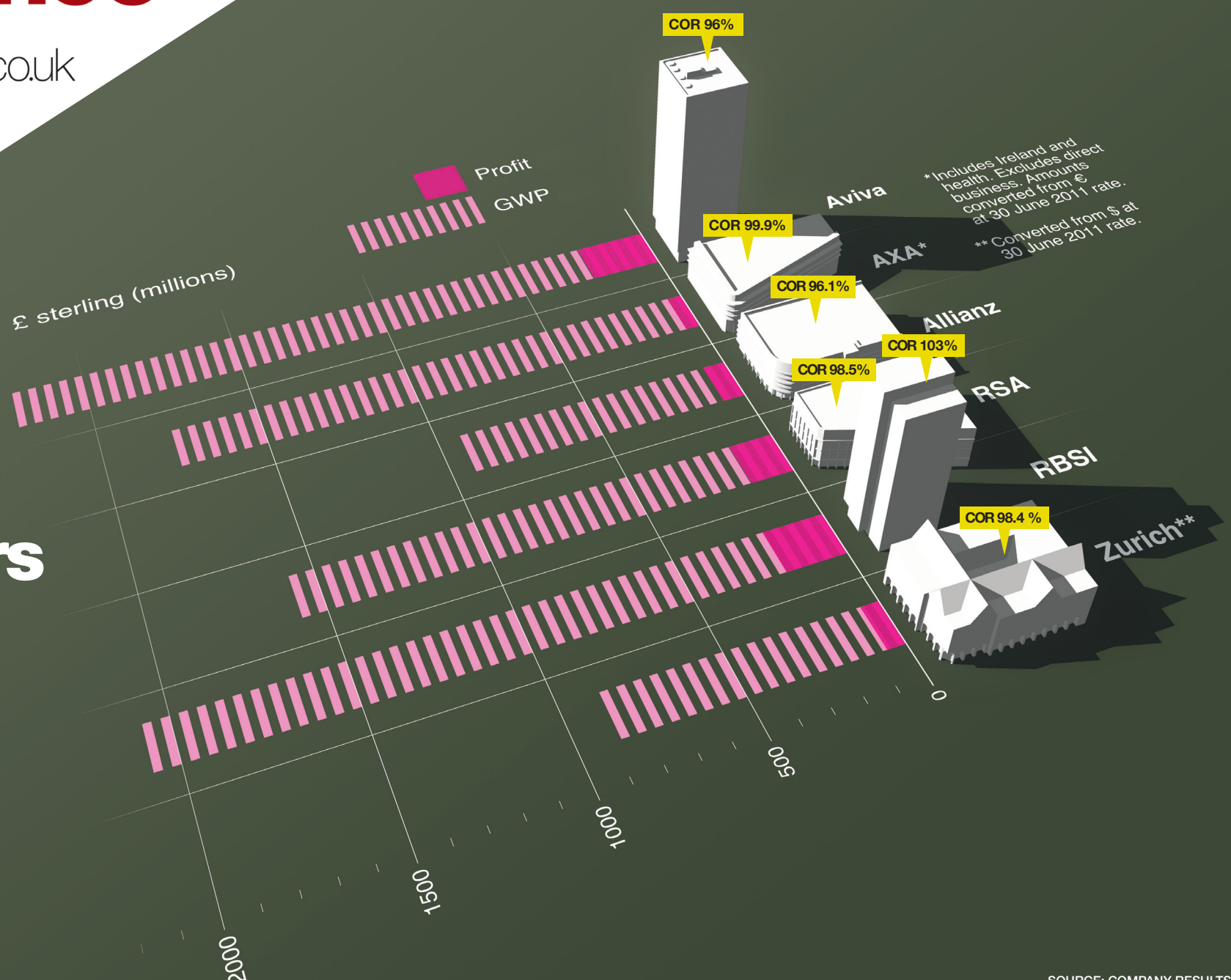


1 The numbers

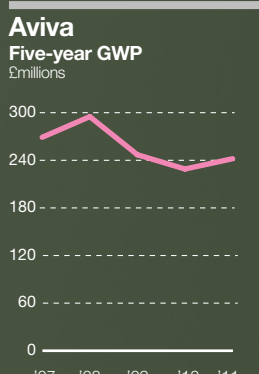
It's half-time and the numbers are looking healthy. The major insurers are returning to profitability, with some players posting impressive results. Top of the list for combined operating ratio is Aviva at 96%, and Allianz isn't far behind. With only RBSI coming in at over 100%, the market is clearly back to profitability, and insurers will be hoping to improve on these results by the end of the year. It's certainly a promising start.



