	2	3	-	-
Non-rated	-	-	-	-
Total	**100**	**100**	**100**	**100**

INVESTMENT PERFORMANCE

Investment income of £134m (H1 2019: £154m) was offset by investment expenses of £7m (H1 2019: £7m) and the liability discount unwind of £15m (H1 2019: £16m). Investment income was down on the same period last year primarily reflecting the impact of reinvestment at lower yields but also negatively impacted by lower cash rates and reduced dividend income from the REIT[1] portfolio.

The average book yield for H1 2020 on the total portfolio was 2.1% (H1 2019: 2.4%), with an average yield on the bond portfolios of 1.9% (H1 2019: 2.2%). Reinvestment rates in the Group's major bond portfolios were approximately 0.7% (H1 2019: 1.3%).

At 30 June 2020, the average duration of the Group's bond portfolios of 4.2 years was slightly higher than at year-end (31 December 2019: 3.9 years).

The investment portfolio increased by 2% during the period to £12.9bn.

At 30 June 2020, high quality widely diversified fixed income securities represented 83% of the portfolio (31 December 2019: 82%). Equities (largely REITs[1]) represented 1% (31 December 2019: 2%) and cash was 7% of the total portfolio (31 December 2019: 7%).

The quality of the bond portfolio remains very high with 99% investment grade and 69% rated AA or above. The bond portfolio remains well diversified by sector and geography.

Based on current forward bond yields and foreign exchange rates, we have left our investment income guidance unchanged at c.£255-270m for 2020, c.£240-255m for 2021 and c.£235-250m for 2022. The discount unwind is expected to be in the region of c.£30m per annum and investment expenses are expected to be c.£14m per annum.

Unrealised bond gains and pull-to-par

At 30 June 2020, balance sheet unrealised gains of £428m (pre-tax) had increased by £57m, principally driven by positive mark-to-market on bond holdings due to declining yields, partially offset by negative movements in our REIT[1] and preference share holdings.

If yield curves were to stay as they are, it is now estimated that the bond gains would take around 7 to 8 years to fully unwind, with around 50% within the next 3 years (AFS unwind is estimated to be c.£40m post tax for H2 2020 and c.£80m for 2021, impacting capital generation by those amounts).

[1] *Real Estate Investment Trusts*

APPENDIX I

Further information

CAPITAL

Solvency II sensitivities

Coverage ratio at 30 June 2020	**158%**	
Sensitivities (change in coverage ratio):	Including pensions[1]	Excluding pensions
Interest rates: +1% non-parallel[2,3] shift	+3%	+6%
Interest rates: -1% non-parallel[2] shift	-9%	-8%
Equities: -15%	-7%	-2%
Property: -10%	-2%	-2%
Foreign exchange: GBP +10% vs. all currencies	-4%	-4%
Cat loss of £75m net	-4%	-4%
Credit spreads: +0.25%[3,4] parallel shift	-1%	-1%
Credit spreads: -0.25% parallel shift	-7%	+1%

The above sensitivities have been considered in isolation. The impact of a combination of sensitivities may be different to the individual outcomes stated above. Where an IFRS valuation of a pension scheme surplus is restricted under Solvency II, downside pension sensitivities may be dampened relative to those shown. In Q1 2020, RSA were granted approval to apply the volatility adjustment, which reduces our exposure to spread movements and is reflected in the sensitivities above.

Reconciliation of IFRS total capital to Eligible Own Funds

	30 June 2020 £bn
Shareholders' funds (including preference shares)	4.5
Loan capital	0.4
Non-controlling interests	0.2
Total IFRS capital	**5.1**
Less: Goodwill & intangibles	(0.9)
Adjust technical provisions to Solvency II basis	(0.5)
Basic Own Funds	**3.7**
Tiering & availability restrictions	(0.5)
Dividends	(0.3)
Eligible Own Funds	**2.9**

1 *The impact of pensions depends significantly on the opening position of the schemes and market conditions. As such, the sensitivities shown are point-in-time estimates that will vary and should not be extrapolated*

2 *The interest rate sensitivity assumes a non-parallel shift in the yield curve to reflect that the long end of the yield curve is typically more stable than the short end*

3 *The asymmetry in credit spread and interest rate sensitivities reflects the fact that upside pension sensitivities are restricted to the surplus cap.*

4 *Sensitivities assume that credit spreads of different ratings all move by the same amount and hence reflect an assumed offset between the impact on assets held and the IFRS value of pension scheme obligations which could differ*

PENSIONS

The table below provides a reconciliation of the movement in the Group's pension fund position under IAS 19 (net of tax) from 1 January 2020 to 30 June 2020:

	UK £m	non-UK £m	Group £m
Net pension fund surplus/ (deficit) at 1 January 2020	**255**	**(44)**	**211**
Actuarial gains[1]	66	21	87
Deficit funding	75	-	75
Tax movements	(52)	(5)	(57)
Other movements[2]	11	1	12
Net pension fund surplus/ (deficit) at 30 June 2020	**355**	**(27)**	**328**

At an aggregate level, the pension fund surplus under IAS 19 improved during H1 2020 from a £211m surplus at 1 January to a surplus of £328m at 30 June (net of tax). This was driven primarily by deficit funding contributions paid in January (£75m pre-tax) with the impact of market movements and experience also slightly positive in aggregate.

[1] *Actuarial gains/ (losses) are gross of tax and include pension investment expenses, variance against expected returns, change in actuarial assumptions and experience losses*

[2] *Other movements are gross of tax and include regular contributions, service/ administration costs, expected returns, interest costs and settlement gains/ (losses)*

REINSURANCE

On 1 January 2020, the Group Volatility Cover (GVC) entered the final year of the three year agreement that commenced on 1 January 2018.

The key terms of the GVC are as follows:

- Cover protects all our short tail business including Property, Marine and Construction & Engineering
- Events or individual net losses of £10m or greater are added together across our financial year. When a loss exceeds £10m it is included in full
- Cover attaches when the total of these retained losses is greater than £170m
- Limit of cover is £150m per year, with £300m maximum over the 3 year period
- Counterparties are high credit quality reinsurers (50% AA- or better, 50% A- or better)

Alongside the GVC, we continue to purchase additional aggregate covers for the UK, Scandinavia and Canada for losses below £10m. These covers provide protection for our short tail lines of business including Property, Marine and Construction & Engineering. For 2020, we placed 100% of the Canada and Scandinavia aggregate covers and chose to place 75% of the UK aggregate cover in order to balance the cost versus benefit of this protection. Further details below:

- UK: Aggregate cover protects large losses between £3m and £10m. Cover attaches when the total of the losses in this band exceeds £50m. Limit of cover is £35m

- Scandinavia: Aggregate cover protects large losses between DKK 20m and DKK 100m. Cover attaches when the total of the losses in these bands exceeds DKK 120m. Limit of cover is DKK 150m

- Canada: Aggregate cover protects large losses between C$2.5m and C$10m and catastrophe losses between C$7.5m and C$17.5m. Large loss and Catastrophe sections operate independently; cover attaches when large losses exceed C$55m or Catastrophe losses exceed C$25m. Limit of cover is C$65m which is shared across the two sections of cover.

There were no other material changes to our reinsurance retentions for 2020. Our main Catastrophe retentions remain at £75m for the UK and Europe combined, £50m for Europe excluding the UK and $75m for Canada. Our UK and Ireland Motor retentions remain at the 2019 level of £1m and €1m respectively.

MANAGEMENT REPORT

SEGMENTAL INCOME STATEMENT

Management basis – 6 months ended 30 June 2019

	Scandinavia £m	Canada £m	UK & International ex exits £m	Central functions £m	**H1 19 Group ex exits £m**	**H1 19 Group total £m**
Net written premiums	**1,039**	**768**	**1,399**	**36**	**3,242**	**3,254**
Net earned premiums	879	835	1,442	(4)	3,152	3,209
Net incurred claims	(632)	(591)	(865)	(13)	(2,101)	(2,160)
Commissions	(27)	(103)	(268)	-	(398)	(414)
Operating expenses	(124)	(122)	(223)	(3)	(472)	(482)
Underwriting result □	**96**	**19**	**86**	**(20)**	**181**	**153**
Investment income	44	34	76	-	154	154
Investment expenses	(1)	(2)	(4)	-	(7)	(7)
Unwind of discount	(12)	(1)	(3)	-	(16)	(16)
Investment result □	**31**	**31**	**69**	**-**	**131**	**131**
Central expenses	-	-	-	(4)	(4)	(4)
Operating result □	**127**	**50**	**155**	**(24)**	**308**	**280**
Interest						(16)
Other non-operating charges						(37)
Profit before tax						**227**
Tax						(44)
Profit after tax						**183**
Non-controlling interest						(13)
Other equity costs[1]						(12)
Net attributable profit ◊						**158**
Loss ratio (%)	71.9	70.8	59.9		*66.6*	67.3
Weather loss ratio	*0.9*	*7.2*	1.8		*3.0*	*3.2*
Large loss ratio	*8.5*	*8.9*	9.9		*9.6*	*9.9*
Current year attritional loss ratio ◊	*63.8*	*56.2*	48.4		*54.9*	*54.9*
Prior year effect on loss ratio	*(1.3)*	*(1.5)*	(0.2)		*(0.9)*	*(0.7)*
Commission ratio (%)	3.1	12.3	18.6		12.7	12.9
Expense ratio (%)	14.1	14.7	15.5		15.0	15.0
Combined ratio (%)◊	**89.1**	**97.8**	**94.0**		**94.3**	**95.2**
Controllable expense ratio (%)[2] ◊	22.0	17.6	22.9		21.3	21.3

Notes:

UK & International comprises the UK (and European branches), Ireland and Middle East.

[1] *Preference dividends of £5m and coupons of £7m paid on Restricted Tier 1 securities*
[2] *On an earned basis*

COMBINED RATIO DETAIL

Group

£m unless stated		Current year		Prior year		**H1 20 total**	**H1 20 ex. exits**	Current year	Prior year	**H1 2019 total**	**H1 2019 ex exits**
Net written premiums	1	**3,123**	7	**12**	13	**3,135**	**3,136**	**3,229**	**25**	**3,254**	***3,242***
Net earned premiums	2	3,078	8	6	14	3,084	3,073	3,193	16	3,209	*3,152*
Net incurred claims	3	(1,995)	9	4	15	(1,991)	(1,953)	(2,171)	11	(2,160)	*(2,101)*
Commissions	4	(393)	10	(2)	16	(395)	(391)	(408)	(6)	(414)	*(398)*
Operating expenses	5	(490)	11	(1)	17	(491)	(489)	(480)	(2)	(482)	*(472)*
Underwriting result ◊	6	**200**	12	**7**	18	**207**	**240**	**134**	**19**	**153**	***181***
CY attritional claims	19	(1,569)					(1,561)	(1,752)			*(1,723)*
Weather claims	20	(105)					(104)	(103)			*(95)*
Large losses	21	(321)					(303)	(316)			*(301)*
CY net incurred claims	22	(1,995)					(1,968)	(2,171)			*(2,119)*
Loss ratio (%)				=15 / 14	23	*64.6*	63.6			67.3	66.6
Weather loss ratio				=20 / 2	24	*3.4*	*3.4*			*3.2*	*3.0*
Large loss ratio				=21 / 2	25	*10.4*	*9.9*			*9.9*	*9.6*
Current year attritional loss ratio ◊				=19 / 2	26	*51.0*	*50.9*			*54.9*	*54.9*
Prior year effect on loss ratio				=23 - 24 - 25 - 26	27	*(0.2)*	*(0.6)*			*(0.7)*	*(0.9)*
Commission ratio (%)				=16 / 14	28	12.8	12.7			12.9	12.7
Expense ratio (%)				=17 / 14	29	15.9	15.9			15.0	15.0
Combined ratio (%)◊				=23 + 28 + 29	30	**93.3**	**92.2**			**95.2**	**94.3**

Scandinavia

£m unless stated	Current year	Prior year	**H1 2020 total**	Current year	Prior year	**H1 2019 total**
Net written premiums	**1,012**	**-**	**1,012**	**1,044**	**(5)**	**1,039**
Net earned premiums	839	1	840	883	(4)	879
Net incurred claims	(582)	25	(557)	(647)	15	(632)
Commissions	(25)	(1)	(26)	(27)	-	(27)
Operating expenses	(116)	-	(116)	(122)	(2)	(124)
Underwriting result	**116**	**25**	**141**	**87**	**9**	**96**
CY attritional claims	(519)			(564)		
Weather claims	(1)			(8)		
Large losses	(62)			(75)		
Net incurred claims	(582)			(647)		
Loss ratio (%)			66.3			71.9
Weather loss ratio			*0.1*			*0.9*
Large loss ratio			*7.4*			*8.5*
Current year attritional loss ratio			*61.8*			*63.8*
Prior year effect on loss ratio			*(3.0)*			*(1.3)*
Commission ratio (%)			3.1			3.1
Expense ratio (%)			13.8			14.1
Combined ratio (%)			**83.2**			**89.1**

