NEWS

IMMEDIATE **5 November 2013**

RSA Insurance Group plc
Interim Management Statement

Severe weather events in 2013 continue; expect 2013 full year weather losses to be materially above planning assumptions

Year to date premium growth[1] of 7% and net asset value[2] of 99p per share

Expect 2013 return on equity to be below 10%

- Severe European windstorm and continuing adverse weather in Canada mean that we now expect 2013 return on equity to be below 10%.
- Net written premiums up 7%[1] to £6.7bn:
  - Scandinavia flat[1] at £1,484m;
  - Canada up 14%[1] to £1,340m;
  - Emerging Markets up 17%[1] to £1,033m;
  - UK & Western Europe up 3%[1] at £2,838m.
- Economic capital surplus of £1.3bn at 99.5% calibration, covering the capital requirement 1.6 times. IGD surplus of £0.8bn; covering capital requirement 1.5 times.
- Net asset value (excluding IAS 19 pension deficit) of 99p per share (30 June 2013: 103p).

Simon Lee, Group Chief Executive of RSA, commented:

"Premiums have grown 7% over the first three quarters. This was led by Canada, up 14%, which continued to benefit from the 2012 acquisition of L'Union Canadienne. Emerging Markets grew by 17% driven by the acquisitions in Argentina in 2012 and good performances across Asia, Central and Eastern Europe and the Middle East. Scandinavian premiums were flat while the UK & Western Europe grew 3% as we continue to focus on improving performance in the UK and in Italy.

"2013 is proving to be an exceptionally tough year for weather events for the Group. Over the summer we saw the worst and the third worst natural catastrophe insurance events on record in Canada, followed by continued adverse weather across the country during the third quarter. More recently, Northern Europe suffered a severe windstorm on 27 and 28 October. Our priority has been to provide the support our customers need to get back on track as quickly as possible.

"Assuming no further major weather events in 2013, we now expect the impact of adverse weather across the Group to be around 1.5% points above our planning assumption. We now anticipate 2013 return on equity to be below 10%."

[1] at constant exchange rate
[2] excluding IAS 19 pension deficit

Net Written Premiums

	Personal	Commercial	Global Specialty Lines	**9 Months 2013**	9 Months 2012	Change as reported	Change constant fx
	£m	£m	£m	**£m**	£m	%	%
Scandinavia	802	518	164	**1,484**	1,403	6	-
Canada	918	227	195	**1,340**	1,179	14	14
Emerging Markets	478	411	144	**1,033**	887	16	17
UK & Western Europe	1,275	957	606	**2,838**	2,728	4	3
Group Re	-	46	-	**46**	16		
Total Group	3,473	2,159	1,109	**6,741**	6,213	8	7
Associates				**242**	218	11	11
Total Group (incl. associates)				**6,983**	6,431	9	7

The Group has delivered growth of 7% at constant exchange over the first three quarters. There was strong growth in Canada and Emerging Markets with lower growth in the UK & Western Europe reflecting continued active management of the portfolio. Our Global Specialty Lines business has grown by 7% at constant exchange to £1.1bn with solid growth in Risk Managed and Construction & Engineering.

2013 update and outlook

We are confident in continuing to deliver good premium growth on a constant exchange rate basis.

The Group's underwriting profit has been affected by extreme weather events in 2013. As discussed at our interim results in August, our Canadian business was affected by the worst Canadian natural catastrophe on record in June, in Alberta (RSA net loss: £46m), and the third worst on record in July, in Toronto and the surrounding areas (RSA net loss: £37m).

On 27 and 28 October, a severe windstorm affected Northern Europe, including the UK, Scandinavia and the Baltics. The majority of the UK was affected by peak wind speeds of 60mph or less, with the most extreme conditions apparent in relatively unpopulated areas. Less severe rainfall and the short duration of the storm in the UK mean that, to date, there have been relatively limited claims.

