# Aviva Capital Markets Day 9th July 2014





#### **Cautionary statements:**



This should be read in conjunction with the documents filed by Aviva plc (the "Company" or "Aviva") with the United States Securities and Exchange Commission ("SEC"). This announcement contains, and we may make other verbal or written "forward-looking statements" with respect to certain of Aviva's plans and current goals and expectations relating to future financial condition, performance, results, strategic initiatives and objectives. Statements containing the words "believes", "intends", "expects", "projects", "plans", "will," "seeks", "aims", "may", "could", "outlook", "estimates" and "anticipates", and words of similar meaning, are forward-looking. By their nature, all forwardlooking statements involve risk and uncertainty. Accordingly, there are or will be important factors that could cause actual results to differ materially from those indicated in these statements. Aviva believes factors that could cause actual results to differ materially from those indicated in forward-looking statements in the presentation include, but are not limited to: the impact of ongoing difficult conditions in the global financial markets and the economy generally; the impact of various local political, regulatory and economic conditions; market developments and government actions regarding the sovereign debt crisis in Europe; the effect of credit spread volatility on the net unrealised value of the investment portfolio; the effect of losses due to defaults by counterparties, including potential sovereign debt defaults or restructurings, on the value of our investments; changes in interest rates that may cause policyholders to surrender their contracts, reduce the value of our portfolio and impact our asset and liability matching; the impact of changes in equity or property prices on our investment portfolio; fluctuations in currency exchange rates; the effect of market fluctuations on the value of options and guarantees embedded in some of our life insurance products and the value of the assets backing their reserves; the amount of allowances and impairments taken on our investments; the effect of adverse capital and credit market conditions on our ability to meet liquidity needs and our access to capital; a cyclical downturn of the insurance industry; changes in or inaccuracy of assumptions in pricing and reserving for insurance business (particularly with regard to mortality and morbidity trends, lapse rates and policy renewal rates), longevity and endowments; the impact of catastrophic events on our business activities and results of operations; the inability of reinsurers to meet obligations or unavailability of reinsurance coverage; increased competition in the UK and in other countries where we have significant operations; the effect of the European Union's "Solvency II" rules on our regulatory capital requirements; the impact of actual experience differing from estimates used in valuing and amortising deferred acquisition costs ("DAC") and acquired value of in-force business ("AVIF"); the impact of recognising an impairment of our goodwill or intangibles with indefinite lives; changes in valuation methodologies, estimates and assumptions used in the valuation of investment securities; the effect of legal proceedings and regulatory investigations; the impact of operational risks, including inadequate or failed internal and external processes, systems and human error or from external events; risks associated with arrangements with third parties, including joint ventures; funding risks associated with our participation in defined benefit staff pension schemes; the failure to attract or retain the necessary key personnel; the effect of systems errors or regulatory changes on the calculation of unit prices or deduction of charges for our unit-linked products that may require retrospective compensation to our customers; the effect of simplifying our operating structure and activities; the effect of a decline in any of our ratings by rating agencies on our standing among customers, broker-dealers, agents, wholesalers and other distributors of our products and services; changes to our brand and reputation; changes in government regulations or tax laws in jurisdictions where we conduct business; the inability to protect our intellectual property; the effect of undisclosed liabilities, integration issues and other risks associated with our acquisitions; and the timing/regulatory approval impact and other uncertainties relating to announced acquisitions and pending disposals and relating to future acquisitions, combinations or disposals within relevant industries. For a more detailed description of these risks, uncertainties and other factors, please see Item 3d, "Risk Factors", and Item 5, "Operating and Financial Review and Prospects" in Aviva's most recent Annual Report on Form 20-F as filed with the SEC. Aviva undertakes no obligation to update the forward looking statements in this announcement or any other forward-looking statements we may make. Forward-looking statements in this announcement are current only as of the date on which such statements are made.