COMBINED RATIO DETAIL

Canada

£m unless stated	Current Year	Prior year	**H1 2020 total**	Current year	Prior year	**H1 2019 total**
Net written premiums	**795**	**-**	**795**	**768**	**-**	**768**
Net earned premiums	848	-	848	835	-	835
Net incurred claims	(537)	(7)	(544)	(604)	13	(591)
Commissions	(103)	-	(103)	(103)	-	(103)
Operating expenses	(143)	-	(143)	(122)	-	(122)
Underwriting result	**65**	**(7)**	**58**	**6**	**13**	**19**
CY attritional claims	(428)			(469)		
Weather claims	(47)			(60)		
Large losses	(62)			(75)		
Net incurred claims	(537)			(604)		
Loss ratio (%)			64.1			70.8
Weather loss ratio			*5.4*			*7.2*
Large loss ratio			*7.4*			*8.9*
Current year attritional loss ratio			*50.5*			*56.2*
Prior year effect on loss ratio			*0.8*			*(1.5)*
Commission ratio (%)			12.2			12.3
Expense ratio (%)			16.9			14.7
Combined ratio (%)			**93.2**			**97.8**

UK&I

£m unless stated	Current year	Prior year	**H1 2020 total**	**H1 2020 ex. exits**	Current year	Prior year	**H1 2019 total**	**H1 2019 ex exits**
Net written premiums	**1,279**	**12**	**1,291**	**1,292**	**1,382**	**29**	**1,411**	**1,399**
Net earned premiums	1,395	5	1,400	1,389	1,480	19	1,499	1,442
Net incurred claims	(831)	(15)	(846)	(808)	(908)	(16)	(924)	(865)
Commissions	(269)	-	(269)	(265)	(278)	(6)	(284)	(268)
Operating expenses	(228)	(1)	(229)	(227)	(233)	-	(233)	(223)
Underwriting result	**67**	**(11)**	**56**	**89**	**61**	**(3)**	**58**	**86**
CY attritional claims	(597)			(589)	(719)			(690)
Weather claims	(52)			(51)	(34)			(26)
Large losses	(182)			(164)	(155)			(140)
CY net incurred claims	(831)			(804)	(908)			(856)
Loss ratio (%)			60.4	58.2			61.6	59.9
Weather loss ratio			*3.8*	*3.7*			*2.3*	*1.8*
Large loss ratio			*13.0*	*11.8*			*10.6*	*9.9*
Current year attritional loss ratio			*42.8*	*42.5*			*48.5*	*48.4*
Prior year effect on loss ratio			*0.8*	*0.2*			*0.2*	*(0.2)*
Commission ratio (%)			19.3	19.1			18.9	18.6
Expense ratio (%)			16.3	16.3			15.6	15.5
Combined ratio (%)			**96.0**	**93.6**			**96.1**	**94.0**

APPENDIX II

Alternative Performance Measures

ALTERNATIVE PERFORMANCE MEASURES

Alternative performance measures (‘APMs’) are complementary to measures defined within International Financial Reporting Standards (‘IFRS’) and are used by management to explain the Group's business performance and financial position. They include common insurance industry metrics, as well as measures management and the Board consider are useful to enhance the understanding of its performance and allow meaningful comparisons between periods and business segments. The APMs reported are monitored consistently across the Group to manage performance on a monthly basis. They are reviewed across various functions and undergo rigorous internal quality assurance.

Occasionally management may also report additional or adjusted APMs when circumstance requires. Reasons for doing so, definitions and reconciliations are provided in this appendix. In Q4 2018 targeted portfolio exits were announced as part of an ongoing strategic review of the UK & International business which concluded in 2019. The Group continues to be impacted by exits in 2020 due to the ongoing run-off of exposures. Therefore, APMs, continue to be reported both including and excluding the impacts of the UK&I exited portfolios to provide measures that allow users to assess the future performance of UK&I and the Group.

APMs are identifiable within Group tables by the symbol ◊ and are defined in the below jargon buster. Further definition, commentary, and outlook of those APMs considered important in measuring the delivery of the Group’s strategic priorities can be found on pages 26 and 27 of the Annual Report and Accounts 2019. Detailed reconciliations of APMs to their nearest IFRS Income Statement equivalents and adjusted APMs can be found after the below jargon buster. APMs used to determine management and executive remuneration are identified below with ◊*.

JARGON BUSTER

Term	Definition	APM	Reconciliation	
Affinity	Selling insurance through a partner’s distribution network, usually to a group of similar customers e.g. store-card holders, alumni groups, unions and utility company customers.			
Attritional Loss Ratio	This is the claims ratio (net incurred claims and claims handling expense as a proportion of net earned premium) of our business prior to volatile impacts from weather, large losses and prior-year reserve developments.	◊	1	R
Available for Sale (AFS)	A class of financial asset that is neither held for trading nor held to maturity.			
Business Operating Result	Business operating result represents profit before tax adjusted to add back other charges.	◊	1	AC
Claims Frequency	Average number of claims per policy over the year.			
Claims Handling Expenses	The administrative cost of processing a claim (such as salary costs, costs of running claims centres, allocated share of the costs of head office units) which are separate to the cost of settling the claim itself with the policyholder.			
Claims Ratio (Loss Ratio)	Percentage of net earned premiums that is paid out in claims and claims handling expenses.	◊	1	V
Claims Reserve (Provision for Losses and Loss Adjustment Expenses)	A provision established to cover the estimated cost of claims payments and claims handling expenses that are still to be settled and incurred in respect of insurance cover provided to policyholders up to the reporting date.			
Claims Severity	Average cost of claims incurred over the period.			
Combined Operating Ratio (COR)	A measure of underwriting performance being the ratio of underwriting costs (claims, commissions and expenses) expressed in relation to earned premiums: COR = loss ratio + commission ratio + expense ratio, where Loss ratio = net incurred claims/ net earned premiums Commission ratio = commissions/ net earned premiums Expense ratio = operating expenses/ net earned premiums	◊*	1	Y
Commission	An amount paid to an intermediary such as a broker for introducing business to the Group.			
Constant Exchange (CFX)	Prior period comparative retranslated at current period exchange rates.	◊	4	

Term	Definition	APM	Reconciliation	
Controllable Costs/ Expenses	A measure of operating expenses incurred by the Group in undertaking business activities, predominantly underwriting and policy acquisition costs, excluding commission and premium related costs such as levies. They are adjusted to include claims handling costs that are reported within net claims incurred.	◊*	5	
Current Year Underwriting Result	The profit or loss earned from business for which insurance cover has been provided during the current financial period. This does not include performance impacts recognised in the current reporting period relating to prior accident years.	◊	1	Q
Current Year Combined Operating Ratio (CY COR)	A measure of current year underwriting result performance calculated as per the combined operating ratio.			
Customer Retention	A measure of the amount of business that is renewed with us each year.			
Ex. Exits	Excluding exits refers to financial results adjusted for the impact of UK&I portfolio exits and business lapses targeted as part of the UK&I strategic review that concluded in 2019.		7	
Expense Ratio	Underwriting and policy expenses expressed as a percentage of net earned premium.	◊	1	X
Exposure	A measurement of risk we are exposed to through the premiums we have written. For example, in motor insurance one vehicle insured for one year is one unit of exposure.			
Financial Conduct Authority (FCA)	The regulatory authority with responsibility for the conduct of the UK financial services industry.			
Gross Written Premium (GWP)	Total revenue generated through sale of insurance products. This is before taking into account reinsurance and is stated irrespective of whether payment has been received.			
Group Catastrophe programme (Cat)	Reinsurance purchased by the Group to protect against a catastrophic event, usually a large number of losses accumulating over a short period of time. Losses can arise worldwide from either natural peril, for example hurricane, windstorm, flood and earthquake, or from man-made perils, for example explosion, fire. Individual losses are aggregated and, when the respective Catastrophe retention is exceeded, a reinsurance recovery is made.			
Group Volatility Cover (GVC)	This is an aggregate reinsurance cover purchased by the Group to protect against the accumulation of “smaller/medium” single or event type losses. Individual losses/events are covered in full if they exceed the franchise level. Cover attaches once the aggregate deductible is breached. This reinsurance provides protection world-wide for all short tail classes of business.			
IBNR (Incurred But Not Yet Reported)	An estimated reserve for amounts owed to all valid claimants who have had a covered loss but have not yet reported it and for claims that have been reported but the cost is not yet known.			
Interest Costs	Interest costs represent the cost of Group debt.			
Investment Result	Investment result is the money we make from our investments on a management basis. It comprises the major component of net investment return, investment income, in addition to unwind of discount and investment expenses.	◊	1	AA
Large Losses	Single claim or all claims arising from a single loss event with a net cost of £0.5m or higher.			
Large Loss Ratio	The large loss ratio is an expression of claims incurred in the period with a net cost of £0.5m or higher as a percentage of current year net earned premium over the same period.	◊	1	T
Managing General Agent (MGA)	A specialised type of insurance agent or broker that has been granted underwriting authority by an insurer and can negotiate contracts on behalf of the insurer.			
Net Asset Value (NAV) per Share	Net asset value per share is calculated as closing shareholders’ funds, less preference share capital, divided by the number of shares in issue at the end of the period.	◊	3	E

<table>
<tr><th>Term</th><th colspan="2">Definition</th><th>APM</th><th colspan="2">Reconciliation</th></tr>
<tr><td>Net Earned Premium (NEP)</td><td colspan="2">The proportion of premium written, net of the cost of associated reinsurance, which represents the consideration charged to policyholders for providing insurance cover during the reporting period.</td><td></td><td colspan="2"></td></tr>
<tr><td>Net Incurred Claims (NIC)</td><td colspan="2">The total claims cost incurred in the period less any share that is borne by reinsurers. It includes both claims payments and movements in claims reserves and claims handling expenses in the period.</td><td></td><td colspan="2"></td></tr>
<tr><td>Net Written Premium (NWP)</td><td colspan="2">Premium written or processed in the period, irrespective of whether it has been paid, less the amount shared with reinsurers.</td><td></td><td colspan="2"></td></tr>
<tr><td rowspan="8">Other Charges</td><td colspan="2">Other charges represent items that are excluded to arrive at business operating result and underlying profit measures.</td><td>◊</td><td>1</td><td>AD</td></tr>
<tr><td>Item</td><td>Reason for classification</td><td rowspan="7">◊</td><td rowspan="7">1</td><td rowspan="7">AD</td></tr>
<tr><td>Amortisation of intangible assets</td><td>To allow meaningful assessment of segmental performance where similar internally generated assets are not capitalised.</td></tr>
<tr><td>Reorganisation costs</td><td>To allow assessment of the performance of ongoing business activities.</td></tr>
<tr><td>Pension administration and net interest costs</td><td>Costs that are dependent on the level of defined benefit pension scheme plan funding and arise from servicing past pension commitments.</td></tr>
<tr><td>Realised and unrealised gains and losses on investments/ foreign exchange gains and losses</td><td>To remove the impact of market volatility and investment rebalancing activity.</td></tr>
<tr><td>Gains and losses arising from the disposal of businesses and impairment of goodwill</td><td>To allow assessment of the performance of ongoing business activities.</td></tr>
<tr><td>Economic assumption changes</td><td>To allow assessment of performance excluding impact of a change in economic assumptions.</td></tr>
<tr><td>Payout Ratio</td><td colspan="2">Ordinary dividends expressed as a percentage of underlying profit after tax attributable to ordinary shareholders. This has also been expressed excluding the impact of UK&I exits.</td><td></td><td colspan="2"></td></tr>
<tr><td>Policies in Force</td><td colspan="2">The number of active insurance policies for which the Group is providing cover.</td><td></td><td colspan="2"></td></tr>
<tr><td>Prior Year Underwriting Result</td><td colspan="2">Updates to premium, claims, commission and expense estimates relating to prior years.</td><td>◊</td><td>1</td><td>P</td></tr>
<tr><td>Property and Casualty (P&C)
(Non-Life Insurance or General Insurance)</td><td colspan="2">Property insurance covers loss or damage through fire, theft, floods, storms and other specified risks.
Casualty insurance primarily covers losses arising from accidents that cause injury to other people or damage to the property of others.</td><td></td><td colspan="2"></td></tr>
<tr><td>Prudential Regulation Authority (PRA)</td><td colspan="2">The regulatory authority with responsibility for the prudential regulation and supervision of the UK financial services industry.</td><td></td><td colspan="2"></td></tr>
<tr><td>Pull to Par</td><td colspan="2">The movement of a bond's price toward its face value as it approaches its maturity date.</td><td></td><td colspan="2"></td></tr>
<tr><td>Rate</td><td colspan="2">The price of a unit of insurance based on a standard risk for one year. Actual premium charged to the policyholder may differ from the rate due to individual risk characteristics and marketing discounts.</td><td></td><td colspan="2"></td></tr>
<tr><td>‘Record’ underwriting performance</td><td colspan="2">‘Record’ refers to the lowest combined ratio as reported when considering the half year underwriting performance from 2008 to 2020.</td><td></td><td colspan="2"></td></tr>
</table>