Scandinavia, in contrast, experienced very strong winds in several heavily populated areas. The storm increased in strength over the North Sea and over Denmark, with wind speeds hitting more than 110mph, the highest ever measured in Denmark. This was reflected in the level of building damage with an exceptionally high level of roof damage. In addition, the storm tracked directly over the heavily insured areas of Aarhus and Copenhagen in Denmark, and Malmo and Gothenburg in Sweden. The average wind speed was 88mph and the damage was primarily caused by wind damage with minimal impact from rainfall.

Whilst it is still early, our initial estimate of the net loss across RSA's UK, Scandinavian and Baltics businesses is £45m-£65m with the significant majority of this falling in Scandinavia.

We have also suffered from continued adverse weather in Canada during the third quarter. We expect that this, together with the extreme weather events noted above, will result in a full year 2013 weather loss ratio that is around 1.5% points above our planning assumption of 2.2%, assuming no further major weather events.

In line with our understanding of developing trends across the motor market in Ireland, we have seen the emergence of adverse bodily injury trends. As a result of this, we are in the process of reviewing our Irish bodily injury reserves. This review is continuing and it is too early at this stage to draw any firm conclusions or to reliably estimate the likely financial impact. Nevertheless, it is probable that we will need to strengthen our Irish bodily injury reserves and this will also adversely impact the Group's 2013 performance.

Whilst our medium term guidance is unchanged, we now expect 2013 return on equity to be below 10%. Investment income remains comfortably on track for around £470m.

We are continuing to deliver a series of investor briefings for 2013 and 2014 to provide more detail to the market on the significant opportunities we see across RSA. The next of these briefings will take place on 12 November 2013 and will cover our Scandinavian business.

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Conference Call

A conference call for analysts and investors will be held at 8:30am on Tuesday 5 November to discuss the Q3 Interim Management Statement. Participants should call 0800 358 5256 from the UK or +44 (0)20 8515 2301 from elsewhere quoting reference "RSA Q3 2013 Interim Management Statement". Scanning the QR code opposite will download details of the conference call to a smart phone. A webcast of the call will be available via the company website (www.rsagroup.com).

About RSA

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

Important disclaimer

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

Scandinavia: Further progress in Denmark and robust rate increases across the region

Premiums in Scandinavia of £1.5bn up 6% on a reported basis but flat at constant exchange.

Net Written Premiums	**9 Months 2013**	9 Months 2012	Movement as reported	Movement at constant exchange
	£m	£m	%	%
Personal				
Household	**252**	228	11	5
Motor	**321**	313	3	(3)
Personal Accident and Other	**229**	208	10	4
Total Personal	**802**	749	7	1
Commercial				
Property	**243**	235	3	(2)
Liability	**110**	102	8	3
Motor	**184**	175	5	(1)
Marine and other	**145**	142	2	(3)
Total Commercial	**682**	654	4	(1)
Total Scandinavia	**1,484**	1,403	6	-
Sweden	**798**	734	9	2
Denmark	**541**	542	-	(5)
Norway	**145**	127	14	11
Total Scandinavia	**1,484**	1,403	6	-

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

Growth in Sweden of 2% has been driven by good new business in Household and PA across all channels, including our relationship with SEB, together with a small increase in Commercial Motor, offset by lower volumes in Marine. We've continued to achieve rate increases across all major lines in Sweden.

In Denmark we continue to make progress in returning the business to stronger profitability. In particular, we have continued to push hard on risk selection and targeted rate increases and, as a result, we've seen volume reductions across most lines, with premiums down 5%.

Norway grew 11% at constant exchange driven by strong volume increases together with further rate rises. Growth has been particularly good in Household, as we benefit from strong volumes coming through our agent distribution network, as well as our relationship with SEB. We've also seen growth of 31% in Care, emanating in part from our strategic partner, Vertikal.

Since the quarter end, the Scandinavian region was affected by a severe windstorm on 28 October, with record wind speeds and high levels of building damage. As a result, there have been a high level of claims notifications and, whilst it is still early, we expect significant claims costs in Scandinavia.

