

Press release

27 August 2009

Fortis UK delivers strong premium growth and operational performance at half year

Fortis UK interim results reported as at 30 June 2009

Financial highlights:

- Strong non-life premium growth with a year on year increase of 7 per cent to £401.6 million (H1 2008: £375.3 million).
- Continued positive growth of the new Life business with New Annual Premium up to £6.4 million at 30 June 2009.
- Retail Commission Income generated by RIAS, Fortis Insurance Solutions (FIS) and InsureTECH Systems, marginally down year on year to £42.8 million (H1 2008: £43.3 million).
- Non-life Profit Before Tax down year on year to £31.7 million (H1 2008: £43.2 million) as a result of issues impacting the whole market: increased household claims resulting from the cold weather in the first quarter, increased personal injury motor claims and lower investment yields year on year.

Fortis UK

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Business highlights:

- Significant new deals with Tesco Personal Finance (TPF), Toyota and Post Office Financial Services. The TPF contract is progressing well and an announcement is likely soon.
- Fortis now serves a record 6.9 million customers in the UK.
- Successful first year of trading in the life protection market, now receiving more than 500 applications per day and providing cover to 38,500 customers.
- Market leading operational efficiency - ranked 'most efficient insurer for motor claims'¹ for the sixth consecutive year and 'most efficient insurer for household claims'².

Commenting on the results, Barry Smith, CEO Fortis UK, said:

"Given the current market conditions, I am pleased with the robust business performance we have delivered in the first half of the year, clearly supported by the progress we are making with our multi-channel distribution strategy, innovative product development and the service excellence we continue to provide to our partners and customers.

We have recently announced that we are in exclusive discussions with Tesco Personal Finance and Toyota (GB), which following the imminent completion of the contracts, will further support our business growth.

Looking forward, the market faces some significant challenges which will set the agenda for the rest of 2009 and 2010. Pressure on motor rates continues to be a market issue as the impact of discounting and shopping around, combined with increased claims costs makes current market rates unsustainable. At Fortis, we continue to respond to these conditions through our disciplined underwriting strategy, implementing rate increases and targeting poor performing segments to enhance motor performance to the desired level."

Fortis Insurance Limited (FIL)

FIL's implementation of the strategy to broaden distribution and the product range within commercial lines is delivering significant growth. Year on year commercial lines GWP has increased by 40 per cent to £53.6 million, driven by the continued growth of Fortis van insurance, now delivered to over 100,000 customers, and positive progress made with the pilot of a new fleet proposition. In addition, significant progress is being made in the delivery of FIL's commercial product suite through electronic trading platforms including PowerPlace. Momentum is expected to continue in the second half of 2009, putting FIL in a leading position in terms of commercial e-trading.

Personal lines GWP performance is up 3 per cent over the same period in 2008 to £344.7 million as a result of healthy growth in Fortis' household book and private car premiums. In private car, the breadth of FIL's relationships is increasing as seen in recent panel arrangements through Budget Group with RAC and Barclays. Rates continue to be under pressure across the motor market and FIL is responding by maintaining a strong underwriting discipline as well as targeting poor performing segments.

FIL has achieved rate strengthening across its travel book, which has offset foreign exchange fluctuations. The current economic climate has seen a decline in the number of people travelling.

The first half of 2009 also saw the establishment of new relationships with partners such as UKU, which over two years will increase the number of customers insured by Fortis by approximately 2 million. FIL is seeing very encouraging signs that its broker strategy is being successful with the introduction of new relationships but also the broadening of existing relationships such as with Towergate, Giles and Kerry London.

Retail

Retail Commission Income from owned distribution channels RIAS, FIS and InsureTECH Systems marginally decreased year on year to £42.8 million, against the backdrop of the economic climate and a competitive environment. RIAS, Fortis' over 50s specialist intermediary, has increased its number of policies to 1.04 million (31 December 2008: 1.03 million) and the proposition continues to be strengthened by the development of new offerings, including a new Whole of Life product, (developed with Fortis Life), Key Cover and a product that enables policy excesses incurred on claims to be waived.

Internet based business FIS continues to trade well primarily through insurance comparison sites. Using its own brands and working with third party brands, FIS has seen continued innovation such as the deployment of real time pricing techniques and the collaboration with Donatesomeback Limited. This partnership has launched a creative approach to the online purchasing of personal lines insurance products, allowing customers to donate to a charity of their choice, using a proportion of the commissions earned by Donatesomeback.com.

Fortis Life

Strong progress continues to be made with Fortis Life, which reported New Annual Premium of £6.4 million at 30 June 2009. The company provides cover to over 38,500 customers and in the first half of the year attained a market share of 3.4% per cent of the IFA whole of market³. Having celebrated its first year of trading in July, Fortis Life has made rapid and significant inroads with a number of specialist Independent Financial Advisors (IFAs) such as Click and LifeSearch supporting both on-line, telephone and face to face IFA operations. Following the successful launch with a number of protection specialist IFAs, Fortis Life is now driving forward with its distribution roll out plan, focusing on the larger networks and national firms.

Innovation of both products and systems developed by Fortis Life have recently been recognised. The company won the Protection Review 'Innovation Award' for its Real Life Cover proposition, and has been shortlisted for two *ifs* Financial Innovation Awards.

Significant progress with partnerships

Fortis UK continues to see a healthy pipeline of new affinity partnerships in the first half of 2009, confirming deals and exclusive discussions with Insure&Go, Tesco Personal Finance and Toyota among others. The company has also extended relationships with existing partners such as the Post Office Financial Services, announced in April 2009, where FIL has recently been selected to provide Commercial Lines insurance products, in addition to the existing relationship, which includes Travel, Private Car and Household.

- Ends -

Notes to Editors:

¹ Datamonitor 2009 - based on the top 10 largest motor insurance providers by GWP

² Datamonitor 2009 - based on the top 20 largest household insurance providers by GWP

³ Source: ABI data for Q2 2009

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About Fortis

Fortis (Insurance UK) is a leading provider of award-winning personal and commercial lines insurance solutions in the UK. Fortis UK has two main divisions, manufacturing both non-life and life products, which are distributed through a range of channels including brokers, IFAs, intermediaries, affinity partners and the Internet, as well as various wholly or partially-owned companies (RIAS, Fortis Insurance Solutions, Affinity Solutions, Text2Insure and InsureTECH Systems).

Insuring around 7 million customers and working with a range of partners, Fortis is recognised for delivering consistent and high-quality customer experiences. It employs almost 3,000 people with a head office based in Eastleigh and others in Belfast, Bournemouth, Gloucester, Haywards Heath, London, Redditch, Reigate and Stoke-on-Trent.

Fortis (Insurance UK) is part of Fortis, a global insurance group of significant scale with over EUR14bn turnover, 20 million customers and 10,000 employees worldwide.