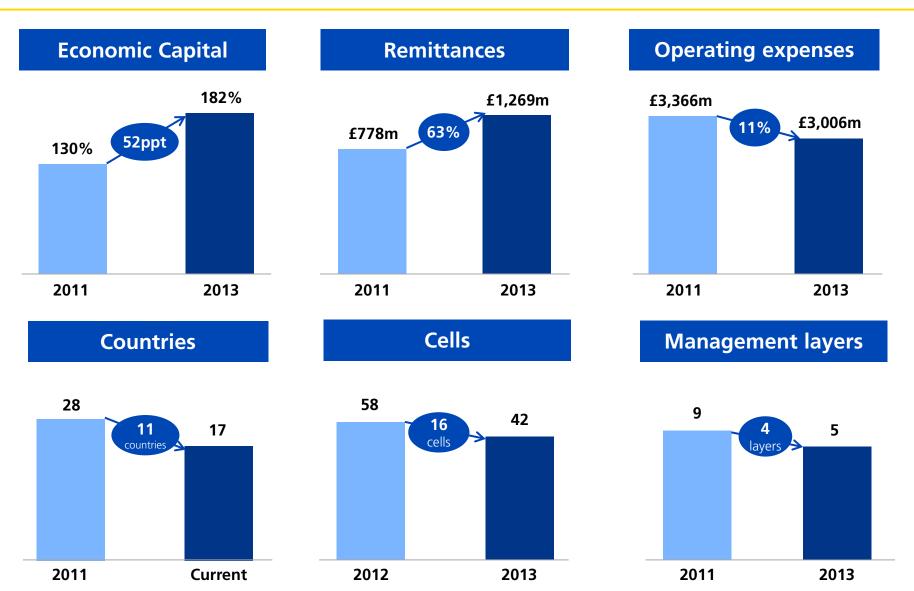
## Agenda



Aviva Reloaded	Mark Wilson
Still more to do	Tom Stoddard
Break	9.30 – 9.45
Aviva Investors – Making asset management core	Euan Munro
Aviva UK Life – Cash flow and growing the franchise	David Barral
Break	11.15 – 11.30
Aviva GI – digital, analytics and opportunities to grow underwriting profits	Maurice Tulloch
Transforming our customer experience	Monique Shivanandan
Lunch and demonstrations	12.30 – 14.00
Aviva Europe – Cash, turnaround and growth	David McMillan
Aviva Asia – Capitalising on Asia's growth potential	Khor Hock Seng
Break	15.15 – 15.30
People – creating a performance-based culture	Christine Deputy
Productivity and systems thinking	Nick Amin & Scott McFie
CEO Summary and Q&A	Mark Wilson
Close	17.30

