

5th August 1999

INTERIM RESULTS 1999

	1999	1998
Revenue		
General business net premiums written	£3,686m	£3,463m
Life business net premiums written	£1,561m	£1,258m
Investment products	£403m	£319m
Results		
Group operating profit (based on longer term investment return)	£315m	£406m
Group operating earnings per ordinary share	13.8p	17.4p
Balance Sheet at 30 June/ 31 December		
Shareholders' funds (in 1999 after £751m special dividend)	£6,746m	£7,269m
Net asset value per share (adding back equalisation provisions)	483p	472p
Interim dividend	8.4p	7.8p

- **Third successive quarter of profit improvement**
- **Interim dividend increased by 7.7%**
- **Group reshaping continues**
 - **reorganisation of UK commercial and UK personal financial services well underway**
 - **proposed acquisitions in Scandinavia and USA will almost double size in those regions**
- **Strong revenue growth in life and investment products**

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Royal & SunAlliance reports a third successive quarterly increase in profits, an increase of 17% on the previous quarter, while actions to reshape the Group continue.

Royal & Sun Alliance Insurance Group plc (LSE: RSA.L) today reported a half year Group operating profit of £315m (1998 : £406m) This represents the third successive quarterly increase in profit to £170m for the second quarter, from £145m in the first quarter and £110m in the fourth quarter of last year.

At the underwriting level, the measure of general insurance underwriting profitability, the Group operating ratio, improved for the third successive quarter, from the third quarter 1998 ratio of 112% to 106.7% for the second quarter 1999. The Group announced increased premium income for both general and life parts of the business. At the six months stage, the general business premiums increased to £3,686m (1998 : £3,463m), an increase of 4% in underlying currency. The life and savings premiums written grew to £1,561m (1998 : £1,258m) an increase of 23% in underlying currency.

Bob Mendelsohn, Group Chief Executive commented:

“During the first half the Group continued to reshape its global operations. The Group announced acquisitions in Scandinavia and in the US, which will double its size in each region and add companies and management teams with a proven record of success. During the second quarter the purchase of Tyndall in Australia went unconditional and last week the sale of our US life business was completed.

“Our internal reshaping continued as well. For example, in the UK seven commercial regions were consolidated into five, while the components of our personal financial services business (direct, broker and corporate partnership) were merged into a single business. As a result the number of managers in these businesses has reduced by over 25% this year alone.

“Although operating results in the first half of 1999 did not equal those of 1998, I am confident we will continue to produce steadily improving results. We have set three important dynamics in place, each reflected in both improving results and the corporate actions taken in 1999 to date :

- As a business team, we have concentrated on our core competencies of underwriting, claims handling, investment and expense management. In many parts of the world, this resulted in a re-underwriting of parts of our book of business;
- We are building a revitalised, innovative and market focused organisation based on segmenting the company along customer groups, to deliver value added propositions to customers. The continued roll-out of new, customer focused products in markets such as the UK, New Zealand, the USA and Japan has met with positive customer response;
- We have introduced a new set of capital management and return targets throughout our businesses which will enable us to manage them more effectively. This has also resulted in a return of excess capital to our shareholders, plus a high level of current dividend.

“In short, the strategy we announced in 1998 is being implemented worldwide and, with gathering pace, is bringing results. Our culture change has been embraced by our staff, with an increasing number of ‘Practice Groups’ sharing knowledge across the Group and developing strong technical networks. This is unlocking the great potential of our people around the globe to provide competitive advantage in our chosen markets”.

BUSINESS OVERVIEW

General Business

Whilst the general insurance business profit for the first six months of 1999 of £168m showed a reduction on the comparable figure of £272m for 1998 the recent pattern of rising quarterly profits has continued – fourth quarter 1998 £38m; first quarter 1999 £68m; second quarter 1999 £100m. Compared to the first quarter 1999 better experience was seen in all regions in the second quarter 1999 with the exception of Asia Pacific where the £12m of losses from the Sydney hailstorms more than accounted for the profit reduction of £9m.

General business premiums rose by 4% in underlying currency reflecting both organic growth and some improvement in the rating environment.

Life Business

Life business operations profit rose to £133m from £123m with the improvement arising from overseas operations particularly in Canada and New Zealand.

There was a strong performance in new business sales with annual premiums increasing by 12% to £124m and single premiums by 43% to £754m. Sales of unit trusts and other investment products grew by 24% to £403m with a 75% increase in the UK contribution.

The shareholders' interest in life business has increased to £2,719m. This includes £130m attributable to the acquisition of Tyndall in Australia.

Asset Management

The particularly strong growth of investment products in the UK benefited from our investment management team being named S&P Micropal 'Investment Manager of the Year' for the second year running. Total funds under management amounted to £58bn (31 December 1998 : £57bn).

Interim Dividend

The directors have declared an interim ordinary dividend of 8.4p (1998 : 7.8p) per share, an increase of 7.7%. The dividend will be payable on 1 December 1999 to shareholders registered at the close of business on 10 September 1999. Shareholders will again be offered a dividend reinvestment plan.

Shareholders' Funds

Shareholders' funds at 30 June 1999 of £6,746m showed a reduction of £523m on the 1998 year end figure of £7,269m. The reduction is more than accounted for by the return to shareholders, on 1 June 1999, of a special dividend amounting to £751m. The special dividend was associated with a capital consolidation by which 10 new ordinary shares of 27.5p each were issued in exchange for each 11 existing shares of 25p each.

The net asset value per share increased to 483p (31 December 1998 : 472p). As at 3 August 1999 this figure was estimated to be 470p.

Risk Based Capital

The introduction of risk based capital techniques has led to improved investment and reinsurance policies, changes in the incentivisation programme for management and the return of excess capital to shareholders. It also drives our proposed financing of acquisitions by the use of subordinated debt.

Year 2000

Planning for the Year 2000 commenced in 1995. The Group has already converted and tested most of its business critical applications and technical infrastructure. Total Year 2000 costs are estimated at £102m of which £84m has been incurred to date with £22m included in the 1999 interim result.