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

Canada – Premiums up 14%. Underlying growth supported by good rate increases and strong retention

Premiums in Canada were up 14% at constant exchange to £1.3bn. Underlying growth excluding the 2012 acquisition of L'Union Canadienne (UC) was 4% with good rate and strong retention. UC contributed premiums of £114m at Q3 2013, which was in line with our expectations.

Net Written Premiums	**9 Months 2013 £m**	9 Months 2012 £m	Movement as reported %	Movement at constant exchange %
Personal				
Household	**348**	282	23	23
Motor	**570**	520	10	10
Total Personal	**918**	802	14	14
Commercial				
Property	**184**	162	14	14
Liability	**110**	102	8	8
Motor	**83**	72	15	15
Marine and other	**45**	41	10	10
Total Commercial	**422**	377	12	12
Total Canada	**1,340**	1,179	14	14

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

In Personal, premiums of £918m were up 14% with UC contributing 10 points of growth. Underlying growth of 4% was driven by volume and rate increases. Rate increases were achieved across most major product lines and provinces, whilst volume increases were mainly driven by Household where we saw good levels of new business in the Pacific region.

Commercial premiums of £422m were up 12%, with UC contributing 8 points. Underlying growth of 4% reflects continued robust rate increases. We continue to see strong retention levels across our Commercial business and our focus in Q4 and through into early 2014 will be on further rate increases and underwriting actions in targeted segments.

Our estimate for the net loss to RSA from the flooding in Toronto and the surrounding areas in July stands at £37m. Our estimate for the net loss from the June floods in Alberta is £46m.

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

Emerging Markets – Continued strong growth across the region

Emerging Markets continues to deliver strong growth with net written premiums of £1.0bn up by 17% at constant exchange. Total premiums, including our non-consolidated associates in India and Thailand, are £1.3bn representing growth of 16% at constant exchange.

Underlying growth, excluding the impact of our 2012 acquisitions in Argentina and our exits of the Czech Republic and Dutch Caribbean, was 12%.

Net Written Premiums	**9 Months 2013 £m**	9 Months 2012 £m	Movement as reported %	Movement at constant exchange %
Latin America	**608**	529	15	18
CEE & ME	**311**	265	17	14
Asia	**114**	93	23	20
Total Emerging Markets	**1,033**	887	16	17
Asian Associates	**242**	218	11	11
Asia (incl. Associates)	**356**	311	14	14
Total Emerging Markets (incl Associates)	**1,275**	1,105	15	16

In Latin America, premiums were up by 18% at constant exchange to £608m. Growth has been driven by the acquisitions made in 2012 in Argentina and also by continued strong growth in our affinity channel. During 2013 we have signed 14 new affinity deals across the region.

In Central and Eastern Europe and the Middle East, premiums were up by 14% at constant exchange to £311m. Adjusting for the exit of the Czech Republic in June 2012, underlying growth is 16%. There was strong growth in all countries, in particular Oman, up 23%, Lithuania, up 11% and Poland, up 10%, supported by continued increasing new business volumes across the region.

We have seen further good growth in Asia with premiums of £114m up by 20% at constant exchange driven by strong performances in our retail businesses across the region, particularly in Hong Kong.

Our associates delivered good growth, with premiums of £242m up by 11% at constant exchange.

Consistent with our reporting at the half year, we remain confident that the business will continue to deliver expense ratio improvements from operating leverage during 2013.

UK and Western Europe – Premiums up 3% with further progress from management actions

Net Written Premiums	9 Months 2013 £m	9 Months 2012 £m	Movement as reported %	Movement at constant exchange %
UK	**2,278**	2,213	3	3
Western Europe	**560**	515	9	4
Total UK & Western Europe	**2,838**	2,728	4	3

UK and Western Europe premiums were up 3% at constant exchange as we continue to actively manage the portfolio and refocus the business. We've made further progress in reducing exposure to less attractive segments and growing in areas where we believe we can deliver shareholder value.