## Some progress since 2011





### Trends shaping the insurance industry

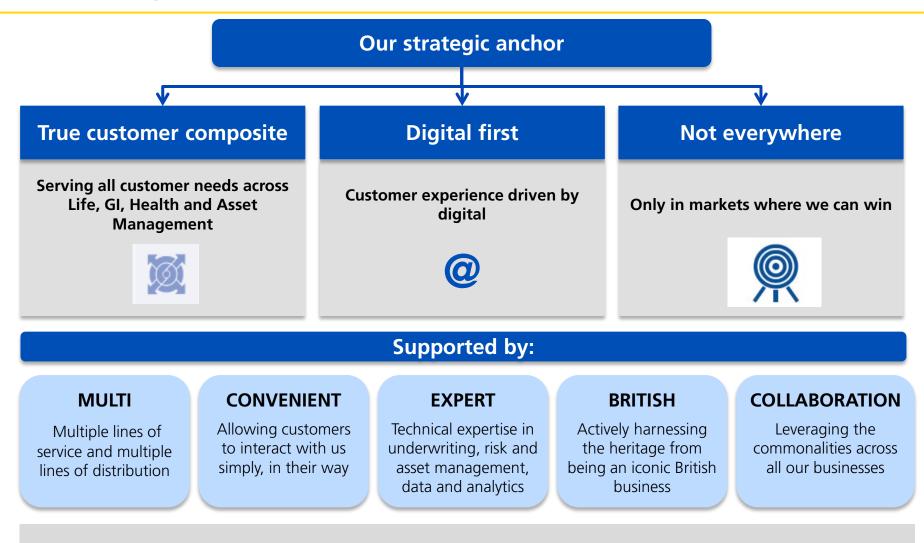






### **Our strategic anchor**

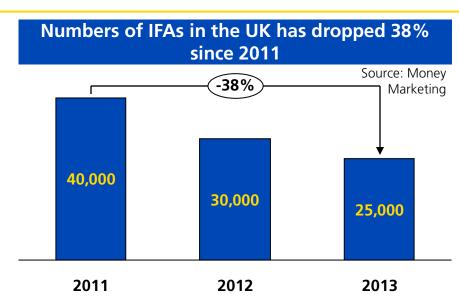




A focussed, clear, simple, differentiated business strategy

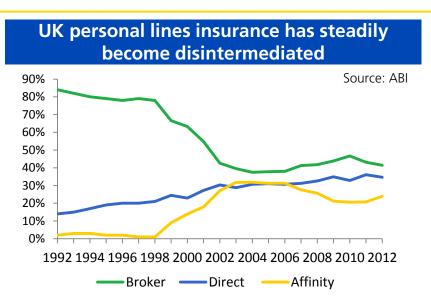


#### True customer composite



#### Historical view of a composite

- Financial benefits of diversification were clear, operational benefits elusive.
- No cross business line packaging
- Intermediary dominated distribution and customer relationships
- Wide geographic footprint lacking agility and focus



#### True customer composite

- Packaged customer solutions across product groups
- More product holdings lead to greater engagement, retention and profitability
- Simpler, often cheaper proposition
- Asset management increasingly important
- Enabled by digital technology
- Lower insurance risk profile

#### Historical distribution has prevented composite packaging

## **Digital first**



#### MyAviva •••• EE 🤶 14:09 20% Get quotes Please select a product Car insurance Home insurance Travel insurance A Van insurance Life insurance $\mathbf{Z}$ ? 8 My polici Quote

#### Life



#### **General Insurance**







#### **Asset Management**



#### Digital is a key enabler to true customer composite

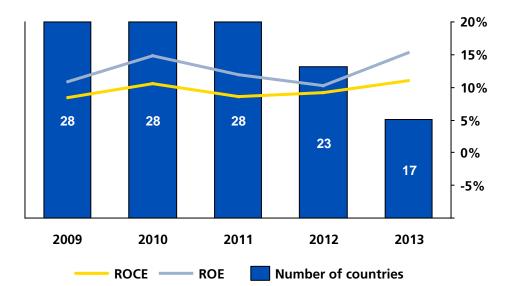
#### **Digital first vision**

- One customer view
- One place for all products and services
- One statement
- One premium
- No paper
- MyAviva

#### Not everywhere



Despite a reduction in the number of countries ROCE and ROE has increased\*



#### We will continue to reshape our portfolio to drive returns higher

- Only operate in markets where we have scale and defined competitive advantage
- Allocate capital between cells and countries
- A preference for composite where margins and regulation are supportive

#### We have focussed our footprint and returns have improved

### **Our local business strategies**



#### Aviva Investors: Re-defined AI proposition

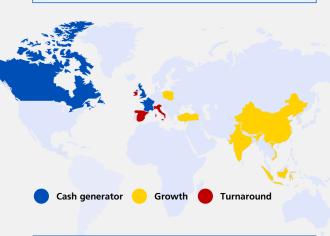


- Execute AI proposition
- Drive value in composite model
- Simplify our business funds and markets
- Focus on 3<sup>rd</sup> party flows

#### UK Life:

Focus on customer and cash

- Move to solutions based business
- Leverage composite capability "MyAviva"
- Unlock value from back book



#### Canada: Diversify products and distribution

- Improve ease of doing business with partners
- Diversify geographic exposure
- Build digital capabilities, including telematics

#### 

- Focus on cash flow in France
- Continue turnaround in Italy and Spain
- Invest in Poland and Turkey
- Build scale and protection in GI

#### UK GI: Growth through digital and analytics

- Increase cross sell
- Analytics
- Broaden market reach and leverage composite through digital
- Global GI platform

#### Asia:

## Not everywhere - fast growing platform

- Leverage our partners' distribution strength and customer reach
- Extend use of customer analytics
- Expand digital in Asia

#### We have clear strategies to deliver cash flow and growth



	lssue	Plan	Timing
	<b>1</b> Operating expense ratio is too high	Below 50%	YE 2016
>	2 Excess cash flow is inadequate considering our earnings power	More than double annual run-rate to £0.8bn	YE 2016
h flow	<b>3</b> Life back books are inefficient and capital intensive	Increase cash flow, efficiency and retention	Ongoing
Casl	High external leverage and debt service levels deflates profits and restricts financial flexibility	Below 40% on TNAV basis and AA equivalent on S&P basis	Medium Term