As an underwriting led Group we have taken a prudent approach to protect against the potential impact of insurance claims arising from Year 2000 related failures. We have adopted a market leading position in the identification of issues and the application of appropriate policy wording.

BUSINESS DEVELOPMENTS 1999

January

- Announced agreement to sell Tellit Assurance, our French direct writing operation

February

- Announced agreement to sell Sun Direct, our German direct writing operation
- Public offer to acquire Tyndall Australia Limited, the financial services group, for £290m
- RSA Investment Management team named S&P Micropal 'Investment Manager of the Year' for the second year running

March

- Announced agreement to sell Royal Maccabees Life Insurance Company and Royal Life Insurance Company of New York, our US life operation for £240m
- Announced £751m special dividend and 10 for 11 share consolidation as part of active capital management programme
- Announced acquisition of a 60% controlling interest in T.U. PBK Zycie S.A., the specialist Polish life insurer

April

- Disposed of part of the property investment portfolio for £390m, as part of the rebalancing of the investment portfolio

May

- Announced joint venture with AON, a leading global broker, and ACE, the Bermuda-based insurer to form a jointly-owned underwriting facility and Bermuda reinsurer specialising in the alternative risk transfer market for large commercial customers
- Acquisition of a 70% controlling interest in Lietuvos Draudimas, the Lithuanian composite insurer, by Codan our Danish based subsidiary.

June

- Announced acquisition of the non-life business of Trygg-Hansa, Sweden, by Codan, for £316m

July

- Announced tender offer to acquire Orion Capital Corporation, the US specialty lines company, for approximately £920m
- UK Life & Pensions are named Life Insurer of the Year, and our joint venture with Boots the Chemists wins Marketing Initiative of the Year, at the British Insurance Awards

ROYAL & SUN ALLIANCE INSURANCE GROUP PLC

CONSOLIDATED OPERATING PROFIT

	6 months to 30 June 1999 (unaudited) £m	6 months to 30 June 1998 (unaudited) £m
General business result	168	272
Life business result	133	123
Other activities	14	11
Group operating profit before tax (based on longer term investment return)	315	406

OTHER FINANCIAL STATISTICS

	6 months to 30 June 1999 (unaudited)	6 months to 30 June 1998 (unaudited)
Operating earnings after tax per ordinary share (based on longer term investment return)	13.8p	17.4p

	6 months to 30 June 1999 (unaudited)	12 months to 31 Dec 1998 (audited)
Interim dividend	£120m	£122m
Special dividend	£751m	-
Shareholders' funds	* £6,746m	£7,269m
Net Assets per share	483p	472p
Borrowings	£552m	£443m
Borrowings / total capital and reserves	8%	6%
Total funds under management	£58bn	£57bn

* after payment of special dividend of £751m

ROYAL & SUN ALLIANCE INSURANCE GROUP PLC

EXPLANATORY NOTES

1. Investment Income Reconciliation

30 June 1999	Underlying £m	Investment income £m	Capital appreciation £m	Total £m
General business result	(319)	430	57	168
Life business result	133	-	-	133
Other activities result	(7)	(21)	42	14
	<u>(193)</u>	<u>409</u>	<u>99</u>	<u>315</u>

30 June 1998	Underlying £m	Investment income £m	Capital appreciation £m	Total £m
General business result	(229)	441	60	272
Life business result	123	-	-	123
Other activities result	5	(35)	41	11
	<u>(101)</u>	<u>406</u>	<u>101</u>	<u>406</u>

2. Exchange rates

In respect of the major overseas currencies the rates of exchange used in these statements are as follows:

	30 June 1999	30 June 1998	31 Dec 1998
US Dollar	1.58	1.67	1.66
Canadian Dollar	2.33	2.45	2.56
Danish Kroner	11.34	11.47	10.59
Australian Dollar	2.38	2.69	2.71

3. Embedded value assumptions

	30 June 1999 %	31 Dec 1998 %
Investment returns		
Equities	7.50	6.96
Fixed interest	5.00	4.46
Discount rate	7.50	7.00

ROYAL & SUN ALLIANCE INSURANCE GROUP PLC

Audit

The results for the six months to 30 June 1999 and 30 June 1998 are unaudited, but have been subject to a review in accordance with the Auditing Practices Bulletin 1999/4 by the Group's external auditors. Their review report is on page 7 of the Statutory Financial Information Pack and will appear in the interim results booklet sent to shareholders.

Six months results for 1999

The full text is available on our internet site at www.royalsunalliance.com. The results statement is also available to the public at 30 Berkeley Square, London W1X 5HA and at 1 Leadenhall Street, London EC3V 1PP.

A supplementary information pack contains:

- ✱ Detailed business review
- ✱ Statistical analysis
- ✱ Statutory financial information

The nine months results will be announced on 4 November 1999.

ROYAL & SUN ALLIANCE INSURANCE GROUP PLC

SECTION A

DETAILED BUSINESS REVIEW

INTRODUCTION

Operating Profit Basis

In accordance with the ABI SORP, the Group includes the longer run investment return on the investments backing general business technical provisions and shareholders capital in determining operating profit. This return is calculated by applying very long run rates of return to the adjusted average market values of the investment portfolio. Adjustments were made to reduce the market values by 18% in respect of equities and 3% in respect of other investments and are intended to ensure that the longer term return included in operating profit is both stable and sustainable.

Shareholders' Funds

Shareholders' funds at 30 June 1999 amounted to £6,746m (31 December 1998 £7,269m). After adding back dividends, and fully tax effecting all gains, the overall return on capital for the six months was 7%. Apart from operating profits the main features were as follows :

- ✱ Investment appreciation on a mark to market basis, combined with investment income, exceeded the long term investment return of £508m included in operating profit by £123m. This reflects continued equity gains especially in the UK.
- ✱ The taxation charge of £220m reflects the continuing process of realising equities as part of the policy of restructuring the balance sheet. The underlying tax charge on the Group operating profit (based on longer term investment return) was 31% (1998 : 32%).
- ✱ Exchange gains of £84m are principally attributable to the proportion of shareholders equity held in the USA.
- ✱ The special dividend of £751m was paid on 1 June 1999.