Term	Definition	APM	Reconciliation	
Reinsurance	The practice whereby part or all of the risk accepted is transferred to another insurer (the reinsurer).			
Reported Exchange (RFX)	Prior period comparative translated at exchange rates applicable at that time.			
Return on Equity	Profit attributable to ordinary shareholders (profit after tax excluding non-controlling interests, coupon on tier 1 notes and preference dividend) expressed in relation to opening ordinary shareholders' funds (opening ordinary shareholders funds less preference share capital).	◊	2	F
Return on Tangible Equity	Profit attributable to ordinary shareholders (profit after tax excluding non-controlling interests, coupon on tier 1 notes and preference dividend) expressed in relation to opening tangible net asset value.	◊	2	H
Solvency II / Coverage Ratio	Capital adequacy regime for the European insurance industry which commenced in 2016 and is based on a set of EU wide capital requirements and risk management standards. The coverage ratio represents total eligible capital as a proportion of the Solvency Capital Requirement (SCR) under Solvency II.			
Scrip Dividend	Where shareholders choose to receive the dividend in the form of additional shares rather than cash. The Group would issue new shares to meet the scrip demand.			
Tangible Net Asset Value (TNAV)	Tangible net asset value comprises shareholders’ equity, less preference share capital and goodwill and intangible assets.	◊*	3	C
Tangible Net Asset Value (TNAV) per Share	Tangible net asset value, divided by the number of shares in issue at the end of the period.	◊	3	F
Underwriting Result	Net earned premium less net claims and underwriting and policy acquisition costs.	◊	1	Z
Underlying Profit before Tax	Profit before tax adjusted for the add back of all other charges except finance costs.	◊	6	B
Underlying Tax Rate	The Group underlying tax rate mainly comprising the local statutory tax rates in the Group's territories applied to underlying regional profits (business operating profits less finance costs).	◊	6	A
Underlying Profit after Tax	Profit after tax, less the proportion that is attributable to non-controlling interests, preference shareholders and tier 1 note holders, plus the add back of all other charges except finance costs (reasons for exclusion above) before an adjustment for the tax difference between effective and underlying rate.	◊*	2	B
Underlying Return on Tangible Equity	Underlying profit after tax expressed in relation to opening tangible net asset value.	◊*	2	I
Underlying Return on Equity	Underlying profit after tax expressed in relation to opening shareholders’ funds excluding preference share capital.	◊	2	G
Underlying Earnings per Share (EPS)	Underlying profit after tax divided by the weighted average number of shares in issue during the period.	◊	2	K
Unearned Premium	The portion of a premium that relates to future periods, for which protection has not yet been provided, irrespective of whether the premium has been paid or not.			
Weather Losses	Weather claims incurred with a net cost of £0.5m or higher and losses of less than £0.5m where extreme weather has been identified over an extended period.			
Weather Loss Ratio	The weather loss ratio is an expression of weather losses in the period as a percentage of earned premium.	◊	1	S
Yield	Rate of return on an investment in percentage terms. The dividend payable on a share expressed as a percentage of the market price.			

ALTERNATIVE PERFORMANCE MEASURES RECONCILIATIONS

1. IFRS reconciliation to management P&L
For the 6 months ended 30 June 2020

£'m	IFRS		Underwriting result	Investment result	Central costs	Business operating result	Other charges	Profit before tax
			Management					
Income								
Gross written premiums	3,752		3,752					
Less: reinsurance premiums	(617)		(617)					
Net written premiums	3,135		3,135					
Change in the gross provision for unearned premiums	(127)		(127)					
Change in provision for unearned reinsurance premiums	76		76					
Change in provision for unearned premiums	(51)		(51)					
Net earned premiums, analysed as	3,084	**A**	3,084					
Current year		**B**	3,078					
Prior year		**C**	6					
			3,084					
Investment income	134	**D**		134				
Realised losses on investments	(1)						(1)	
Losses on forex derivatives	(9)						(9)	
Unrealised losses	(27)						(27)	
Impairments	(20)						(20)	
Net investment return	77							
Other insurance income	65	**E**	65					
Pension net interest and administration costs	1						1	
Foreign exchange gain	5						5	
Other operating income	71							
Total income	3,232							
Expenses								
Gross claims incurred	(2,262)		(2,262)					
Less: claims recoveries from reinsurers	271		271					
Net claims, analysed as	(1,991)	**F**	(1,991)					
Attritional		**G**	(1,569)					
Weather		**H**	(105)					
Large		**I**	(321)					
Prior year		**J**	4					
			(1,991)					
Earned CY commission	(393)	**K**	(393)					
Earned PY commission	(2)	**L**	(2)					
Earned CY operating expenses	(555)	**M**	(555)					
Earned PY operating expenses	(1)	**N**	(1)					
Underwriting and policy acquisition costs	(951)		(951)					
Unwind of discount and change in economic assumptions	(23)			(15)			(8)	
Investment expenses	(7)			(7)				
Central expenses	(3)				(3)			
Amortisation of intangible assets	(6)						(6)	
Impairment of goodwill	(5)						(5)	
Reorganisation costs	(18)						(18)	
Other operating expenses	(39)							
	(3,004)							
Interest costs	(14)						(14)	
Interest on lease liabilities	(3)						(3)	
Finance costs	(17)	**O**						
Acquisitions and disposals	-						-	
Net share of profit after tax of associates	-				-			
Profit before tax	211		207	112	(3)	316	(105)	211
Income tax expense	(47)		**Z**	**AA**	**AB**	**AC**	**AD**	
Profit for the year	164							
	C+J+L+N	**P**	7	PY Underwriting				
	Z - P	**Q**	200	CY Underwriting				
			207					
Attritional loss ratio	G/B	**R**	51.0%					
Weather loss ratio	H/B	**S**	3.4%					
Large loss ratio	I/B	**T**	10.4%					
Prior year effect on loss ratio	V-R-S-T	**U**	(0.2%)					
Loss ratio	F/A	**V**	64.6%					
Commission ratio	(K+L)/A	**W**	12.8%					
Expense ratio	(E+M+N)/A	**X**	15.9%					
Combined operating ratio	V+W+X	**Y**	93.3%					

1. IFRS reconciliation to management P&L
For the 6 months ended 30 June 2019

£'m	IFRS		Underwriting result (Management)	Investment result (Management)	Central costs (Management)	Business operating result (Management)	Other charges (Management)	Profit before tax (Management)
Income								
Gross written premiums	3,905		3,905					
Less: reinsurance premiums	(651)		(651)					
Net written premiums	3,254		3,254					
Change in the gross provision for unearned premiums	(203)		(203)					
Change in provision for unearned reinsurance premiums	158		158					
Change in provision for unearned premiums	(45)		(45)					
Net earned premiums, analysed as	3,209	A	3,209					
Current year		B	3,193					
Prior year		C	16					
			3,209					
Investment income	154	D		154				
Realised gains on investments	8						8	
Gains on forex derivatives	1						1	
Unrealised losses	(13)						(13)	
Net investment return	150							
Other insurance income	71	E	71					
Foreign exchange gain	3						3	
Other operating income	74							
Total income	3,433							
Expenses								
Gross claims incurred	(2,458)		(2,458)					
Less: claims recoveries from reinsurers	298		298					
Net claims, analysed as	(2,160)	F	(2,160)					
Attritional		G	(1,752)					
Weather		H	(103)					
Large		I	(316)					
Prior year		J	11					
			(2,160)					
Earned CY commission	(408)	K	(408)					
Earned PY commission	(6)	L	(6)					
Earned CY operating expenses	(551)	M	(551)					
Earned PY operating expenses	(2)	N	(2)					
Underwriting and policy acquisition costs	(967)		(967)					
Unwind of discount and change in economic assumptions	(31)			(16)			(15)	
Investment expenses	(7)			(7)				
Central expenses	(5)				(5)			
Amortisation of intangible assets	(6)						(6)	
Pension net interest and administration costs	2						2	
Other operating expenses	(16)							
	(3,174)							
Interest costs	(13)						(13)	
Interest on lease liabilities	(3)						(3)	
Finance costs	(16)	O						
Acquisitions and disposals	(17)						(17)	
Net share of profit after tax of associates	1				1			
Profit before tax	227		153	131	(4)	280	(53)	227
Income tax expense	(44)		**Z**	**AA**	**AB**	**AC**	**AD**	
Profit for the year	183							
	C+J+L+N	P	19	PY Underwriting				
	Z - P	Q	134	CY Underwriting				
			153					
Attritional loss ratio	G/B	R	54.9%					
Weather loss ratio	H/B	S	3.2%					
Large loss ratio	I/B	T	9.9%					
Prior year effect on loss ratio	V-R-S-T	U	(0.7%)					
Loss ratio	F/A	V	67.3%					
Commission ratio	(K+L)/A	W	12.9%					
Expense ratio	(E+M+N)/A	X	15.0%					
Combined operating ratio	V+W+X	Y	95.2%					

2. Metric calculations

			6 months 30 June 2020 £m	6 months 30 June 2019 £m
		Profit after tax	164	183
		Less: non-controlling interest	(12)	(13)
Note 10		Less: tier 1 notes coupon payment	(7)	(7)
Note 10		Less: preference dividend	(5)	(5)
	A	**Profit attributable to ordinary shareholders**	**140**	**158**
APM Rec 1		Add: other charges	105	53
APM Rec 1		Less: finance costs	(17)	(16)
APM Rec 6		Less: underlying tax differential	(15)	(3)
	B	**Underlying profit after tax attributable to ordinary shareholders**	**213**	**192**
		Opening shareholders' funds	**3,872**	**3,786**
		Less: preference share capital	(125)	(125)
	C	**Opening ordinary shareholders' funds**	**3,747**	**3,661**
Note 11		Less: opening goodwill and intangibles	(837)	(794)
	D	**Opening tangible ordinary shareholders' funds**	**2,910**	**2,867**
	E	**Weighted average no. shares during the period (un-diluted)**	**1,033**	**1,030**
		Return on equity (annualised)		
(2xA)/C	**F**	Reported	**7.5%**	**8.6%**
(2xB)/C	**G**	Underlying	**11.4%**	**10.5%**
		Return on tangible equity (annualised)		
(2xA)/D	**H**	Reported	**9.6%**	**11.0%**
(2xB)/D	**I**	Underlying	**14.6%**	**13.4%**
APM Rec 7	**J**	Underlying ex exits	**16.7%**	**15.0%**
		Earnings per share		
A/E	**K**	Basic earnings per share	**13.5p**	**15.3p**
B/E	**L**	Underlying earnings per share	**20.6p**	**18.6p**
APM Rec 7	**M**	Underlying earnings per share ex exits	**23.5p**	**20.9p**

3. Balance sheet reconciliations

			30 June 2020 £m	31 Dec 2019 £m
	A	Closing shareholders' funds	**4,165**	**3,872**
		Less: preference share capital	(125)	(125)
	B	**Ordinary shareholders funds**	**4,040**	**3,747**
Note 11		Less: closing goodwill and intangibles	(869)	(837)
	C	**Tangible net asset value**	**3,171**	**2,910**
	D	**Shares in issue at the period end**	**1,034**	**1,032**
B/D	**E**	**Net asset value per share**	**391p**	**363p**
C/D	**F**	**Tangible net asset value per share**	**307p**	**282p**

4. Net written premium movement and constant exchange

			6 months 30 June 2020 £m	6 months 30 June 2019 £m
Note 7	**A**	**Net written premiums**	**3,135**	**3,254**
		Year-on-year movement	(119)	35
		Comprised of:		
		Volume change including portfolio actions and reinsurance	(308)	(118)
		Rate increases	197	158
	B	**Movement at constant exchange**	**(111)**	**40**
	C	Foreign exchange	(8)	(5)
		Total movement	**(119)**	**35**
B/(2019A-C)	**D**	**% movement at constant exchange**	**(3%)**	**1%**

5. Controllable expenses

			6 months 30 June 2020 £m	6 months 30 June 2019 £m
		Underwriting and policy acquisition costs	**(951)**	**(967)**
APM Rec 1		Less: commission	395	414
		Less: non controllable premium related costs e.g. levies	100	86
		Add: claims expenses within net claims	(197)	(192)
		Add: other	(17)	(23)
	A	**Written controllable expense base**	**(670)**	**(682)**
	B	Add: controllable deferred acquisition costs	(4)	(2)
A+B	**C**	**Earned controllable expense base**	**(674)**	**(684)**
APM Rec 1	**D**	Add: investment expenses	(7)	(7)
APM Rec 1	**E**	Add: central costs	(3)	(5)
A+D+E	**F**	**Total written controllable expense base**	**(680)**	**(694)**
C+D+E	**G**	**Total earned controllable expense base**	**(684)**	**(696)**
	H	Net earned premiums	3,084	3,209
C/H	**I**	**Earned controllable expense ratio**	**21.9%**	**21.3%**
G/H	**J**	**Total earned controllable expense ratio**	**22.2%**	**21.7%**

6. Underlying tax rate

			6 months 30 June 2020 %	6 months 30 June 2019 %
		Effective tax rate (ETR)	**22**	**20**
		Less tax effect of:		
		Unrecognised tax losses	-	(1)
		Underlying versus IFRS regional profit mix	(1)	(1)
	A	**Underlying tax rate**	**21**	**18**
			£m	**£m**
		Profit before tax	211	227
APM Rec 1		Add: other charges	105	53
APM Rec 1		Less: finance costs	(17)	(16)
	B	**Underlying profit before tax**	**299**	**264**
AxB	**C**	**Underlying tax**	**(62)**	**(47)**
APM Rec 1	**D**	Income tax expense	(47)	(44)
C-D	**E**	**Underlying tax differential**	**(15)**	**(3)**

7. Adjusted APMs

Management report adjusted APMs when circumstance requires to further enhance understanding of reported results and of future performance potential.