UK – Continuing focus on underwriting profit over volume

Net Written Premiums	9 Months 2013 £m	9 Months 2012 £m	Movement as reported %	Movement at constant exchange %
Personal				
Household	**515**	497	4	4
Motor	**307**	326	(6)	(6)
Pet	**171**	179	(4)	(4)
Total Personal	**993**	1,002	(1)	(1)
Commercial				
Property	**358**	358	-	-
Liability	**199**	201	(1)	(1)
Motor	**472**	416	13	13
Marine	**256**	236	8	8
Total Commercial	**1,285**	1,211	6	6
Total UK	**2,278**	2,213	3	3

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

In UK Personal, premiums were down 1% at £993m. We've seen continued strong growth of 4% in Household driven by new deals in Affinity and Broker. Pet was down 4% due to the pipeline premium adjustment discussed at the half year. Underlying growth in Pet was good and included a strong contribution from our partnership with John Lewis. We have also secured a new relationship with the RSPCA. Motor was down 6% driven by lower volumes as we continue to follow our strategy of prioritising profit over volume.

[1]Rating increases reflect rate movements achieved for risks renewing in the month versus comparable risks renewing in the same month the previous year. Commercial Motor rate excludes rate on a large multi-year contract.

We are continuing to work hard to refocus our UK Commercial business and we are making good progress. Premiums grew 6% to £1.3bn. Motor was up 13% driven mainly by rating actions. Excluding Motability, Commercial Motor premiums were down 8% reflecting the targeted reductions we have made. Our new arrangement with Motability was effective on 1 October. Under this new arrangement RSA will underwrite 20% of the overall scheme, and we therefore expect premiums to fall from current levels of around £400m p.a (which represent 100% of the scheme) to around £350m this year, before falling significantly in 2014.

Property was flat with rate increases offset by targeted volume reductions. Liability premiums were down 1% as we maintain discipline and focus on current year profitability in a challenging market. Headline growth of 8% in Marine reflects the change in the timing of the recognition of premiums that we discussed at the half year. Excluding this, underlying Marine premiums were broadly flat.

Since the quarter end, the UK was affected by a severe windstorm on the 27 and 28 October. Due to the short duration of the storm and less severe rainfall, there have been relatively limited claims to date in the UK.

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

Net Written Premiums	**9 Months 2013**	9 Months 2012	Movement as reported	Movement at constant exchange
	£m	£m	%	%
European Specialty lines	**129**	115	12	8
Ireland	**291**	265	10	5
Italy	**140**	135	4	(1)
Total Western Europe	**560**	515	9	4

In Western Europe, European Specialty delivered growth of 8% to £129m in particular in France and the Netherlands.

In Ireland, premiums were up 5% to £291m with growth in 123 and Commercial. In particular, we have been driving strong rate increases across Motor and have put through increases of 13% year-on-year in the month of September in response to the deteriorating bodily injury trends we have seen within our portfolio. As a result, we are in the process of reviewing our bodily injury reserves in Ireland.

In Italy, premiums of £140m were down 1% reflecting our ongoing discipline around pricing and risk selection as we remain on track in remediating the business. We continue to expect to be trading on a break even basis in Italy by the end of the year.

Investment Portfolio

The investment portfolio totalled £14.2bn at 30 September 2013, representing a fall of 1% on the position at 30 June 2013 caused primarily by adverse foreign exchange movements of £313m and adverse mark-to-market movements of £42m, partly offset by other movements of £280m. There were significant foreign exchange headwinds across our portfolio but most notably within our Danish Krone, Swedish Krona, Canadian Dollar and Euro holdings as these currencies weakened against Sterling during the quarter.