Risk Based Capital

As announced with the 1998 year end results, the Group now operates a risk based capital targeting and assessment approach in the management of its business. In the six months to 30 June 1999 this has been reflected in a number of developments:-

- ✱ Roll out of the approach to form the basis of Groupwide management incentivisation.
- ✱ Implementation of the revised investment policy, reducing the proportion of equities and properties.
- ✱ Implementation of changes in the Group's reinsurance programme , increasing cover for major catastrophes such as Caribbean hurricanes.
- ✱ Disposal of operations with no prospect of achieving target returns.
- ✱ Restructuring of balance sheet to provide more tax effective financing. Acquisitions to be principally funded by deeply subordinated debt.
- ✱ Review of life operations to assess available capital.

EUROPE GENERAL BUSINESS

Europe - United Kingdom

	1999 £m	1998 £m
Net premiums written	1,669	1,696
Underwriting result	(153)	(95)
General business operating profit (based on longer term investment return)	79	151
Operating ratio	108.7%	104.5%

- Premiums written reduced overall by 2%. Personal lines premium volume rose by 5% helped by new product initiatives. In commercial business most lines contributed to the reduction of 8% due to the re-underwriting of major accounts and the transfer of overseas based risk managed business to host countries. These factors were partially offset by good growth in the health account.
- The second quarter underwriting result, with an operating ratio of 106.1%, showed an improvement on the first quarter.
- In personal lines, with the achievement of a break even in the second quarter, the household underwriting result at the six months stage showed an improvement over the same period last year helped by lower levels of subsidence and weather losses. However, an increase in the average cost of claims due to legal and legislative factors led to a worsening in the motor result. Motor price increases continue to be applied totalling an average of 16% over the past 12 months.
- In commercial lines the property account remains adversely affected by large losses, albeit to a lesser extent than in the second half of 1998. Price levels have stabilised and we have been able to effect increases in some areas of the account.
- As is the case for the industry in general, commercial motor is the worst performing part of the UK commercial account. Remedial action continues to be taken including premium increases of up to 17% and a further reduction of 10% in exposures.

EUROPE GENERAL BUSINESS

Other Europe

	1999	1998 Adjusted	1998 Original
	£m	£m	£m
Net premiums written	766	713	710
Underwriting result	(55)	(75)	(81)
General business operating profit (based on longer term investment return)	26		1
Operating ratio	106.6%		110.6%

- * Premiums written rose by 7% in local currencies with most countries contributing to the increase.
- * The improvement apparent in the first quarter has continued at the six months stage to produce a £20m reduction in the underwriting loss and an operating ratio of 106.6%
- * The result for Scandinavia, where the operating ratio was 98.9%, reflected generally better experience in all lines of business.
- * Following the disposal of the direct marketing operations, the application of price increases and better underlying experience, the German result showed a marked improvement to produce an operating ratio of 99.2%.
- * In Ireland commercial lines price increases together with a more normal level of large fire losses led to a much improved result with an operating ratio of 102.7%.
- * In Italy and Spain the result has been affected by adverse motor experience. Price increases of up to 25% have been applied in both countries. The recovery plan in Lloyd Italico is having a positive effect and has stabilised the result at the half year stage.

AMERICAS GENERAL BUSINESS

United States

	1999	1998 Adjusted	1998 Original
	£m	£m	£m
Net premiums written	514	457	432
Underwriting result	(43)	(29)	(28)
General business operating profit (based on longer term investment return)	62		81
Operating ratio	108.2%		106.5%

- Premiums written increased by 12% in local currency terms continuing the underlying growth seen throughout 1998. Whilst householders is the only line of business to show price increases overall there are increasing signs of a more positive outlook for rating in commercial lines.
- The second quarter operating ratio of 104.8% showed an improvement over the comparable quarter last year and the first quarter of 1999. At the six months stage the operating ratio was 108.2%.
- Growth continued to be obtained in personal lines where exposures have risen by 10% in those states targeted for growth. The underwriting result was a profit at a similar level to that of last year.
- Premiums written in commercial lines rose overall by 16%. There was a 13% increase in the core business benefiting from the sale of new higher margin products. In specialty, volume rose by 39% with this segment achieving an operating ratio of 84%. Commercial lines overall produced an increased underwriting loss due to a rise in large property losses and the effect of prior years and current, although moderating, workers' compensation rate reductions.

AMERICAS GENERAL BUSINESS

Canada	1999	1998	1998
	£m	Adjusted	Original
		£m	£m
Net premiums written	249	240	228
Underwriting result	(15)	(12)	(12)
General business operating profit (based on longer term investment return)	13		16
Operating ratio	105.9%		105.2%

- * Premiums written increased overall by 4% in local currency terms. Personal lines premiums rose by 11% accounted for by an increase in exposures from product development and the acquisition of portfolios. Commercial lines premiums reduced by 5% due to our firm underwriting stance and the repositioning of the Quebec business.
- * The second quarter produced an underwriting profit at a similar level to last year with an operating ratio of 98.1%. At the half year stage the operating ratio was 105.9%.
- * Personal lines overall continue to achieve underwriting profits. The Johnson Corporation has acquired a benefit consultant in Western Canada as a platform for expansion.
- * The commercial lines result at the six months showed a marginal improvement over the same period last year, reflecting the benefit of lower weather losses but also better underlying experience in the property account.

AMERICAS GENERAL BUSINESS

Latin America / Caribbean

	1999 £m	1998 Adjusted £m	1998 Original £m
Net premiums written	95	89	90
Underwriting result	(10)	(1)	(2)
General business operating result (based on longer term investment return)	(2)		4
Operating ratio	111.6%		102.1%

- Premiums written increased overall by 6% in local currency terms. In Latin America growth was achieved in Argentina, Chile, Peru and Venezuela. The Caribbean however, saw a reduction in premiums written due to higher catastrophe reinsurance costs.
- At the six month stage the result for Latin America remained affected by the fire and earthquake losses of the first quarter and the continuing development costs associated with the direct marketing operation in Argentina.
- The Caribbean achieved an underwriting profit at the six month stage with an operating ratio of 95.0%.

