

29 March 2006

Resolution plc buys back preference shares in Resolution Life Group Limited from Royal & Sun Alliance Insurance Group plc

Resolution plc ("Resolution"), the largest specialist manager of UK closed life funds, announces that it has entered into an agreement with Royal & Sun Alliance Insurance Group plc ("R&SA") to purchase all the preference shares that R&SA owns in Resolution's subsidiary Resolution Life Group Limited ("RLG") for total payment of £100 million. The transaction is expected to complete on 31 March 2006 and this will be reflected in Resolution's European Embedded Value ("EEV") at 31 December 2005.

The payment will be funded from internal resources and will consist of the payment of a dividend of £13.125 million in respect of the period from 30 September 2004 to 31 March 2006 together with a cash consideration of £86.875 million representing 87% of the par value of the preference shares.

As part of the acquisition agreement, (i) the indemnity which R&SA had given to RLG in relation to potential mis-selling liabilities within the former R&SA life companies acquired by RLG in September 2004 and (ii) non-tax warranties given at the time of the sale of the former R&SA life companies will be cancelled. The best estimate reserves in respect of potential mis-selling liabilities underlying the 30 June 2005 EEV restatement published by Resolution on 7 March 2006 would not have resulted in any payment being due from R&SA under the mis-selling indemnity.

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Notes to editors

1. RLG completed the acquisition of the former R&SA UK life operations on 30 September 2004 for a total consideration of £850m. The consideration comprised £750m cash together with £50m of 8.75% cash preference shares and £50m of 8.75% PIK preference shares.

2. As part of the terms of the transaction R&SA agreed to share the costs of increases in mis-selling liabilities in the former R&SA life companies if the costs of those liabilities exceeded an agreed level. This could have resulted in R&SA making cash payments to RLG, capped at £76m. This liability would have expired on 31 December 2009.
3. The acquisition agreement between R&SA and RLG contained customary warranties from R&SA in connection with the former R&SA life companies concerning, amongst other matters: accounts; material contracts; intellectual property rights; IT systems; anti-trust; compliance; actuarial matters; information relating to mis-selling; properties; environment; employees and pensions and other employee benefits. These warranties expire on 31 March 2006 and there are no known claims outstanding.