Impact of UK&I exits

2020 reported £m (unless stated)			UK	Europe	UK & International	Group
	A	**Net written premium**	**926**	**134**	**1,291**	**3,135**
	B	Net earned premium	1,039	114	1,400	3,084
	C	**Underwriting result**	**5**	**7**	**56**	**207**
(C/B)-1		**COR**	**99.5%**	**94.0%**	**96.0%**	**93.3%**
	D	**Business operating result**	**58**	**7**	**115**	**316**
	E	**Profit before tax**				**211**
APM Rec 6	**F**	**Underlying profit before tax**				**299**
APM Rec 2	**G**	**Underlying profit after tax**				**213**
APM Rec 2		**Underlying earnings per share**				**20.6p**
APM Rec 2		**Underlying return on tangible equity**				**14.6%**
	H	Weighted average shares				1,033
	J	Opening tangible ordinary shareholders' funds				2,910
UK&I exits						
	K	Exited net written premium	(1)	-	(1)	(1)
	L	Exited net earned premium	11	-	11	11
	M	Underwriting result	(35)	2	(33)	(33)
	N	Tax impact thereon[1]				3
Excluding exits						
A-K	**P**	**Net written premium**	**927**	**134**	**1,292**	**3,136**
B-L	**Q**	Net earned premium	1,028	114	1,389	3,073
C-M	**R**	**Underwriting result**	**40**	**5**	**89**	**240**
(R/Q)-1	**S**	**COR**	**96.1%**	**95.2%**	**93.6%**	**92.2%**
D-M	**T**	**Business operating result**	**93**	**5**	**148**	**349**
E-M	**U**	**Profit before tax**				**244**
F-M	**V**	**Underlying profit before tax**				**332**
(G-M-N)/H	**W**	**Underlying earnings per share**				**23.5p**
((G-M-N)/J) x 2	**X**	**Underlying return on tangible equity**				**16.7%**

[1] UK underlying tax rate of 12% applied. Excluding UK exits reduces the Group underlying tax rate from 21% to 20% because of an increased share of UK profits in the Group profit mix,

2019 reported £m (unless stated)			UK[1]	Europe[1]	UK & International	Group
	A	**Net written premium**	**997**	**151**	**1,411**	**3,254**
	B	Net earned premium	1,126	116	1,499	3,209
	C	**Underwriting result**	**26**	**(12)**	**58**	**153**
(C/B)-1		**COR**	**97.7%**	**110.4%**	**96.1%**	**95.2%**
	D	**Business operating result**	**88**	**(12)**	**127**	**280**
	E	**Profit before tax**				**227**
APM Rec 6	**F**	**Underlying profit before tax**				**264**
APM Rec 2	**G**	**Underlying profit after tax**				**192**
APM Rec 2		**Underlying earnings per share**				**18.6p**
APM Rec 2		**Underlying return on tangible equity**				**13.4%**
	H	Weighted average shares				1,030
	J	Opening tangible ordinary shareholders' funds				2,867
UK&I exits						
	K	Exited net written premium	5	7	12	12
	L	Exited net earned premium	52	5	57	57
	M	Underwriting result	(20)	(8)	(28)	(28)
	N	Tax impact thereon				5
Excluding exits						
A-K	**P**	**Net written premium**	**992**	**144**	**1,399**	**3,242**
B-L	**Q**	Net earned premium	1,074	111	1,442	3,152
C-M	**R**	**Underwriting result**	**46**	**(4)**	**86**	**181**
(R/Q)-1	**S**	**COR**	**95.7%**	**104.1%**	**94.0%**	**94.3%**
D-M	**T**	**Business operating result**	**108**	**(4)**	**155**	**308**
E-M	**U**	**Profit before tax**				**255**
F-M	**V**	**Underlying profit before tax**				**292**
(G-M-N)/H	**W**	**Underlying earnings per share**				**20.9p**
((G-M-N)/J) x 2	**X**	**Underlying return on tangible equity**				**15.0%**

[1] Europe presented together with UK at HY 2019.

APPENDIX III

Other information

REPORTING AND DIVIDEND TIMETABLE

Reporting:	
Q3 2020 trading update	5 November 2020
2nd preference dividend:	
Announcement date	30 July 2020
Ex-dividend date	13 August 2020
Record date	14 August 2020
Dividend payment date	1 October 2020

PREFERENCE SHARE DIVIDEND

In accordance with the original subscription terms, qualifying registered holders of the 7 3/8 percent cumulative irredeemable preference shares of £1 each will receive the second preference dividend at a rate of 3.6875p per share.

OTHER INFORMATION

LEI number: 549300HOGQ7E0TY86138.

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Further information

A conference call for analysts and investors, including a presentation and question and answer session, will be held at 08:30am on 30 July 2020 to discuss the 2020 Interim Results.

Participants can register for the event using the link below:
https://onlinexperiences.com/Launch/QReg/ShowUUID=DEDDFE15-1DA9-4E55-9FD1-96B757CD3490 or alternatively participants can call: 0800 358 9473 (toll free) or +44 33 3300 0804, using participant pin code 11788367#.

A recording and transcript of the presentation will be available via the company website (www.rsagroup.com) after the call.

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 announcement 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 announcement shall be construed as a profit forecast.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Table of contents

CONDENSED CONSOLIDATED INCOME STATEMENT
STATUTORY BASIS
for the 6 month period ended 30 June 2020

	Note	**(Reviewed) 6 months 30 June 2020 £m**	(Reviewed) 6 months 30 June 2019 £m
Income			
Gross written premiums		**3,752**	3,905
Less: reinsurance written premiums		**(617)**	(651)
Net written premiums	**7**	**3,135**	3,254
Change in the gross provision for unearned premiums		**(127)**	(203)
Change in provision for unearned reinsurance premiums		**76**	158
Change in provision for net unearned premiums		**(51)**	(45)
Net earned premiums		**3,084**	3,209
Net investment return	**8**	**77**	150
Other operating income		**71**	74
Total income		**3,232**	3,433
Expenses			
Gross claims incurred		**(2,262)**	(2,458)
Less: claims recoveries from reinsurers		**271**	298
Net claims		**(1,991)**	(2,160)
Underwriting and policy acquisition costs		**(951)**	(967)
Unwind of discount and change in economic assumptions		**(23)**	(31)
Other operating expenses		**(39)**	(16)
		(3,004)	(3,174)
Finance costs		**(17)**	(16)
Loss on disposal of business	**6**	**-**	(17)
Net share of profit after tax of associates		**-**	1
Profit before tax	**7**	**211**	227
Income tax expense		**(47)**	(44)
Profit for the period		**164**	183
Attributable to:			
Equity holders of the Parent Company		**152**	170
Non-controlling interests		**12**	13
		164	183
Earnings per share on profit attributable to the ordinary shareholders of the Parent Company			
Basic	**9**	**13.5p**	15.3p
Diluted	**9**	**13.5p**	15.3p
Ordinary dividends paid and proposed			
Final paid in respect of prior year	**10**	**-**	13.7p
Interim proposed/paid in respect of current year	**10**	**-**	7.5p

The following explanatory notes form an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
STATUTORY BASIS
for the 6 month period ended 30 June 2020

	(Reviewed) 6 months 30 June 2020 £m	(Reviewed) 6 months 30 June 2019 £m
Profit for the period	**164**	183
Items that may be reclassified to the income statement:		
Exchange gains net of tax on translation of foreign operations	**106**	12
Fair value gains on available for sale financial assets net of tax	**36**	157
	142	169
Items that will not be reclassified to the income statement:		
Pension – remeasurement of defined benefit asset/liability net of tax	**14**	(109)
Total other comprehensive income for the period	**156**	60
Total comprehensive income for the period	**320**	243
Attributable to:		
Equity holders of the Parent Company	**294**	228
Non-controlling interests	**26**	15
	320	243

The following explanatory notes form an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
STATUTORY BASIS
for the 6 month period ended 30 June 2020

(Reviewed)

	Ordinary share capital	Ordinary share premium	Own shares	Preference shares	Revaluation reserves	Capital redemption reserve	Foreign currency translation reserve	Retained earnings	Share-holders' equity	Tier 1 notes	Non-controlling interests	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Balance at 1 January 2020	**1,032**	**1,090**	**-**	**125**	**259**	**389**	**(26)**	**1,003**	**3,872**	**297**	**173**	**4,342**
Total comprehensive income for the period												
Profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**152**	**152**	**-**	**12**	**164**
Other comprehensive income for the period	**-**	**-**	**-**	**-**	**47**	**-**	**81**	**14**	**142**	**-**	**14**	**156**
	-	**-**	**-**	**-**	**47**	**-**	**81**	**166**	**294**	**-**	**26**	**320**
Transactions with owners of the Group												
Contribution and distribution												
Dividends (note 10)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(12)**	**(12)**	**-**	**(5)**	**(17)**
Shares issued for cash	**1**	**2**	**-**	**-**	**-**	**-**	**-**	**-**	**3**	**-**	**-**	**3**
Share based payments	**2**	**-**	**-**	**-**	**-**	**-**	**-**	**6**	**8**	**-**	**-**	**8**
	3	**2**	**-**	**-**	**-**	**-**	**-**	**(6)**	**(1)**	**-**	**(5)**	**(6)**
Balance at 30 June 2020	**1,035**	**1,092**	**-**	**125**	**306**	**389**	**55**	**1,163**	**4,165**	**297**	**194**	**4,656**
Balance at 1 January 2019	1,027	1,087	(1)	125	152	389	36	971	3,786	297	168	4,251
Total comprehensive income for the period												
Profit for the period	-	-	-	-	-	-	-	170	170	-	13	183
Other comprehensive income/(expense) for the period	-	-	-	-	152	-	15	(109)	58	-	2	60
	-	-	-	-	152	-	15	61	228	-	15	243
Transactions with owners of the Group												
Contribution and distribution												
Dividends (note 10)	-	-	-	-	-	-	-	(153)	(153)	-	(12)	(165)
Shares issued for cash	1	3	-	-	-	-	-	-	4	-	-	4
Share based payments	3	-	-	-	-	-	-	3	6	-	-	6
Transfers	-	-	1	-	-	-	-	(1)	-	-	-	-
	4	3	1	-	-	-	-	(151)	(143)	-	(12)	(155)
Balance at 30 June 2019	1,031	1,090	-	125	304	389	51	881	3,871	297	171	4,339

The following explanatory notes form an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
STATUTORY BASIS
as at 30 June 2020

	Note	(Reviewed) 30 June 2020 £m	(Audited) 31 December 2019 £m
Assets			
Goodwill and other intangible assets	**11**	**869**	837
Property and equipment		**293**	296
Investment property		**295**	300
Investments in associates		**4**	4
Financial assets	**12**	**11,631**	11,422
Total investments		**11,930**	11,726
Reinsurers' share of insurance contract liabilities	**16**	**2,410**	2,326
Insurance and reinsurance debtors		**3,081**	2,923
Deferred tax assets	**13**	**202**	209
Current tax assets		**25**	18
Other debtors and other assets		**968**	718
Other assets		**1,195**	945
Cash and cash equivalents	**14**	**928**	909
Total assets		**20,706**	19,962
Equity and liabilities			
Equity			
Shareholders' equity		**4,165**	3,872
Tier 1 notes		**297**	297
Non-controlling interests		**194**	173
Total equity		**4,656**	4,342
Liabilities			
Issued debt		**751**	750
Insurance contract liabilities	**16**	**12,805**	12,307
Insurance and reinsurance liabilities		**967**	970
Borrowings		**114**	169
Deferred tax liabilities	**13**	**102**	84
Current tax liabilities		**10**	17
Provisions		**135**	147
Other liabilities		**1,166**	1,176
Provisions and other liabilities		**1,413**	1,424
Total liabilities		**16,050**	15,620
Total equity and liabilities		**20,706**	19,962

The following explanatory notes form an integral part of these condensed consolidated financial statements.

The financial statements were approved on 29 July 2020 by the Board of Directors and are signed on its behalf by:

Charlotte Jones
Group Chief Financial Officer

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
STATUTORY BASIS
for the 6 month period ended 30 June 2020

	Note	(Reviewed) 6 months 30 June 2020 £m	(Reviewed) 6 months 30 June 2019 £m
Cash flows from operating activities			
Cash generated from operating activities	**21**	**8**	209
Tax paid		**(51)**	(44)
Net cash flows from operating activities		**(43)**	165
Cash flows from investing activities			
Proceeds from sales or maturities of:			
Financial assets		**1,560**	1,495
Sale of subsidiaries (net of cash disposed of)		**-**	2
Purchase of:			
Financial assets		**(1,364)**	(1,409)
Property and equipment		**(10)**	(5)
Intangible assets		**(54)**	(66)
Net cash flows from investing activities		**132**	17
Cash flows from financing activities			
Proceeds from issue of share capital		**3**	4
Dividends paid to ordinary shareholders		**-**	(141)
Coupon payment on Tier 1 notes		**(7)**	(7)
Dividends paid to preference shareholders		**(5)**	(5)
Dividends paid to non-controlling interests		**(5)**	(12)
Redemption of long-term borrowings		**-**	(39)
Payment of lease liabilities		**(21)**	(21)
Movement in other borrowings		**(42)**	68
Interest paid		**(4)**	(8)
Net cash flows from financing activities		**(81)**	(161)
Net increase in cash and cash equivalents		**8**	21
Cash and cash equivalents at beginning of the period		**886**	781
Effect of exchange rate changes on cash and cash equivalents		**27**	10
Cash and cash equivalents at end of the period	**14**	**921**	812

The following explanatory notes form an integral part of these condensed consolidated financial statements.

BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

RSA Insurance Group plc (the Company) is a public limited company incorporated and domiciled in England and Wales. The Company through its subsidiaries and associates (together the Group or RSA) provides personal and commercial insurance products to its global customer base, principally in the UK, Europe, Ireland, Middle East (together UK & International), Scandinavia and Canada.

1. BASIS OF PREPARATION

The annual financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU). The condensed consolidated financial information in this half yearly report has been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' (IAS 34), as adopted by the EU, and the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority.

The financial statements have been prepared on a going concern basis. In adopting the going concern basis, the Board has reviewed the Group's ongoing commitments for the next twelve months and beyond. The Board's review included the Group's strategic plans and updated financial forecasts including capital position, liquidity and credit facilities, and investment portfolio.

In the context of the current challenging environment a range of severe yet plausible downside scenarios have been considered. These included scenarios which reflected:

- Premium reductions from an economic downturn
- Claims impacts from COVID-19 related claims and changes in claims frequency and severity
- Financial relief measures for customers
- Cost impacts responding to operational challenges from COVID-19 and management actions to reduce costs and discretionary spend
- Ongoing COVID-19 impacts, including lower economic activity, suppressed spending, business confidence, market volatility and multiple future waves

In addition a reverse stress test exercise has been undertaken to consider the impact on the Group's capital position including the following one off type events: severe COVID-19 related claims, including adverse outcomes of the FCA test case and a failure in the Group's reinsurance programme, adverse CAT experience, severe and sudden financial market movements. An aggregated scenario such as this, and the sequence of events it involves, is considered to be remote and there are mitigating recovery actions that can be taken to restore the capital position to the Group's target range.

As a result, the Board believes that the Group is well placed to meet future capital requirements and liquidity demands. Based on this review no material uncertainties that would require disclosure have been identified in relation to the ability of the Group to remain a going concern for at least the next twelve months, from the date of the approval of the condensed consolidated financial statements.

These condensed consolidated financial statements have been prepared by applying the accounting policies used in the 2019 Annual Report and Accounts (see note 4 and Appendix A).

2. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing these condensed consolidated financial statements, management has made judgements in determining estimates in accordance with Group's accounting policies. Estimates are based on management's best knowledge of current circumstances and expectation of future events and actions, which may subsequently differ from those used in determining the accounting estimates. In 2020, the COVID-19 global pandemic has had a significant impact on market conditions and our business. Estimates and their underlying assumptions continue to be reviewed on an ongoing basis with revisions to estimates being recognised prospectively. Where an estimate has been made in response to COVID-19 additional disclosure has been provided in the relevant note to provide context to the figures presented:

- Valuation of insurance contract liabilities: the assumptions used in the estimation of the eventual outcome of the claim events that have occurred that are expected to give rise to claims by the end of the reporting period but remain unsettled have been adjusted for the potential impact of COVID-19. This includes frequency, severity and development pattern assumptions. Refer to note 16 for additional information.
- Measurement of defined benefit obligations: key actuarial assumptions have remained consistent with those reported in the 2019 Annual Report and Accounts. These will be assessed later in the year once the demographic impact is more understood.
- Recognition of deferred tax assets: forecast future taxable profits against which deductible temporary differences and tax losses carried forward can be utilised has been adjusted to reflect the potential impact of COVID-19. Refer to note 13 for additional information.

- Valuation of level 3 financial assets and investment properties: the current ongoing economic uncertainty means that asset valuation techniques that rely on unobservable inputs are less certain. Whilst the valuation methodology for level 3 assets remains consistent with those reported in the 2019 Annual Report and Accounts, there is a greater degree of estimation uncertainty with, for example, investment property valuations quoting a ‘material uncertainty’ clause. Refer to note 12 for additional information.
- Measurement and impairment of goodwill and intangible assets: key assumptions applied in the valuation of the recoverable amount have been adjusted, and the estimation of useful economic life has been reviewed, to reflect the potential impact of COVID-19. Refer to note 11 for additional information.

COVID-19 has also had an impact on areas where management have applied judgement:

- Classification of financial assets in fair value hierarchy: management apply judgement when deciding to classify financial instruments for which immediate prices are available as being level 1 in the fair value hierarchy and financial assets for which observable prices are also available as level 2 on the basis of a lower level of activity in the market from which those prices are quoted. The level of trading activity in certain markets has been impacted by COVID-19 and the classification has been reviewed. Refer to note 12 for additional information.
- Impairment of financial assets: determining if there is objective evidence of impairment requires judgement and in the 6 months to 30 June 2020, **£20m** of impairments have been recognised (note 8). The value of unrealised losses in the revaluation reserve at 30 June 2020 is **£124m** (31 December 2019: £73m).

3. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

There are a small number of narrow scope amendments to standards that are applicable to the Group for the first time in 2020, none of which have had a significant impact on the condensed consolidated financial statements.

4. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

IFRS 17 ‘Insurance Contracts’

The International Accounting Standards Board (IASB) issued IFRS 17 ‘Insurance Contracts’ (IFRS 17) in May 2017, which was revised in June 2020 (aimed at helping companies implement the Standard and making it easier for them to explain their financial performance), to replace IFRS 4 ‘Insurance Contracts’ (IFRS 4) for annual reporting periods beginning, at the latest, on or after 1 January 2023.

The effective date for IFRS 17 is two years later than in the original previous version and an equivalent change has been made to IFRS 4 to extend the exemption from applying IFRS 9 ‘Financial Instruments’.

Legislation has been enacted to ensure that IFRS as endorsed by the EU at the end of the Brexit transitional period on 31 December 2020 will be adopted for use in the UK as well as providing the Secretary of State with the power to adopt and endorse subsequent changes to IFRS for adoption and use in the UK. This power will be delegated to a UK Endorsement Board (UKEB) which will be responsible for the UK endorsement of the amended IFRS 17. The Group is monitoring this closely.

Detailed build and testing of systems and processes to implement IFRS 17 is in progress and is on track to complete in 2021. Parallel run testing of reporting is scheduled to take place in 2022 to assure reporting compliance by 1 January 2023. The implementation plans have taken into account the changes in the revised standard issued in June and contingency planning has been considered in the event that the endorsement process adds any further delay to implementation after 2023.

It is not yet possible to quantify the impact that implementing IFRS 17 will have on the measurement of insurance, reinsurance and related transactions and balances.

IFRS 9 ‘Financial Instruments’

IFRS 9 ‘Financial Instruments’ has been issued to replace IAS 39 ‘Financial Instruments: As described above the Group has elected to implement IFRS 9 ‘Financial Instruments’ alongside IFRS 17, which is now for annual reporting periods beginning, at the latest, on or after 1 January 2023.

Implementation plans have been updated to reflect the amended effective date and are on track.

Other pronouncements

There are a number of amendments to IFRS that have been issued by the IASB that become mandatory in a subsequent accounting period. The Group has evaluated these changes and none are expected to have a significant impact on the condensed consolidated financial statements.

RISK MANAGEMENT

5. RISK MANAGEMENT

Details of the principal risks and uncertainties of the Group and the management of these risks were included in the 2019 Annual Report and Accounts; Risk Management information in note 5 on pages 136 to 142. The global outbreak of COVID-19 during the first half of 2020 has had a significant impact on market conditions and the insurance industry and has triggered the need to consider the impact on the principal risks managed by the Group. A detailed assessment of the risks faced specifically in relation to COVID-19 has, therefore, been undertaken and summarised in an ad hoc Own Risk and Solvency Assessment (ORSA) report. This includes risks we believe could threaten the Group's business model, future performance, solvency or liquidity.

The Group has implemented a robust governance framework charged with the definition and ongoing management of the strategies designed to accelerate decision making and mitigate the increased risk arising as a result of COVID-19 as far as possible. In response to COVID-19, key mitigants and controls have been considered and several key actions have been implemented to mitigate the additional risks that have been identified:

Key risks and exposures		**Key mitigants and controls**
Reserving risk	There is a risk that the Group's estimate of future claims payments is insufficient. COVID-19 has increased the risk of estimation uncertainty as the impact on future claims patterns such as frequency and severity are just emerging. The ongoing FCA 'test case' on business interruption coverage wording and how the Group's reinsurance programmes would react in the event of an adverse outcome further increases the risk of estimation uncertainty.	• Experienced regional actuaries responsible for estimation of the actuarial indication of the required reserves based on claims experience, business volume, anticipated change in the claims environment and claims cost. • This has involved extensive discussion with the Underwriting department to understand the exposure, with the Claims department to understand claims experience to date, and with the Legal department to confirm our position on cover. • Reserves are reviewed and challenged at the Group Reserving Committee meeting which is attended by the Group Chief Actuary, CRO, CUO, CFO and CEO. • Claims case reserves represent the best estimate of outstanding value and are reviewed at quarterly case reserving committees. • Legal counsel supports the Group's view on business interruption policy wording in response to COVID-19. • Margin is held in accordance with Group policy for uncertainties.
Underwriting and claims risk	There is a risk that underwritten business is not in line with appetite or is less profitable than planned due to insufficient pricing and settling of claims case reserves. COVID-19 has increased the risk of exposure on some business interruption policies and increased the level of uncertainty over claims outcomes given the FCA court proceedings in relation to business interruption policy wordings.	• Additional monitoring procedures have been implemented to track COVID-19 related claims including frequency and changes in payment patterns. • A continuous process has been initiated to identify and assess potential COVID-19 underwriting impacts and take necessary actions. • Well defined risk appetite statements (including climate change factors), which are rigorously monitored at quarterly portfolio reviews, with remediation action taken where deemed necessary. • Brexit, risks to inflation and supply chain delays were already being monitored closely. This monitoring remains in place noting the heightened risk as a result of COVID-19. • Extensive control validation and assurance activities are performed over underwriting pricing and claims.
Market, credit and currency risk	There is a risk to the Group's insurance funds arising from movements in macroeconomic variables, including widening credit spreads, fluctuating bond yields and currency fluctuations. COVID-19 has generated increased levels of market volatility, in particular in late Q1/early Q2 2020 increasing the risk of credit default and downgrade. RSA has provided payment relief to customers experiencing financial difficulty as a result of COVID-19.	• RSA's prudent investment strategy favouring high quality fixed income bonds and selected less liquid assets reduces the risk of default. • Strategy continues to be reviewed in light of COVID-19 developments and frequency of engagement with the Group fund managers has been increased. • RSA ensures assets are closely matched in duration and currency with insurance liabilities to hedge volatility. • Investment positions are regularly monitored to ensure limits remain within quantitative appetite. • Increased credit risk monitoring is in place to proactively manage financial risk arising from payment relief measures offered to customers.

Key risks and exposures		Key mitigants and controls
Operational risk	This risk relates to customers and/or reputational damage arising from operational failure such as IT system failure. The operational environment as a result of government imposed lockdown measures has increased this risk with new ways of working and servicing the customer, including the repatriation of some outsourced activities.	• Remote working across the Group was enabled rapidly in a controlled manner, through distribution of IT equipment and home working control procedures to continue servicing our customers during lockdown. This included the repatriation of activity from some third party outsource providers. The return to office will be carefully planned to ensure operational impact is minimised and government guidelines are met. • IT services have been maintained across the Group with infrastructure continuing to support the remote working environment. • Operational risk and resilience processes and procedures are in place, including incident management. • Enhanced Customer Policy being embedded across the Group. • IT and data risks remain under close monitoring, especially cyber threat.

Market risk

The Group's exposure and sensitivity to equity, property and interest rate risk have not materially changed since the year end 2019.

The Group's exposure to currency risk has changed during the first half of 2020 to manage both the operational and structural currency risk.

At 30 June 2020, the Group's total shareholders' equity and Tier 1 notes deployed by currency was:

	Pounds Sterling	Danish Krone/Euro	Canadian Dollar	Swedish Krona	Other	Total
	£m	£m	£m	£m	£m	£m
Shareholders' equity at 30 June 2020	**2,380**	**1,108**	**674**	**(1)**	**301**	**4,462**
Shareholders' equity at 31 December 2019	2,496	531	645	114	383	4,169

Shareholders' equity is stated after taking account of the effect of currency forward contracts and foreign exchange options. The analysis aggregates the Danish Krone exposure and the Euro exposure as the Danish Krone continues to be pegged closely to the Euro. The Group considers this aggregate exposure when reviewing its hedging strategy.

As disclosed in the 2019 Annual Report and Accounts, the structural currency risk is managed at a Group level through currency forward contracts and foreign exchange options within predetermined limits set by the Group Board. On 3 July 2020, the Group decreased its exposure to Danish Krone by £201m and increased its exposure to Swedish Krona by £202m by entering currency forward contracts.