ASIA PACIFIC GENERAL BUSINESS

	1999	1998	1998
	£m	Adjusted	Original
		£m	£m
Net premiums written	364	297	264
Underwriting result	(40)	(23)	(22)
General business operating profit (based on longer term investment return)	(7)		9
Operating ratio	109.6%		108.2%

- Premiums written increased overall by 23% in local currencies. The second quarter underwriting result was adversely affected by losses arising from the Sydney hailstorms and continuing development costs in Asia. At the six months stage the operating ratio was 109.6%.

Australia

- Premiums written increased by 19% in local currency terms due to continued growth in personal lines and price increases in commercial property.
- The worsening in the underwriting result to a loss of £22m from £12m was accounted for by the £12m of losses arising from the April Sydney hailstorms.

New Zealand

- Premiums written in local currency terms rose by 97% to £69m. This includes £32m of premiums arising from the privatisation of the state workers' compensation market enabling policies with a common renewal date of 1 July to be booked immediately prior to inception. We have secured an estimated 38% share of this market.
- At the six months stage there was an underwriting profit of £1m with the result benefiting from price increases introduced during 1998.

Asia

- The lower economic activity in the area was responsible for the 5% reduction in premiums written in local currency terms.
- Underwriting profits in Hong Kong, Pakistan, Thailand and the Philippines were more than offset by losses elsewhere, including those associated with the development of the Japan direct marketing operation, to produce an increase in the underwriting loss to £19m from £9m.

GROUP REINSURANCES

	1999 £m	1998 £m
Net premiums written	29	43
Underwriting result	(3)	11
Operating ratio	122.5%	51.1%

- * These consist of certain reinsurance covers which are retained by the Group rather than being placed with third parties.
- * During 1999 we have taken advantage of the current market conditions to place more reinsurance outside of the Group. This, together with the purchase of aggregate covers to cap exposures particularly in the Caribbean, has led to a 33% reduction in premium volume and the initial effect of producing an underwriting loss at the six months stage.

WORLDWIDE LIFE BUSINESS

- Worldwide life new business increased by 37% to £878m. New annual premiums rose by 12% to £124m and new single premiums by 43% to £754m.
- On an annual premium equivalent (APE) basis premiums increased by 22%.
- Worldwide life profits increased by 8% in sterling terms to £133m.

Europe – United Kingdom

	1999 £m	1998 £m
Net premiums written	934	810
Life business operations profit	92	93

- Sales on an APE basis increased by 12% with increases in business written through independent financial advisors. New annual premiums rose by 3% helped by growth in sales of the Progressive Protection term assurance product. New single premiums increased by 28% with particularly strong performance in pensions and With Profit Bonds.
- Royal & SunAlliance Life & Pensions were named 'Life Insurer of the Year' at the recent British Insurance Industry Awards.

Other Europe

	1999 £m	1998 Adjusted £m	1998 Original £m
Net premiums written	439	307	305
Life business operations profit	13	17	16

- Sales on an APE basis increased by 42%. New annual premiums rose by 29% and single premiums by 72% with all operations contributing to the growth including the recently commenced operation in Poland.
- The reduction in the profit was due to lower contributions from the Italian and Danish businesses.

Americas

	1999 £m	1998 Adjusted £m	1998 Original £m
Net premiums written	92	98	93
Life business operations profit	21	13	12

- A slight reduction in new annual premium business was offset by a rise in single premiums to produce an overall new business figure at a similar level to last year.
- Following a marked increase in the Canadian contribution, the life operations profit rose by 62% in local currency terms.

WORLDWIDE LIFE BUSINESS continued

Asia Pacific

	1999 £m	1998 Adjusted £m	1998 Original £m
Net premiums written	96	55	50
Life business operations profit	7	3	2

- * Sales on an APE basis increased by 43%. New annual premiums rose by 29% and new single premiums by 95%. The successful integration of the Guardian Assurance business contributed to the strong growth in New Zealand. Australia also had a good performance helped by the Tyndall acquisition earlier this year.

WORLDWIDE INVESTMENT PRODUCTS

- * Worldwide sales of Unit Trusts and other investment products increased by 24% to £403m. Particularly strong growth of 75% was seen in the UK benefiting from the RSA Investment Management team being named S&P Micropal 'Investment Manager of the Year' for the second year running. The Asia Pacific contribution rose by 97% helped by the acquisitions in Australia and New Zealand.

ROYAL & SUN ALLIANCE INSURANCE GROUP PLC

SECTION B

STATISTICAL ANALYSIS

TERRITORIAL ANALYSIS OF GENERAL BUSINESS OPERATIONS

SIX MONTHS TO 30 JUNE

Premiums Written

	1999	1998	1998	Currency
	£m	Adjusted £m	Original £m	Inc/Dec %
Europe - UK	1,669	1,696	1,696	(2)
Other Europe	766	713	710	7
Americas	858	786	750	9
Asia Pacific	364	297	264	23
Group Reinsurance	29	43	43	(33)
	3,686	3,535	3,463	4

Underwriting Result

	1999	1998	1998
	£m	Adjusted £m	Original £m
Europe - UK	(153)	(95)	(95)
Other Europe	(55)	(75)	(81)
Americas	(68)	(42)	(42)
Asia Pacific	(40)	(23)	(22)
Group Reinsurance	(3)	11	11
	(319)	(224)	(229)
Equalisation provisions	(5)	(30)	(30)
	(324)	(254)	(259)

Operating Ratio

	1999	1998
	%	%
Europe - UK	108.7	104.5
Other Europe	106.6	110.6
Americas	107.9	105.6
Asia Pacific	109.6	108.2
Group Reinsurance	122.5	51.1
	108.0	105.7