SOURCE: COMPANY RESULTS

Insurers' five-year results

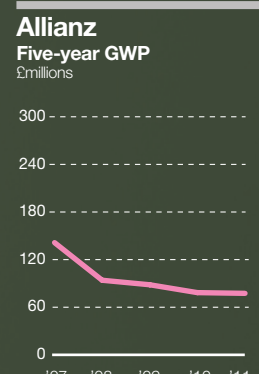
A glance back over the past five half-year results shows that most of our major insurers have made a credible recovery following a tough couple of years. For some, such as RBSI, this recovery is all the more impressive given the scale of previous losses.



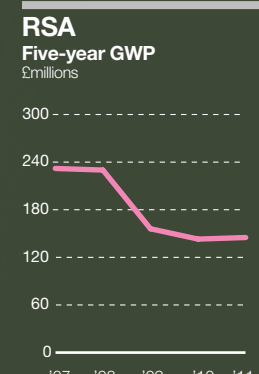
"We have continued the great momentum we've had in 2010 on both top and bottom line." General insurance chief executive David McMillan



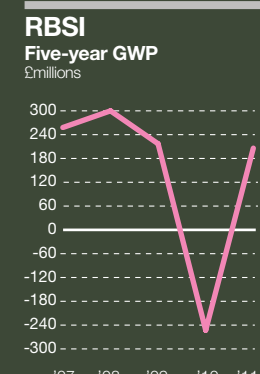
"The sustained growth and improved profitability across each of the UK and Ireland operations demonstrates the benefits of the reorganisation completed in late 2010." AXA UK chief executive Paul Evans



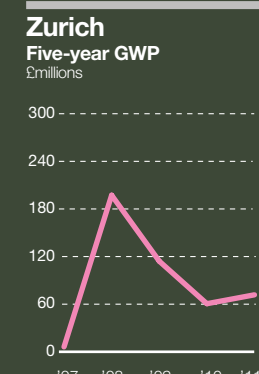
"Limited rate increases on commercial lines are a reflection of a market that remains highly competitive and a policyholder base operating in an economy showing only very muted signs of a return to normality." Allianz chief executive Andrew Torrance



"Commercial property in the UK is underpriced. We are trying to lead the market on rate but it is still really tough. We are getting more rate than others, but it is still not enough to turn that into a profitable business" Adrian Brown, RSA



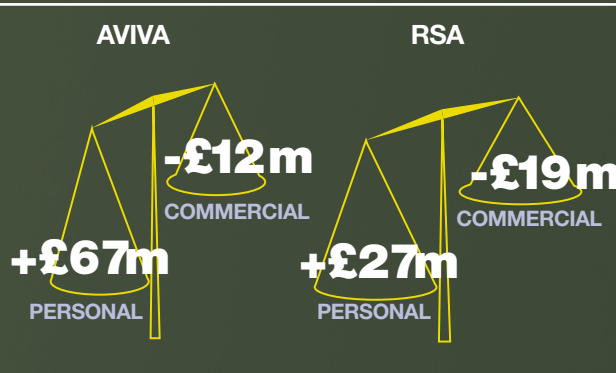
"These results reflect significant progress towards the completion of the first phase of our strategy: recovering profitability." RBSI chief executive Paul Geddes



"If we don't see rate increases continue this year and into 2012 over and above claims inflation, there will be a significant correction in the market in 2012 or 2013." Zurich chief marketing officer Kay Martin

Personal props up results

The overall results mask how, in many cases, profits in personal lines are propping up commercial books. Insurers are still making underwriting losses on commercial, and rates need to rise.