#### Clear plan to deliver improvements in cash flow



	lssue	Plan	Timing
E7	<b>5</b> Growth is necessary but not at the cost of dividends	Reallocate resources to growth businesses	Ongoing
<b>(</b> 3	<b>6</b> Third party flows are weak	Positive external fund flows at Aviva Investors	From 2015
owth	Current cross-sell rate is unacceptable	Increase average product holdings	Ongoing
ש	8 We rely too heavily on others for distributions	Two million MyAviva customers	Within 12 months

#### Potential for growth through reallocation of capital

#### A strengthened management team







# **Still more to do**

Tom Stoddard Group Chief Financial Officer



- Regulatory change
  - Solvency II
  - GSII
  - Consumer value
- Legacy of global financial crisis
- New reporting requirements
- Systems and Management Information in transition

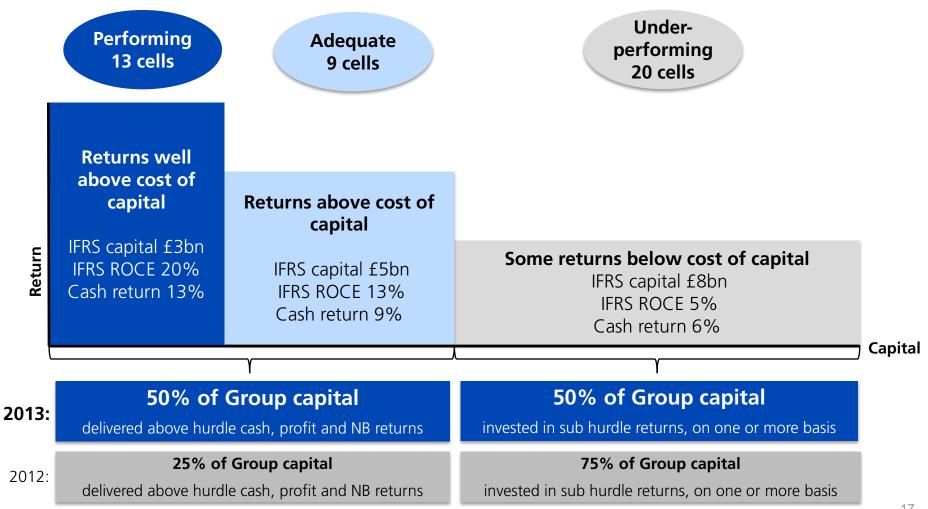
#### Who would want to be an insurance CFO?



- Invest in change
- Improve profitability
- Reduce internal and external leverage
- Accelerate cash flow and growth

## **Increased scrutiny on underperforming cells**

Capital backing underperforming cells has improved to 50%, but this is still unacceptable



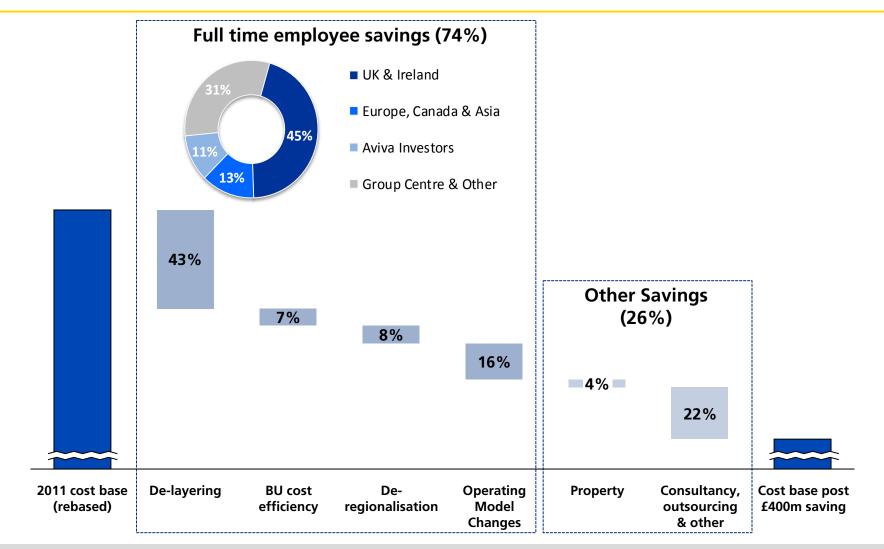
## Invest in change: True Customer Composite & Digital First