TERRITORIAL ANALYSIS OF GENERAL BUSINESS OPERATIONS

SECOND QUARTER

Premiums Written

	1999	1998	1998	Currency
	£m	Adjusted £m	Original £m	Inc/Dec %
Europe - UK	858	839	839	3
Other Europe	330	301	315	9
Americas	482	428	397	12
Asia Pacific	218	162	130	35
Group Reinsurance	3	8	8	-
	1,891	1,738	1,689	9

Underwriting Result

	1999	1998	1998
	£m	Adjusted £m	Original £m
Europe - UK	(62)	(30)	(30)
Other Europe	(23)	(40)	(45)
Americas	(16)	(16)	(16)
Asia Pacific	(23)	(14)	(13)
Group Reinsurance	(8)	9	9
	(132)	(91)	(95)
Equalisation provisions	(11)	(14)	(14)
	(143)	(105)	(109)

Operating Ratio

	1999	1998
	%	%
Europe - UK	106.1	102.3
Other Europe	108.8	115.1
Americas	102.5	103.3
Asia Pacific	110.0	110.2
Group Reinsurance	250.3	52.3
	106.7	104.7

EUROPE - UK GENERAL BUSINESS OPERATIONS

SIX MONTHS TO 30 JUNE

	Net Premiums Written			Underwriting Result		Operating Ratio	
	1999 £m	1998 £m	Inc/dec %	1999 £m	1998 £m	1999 %	1998 %
Personal Insurance							
Household	393	450	(13)	(24)	(35)	107.9	107.8
Motor	309	239	29	(52)	(20)	116.7	106.4
Other	146	123	19	(2)	2	95.4	91.7
Total Personal	848	812	5	(78)	(53)	108.8	105.2
Commercial Insurance							
Property	309	386	(20)	(27)	(6)	108.5	99.7
Casualty	163	137	19	(5)	(1)	102.0	99.8
Motor	225	226	(1)	(31)	(26)	114.1	112.2
Other	124	135	(8)	(12)	(9)	109.7	108.0
Total Commercial	821	884	(8)	(75)	(42)	108.7	103.7
	1,669	1,696	(2)	(153)	(95)	108.7	104.5

	Operating Ratio	
	1999 %	1998 %
Claims ratio	76.8	74.8
Expense ratio	31.9	29.7
	108.7	104.5

EUROPE - UK GENERAL BUSINESS OPERATIONS

SECOND QUARTER

	Net Premiums Written			Underwriting Result		Operating Ratio	
	1999 £m	1998 £m	Inc/dec %	1999 £m	1998 £m	1999 %	1998 %
Personal Insurance							
Household	201	234	(14)	-	(3)	101.6	101.6
Motor	157	120	31	(23)	(3)	114.6	100.1
Other	81	80	1	2	1	86.0	85.8
Total Personal	439	434	2	(21)	(5)	103.8	98.9
Commercial Insurance							
Property	152	179	(15)	(19)	(10)	110.7	103.8
Casualty	96	54	78	(1)	1	99.3	99.7
Motor	111	113	(2)	(16)	(12)	113.8	110.6
Other	60	59	2	(5)	(4)	107.7	109.8
Total Commercial	419	405	3	(41)	(25)	108.5	105.3
	858	839	3	(62)	(30)	106.1	102.3

	Operating Ratio	
	1999 %	1998 %
Claims ratio	74.9	71.8
Expense ratio	31.2	30.5
	106.1	102.3

OTHER EUROPE – GENERAL BUSINESS OPERATIONS

	Six Months to 30 June								
	Net Premiums Written				Underwriting Result			Operating Ratio	
	1999 £m	1998 Adjusted £m	1998 Original £m	Currency Inc/dec %	1999 £m	1998 Adjusted £m	1998 Original £m	1999 %	1998 %
Scandinavia	206	195	193	6	(2)	(3)	(3)	98.9	98.8
Germany	95	101	100	(6)	(2)	(13)	(15)	99.2	114.8
Ireland	86	80	80	8	(1)	(12)	(14)	102.7	117.8
Italy	144	127	127	13	(21)	(22)	(22)	114.0	117.7
Spain	101	82	81	23	(15)	(11)	(12)	116.1	114.3
Other	134	128	129	4	(14)	(14)	(15)	108.9	109.5
	766	713	710	7	(55)	(75)	(81)	106.6	110.6

	Second Quarter								
	Net Premiums Written				Underwriting Result			Operating Ratio	
	1999 £m	1998 Adjusted £m	1998 Original £m	Currency Inc/dec %	1999 £m	1998 Adjusted £m	1998 Original £m	1999 %	1998 %
Scandinavia	82	80	81	3	-	2	2	102.6	99.6
Germany	26	28	31	(5)	1	(4)	(7)	105.7	128.0
Ireland	41	38	40	8	3	(10)	(10)	96.7	127.0
Italy	74	65	68	15	(12)	(14)	(14)	117.3	122.3
Spain	50	39	40	28	(7)	(4)	(6)	115.3	114.4
Other	57	51	55	9	(8)	(10)	(10)	117.0	116.7
	330	301	315	9	(23)	(40)	(45)	108.8	115.1

Operating Ratio

	Six Months			Second Quarter	
	1999 %	1998 %		1999 %	1998 %
Claims ratio	79.6	80.6	Claims ratio	79.0	80.4
Expense ratio	27.0	30.0	Expense ratio	29.8	34.7
	106.6	110.6		108.8	115.1

AMERICAS GENERAL BUSINESS OPERATIONS

	Six Months to 30 June								
	Net Premiums Written				Underwriting Result			Operating Ratio	
	1999 £m	1998 Adjusted £m	1998 Original £m	Currency Inc/dec %	1999 £m	1998 Adjusted £m	1998 Original £m	1999 %	1998 %
USA	514	457	432	12	(43)	(29)	(28)	108.2	106.5
Canada	249	240	228	4	(15)	(12)	(12)	105.9	105.2
Latin America/ Caribbean	95	89	90	6	(10)	(1)	(2)	111.6	102.1
	858	786	750	9	(68)	(42)	(42)	107.9	105.6