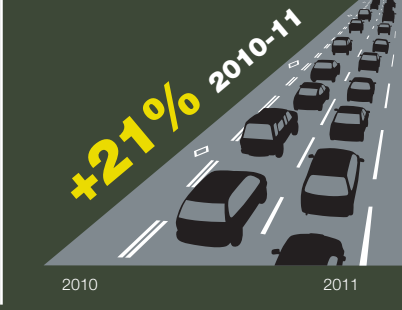


Second tier

Insurer	GWP	Profit	COR
Ageas	£882m	£34.5m	101.2%
Groupama	£239.8m	£18.5m*	99.2%
LV=	£704m	£52m	98.1%
QBE	£169.7m	£120.5m	95.4%

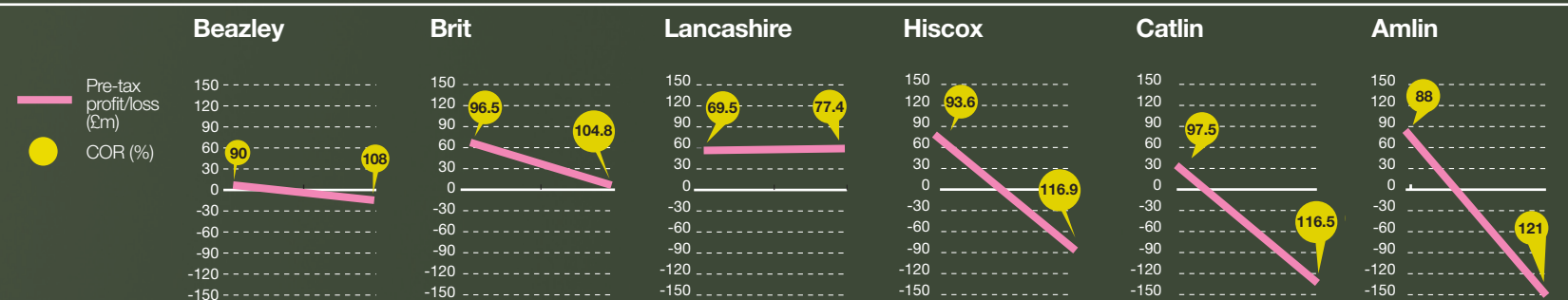
*includes broking operations

Motor rates



Lloyd's hits a low

It's a different story in the Lloyd's market, where this year's unprecedented string of catastrophe losses has pushed many formerly profitable players deep into the red.



2 The people

For the leaders running insurers, the race to the finish is a test of endurance, nerve and personal charisma.

Setting the pace
Changes in the first half make this the most exciting year since the economy tumbled in 2008. Aviva's Trevor Matthews and AXA's Amanda Blanc will be determined to prove their form.

Leading the field
Established runners such as Allianz's Andrew Torrance and RSA's Adrian Brown will need to prove that they can keep up with the new entrants in the race for the finish line at the end of the year.

Trevor Matthews
LATE ENTRY
Chief executive, Aviva UK

As yet an unknown quantity, Matthews will be joining the race late in the year. He joins from the life circuit, so this will be new ground for him.

Andrew Torrance
Chief executive, Allianz

Torrance has been chief executive of Allianz since 2003. Under his leadership, and that of his commercial lieutenant Chris Hanks, Allianz has been a steady and widely respected performer, often benefiting from turbulence at its rivals.

"Economic pressures will not make securing the necessary rate rises in both the commercial and personal lines markets any easier to achieve."

Paul Geddes
Chief executive, RBS Insurance

A marketer by background, Geddes surprised many when he took the top job in 2009. Since then, he has fought valiantly to protect the insurer's brands in the face of a dismal motor market and widespread uncertainty about the organisation's future.

"We are pleased with the performance but we're not declaring victory."

Mark Hodges
EARLY DEPARTURE
Until June, Hodges was chief executive of Aviva UK

Hodges was a strong contender who could take credit for having reversed Aviva's fortunes before a surprise departure from the race this summer, with the announcement he was joining Towergate.