More focus on strategic spend

## How we achieved £400m run-rate savings

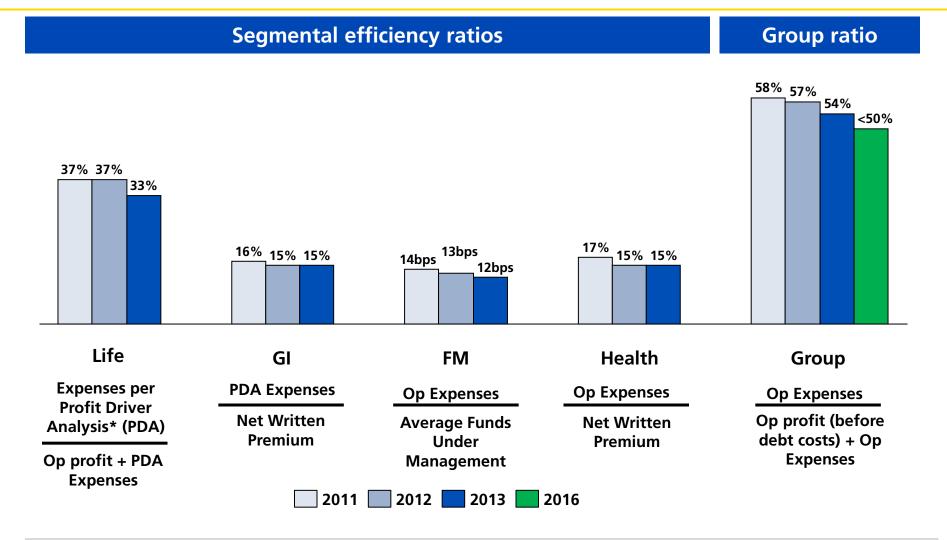




Moving away from 'big-bang' restructuring



## A focus on improving efficiency ratios



We expect Group operating expense ratio to improve every year

## Improve profitability: Unlocking value in back books



<u>UK Life</u> MCEV: £7.4bn Policies in-force: 6.6mn

**France** MCEV: £3.7bn Policies in-force: 2.6mn

**Poland** MCEV: £1.3bn Policies in-force: 4.7mn





#### **Back book strategies**

- Improved retention by:
  - Integrated customer / distributor plan
  - ➢ Greater engagement
- Further expense and capital initiatives

#### **Aviva Systems Thinking**

- View from a customer perspective
- Study process to identify "failure demand"
- Eliminate waste and improve customer experience

#### Urgent need to improve back book efficiency relative to peer benchmarks

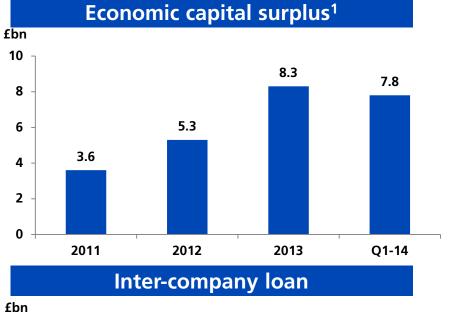


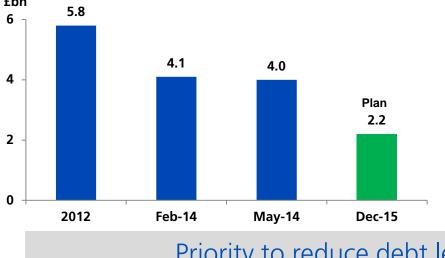
Assets	Liabilities
Group asset allocation framework	Creation of Reinsurance Mixer
<ul> <li>Greater collaboration with Aviva Investors</li> </ul>	<ul> <li>Significant opportunities from Back Book management</li> </ul>
<ul> <li>Consistent approach to Investment Management Agreements</li> </ul>	<ul><li>Revised and improved debt structure</li><li>Capital efficient products</li></ul>
New asset class capability	Free up underutilised capital