	Second Quarter								
	Net Premiums Written				Underwriting Result			Operating Ratio	
	1999 £m	1998 Adjusted £m	1998 Original £m	Currency Inc/dec %	1999 £m	1998 Adjusted £m	1998 Original £m	1999 %	1998 %
USA	283	237	220	19	(14)	(19)	(19)	104.8	108.6
Canada	147	143	129	3	-	2	2	98.1	96.4
Latin America/ Caribbean	52	48	48	8	(2)	1	1	103.5	97.1
	482	428	397	12	(16)	(16)	(16)	102.5	103.3

Operating Ratio

	Six Months		Second Quarter	
	1999 %	1998 %	1999 %	1998 %
Claims ratio	73.2	70.2	70.2	68.2
Expense ratio	34.7	35.4	32.3	35.1
	107.9	105.6	102.5	103.3

AMERICAS GENERAL BUSINESS OPERATIONS

SIX MONTHS TO 30 JUNE

USA

	Net Premiums Written			Underwriting Result		Operating Ratio	
	1999 \$m	1998 \$m	Inc/dec %	1999 \$m	1998 \$m	1999 %	1998 %
Personal							
Householders	60	56	7	(4)	(5)	107.2	108.7
Automobile	112	115	(2)	12	10	89.2	90.7
Other	14	12	14	2	4	85.6	61.4
Total Personal	186	183	2	10	9	94.7	94.4
Commercial							
Fire and EC	43	41	4	10	20	79.3	63.5
Package	163	146	12	(37)	(17)	122.7	112.4
Automobile	81	81	-	(7)	(23)	109.2	129.3
Workers' comp	153	138	12	(25)	(2)	117.3	100.4
General liability	84	64	31	(21)	(21)	126.0	133.3
Other	101	69	46	2	(13)	95.9	118.2
Total Commercial	625	539	16	(78)	(56)	112.8	110.5
	811	722	12	(68)	(47)	108.2	106.5

	Operating Ratio	
	1999 %	1998 %
Claims ratio	74.6	70.5
Expense ratio	33.6	36.0
	108.2	106.5

AMERICAS GENERAL BUSINESS OPERATIONS

SECOND QUARTER

USA

	Net Premiums Written			Underwriting Result		Operating Ratio	
	1999 \$m	1998 \$m	Inc/dec %	1999 \$m	1998 \$m	1999 %	1998 %
Personal							
Householders	34	32	7	4	(4)	87.4	112.0
Automobile	59	61	(2)	4	5	93.0	89.9
Other	8	7	15	-	1	96.7	69.2
Total Personal	101	100	2	8	2	91.6	95.5
Commercial							
Fire and EC	26	24	8	16	6	37.4	77.4
Package	86	70	24	(13)	(13)	114.6	119.4
Automobile	39	38	3	(7)	(8)	119.2	120.9
Workers' comp	79	64	24	(10)	(7)	113.3	111.6
General liability	47	34	37	(14)	(4)	132.6	112.7
Other	60	38	57	(2)	(9)	104.2	123.4
Total Commercial	337	268	26	(30)	(35)	109.0	113.1
	438	368	19	(22)	(33)	104.8	108.6

	Operating Ratio	
	1999 %	1998 %
Claims ratio	73.4	72.1
Expense ratio	31.4	36.5
	104.8	108.6

AMERICAS GENERAL BUSINESS OPERATIONS

SIX MONTHS TO 30 JUNE

Canada

	Net Premiums Written			Underwriting Result		Operating Ratio	
	1999 C\$m	1998 C\$m	Inc/dec %	1999 C\$m	1998 C\$m	1999 %	1998 %
Personal							
Household	98	93	6	(4)	(15)	104.7	117.0
Motor	243	215	13	8	27	95.9	87.2
Total Personal	341	308	11	4	12	98.4	96.5
Commercial							
Property	66	72	(8)	(11)	(27)	118.1	136.7
Motor	96	97	(1)	(3)	3	102.6	96.4
General liability	54	59	(8)	(28)	(17)	150.2	127.0
Other	24	24	-	4	-	85.9	100.7
Total Commercial	240	252	(5)	(38)	(41)	116.5	116.0
	581	560	4	(34)	(29)	105.9	105.2

	Operating Ratio	
	1999 %	1998 %
Claims ratio	73.1	73.2
Expense ratio	32.8	32.0
	105.9	105.2

AMERICAS GENERAL BUSINESS OPERATIONS

SECOND QUARTER

Canada

	Net Premiums Written			Underwriting Result		Operating Ratio	
	1999 C\$m	1998 C\$m	Inc/dec %	1999 C\$m	1998 C\$m	1999 %	1998 %
Personal							
Household	57	53	8	1	1	98.0	98.6
Motor	139	124	12	7	16	92.9	83.6
Total Personal	196	177	11	8	17	94.3	88.1
Commercial							
Property	36	41	(10)	3	(13)	91.5	134.1
Motor	56	56	-	1	5	95.7	87.4
General liability	29	34	(14)	(11)	(4)	138.3	110.1
Other	15	15	-	3	(1)	71.6	102.6
Total Commercial	136	146	(7)	(4)	(13)	102.2	107.8
	332	323	3	4	4	98.1	96.4

	Operating Ratio	
	1999 %	1998 %
Claims ratio	67.5	65.7
Expense ratio	30.6	30.7
	98.1	96.4

ASIA PACIFIC GENERAL BUSINESS OPERATIONS

Six Months to 30 June

Net Premiums Written

Underwriting Result

Operating Ratio

	1999	1998	1998	Currency	1999	1998	1998	1999	1998
	£m	Adjusted £m	Original £m	Inc/dec %	£m	Adjusted £m	Original £m	%	%
Australia	228	192	170	19	(22)	(13)	(12)	109.9	107.0
New Zealand	69	35	32	97	1	-	(1)	84.2	101.5
Other Asia	67	70	62	(5)	(19)	(10)	(9)	128.4	115.8
	364	297	264	23	(40)	(23)	(22)	109.6	108.2