The table below illustrates the impact of a hypothetical 10% change in Danish Krone/Euro, Canadian Dollar or Swedish Krona exchange rates on shareholders' equity when retranslating into sterling:

	10% strengthening in Pounds Sterling against Danish Krone/Euro	10% weakening in Pounds Sterling against Danish Krone/Euro	10% strengthening in Pounds Sterling against Canadian Dollar	10% weakening in Pounds Sterling against Canadian Dollar	10% strengthening in Pounds Sterling against Swedish Krona	10% weakening in Pounds Sterling against Swedish Krona
	£m	£m	£m	£m	£m	£m
Movement in shareholders' equity at 30 June 2020	**(101)**	**123**	**(61)**	**75**	**-**	**-**
Adjusted movement in shareholders' equity at 30 June 2020[1]	**(83)**	**100**	**(61)**	**75**	**(18)**	**22**
Movement in shareholders' equity at 31 December 2019	(48)	59	(59)	72	(10)	13

[1] Sensitivity to currency exposure including the Danish Krone and Swedish Krona forward contracts entered on 3 July 2020.

Further sensitivities are considered in the relevant notes to the condensed consolidated financial statements.

SIGNIFICANT TRANSACTIONS AND EVENTS

6. LOSS ON DISPOSAL OF BUSINESS

There have been no disposals in the six months to 30 June 2020.

In the six months to 30 June 2019, the loss of £17m related to the disposal of the UK Legacy business (see below), consisting of a £15m additional contribution to Enstar Group Limited and £2m costs of disposal.

On 7 February 2017, the Group’s UK Legacy liabilities were disposed of to Enstar Group Limited. The transaction initially took the form of a reinsurance agreement, effective from 31 December 2016, which substantially effected economic transfer. The legal transfer of the business was completed on 1 July 2019. The Group’s UK Legacy business was managed as part of the UK operations. It was not presented as a discontinued operation as it was neither a separate geographic area nor a major line of business.

NOTES TO THE CONDENSED CONSOLIDATED INCOME STATEMENT, CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME AND DISTRIBUTIONS

7. OPERATING SEGMENTS

The Group's primary operating segments comprise Scandinavia, Canada, UK & International and Central Functions, which is consistent with how the Group is managed and the segments disclosed in the 2019 Annual Report and Accounts. The primary operating segments are based on geography and are all engaged in providing personal and commercial general insurance services. Central Functions include the Group's internal reinsurance function and Group Corporate Centre.

Each operating segment is managed by a member of the Group Executive Committee who is directly accountable to the Group Chief Executive and Board of Directors, who together are considered to be the chief operating decision maker in respect of the operating activities of the Group. The UK is the Group's country of domicile and one of its principal markets.

Assessing segment performance

The Group uses the following key measures to assess the performance of its operating segments:
- Net written premiums;
- Underwriting result;
- Combined operating ratio (COR);
- Business operating result.

Net written premiums is the key measure of revenue used in internal reporting.

Underwriting result, COR and business operating result are Alternative Performance Measures (APMs) and the key internal measures of profitability of the operating segments. The COR reflects the ratio of claims costs and expenses (including commission) to earned premiums, expressed as a percentage. Further information on APMs can be found on pages 33 to 42.

Transfers or transactions between segments are entered into under normal commercial terms and conditions that would also be available to unrelated third parties.

Segment revenue and results

Period ended 30 June 2020

	Scandinavia	Canada	UK & International	Central Functions	Total Group
	£m	£m	£m	£m	£m
Net written premiums	**1,012**	**795**	**1,291**	**37**	**3,135**
Underwriting result	**141**	**58**	**56**	**(48)**	**207**
Investment result	**23**	**30**	**59**	**-**	**112**
Central costs and other activities	**-**	**-**	**-**	**(3)**	**(3)**
Business operating result (management basis)	**164**	**88**	**115**	**(51)**	**316**
Realised losses					**(1)**
Unrealised losses, impairments and foreign exchange					**(51)**
Interest costs					**(17)**
Amortisation of intangible assets					**(6)**
Impairment of goodwill (note 11)					**(5)**
Pension net interest and administration costs (note 17)					**1**
Reorganisation costs					**(18)**
Changes in economic assumptions (note 16)					**(8)**
Profit before tax					**211**
Tax on operations					**(47)**
Profit after tax					**164**
Combined operating ratio (%)	**83.2%**	**93.2%**	**96.0%**		**93.3%**

Period ended 30 June 2019

	Scandinavia	Canada	UK & International	Central Functions	Total Group
	£m	£m	£m	£m	£m
Net written premiums	1,039	768	1,411	36	3,254
Underwriting result	96	19	58	(20)	153
Investment result	31	31	69	-	131
Central costs and other activities	-	-	-	(4)	(4)
Business operating result (management basis)	127	50	127	(24)	280
Realised gains					8
Unrealised losses and foreign exchange					(9)
Interest costs					(16)
Amortisation of intangible assets					(6)
Pension net interest and administration costs					2
Changes in economic assumptions[1]					(15)
Loss on disposal of business (note 6)					(17)
Profit before tax					227
Tax on operations					(44)
Profit after tax					183
Combined operating ratio (%)	89.1%	97.8%	96.1%		95.2%

[1] Changes in economic assumptions represent a reduction in the discount rate on long-term insurance liabilities in Denmark. This is reported within unwind of discount and change in economic assumptions in the condensed consolidated income statement.

8. NET INVESTMENT RETURN

A summary of the net investment return in the income statement is given below:

	Investment income		**Net realised (losses)/gains**		**Net unrealised losses**		**Impairments**		**Total investment return**	
	30 June 2020	30 June 2019	**30 June 2020**	30 June 2019	**30 June 2020**	30 June 2019	**30 June 2020**	30 June 2019	**30 June 2020**	30 June 2019
	£m	£m	**£m**	£m	**£m**	£m	**£m**	£m	**£m**	£m
Investment property	**9**	9	**-**	-	**(14)**	(7)	**-**	-	**(5)**	2
Equity securities										
Available for sale	**15**	18	**3**	6	**-**	-	**(18)**	-	**-**	24
At FVTPL	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-
Debt securities										
Available for sale	**99**	113	**-**	1	**-**	-	**(2)**	-	**97**	114
At FVTPL	**-**	-	**-**	-	**(1)**	-	**-**	-	**(1)**	-
Other loans and receivables										
Loans secured by mortgages	**1**	1	**-**	-	**-**	-	**-**	-	**1**	1
Other loans	**4**	6	**-**	1	**-**	-	**-**	-	**4**	7
Deposits, cash and cash equivalents	**3**	4	**(4)**	-	**-**	-	**-**	-	**(1)**	4
Derivatives	**1**	-	**-**	-	**(21)**	(5)	**-**	-	**(20)**	(5)
Other	**2**	3	**-**	-	**-**	-	**-**	-	**2**	3
Total net investment return	**134**	154	**(1)**	8	**(36)**	(12)	**(20)**	-	**77**	150

Unrealised gains and losses recognised in other comprehensive income for available for sale assets are as follows:

	Net unrealised gains/(losses)		Net realised (gains) transferred to income statement		Impairments transferred to income statement		Net movement recognised in other comprehensive income	
	30 June 2020	30 June 2019	**30 June 2020**	30 June 2019	**30 June 2020**	30 June 2019	**30 June 2020**	30 June 2019
	£m	£m	**£m**	£m	**£m**	£m	**£m**	£m
Equity securities	**(84)**	15	**(3)**	(6)	**18**	-	**(69)**	9
Debt securities	**108**	177	**-**	(1)	**2**	-	**110**	176
Other	**-**	1	**-**	(1)	**-**	-	**-**	-
Total	**24**	193	**(3)**	(8)	**20**	-	**41**	185

9. EARNINGS PER SHARE

The earnings per ordinary share are calculated by reference to the profit attributable to the ordinary shareholders and the weighted average number of shares in issue during the period.

The number of shares used in the calculation on a basic and diluted basis were 1,033,482,021 (30 June 2019: 1,029,839,011) and 1,035,216,192 (30 June 2019: 1,031,676,076) respectively (excluding ordinary shares purchased by various employee share trusts and held as own shares).

Basic earnings per share are calculated by dividing the profit attributable to the ordinary shareholders of the Parent Company by the weighted average number of ordinary shares in issue during the period, excluding ordinary shares purchased by various employee share trusts and held as own shares.

Diluted earnings per share are calculated by dividing the profit attributable to the ordinary shareholders of the Parent Company by the diluted weighted average number of ordinary shares in issue during the period, excluding ordinary shares purchased by various employee share trusts and held as own shares.

10. DISTRIBUTIONS PAID AND DECLARED

	30 June 2020	30 June 2019	**30 June 2020**	30 June 2019
	p	p	**£m**	£m
Ordinary dividend:				
Final paid in respect of prior year	**-**	13.7	**-**	141
Preference dividend			**5**	5
Tier 1 notes coupon payment			**7**	7
			12	153

As announced on 8 April 2020, the proposed final dividend to equity holders in respect of the year ended 31 December 2019 of 15.6p per ordinary share (amounting to a total dividend of £161m), as disclosed in the 2019 Annual Report and Accounts, was suspended.

Consistent with the 2019 final dividend suspension in April, an interim dividend for 2020 is not presently being announced. RSA expects to resume dividends as soon as judged prudent, which absent unforeseen events should be by the time of full year results 2020. We also aim to catch up on missed dividend payments over time consistent with prudent capital management.

NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

11. GOODWILL AND INTANGIBLE ASSETS

	30 June 2020	31 December 2019
	£m	£m
Goodwill	**347**	337
Externally acquired software	**2**	3
Internally generated software	**476**	446
Customer related intangibles	**44**	51
Total goodwill and other intangible assets	**869**	837

Customer related intangibles includes customer lists, renewal rights and acquired brands.

Impairment assessments

COVID-19 has been deemed an indication of impairment and therefore a full impairment assessment has been performed on goodwill and intangible assets not yet available for use. The carrying value of intangible assets not yet available for use is **£180m** (2019: £164m).

When testing for goodwill impairment, the carrying value of the Cash Generating Unit (CGU) to which goodwill has been allocated is compared to the recoverable amount as determined by a value in use calculation. The calculations have used cash flow projections based on forecasts covering a 3 year period; these forecasts have been adjusted to reflect the potential impact of COVID-19 on future premiums, claims, investment income and operating expenses. Cash flows beyond this period are extrapolated using estimated growth rates which management deem appropriate for the CGU. The cash flow forecasts are adjusted by appropriate discount rates. Where a sales price has been agreed for a CGU, the sales proceeds less costs to sell are considered the best estimate of the value in use.

When testing for intangible asset impairment (including those not available for use), a consistent methodology is applied although future cash flow projection years are not extrapolated beyond the asset's useful economic life.

The range of discount rates used for goodwill and intangibles impairment testing which reflect specific risks relating to the CGU at the date of evaluation and weighted average growth rates remain consistent with those used in 2019. In determining a cost of capital, data over a period of time is utilised to avoid short term market volatility.

Where the value in use is less than the current carrying value of the CGU in the statement of financial position, the goodwill or intangible asset is impaired to ensure that the CGU carrying value is not greater than its future value to the Group.

During the impairment testing it was identified that the carrying value of Norway goodwill was greater than the CGU value in use. As a result, an impairment of **£5m** has been recognised in other operating expenses. The remaining carrying value is **£8m** and remains sensitive to changes in key assumptions. The key assumptions used in determining the value in use for the Norway CGU and changes therein required to reduce the remaining carrying value to nil are as follows:

Norway CGU	**Assumption used**	**Change required for carrying value to be fully impaired**
Pre-tax discount rate	10.5%	+1.3
Weighted average growth rate	2.5%	-1.5

A 2.4% increase in the forecast COR would also reduce the carrying value to nil.

No other impairments have been identified, with recoverable value sufficiently exceeding carrying value elsewhere in the Group. The table below shows the impact of a 1% increase in the cost of capital and a 1% decrease in future growth rates, neither of which would result in an impairment.

			Change in recoverable amount less carrying value	
	Goodwill	**Recoverable amount less carrying value**	**Discount rate +1%**	**Weighted average growth rate - 1%**
	£m	**£m**	**£m**	**£m**
Scandinavia (Sweden, Norway, Denmark)	**142**	**3,040**	**(531)**	**(412)**
Canada (Commercial, Johnson, Personal, Travel)	**162**	**1,308**	**(339)**	**(274)**
UK and International (Ireland, Oman)	**43**	**216**	**(74)**	**(59)**
Total goodwill	**347**	**4,564**	**(944)**	**(745)**

12. FINANCIAL ASSETS AND FAIR VALUE MEASUREMENTS

Financial assets

	30 June 2020	31 December 2019
	£m	£m
Equity securities	**635**	673
Debt securities	**10,628**	10,411
Financial assets measured at fair value	**11,263**	11,084
Loans and receivables	**368**	338
Total financial assets	**11,631**	11,422

IFRS 9 'Financial Instruments'

The Group qualifies for temporary exemption from applying IFRS 9 'Financial Instruments' on the grounds that it has not previously applied any version of IFRS 9 and its activities are predominantly connected with insurance, with the carrying amount of its liabilities within the scope of IFRS 4 and debt instruments included within regulatory capital being greater than 90% of the total carrying amount of all its liabilities at 31 December 2015 and with no subsequent change in its activities.

