



30 September 2004

Resolution completes acquisition of R&SA Life

Resolution Life Group (“Resolution”), the consolidator of closed life funds, is pleased to announce the completion on 30 September 2004 of its £850 million purchase of R&SA Life, the life assurance business of Royal & Sun Alliance Insurance Group plc (“R&SA”).

Completion of the acquisition comes one month earlier than anticipated after R&SA shareholders approved the R&SA Life offer made by Resolution on 30 July 2004, and the Financial Services Authority gave its approval for the change of control on 29 September 2004, within two months of announcement.

Resolution is writing to R&SA Life policyholders to explain that the ownership of R&SA Life has transferred from R&SA. In the letter, Resolution reminds policyholders that policy conditions, premium payment arrangements and policyholder contact points are all unchanged as a result of this transaction.

Commenting on the completion, Clive Cowdery, CEO of Resolution, said: “R&SA Life is an excellent first acquisition for Resolution and shows how seller, policyholder and investor interests can be aligned to allow positive transactions in the closed fund sector. We are now actively considering a number of other potential acquisitions where a similar balance is required.”

Resolution is an insurance holding group backed by private sector investors with the sole purpose of buying and running closed UK life funds. Acting as an industry utility, Resolution aims to offer a private sector response to the problems surrounding the growing number of closed funds.

Resolution’s equity backers are a wide and balanced group of institutional investors, including pension funds, life companies, investment trusts and family offices. The group has the objective of patiently achieving stable and secure long-term yield and returns.

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Market Background

The life insurance industry in the UK expanded rapidly during the 1970s and 1980s driven by rising equity markets and government encouragement of private pension and savings provision. In the late 1990s, however, equity market volatility and regulatory developments put pressure on the profitability in the sector, and a large number of industry players decided to stop writing new business.

Despite the fact that these companies are closed to new business they will take decades to run off as the underlying policies mature or lapse, requiring significant continued operational and financial management. These closed life insurance companies are often non core to their current owners, many of which are therefore investigating disposal of these companies. Resolution estimates that more than 20 such companies will be closed by the end of 2004 and that many will be sold over the next three years. Resolution estimates that these companies comprise a total of more than £150 billion in assets, freezing in excess of £15 billion of financial sector capital.

The Board of Directors

The Board consists of the following:

- Sir Brian Williamson, Chairman
- Sir David Cooksey, Non-executive Director
- David Woods, Non-executive Director
- Clive Cowdery, Chief Executive Officer
- Brendan Meehan, Chief Operating Officer

Sir Brian Williamson – Chairman

Sir Brian is a non-executive Director of HSBC Holdings plc, Director on the Supervisory Board of Euronext NV, Chairman of Electra Investment Trust plc, and Senior Adviser to Fleming Family & Partners. He was a Director of the SIB (later FSA) between 1986-98 and a Member of the Court of the Bank of Ireland from 1990-99. In 1995 he joined the International Advisory Board of NASDAQ, becoming Chairman in 1996 and from 1995-98 he was a Governor-at-Large of the NASD in Washington. He was also previously Chairman of Gerrard Group plc and Chairman of The London International Financial Futures and Options Exchange.

Sir David Cooksey – Non-executive Director

Sir David is a Member of the Court of Directors of the Bank of England and Chairman of the Bank of England's sub-Committee of Directors, Chairman of Bepak plc and William Baird plc, and a member of the Advisory Group to HM Treasury on the financing of SME high-technology companies. He founded Advent in 1981 and became the first Chairman of the British Venture Capital Association in 1983. He was Chairman of the Audit Commission from 1986 to 1995, and a Governor of the Wellcome Trust until last year.

David Woods – Non-executive Director

David has spent more than 33 years working in the life insurance and investment industries both in the UK and abroad. He is currently Chairman of Royal Liver Assurance, the second largest friendly society in the UK. He was Managing Director of The Scottish Provident Group from 1988 until 2002, steering that business to the leading position in the UK

protection market and subsequently managing the organisation through the process of its demutualisation and successful sale to the Abbey National Group. David is also a non-executive Director of Kiln Plc and a trustee of The Xansa Group and Scottish Provident pension schemes.

Clive Cowdery – Chief Executive Officer

Clive was previously Chairman and Chief Executive of General Electric's primary insurance operations in Europe, GE Insurance Holdings, with over \$3 billion of premium income. The businesses he led included Europe's largest credit insurer, with operations in 12 countries, and life & pensions companies in the UK and France. Before joining GE in 1998, he co-founded J. Rothschild International / Scottish Amicable International, a European cross-border life insurance business which was sold to Prudential plc in 1997.

Brendan Meehan – Chief Operating Officer

Brendan's career in the insurance industry began as a broker consultant with Eagle Star before training as an accountant with Royal Insurance. He has held both financial and operational posts with Royal Life and Royal Nederland Leven in Holland before becoming a Partner at KPMG Consulting advising the life assurance industry. In 2001, he was appointed Finance Director of AMP's UK Financial Services business. There, in the wake of the equity market downturn, he led the closing and de-risking of the company's life funds, implementing revised investment strategies and managing a capital recovery programme to restore their regulatory solvency. He led the financial process that ended with the successful flotation of AMP's UK assets as HHG plc in 2003.

About R&SA Life

R&SA Life, which closed to new business in 2002, is an ideal first acquisition for Resolution:

- with £24 billion of funds under management and 2.4 million policies it brings immediate scale to Resolution's business model for consolidating the closed book sector
- R&SA Life's asset / liability position has undergone extensive de-risking in recent years, reflected in the recent announcement of its reduced capital requirements, which were agreed between R&SA and the FSA
- its management team and staff are highly experienced in closed fund management and will remain responsible for the current operations based in Liverpool

Resolution will also take over R&SA Life's existing outsourcing arrangements. The transaction will not result in any redundancies.

Brief history

1996 R&SA was formed from the merger of Royal Insurance and Sun Alliance, two large UK based composite insurers. Both of these companies were primarily general insurers but had medium sized UK life insurance businesses. Both life companies marketed their products through the IFA and direct sales force distribution channels, selling a mixture of with profits, non-profit and unit-linked policies.

2001 R&SA Life closed its with profits operations to new business.

2002 R&SA Life announced the sale of its Group Risk operations to Canada Life and closed the rest of its life insurance operations to new business.

R&SA announced the sale of the R&SA group investment arm to Friends Ivory & Sime plc (later to be named ISIS Investment Management). ISIS Asset Management manages the assets of R&SA Life.

2003 R&SA announced the outsourcing of R&SA Life's administration services to Unisys.

Business overview

The principal businesses of R&SA Life are two with profits companies, Royal & Sun Alliance Life and Pensions Limited (RSALP) and Sun Alliance & London Assurance Company Limited (SALAC), and two non-profit / unit-linked companies, Phoenix Assurance plc (Phoenix) and Royal & Sun Alliance Linked Insurances Limited (RSALI):

- RSALP: £9.8bn assets
- SALAC: £8.7bn assets
- Phoenix: £1.7bn assets
- RSALI: £4.0bn assets