Second Quarter

Net Premiums Written

Underwriting Result

Operating Ratio

	1999	1998	1998	Currency	1999	1998	1998	1999	1998
	£m	Adjusted £m	Original £m	Inc/dec %	£m	Adjusted £m	Original £m	%	%
Australia	130	108	85	21	(15)	(6)	(6)	113.0	109.1
New Zealand	55	21	18	162	2	1	-	79.0	90.9
Other Asia	33	33	27	-	(10)	(9)	(7)	134.8	130.6
	218	162	130	35	(23)	(14)	(13)	110.0	110.2

Operating Ratio

Six Months

Second Quarter

	1999	1998		1999	1998
	%	%		%	%
Claims ratio	80.0	72.3	Claims ratio	84.4	72.3
Expense ratio	29.6	35.9	Expense ratio	25.6	37.9
	109.6	108.2		110.0	110.2

TERRITORIAL ANALYSIS OF LIFE BUSINESS OPERATIONS

SIX MONTHS TO 30 JUNE

Life & Pensions

Net Premiums Written

Life Business Operations Profit

	1999	1998	1998	Currency	1999	1998	1998	Currency
	£m	Adjusted	Original	Inc/dec	£m	Adjusted	Original	Inc/dec
		£m	£m	%		£m	£m	%
Europe – UK	934	810	810	15	92	93	93	(1)
Other Europe	439	307	305	43	13	17	16	(24)
Americas	92	98	93	(6)	21	13	12	62
Asia Pacific	96	55	50	75	7	3	2	133
	1,561	1,270	1,258	23	133	126	123	6

New Business Annual Premiums

New Business Single Premiums

	1999	1998	1998	Currency	1999	1998	1998	Currency
	£m	Adjusted	Original	Inc/dec	£m	Adjusted	Original	Inc/dec
		£m	£m	%		£m	£m	%
Europe – UK	60	58	58	3	434	340	340	28
Other Europe	49	38	38	29	269	156	156	72
Americas	6	8	7	(25)	12	12	11	-
Asia Pacific	9	7	6	29	39	20	18	95
	124	111	109	12	754	528	525	43

Investment Products

Sales

	1999	1998	1998	Currency
	£m	Adjusted	Original	Inc/dec
		£m	£m	%
Europe – UK	203	116	116	75
Other Europe	80	108	108	(26)
Americas	45	64	61	(30)
Asia Pacific	75	38	34	97
	403	326	319	24

TERRITORIAL ANALYSIS OF LIFE BUSINESS OPERATIONS

SECOND QUARTER

Life & Pensions

Net Premiums Written

Life Business Operations Profit

	1999	1998	1998	Currency	1999	1998	1998	Currency
	£m	Adjusted	Original	Inc/dec	£m	Adjusted	Original	Inc/dec
		£m	£m	%		£m	£m	%
Europe – UK	485	396	396	22	51	47	47	9
Other Europe	227	139	141	63	6	10	10	(40)
Americas	47	49	45	(6)	11	7	6	71
Asia Pacific	56	37	33	51	4	2	1	-
	815	621	615	31	72	66	64	11

New Business Annual Premiums

New Business Single Premiums

	1999	1998	1998	Currency	1999	1998	1998	Currency
	£m	Adjusted	Original	Inc/dec	£m	Adjusted	Original	Inc/dec
		£m	£m	%		£m	£m	%
Europe – UK	32	33	33	(3)	235	165	165	42
Other Europe	21	16	17	31	153	76	77	104
Americas	3	5	4	(40)	6	6	5	-
Asia Pacific	6	5	4	20	25	15	13	67
	62	59	58	5	419	262	260	60

Investment Products

Sales

	1999	1998	1998	Currency
	£m	Adjusted	Original	Inc/dec
		£m	£m	%
Europe – UK	118	68	68	74
Other Europe	30	72	74	(58)
Americas	19	27	23	(30)
Asia Pacific	48	24	20	100
	215	191	185	13

ROYAL & SUN ALLIANCE INSURANCE GROUP PLC

SECTION C

STATUTORY FINANCIAL INFORMATION

CONSOLIDATED PROFIT AND LOSS ACCOUNT – STATUTORY BASIS

	6 months to 30 June 1999 (unaudited)	6 months to 30 June 1998 (unaudited) restated
	£m	£m
General business underwriting result	(324)	(259)
Balance on life business technical account gross of tax	131	123
Investment income (see Note 3)	1,016	719
Premium on convertible bond buyback	-	(142)
Unrealised (losses)/gains on investments	(377)	375
Profit from other activities	3	11
Amortisation of goodwill	(2)	-
Central expenses	(18)	(15)
	429	812
	348	884
Total Group operating profit	81	(72)
Share of results of associated undertakings	429	812
Profit on ordinary activities before tax	(220)	(260)
Tax on profit on ordinary activities	209	552
Profit on ordinary activities after tax	(21)	(16)
Attributable to equity minority interests	188	536
Profit for the period attributable to shareholders	(5)	(5)
Cost of preference dividend	(120)	(122)
Cost of ordinary dividend	(751)	-
Cost of special dividend	(688)	409
Transfer to retained profits	11.9p	34.1p
Earnings per ordinary share	11.7p	33.7p
Diluted earnings per ordinary share		

CONSOLIDATED PROFIT AND LOSS ACCOUNT - RESTATED

	6 months to 30 June 1999 (unaudited) £m	6 months to 30 June 1998 (unaudited) restated £m
General business result	168	272
Life business result	133	123
Other activities result	14	11
Group operating profit (based on longer term investment return)	<u>315</u>	<u>406</u>
Other movements in investments	123	578
Change in the equalisation provisions	(5)	(30)
Premium on redemption of convertible bonds	-	(142)
Amortisation of goodwill	(2)	-
Amortisation of embedded value	(2)	-
Profit on ordinary activities before tax	<u>429</u>	<u>812</u>
Tax on Group operating profit (based on longer term investment return)	(99)	(131)
Tax on other profits	(121)	(129)
Profit on ordinary activities after tax	<u>209</u>	<u>552</u>
Attributable to equity minority interests	(21)	(16)
Profit for the period attributable to shareholders	<u>188</u>	<u>536</u>
Cost of preference dividend	(5)	(5)
Cost of ordinary dividend	(120)	(122)
Cost of special dividend	(751)	-
Transfer to retained profits	<u>(688)</u>	<u>409</u>
Operating earnings after tax per ordinary share (based on longer term investment return)	13.8p	17.4p
Earnings per ordinary share	11.9p	34.1p
Diluted earnings per ordinary share	11.7p	33.7p