The fair value at 30 June 2020 and change during the period of financial assets that are held to collect cash flows on specified dates that are solely for payment of principle and interest (SPPI) and are not held for trading as defined under IFRS 9, nor are managed or evaluated on a fair value basis, is set out below, together with the same information for other financial assets:

As at 30 June 2020

	SPPI financial assets	**Other financial assets**	**Total**
	£m	**£m**	**£m**
Available for sale equity securities	**-**	**635**	**635**
Available for sale debt securities	**10,313**	**301**	**10,614**
Debt securities at FVTPL	**-**	**14**	**14**
Loans and receivables	**368**	**-**	**368**
Derivative assets held for trading	**-**	**84**	**84**
Total	**10,681**	**1,034**	**11,715**

As at 31 December 2019

	SPPI financial assets	Other financial assets	Total
	£m	£m	£m
Available for sale equity securities	-	673	673
Available for sale debt securities	10,073	323	10,396
Debt securities at FVTPL	-	15	15
Loans and receivables	338	-	338
Derivative assets held for trading	-	66	66
Total	10,411	1,077	11,488

The fair value gains/losses of SPPI financial assets and other financial assets during the six months to 30 June 2020 are **£111m gains** (31 December 2019: £114m gains) and **£94m losses** (31 December 2019: £31m gains) respectively.

When IFRS 9 is adopted by the Group (currently expected to be 2023) an expected credit loss provision will be recognised replacing the incurred credit loss provision under IAS 39, the impact of which will be determined by the financial instruments held at that time.

Companies within the Group that are applying IFRS 9 and disclose relevant information in their own published financial statements in addition to that already included in these condensed consolidated financial statements are indicated in Appendix B of the 2019 Annual Report and Accounts.

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments and other items that are measured subsequent to initial recognition at fair value as well as financial liabilities not measured at fair value, grouped into Levels 1 to 3. The table does not include financial assets and liabilities not measured at fair value if the carrying value is a reasonable approximation of fair value.

	Fair value hierarchy 30 June 2020			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Group occupied property - land and buildings	-	-	19	19
Investment property	-	-	295	295
Available for sale financial assets:				
Equity securities	177	152	306	635
Debt securities	3,565	6,677	372	10,614
Financial assets at fair value through the income statement:				
Debt securities	-	-	14	14
	3,742	6,829	1,006	11,577
Derivative assets:				
At fair value through the income statement	-	84	-	84
Designated as hedging instruments	-	1	-	1
Total assets measured at fair value	3,742	6,914	1,006	11,662
Derivative liabilities:				
At fair value through the income statement	-	104	-	104
Designated as hedging instruments	-	76	-	76
Total liabilities measured at fair value	-	180	-	180
Issued debt	-	803	-	803
Total liabilities not measured at fair value	-	803	-	803

	Fair value hierarchy 31 December 2019			
	Level 1	Level 2	Level 3	Total
	£m	£m	£m	£m
Group occupied property - land and buildings	-	-	19	19
Investment property	-	-	300	300
Available for sale financial assets:				
Equity securities	394	-	279	673
Debt securities	3,725	6,296	375	10,396
Financial assets at fair value through the income statement:				
Debt securities	-	-	15	15
	4,119	6,296	988	11,403
Derivative assets:				
At fair value through the income statement	-	66	-	66
Designated as hedging instruments	-	32	-	32
Total assets measured at fair value	4,119	6,394	988	11,501
Derivative liabilities:				
At fair value through the income statement	-	65	-	65
Designated as hedging instruments	-	30	-	30
Total liabilities measured at fair value	-	95	-	95
Issued debt	-	814	-	814
Total liabilities not measured at fair value	-	814	-	814

Estimation of the fair value of assets and liabilities

Fair value is used to value a number of assets within the statement of financial position and represents their market value at the reporting date.

Group occupied property and investment property

Group occupied properties are valued annually on a vacant possession basis using third party valuers. Investment properties are valued, at least annually, at their highest and best use.

The fair value of property has been determined by external, independent valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued.

The valuations of Group occupied properties and investment properties are based on the comparative method of valuation with reference to sales of other comparable buildings. Fair value is then determined based on the locational qualities and physical building characteristics (principally condition, size, specification and layout) together with factoring in the occupational lease terms and tenant covenant strength as appropriate.

COVID-19 is impacting the property market activity in many sectors. The report received from the independent valuers as at 30 June 2020 notes that they can attach less weight to previous market evidence for comparison purposes, to inform opinions of value, and that they are facing an unprecedented set of circumstances on which to base a judgement. The valuations across 62% of the portfolio are therefore reported on the basis of “material valuation uncertainty” as per VPS 3 and VPGA 10 of the RICS Red Book Global. The inclusion of the “material valuation uncertainty” declaration does not mean that valuations cannot be relied upon. Rather, the phrase is used in order to be clear and transparent with all parties, in a professional manner, that less certainty can be attached to valuations than would otherwise be the case. The sensitivity of the portfolio to property price risk is provided in this note on page 65.

There has been no change in the valuation methodology used for investment property as a result of COVID-19.

Derivative financial instruments

Derivative financial instruments are financial contracts whose fair value is determined on a market basis by reference to underlying interest rate, foreign exchange rate, equity or commodity instrument or indices.

Issued debt

The fair value measurement of the Group's issued debt instruments, with the exception of the subordinated guaranteed US$ bonds, are based on pricing obtained from a range of financial intermediaries who base their valuations on recent transactions of the Group's issued debt instruments and other observable market inputs such as applicable risk free rate and appropriate credit risk spreads.

The fair value measurement of the subordinated guaranteed US$ bonds is also obtained from an indicative valuation based on the applicable risk-free rate and appropriate credit risk spread.

Fair value hierarchy

Fair value for all assets and liabilities, which are either measured or disclosed, is determined based on available information and categorised according to a three-level fair value hierarchy as detailed below:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from data other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3 fair value measurements are those derived from valuation techniques that include significant inputs for the asset or liability valuation that are not based on observable market data (unobservable inputs).

A financial instrument is regarded as quoted in an active market (level 1) if quoted prices for that financial instrument are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For level 1 and level 2 investments, the Group uses prices received from external providers who calculate these prices from quotes available at the reporting date for the particular investment being valued. For investments that are actively traded, the Group determines whether the prices meet the criteria for classification as a level 1 valuation. The price provided is classified as a level 1 valuation when it represents the price at which the investment traded at the reporting date taking into account the frequency and volume of trading of the individual investment together with the spread of prices that are quoted at the reporting date for such trades. Typically investments in frequently traded government debt would meet the criteria for classification in the level 1 category. Where the prices provided do not meet the criteria for classification in the level 1 category, the prices are classified in the level 2 category.

In certain circumstances, the Group does not receive pricing information from an external provider for its financial investments. In such circumstances the Group calculates fair value which may use input parameters that are not based on observable market data. Unobservable inputs are based on assumptions that are neither supported by prices from observable current market transactions for the same instrument nor based on available market data. In these cases, judgement is required to establish fair values. Valuations that require the significant use of unobservable data are classified as level 3 valuations. In addition, the valuations used for investment properties and for Group occupied properties are classified in the level 3 category. Given the current ongoing economic uncertainty, asset valuation techniques that rely on unobservable inputs are less certain, and additional sensitivity has been applied to the valuation of level 3 assets in this note on page 65.

COVID-19 has impacted financial markets with price volatility and changes in trading volumes. A review of the assets' fair value and their classification on the fair value hierarchy has been performed. As a result of this review, Canadian preference shares of **£152m** (31 December 2019: £176m) have been transferred from level 1 to level 2 of the fair value hierarchy in recognition of the relatively low volume of trading.

A reconciliation of Level 3 fair value measurements of financial assets is shown in the table below. There are no Level 3 financial liabilities.

	Available for sale investments		Investments at fair value through the income statement			
	Equity securities	Debt securities	Debt securities	Investment property	Group occupied property	Total
	£m	£m	£m	£m	£m	£m
Level 3 financial assets at 1 January 2019	355	410	19	310	19	1,113
Total gains/(losses) recognised in:						
Income statement	3	3	(6)	(10)	(1)	(11)
Other comprehensive income	(6)	(11)	-	-	1	(16)
Purchases	35	134	2	9	-	180
Disposals	(96)	(157)	-	(9)	-	(262)
Exchange adjustment	(12)	(4)	-	-	-	(16)
Level 3 financial assets at 1 January 2020	**279**	**375**	**15**	**300**	**19**	**988**
Total gains/(losses) recognised in:						
Income statement	**(2)**	**(1)**	**(1)**	**(14)**	**-**	**(18)**
Other comprehensive income	**5**	**6**	**-**	**-**	**-**	**11**
Purchases	**29**	**43**	**-**	**9**	**-**	**81**
Disposals	**(17)**	**(60)**	**-**	**-**	**-**	**(77)**
Exchange adjustment	**12**	**9**	**-**	**-**	**-**	**21**
Level 3 financial assets at 30 June 2020	**306**	**372**	**14**	**295**	**19**	**1,006**

Unrealised losses of **£1m** (2019: £6m losses) attributable to FVTPL debt securities recognised in the condensed consolidated income statement relate to those still held at the end of the period.

The following table shows the level 3 available for sale financial assets, investment properties and Group occupied property carried at fair value as at the balance sheet date, the main assumptions used in the valuation of these instruments and reasonably possible decreases in fair value based on reasonably possible alternative assumptions.

		Reasonably possible alternative assumptions			
		30 June 2020		31 December 2019	
Available for sale financial assets and property	**Main assumptions**	**Current fair value**	**Decrease in fair value**	Current fair value	Decrease in fair value
		£m	**£m**	£m	£m
Group occupied property - land and buildings[1]	Property valuation	**19**	**(3)**	19	(3)
Investment properties[1]	Cash flows; discount rate	**295**	**(45)**	300	(48)
Level 3 available for sale financial assets:					
Equity securities[2]	Cash flows; discount rate	**306**	**(9)**	279	(9)
Debt securities[2]	Cash flows; discount rate	**372**	**(12)**	375	(11)
Total		**992**	**(69)**	973	(71)

[1] The Group's property portfolio (including the Group occupied properties) is almost exclusively located in the UK. Reasonably possible alternative valuations have been determined using an increase of 100bps in the discount rate used in the valuation. This increase has been considered in light of the current level of uncertainty and a change of 100bps is considered a reasonably possible scenario. A similar sensitivity was applied at 31 December 2019 which, with hindsight, was more severe than market conditions at that time warranted.

[2] The Group's investments in financial assets classified at level 3 in the hierarchy are primarily investments in various private fund structures investing in debt instruments where the valuation includes estimates of the credit spreads on the underlying holdings. The estimates of the credit spread are based upon market observable credit spreads for what are considered to be assets with similar credit risk. Reasonably possible alternative valuations have been determined using an increase of 100bps in the credit spread used in the valuation. This increase has been considered in light of the current level of uncertainty and a change of 100bps is considered a reasonably possible scenario. A similar sensitivity was applied at 31 December 2019 which, with hindsight, was more severe than market conditions at that time warranted.

13. DEFERRED TAX

	Asset		Liability	
	30 June 2020	31 December 2019	**30 June 2020**	31 December 2019
	£m	£m	**£m**	£m
Deferred tax position	**202**	209	**102**	84

Of the **£202m** (31 December 2019: £209m) deferred tax asset recognised by the Group, **£180m** (31 December 2019: £180m) relates to the UK.

Deferred tax assets have been recognised on the basis that management consider it probable that future taxable profits will be available against which these deferred tax assets can be utilised. Key assumptions in the forecast are subject to sensitivity testing which, together with additional modelling and analysis, support management's judgement that the carrying value of deferred tax assets continues to be supportable. The recognition approach is consistent with that applied at the year ended 2019 but the relevant forecasts have been updated to reflect the latest view, including the impact of COVID-19, as well the change in the future tax rate to 19%.

The majority of the deferred tax asset recognised based on future profits is that in respect of the UK. The evidence for the future taxable profits is a seven-year forecast based on the three year operational plans prepared by the relevant businesses and a further four years of extrapolation, which are subject to internal review and challenge, including by the Board. The four years of extrapolation assumes premium growth of 4% per annum, combined operating ratio improvements for specific lines of business where this is expected based on longer range projections and the achievement of cost savings in the operating plans. Updated forecasts have been prepared by the relevant businesses in the 6 months to 30 June 2020 reflecting the latest view, including the impact of COVID-19 on future taxable profits. The latest valuation also incorporates the impact of the UK corporation tax rate remaining at 19% as this is the substantively enacted rate. All other modelling assumptions remain consistent with the 2019 year-end valuation.

The value of the deferred tax asset is sensitive to assumptions in respect of forecast profits. The impact of downward movements in key assumptions on the value of the UK deferred tax asset is summarised below:

	30 June 2020	31 December 2019
	£m	£m
1% increase in combined operating ratio across all 7 years	**(16)**	(15)
1 year reduction in the forecast modelling period	**(25)**	(23)
50 basis points decrease in bond yields	**(8)**	(7)
1% decrease in annual premium growth	**(1)**	(1)
50% cost savings achieved[1]	**(12)**	(10)

[1] Cost savings included in the operational plans from 2022 onwards which are probable but where there is not yet a firm commitment.

Note: The relationship between the UK deferred tax asset and the above sensitivities is not always linear. Therefore, the cumulative impact on the deferred tax asset of combined sensitivities or longer extrapolations based on the above numbers will be indicative only.