	Value 30 Jun 2013 £m	Foreign Exchange £m	Mark to Market £m	Other Movements £m	**Value 30 Sep 2013 £m**
Government Bonds	4,162	(87)	(21)	6	**4,060**
Non Government Bonds	7,455	(155)	(25)	105	**7,380**
Cash	1,250	(52)	-	181	**1,379**
Equities	618	(9)	12	(14)	**607**
Property	340	(1)	3	(4)	**338**
Prefs & CIVs	311	(7)	(11)	-	**293**
Other	137	(2)	-	6	**141**
Total	14,273	(313)	(42)	280	**14,198**
Split by currency:					
Sterling	3,708				**3,819**
Danish Krone	1,411				**1,332**
Swedish Krona	2,368				**2,297**
Canadian Dollar	3,113				**3,147**
Euro	1,644				**1,611**
Other	2,029				**1,992**
Total	14,273				**14,198**

The portfolio remains invested in widely diversified fixed income securities, with 4% in equities, 10% in cash and 2% in property.

Average duration slightly decreased to 3.8 years (30 June: 3.9 years). The proportion of our bond portfolio held in non-government bonds is 65% (30 June 2013: 64%).

The quality of the bond portfolio remains very high with 97% investment grade and 66% rated AA or above. We are well diversified by sector and geography.

At 30 September 2013, balance sheet unrealised gains, gross of tax, were £459m (30 June 2013: £500m) and primarily relate to unrealised gains on the bond portfolio which we expect to reduce over time as our bond holdings reach maturity. Balance sheet unrealised equity gains amounted to £99m (30 June 2013: £103m).

We will continue to follow our high quality, low risk strategy. We remain comfortably on track to meet full year investment income guidance of around £470m in 2013.

Shareholders' Funds

	Shareholders' funds ex. IAS 19 £m	Pension deficit £m	Shareholders' funds £m	Shareholders' funds ex. IAS 19 per share	Shareholders' funds per share
30 June 2013	3,882	(251)	3,631	103p	96p
30 September 2013	**3,732**	**(257)**	**3,475**	**99p**	**92p**

During the third quarter of 2013, shareholders' funds excluding the pension scheme deficit decreased by 4% to £3,732m, reflecting foreign exchange losses and the declaration of the interim dividend which more than offset profits generated in the period.

The deficit on the pension schemes as at 30 September 2013 was £257m compared with £251m at 30 June 2013. The movement reflects an increase in the pension inflation rate to 3.1% (30 June 2013: 3.0%), partly offset by higher than expected returns on pension plan assets.

Shareholders' funds including the pension scheme deficit were £3,475m, a decrease of 4% over the quarter.

Tangible net asset value (TNAV) per share at 30 September 2013 was 51p (30 June 2013: 54p). Excluding IAS 19, TNAV per share was 58p (30 June 2013: 61p).

Capital position

	30 September 2013 Coverage	**30 September 2013 Surplus £bn**	30 June 2013 Surplus £bn
Insurance Groups Directive	**1.5x**	**0.8**	0.9
Economic Capital (1in 200 Calibration)	**1.6x**	**1.3**	1.3
Economic Capital (1in 1,250 Calibration)	**1.3x**	**0.8**	0.8

The IGD surplus at 30 September 2013 was £0.8bn (30 June 2013: £0.9bn) with coverage over the IGD requirement of 1.5 times. The reduction in surplus mainly reflects the impact of the interim dividend and foreign exchange which has more than offset profits generated.

The ECA surplus, on both a 1 in 200 per annum and a 1 in 1,250 per annum calibration, was unchanged from the position at the half year. This reflected profits generated in the period which were broadly offset by the accrual of the interim dividend.

Foreign Exchange Rates

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

Local currency/£	Average		Closing		
	9 Months 2013	9 Months 2012	**30 September 2013**	30 June 2013	31 December 2012
Canadian Dollar	**1.58**	1.58	**1.66**	1.60	1.62
Danish Krone	**8.76**	9.16	**8.92**	8.70	9.20
Swedish Krona	**10.09**	10.75	**10.40**	10.24	10.57
Euro	**1.17**	1.23	**1.20**	1.17	1.23

Forthcoming events

12 November 2013	Scandinavia investor and analyst briefing
22 November 2013	Payment of the ordinary interim dividend for 2013
27 February 2014	2013 Preliminary Results announcement