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	6 months to 30 June 1999 (unaudited)	12 months to 31 Dec 1998 (audited)
	£m	£m
Profit for the period attributable to shareholders	188	457
Movement in the value of life business	75	(115)
Exchange	84	(69)
Total recognised gains arising in period	<u>347</u>	<u>273</u>

MOVEMENT IN SHAREHOLDERS' FUNDS

	6 months to 30 June 1999 (unaudited)	12 months to 31 Dec 1998 (audited)
	£m	£m
Shareholders' funds at 1 January	7,269	7,333
Share capital issued	6	32
Total recognised gains/(losses)	347	273
Dividends	(876)	(369)
Shareholders' funds at 30 June / 31 December	<u>6,746</u>	<u>7,269</u>

MOVEMENT IN SHAREHOLDERS' INTEREST IN LIFE BUSINESS

	6 months to 30 June 1999 (unaudited)	12 months to 31 Dec 1998 (unaudited)
	£m	£m
At 31 December	2,481	2,458
Assumption changes & exchange	60	(267)
New business profit (post tax)	15	29
Existing business profit	79	281
Profit transfers	(54)	(123)
Acquisitions & capital injections	138	103
	<u>2,719</u>	<u>2,481</u>

SHAREHOLDERS' CONSOLIDATED BALANCE SHEET

	30 June 1999 (unaudited)	31 Dec 1998 (audited)
	£m	£m
ASSETS		
Goodwill (see note 4)	219	13
Investments		
Land and buildings	537	970
Interests in associated undertakings	355	218
Other financial investments	5,033	5,664
- equities	8,892	8,634
- fixed interest	917	987
- other	1,634	1,506
Value of long term business	17,368	17,979
Reinsurers' share of technical provisions	2,701	2,519
Debtors	5,050	4,666
Other assets	556	464
Prepayments and accrued income	1,087	978
Total assets	<u>26,981</u>	<u>26,619</u>
LIABILITIES		
Shareholders' funds (see note 2)	6,746	7,269
Equity minority interests in subsidiaries	302	291
Total capital and reserves	7,048	7,560
Technical provisions	16,099	15,548
Borrowings	552	443
Other liabilities	3,282	3,068
Total liabilities	<u>26,981</u>	<u>26,619</u>

Note

The balance sheet includes all assets and liabilities attributable to shareholders and general business. It does not include the assets and liabilities of life business policyholders.

SUMMARY SHAREHOLDERS' CASH FLOW STATEMENT

	6 months to 30 June 1999 (unaudited) £m	6 months to 30 June 1998 (unaudited) £m
Underwriting Result	(324)	(259)
Movement in Technical Provisions		
Unearned Premium	241	57
Outstanding Claims	(31)	56
Movement in Working Capital	(39)	(271)
Worldwide General Business cash flow	<u>(153)</u>	<u>(417)</u>
Investment income	<u>337</u>	<u>342</u>
Long term life profit transfer	101	139
Other operating cash flows	<u>1</u>	<u>(2)</u>
	439	479
Net cash inflow from operating activities	<u>286</u>	<u>62</u>
Servicing of finance	(10)	(10)
Taxation paid	(42)	(128)
Capital expenditure	(31)	(13)
Acquisitions and disposals	(372)	(151)
Dividends paid on equity shares	(989)	-
	<u>(1,158)</u>	<u>(240)</u>
Issue of ordinary share capital	5	7
Premium on redemption of convertible bond	-	(142)
Cash flow (pre investment)	<u>(1,153)</u>	<u>(375)</u>
Investment activities		
Sales of investments	1,074	169
Increase in borrowings	79	206
	<u>1,153</u>	<u>375</u>

Note

The cash flow statement does not include any amounts relating to the life business except cash transactions between the life business and shareholders.

EXPLANATORY NOTES TO THE FINANCIAL INFORMATION

1. Earnings per share

The earnings per share is calculated by reference to the profit attributable to the equity shareholders and the weighted average of 1,542,196,994 shares in issue during the period. The number of shares in issue at 30 June 1999 was 1,423,333,790.

2. Equalisation provisions

The balance on the general business technical account (underwriting result) is arrived at after a charge of £5m (1998 : £30m charge) for the change in the equalisation provisions. Shareholders' funds are stated after deducting equalisation provisions of £255m (31 December 1998 : £250m).

3. Investment income reconciliation

	1999	1998
	£m	£m
Net investment income (after loan interest and investment expenses and charges)	409	406
Gains on realisation of investments	599	304
Income from associated undertakings	8	9
Investment income	1,016	719
	=====	=====

4. Goodwill capitalised

Goodwill capitalised represents purchased goodwill and purchased life embedded value since 1 January 1998. The amortisation charge for the period for each of these is £2m.

SIX MONTHS RESULTS FOR 1999

The results for the six months ended 30 June 1999 are unaudited. The financial information does not amount to full accounts within the meaning of Section 240 of the Companies Act 1985. The shareholder consolidated balance sheet as at 31 December 1998 has been abridged from the full Group accounts, on which the auditors have given an unqualified opinion, and which have been delivered to the Registrar of Companies.

INDEPENDENT REVIEW REPORT

Introduction

We have been instructed by the company to review the financial information set out on pages 1 to 6 of the Statutory Financial Information and we have read the other information contained in the interim report for any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the directors. The Listing Rules of the London Stock Exchange require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and underlying financial data, and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 1999.

PricewaterhouseCoopers
Chartered Accountants
London
5 August 1999