In addition to the impact on the deferred tax asset of downwards movements in the key assumptions set out above, further specific downside scenarios have been modelled at 30 June 2020:

- A mild downside scenario reflecting modestly increased impacts of COVID-19 in 2020 and 2021 as well as some worsening of other key assumptions such as weather and large losses. The outcome of this scenario was a reduction in forecast profits of **£43m** which would reduce the deferred tax asset by **£5m**.
- A more severe downside scenario reflecting increased impacts of COVID-19 in 2020 and 2021 as well as worsening of other key assumptions such as weather and large losses. The outcome of this scenario was a reduction in forecast profits of **£90m** which would reduce the deferred tax asset by **£11m**.

14. CASH AND CASH EQUIVALENTS

	30 June 2020	31 December 2019	30 June 2019
	£m	£m	£m
Cash and cash equivalents and bank overdrafts (as reported within the condensed consolidated statement of cash flows)	**921**	886	812
Add: Bank overdrafts reported in Borrowings	**7**	23	10
Total cash and cash equivalents	**928**	909	822
Less: Assets classified as held for sale	**-**	-	4
Total cash and cash equivalents net of held for sale (as reported within the condensed consolidated statement of financial position)	**928**	909	818

15. SHARE CAPITAL

The issued share capital at 30 June 2020 consists of 1,034,529,845 ordinary shares of £1.00 each and 125,000,000 of preference shares of £1.00 each (31 December 2019: 1,031,645,294 ordinary shares of £1.00 each and 125,000,000 preference shares of £1.00 each).

The issued share capital of the Parent Company is fully paid.

16. INSURANCE CONTRACT LIABILITIES

Estimation techniques and uncertainties

Estimation methodologies and reserving processes remained consistent and are discussed in note 37 on page 172 of the 2019 Annual Report and Accounts. The ultimate costs of claims are always uncertain, increasingly so at present given the impact of the COVID-19 pandemic. Materially different outcomes to those we assume are possible. Current year claims exhibit different characteristics to those normally observed. Open claims from prior periods before the pandemic are also impacted by changing circumstances during the claim settlement period. Assumptions have been made in key areas in order to estimate the ultimate cost of claims, such as:

- Frequency, based on different levels of reported claim counts observed thus far during the six months to 30 June 2020
- Severity, based on different average claims costs observed thus far during the six months to 30 June 2020
- Claims development patterns, taking into account both internal operations and external impacts
- Direct COVID-19 ultimate claims costs, including the outcome of legal proceedings

The heightened level of uncertainty around the estimates of ultimate claim costs will persist for some time.

Details of the Group accounting policies in respect of insurance contract liabilities can be found in note 4 on page 131 of the 2019 Annual Report and Accounts.

Sensitivities

Sensitivities in the table below show the impact on the net claims reserves of changes to key assumptions in relation to reserving risk and underwriting and claims risk. Whilst the range on the sensitivities was wider in the 2019 Annual Report and Accounts, the new set of metrics shown below are more tailored to the increased uncertainties and more aligned to the key risks as described in note 5.

	2020	2019
Impact on net claims reserves	**£m**	£m
Current year attritional loss ratios frequency or severity assumptions +5%	**75 - 80**	85 - 90
Current year large loss ratios frequency or severity assumptions +5%	**15 - 20**	15 - 20
Inflation being 1% higher than expected for the next 2 years	**100 - 120**	100 - 120

Discount assumptions

The total value of provisions for losses and loss adjustment expenses less related reinsurance recoveries before discounting at 30 June 2020 is **£8,373m** (31 December 2019: £8,081m).

Claims on certain classes of business have been discounted as follows:

		Discount rate		Average number of years to settlement from reporting date	
		30 June 2020	31 December 2019	**30 June 2020**	31 December 2019
	Category	%	%	Years	Years
UK	Asbestos and environmental	**4**	4	**8**	8
UK	Periodic Payment Orders	**4**	4	**19**	19
Scandinavia	Disability	**1.1**	1.2	**5**	6
Scandinavia	Annuities	**2.3**	2.4	**14**	14
Canada	Excess casualty	**3.5**	3.5	**7**	7

The impact of the reduction in the discount rate on long-term insurance liabilities in Denmark (**£8m**) has been recognised in unwind of discount and change in economic assumptions in the consolidated income statement.

In determining the average number of years to ultimate claims settlement, estimates have been made based on the underlying claims settlement patterns.

Gross insurance contract liabilities and the reinsurers' share of insurance contract liabilities

The gross insurance contract liabilities and the reinsurers' (RI) share of insurance contract liabilities presented in the condensed consolidated statement of financial position comprise the following:

As at 30 June 2020

	Gross £m	**RI £m**	**Net £m**
Provision for unearned premiums	**3,377**	**(829)**	**2,548**
Provision for losses and loss adjustment expenses	**9,428**	**(1,581)**	**7,847**
Total insurance contract liabilities	**12,805**	**(2,410)**	**10,395**

As at 31 December 2019

	Gross £m	RI £m	Net £m
Provision for unearned premiums	3,166	(746)	2,420
Provision for losses and loss adjustment expenses	9,141	(1,580)	7,561
Total insurance contract liabilities	12,307	(2,326)	9,981

Provisions for losses and loss adjustment expenses

The following changes have occurred in the provisions for losses and loss adjustment expenses during the period:

	30 June 2020 £m	31 December 2019 £m
Provisions for losses and loss adjustment expenses at 1 January	**9,141**	10,072
Gross claims incurred and loss adjustment expenses	**2,261**	5,059
Total claims payments made in the year net of salvage and other recoveries	**(2,334)**	(5,196)
Disposal of UK Legacy	**-**	(572)
Exchange adjustment	**334**	(283)
Other movements	**26**	61
Provisions for losses and loss adjustment expenses at 30 June/31 December	**9,428**	9,141

17. RETIREMENT BENEFIT OBLIGATIONS

Defined benefit pension schemes and other post-retirement benefits

The amounts recognised in the condensed consolidated statement of financial position are as follows:

	30 June 2020			31 December 2019		
	UK	Other	Total	UK	Other	Total
	£m	£m	£m	£m	£m	£m
Present value of funded obligations	(8,706)	(429)	(9,135)	(8,147)	(435)	(8,582)
Present value of unfunded obligations	(7)	(92)	(99)	(7)	(92)	(99)
Fair value of plan assets	9,260	482	9,742	8,549	467	9,016
Other net surplus remeasurements	(193)	-	(193)	(141)	-	(141)
Net IAS 19 surplus/(deficits) in the schemes	**354**	**(39)**	**315**	254	(60)	194
Defined benefit pension schemes	354	6	360	254	(15)	239
Other post-retirement benefits	-	(45)	(45)	-	(45)	(45)
Schemes in surplus	361	49	410	261	29	290
Schemes in deficit	(7)	(88)	(95)	(7)	(89)	(96)

Movement during the period:

	30 June 2020			
	Present value of obligations	Fair value of plan assets	Other net surplus remeasurements	Net surplus / (deficit)
	£m	£m	£m	£m
At 1 January	(8,681)	9,016	(141)	194
Current service costs	(3)	-	-	(3)
Termination payments	(1)	-	-	(1)
Interest (expense)/income	(90)	94	-	4
Administration costs	-	(3)	-	(3)
Gains on settlements/curtailments	1	-	-	1
Total (expenses)/income recognised in income statement	**(93)**	**91**	**-**	**(2)**
Return on scheme assets less amounts in interest income	-	720	-	720
Effect of changes in financial assumptions	(669)	-	-	(669)
Experience gains	41	-	-	41
Investment expenses	-	(5)	-	(5)
Other net surplus remeasurements	-	-	(52)	(52)
Remeasurements recognised in other comprehensive income	**(628)**	**715**	**(52)**	**35**
Employer contribution	-	89	-	89
Benefit payments	182	(182)	-	-
Exchange adjustment	(14)	13	-	(1)
At 30 June	**(9,234)**	**9,742**	**(193)**	**315**
Deferred tax				13
IAS 19 net surplus net of deferred tax				**328**

	31 December 2019			
	Present value of obligations	Fair value of plan assets	Other net surplus remeasurements	Net surplus / (deficit)
	£m	£m	£m	£m
At 1 January	(7,974)	8,265	(129)	162
Current service costs	(5)	-	-	(5)
Termination payments	(1)	-	-	(1)
Interest (expense)/income	(225)	235	-	10
Administration costs	-	(6)	-	(6)
Gains on settlements/curtailments	14	-	-	14
Total (expenses)/income recognised in income statement	(217)	229	-	12
Return on scheme assets less amounts in interest income	-	775	-	775
Effect of changes in financial assumptions	(888)	-	-	(888)
Effect of changes in demographic assumptions	32	-	-	32
Experience gains	18	-	-	18
Investment expenses	-	(8)	-	(8)
Other net surplus remeasurements	-	-	(12)	(12)
Remeasurements recognised in other comprehensive income	(838)	767	(12)	(83)
Employer contribution	-	107	-	107
Benefit payments	352	(352)	-	-
Exchange adjustment	(4)	-	-	(4)
At 31 December	(8,681)	9,016	(141)	194
Deferred tax				17
IAS 19 net surplus net of deferred tax				211

Over the period a change was made to our actuarial provider of IAS 19 discount rate. The underlying principles of this assumption remain unchanged and, while the impact will vary slightly at different dates, it is expected to remain broadly neutral (1bp at 31 December 2019, which is equivalent to less than a £5m decrease in net IAS 19 surplus).

18. RELATED PARTY TRANSACTIONS

During the first half of 2020, there have been no related party transactions that have materially affected the financial position or the results for the period. There have also been no changes in the nature of the related party transactions as disclosed in note 15 on page 149 of the 2019 Annual Report and Accounts.

19. EVENTS AFTER THE REPORTING PERIOD

On 1 May 2020, the Financial Conduct Authority (FCA) announced that whilst in most cases business interruption (BI) policies are focussed on property damage, there are some BI policy wordings that the FCA considered unclear in how insurers should respond to COVID-19. On 1 June 2020, the FCA published the set of wordings they intend to review. RSA were 1 of the 16 insurers listed who underwrite policies with this wording and are 1 of 8 participants in the proceedings. Court hearings began after the balance sheet date on 20 July 2020 and are expected to conclude at the end of the month with a decision then expected during the second half of 2020.

A small number of litigation claims for unpaid BI claims have been filed outside of the UK FCA test case in other regions. RSA conducts a thorough claims assessment process for all BI claims received. Most BI coverages are not expected to be eligible under their terms for COVID-19 claims. In areas of litigation, the claims assessment is supported with legal advice and consequently claims reserves are not held in respect of adverse outcomes beyond the cost of litigation.

20. RESULTS FOR THE YEAR 2019

The statutory accounts of RSA Insurance Group plc for the year ended 31 December 2019 have been delivered to the Registrar of Companies. The independent auditor’s report on the Group accounts for the year ended 31 December 2019 is unqualified, does not draw attention to any matters by way of emphasis and does not include a statement under section 498(2) or (3) of the Companies Act 2006.

NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

21. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

The reconciliation of net profit before tax to cash flows from operating activities is as follows:

	30 June 2020	30 June 2019
	£m	£m
Cash flows from operating activities		
Profit for the year before tax	**211**	227
Adjustments for non-cash movements in net profit for the year		
Amortisation of available for sale assets	**26**	21
Depreciation of tangible assets	**28**	29
Amortisation and impairment of intangible assets	**42**	44
Fair value losses/(gains) on disposal of financial assets	**19**	(3)
Impairment charge on available for sale financial assets	**20**	-
Share of profit of associates	**-**	(1)
Loss on disposal of business	**-**	17
Other non-cash movements	**(29)**	30
Changes in operating assets/liabilities		
Loss and loss adjustment expenses	**(24)**	3
Unearned premiums	**41**	28
Movement in working capital	**(255)**	(106)
Reclassification of investment income and interest paid	**(156)**	(142)
Pension deficit funding	**(75)**	(88)
Cash generated from investment of insurance assets		
Dividend income	**16**	18
Interest and other investment income	**144**	132
Cash flows from operating activities	**8**	209

APPENDIX A: EXCHANGE RATES

Local currency/£	**6 months 30 June 2020**		6 months 30 June 2019		12 months 31 December 2019	
	Average	**Closing**	Average	Closing	Average	Closing
Canadian Dollar	1.72	1.68	1.72	1.66	1.70	1.72
Danish Krone	8.55	8.20	8.55	8.34	8.52	8.82
Swedish Krona	12.21	11.51	12.05	11.81	12.08	12.40
Euro	1.15	1.10	1.15	1.12	1.14	1.18

RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE HALF-YEARLY FINANCIAL REPORT

We confirm that to the best of our knowledge:

The condensed set of financial statements has been prepared in accordance with IAS 34 ‘Interim Financial Reporting’ as adopted by the EU and gives a true and fair view of the assets, liabilities, financial position and profit or loss of the Group.

The interim management report includes a fair review of the information required by:

a) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

b) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

Signed on behalf of the Board

Stephen Hester Group Chief Executive	Charlotte Jones Group Chief Financial Officer
29 July 2020	29 July 2020

INDEPENDENT REVIEW REPORT TO RSA INSURANCE GROUP PLC

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2020 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity, the condensed consolidated statement of financial position, the condensed consolidated statement of cashflows and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2020 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted by the EU.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Salim Tharani
for and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square
London
E14 5GL
29 July 2020