#### We can make our balance sheet work harder

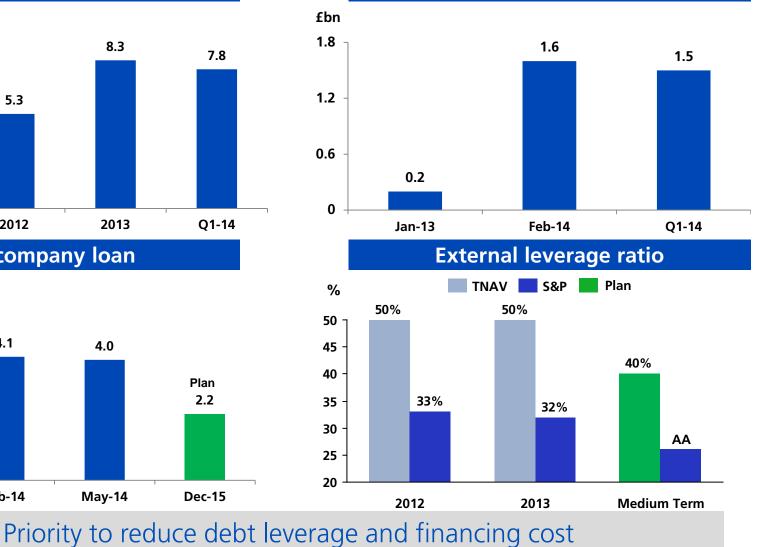
## **Improving financial flexibility**







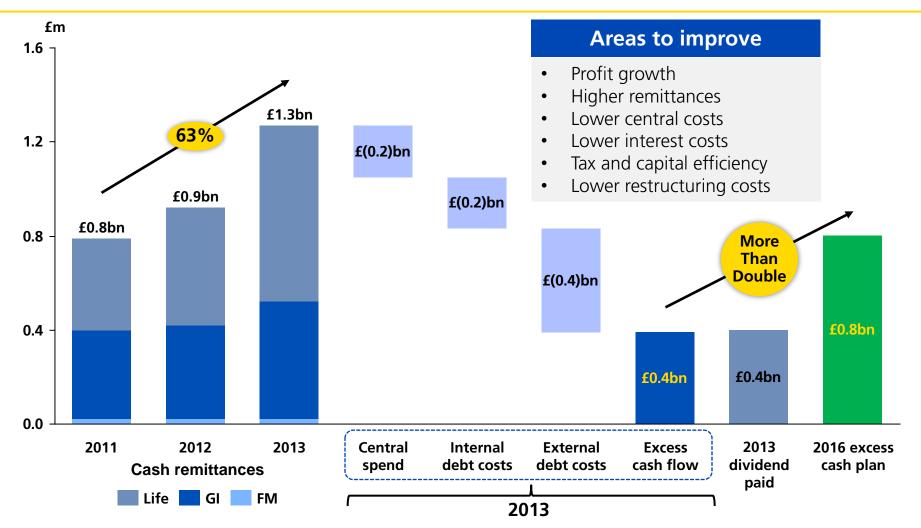
Holding company liquidity



1. The economic capital surplus represents an estimated unaudited position. The term 'economic capital' relates to Aviva's own internal assessment and capital management policies and does 23 not imply capital as required by regulators or other third parties.

### Accelerating growth of holdco excess cash flow





Our plan is to more than double the sustainable annual run rate of excess cash flow from operations at the holding company level from 2013 to 2016

## **Summary of financial plan and desired outcomes**



Growing the sustainable level of excess cash flow from operations at the holding company level is the key to our investment thesis and business strategy

	Metric	Plan	Timing
omes	Group operating expense ratio	Below 50%	YE 2016
al Outc	Holdco excess cash flow	More than double annual run-rate to £0.8bn	YE 2016
Financial Outcomes	Inter-company Ioan balance	£2.2 billion	YE 2015
	External debt leverage	Below 40% on TNAV basis and AA equivalent on S&P basis	Medium Term

The financial outcomes we want to deliver from managing toward this plan are:

- Consistently growing cash dividends to shareholders
- Financial flexibility to withstand stress and invest in opportunities
- Stronger ratings
- Adding to Aviva's reputation as an admired brand

Becoming more efficient, generating more cash and improving financial flexibility