Adrian Brown
Chief executive, RSA UK

Promoted to the top job in 2008 after a 'man and boy' career at RSA, Brown has proved a sure-footed contender, consistently at the head of the pack and with the vocal support of brokers.

"I'm more optimistic now than I've ever been in my life."

Stephen Lewis
Chief executive, Zurich UK

Appointed in 2009, Lewis has had a broadly solid run, stumbling in the motor market before returning to form this year.

"We've got to become easier to deal with."

Amanda Blanc
Chief executive, AXA commercial

Blanc's appointment was a triumph for group boss Paul Evans, and since taking the reins in February, she has shaken up the business with high-profile appointments, departures, and restructuring.

"You've got to be completely clear about the things that make you money, the things you understand and your ability to underwrite them."

3 The world

It's not all about the numbers and the people. There are global events beyond the market's control that shape the future of the industry.

Economy falters
As the global economy teeters on the brink of a double-dip recession, insurers' stock prices have been hammered amid fears over their exposure to sovereign debt.

Catastrophes
Insured losses for the first half of 2011 were almost five times greater than the average since 2001, with around £165bn in economic losses up to the end of June.

Regulation
The ever-lengthening advent of Solvency II has cost insurers millions of pounds – and still uncertainty reigns.

January: Floods in Australia Insured losses: £1.6bn

February: New Zealand earthquake Insured losses: £6.2bn

March: Japan earthquake Insured losses: £18.7bn

April/May: Tornadoes in the USA Insured losses: £6.2bn



Uncertainty in the euro zone
Fears over the collapse of the euro have major implications for insurers, particularly those domiciled in the euro zone.

Low interest rates
The continuation of low interest rates is causing investment yields to remain low.

Global economy

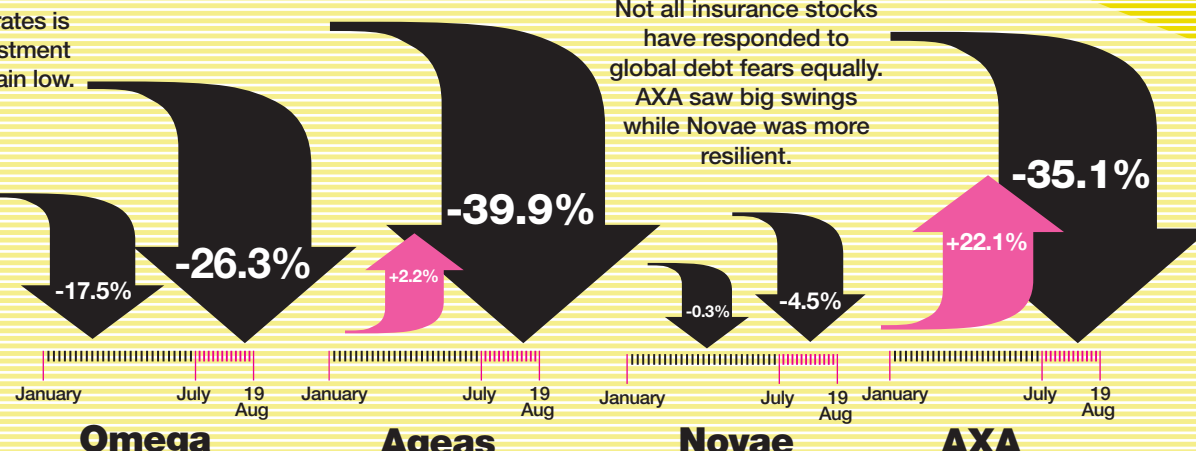
Share price volatility
Not all insurance stocks have responded to global debt fears equally. AXA saw big swings while Novae was more resilient.

Regulation

Solvency II
Insurers have been spending millions of pounds preparing for Solvency II, which is also driving decisions about M&A and business structure.

Referral fees
In the UK, calls for a ban on referral fees have been vocal, as politicians led by Jack Straw wake up to the cause of soaring motor premiums.

SOURCE: CLOSING SHARE PRICES



SOURCE: MUNICH RE
NOTE: VALUES CONVERTED FROM \$ AT 30 JUNE 2011 RATES