Tom Stoddard Group Chief Financial Officer



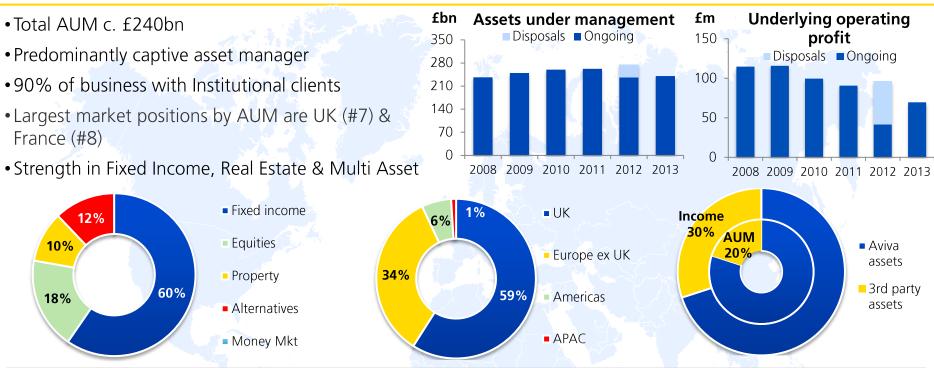
## **Aviva Investors**

# **Making Asset Management Core**

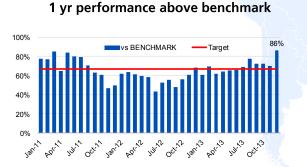
Euan Munro Chief Executive Officer, Aviva Investors

## An introduction to Aviva Investors





# Core investment performance has been good with significant value added for the client (£1.4bn above benchmark)



Source: Aviva Investors Management Information

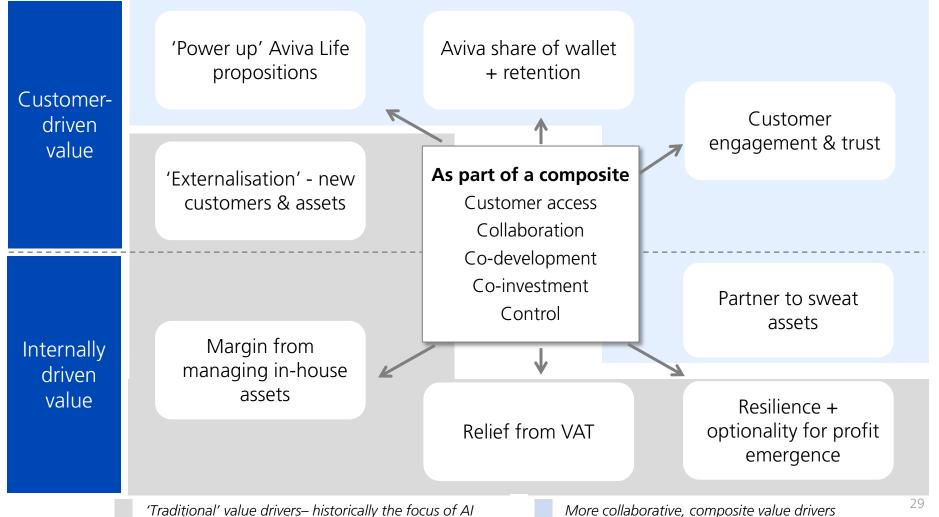








#### A composite has a number of roles to play in driving shareholder value





#### We will align AI around a single overarching proposition: Outcomes

Objective	Deliver outcomes c success &	Why 'outcomes'? • Fading of guarantees	
Value	Target return	Income	<ul><li>Retreat of state provision</li><li>More uncertain lives</li></ul>
proposition	Inflation+	Liabilities	<ul> <li>Scarcity of advice &amp; support</li> <li>Institutions with hard promises to keep</li> </ul>
Customers	Anyone needing as those o	• Insurance heritage	
Value add	Expertise in assembling	& shaping the solutions	<ul><li>Low volatility skill set</li><li>Investment orientation</li></ul>
	Deliver critical spe	cialist investments	<ul><li>We care</li><li>Group strength &amp; links</li></ul>

**Our strategy** 



Reposition & re-boot for success					
		1	Re-orient around 'outcomes' and spearhead by multi-strategy suite		
Align to customer needs	Re-define & scale AI value	2	Enhance and globalise specialist investment capabilities		
Valued solutions - not sold	proposition	3	Open up new winnable markets and profit pools		
	products	4	Invest in and re-align distribution		
Growth via Aviva <u>&amp;</u> 3 <sup>rd</sup> party	Drive value in Composite	6	'Power up' Aviva Composite initiatives and positions		
From complexity to simplicity	model	6	Engineer complexity out and build scalability in		
Manage Group assets optimally	Simplify our business	7	Implement world class controls		
	Dusiness	8	Transform culture, capability and performance		



# We will deploy a focussed market & distribution strategy based around 3 strands

	Market type, criteria & focus areas			Routes to market	Focus
1	Aviva Customer Composite presence	<ol> <li>Life, GI customers</li> <li>Distribution platforms / assets</li> <li>Digital</li> </ol>	UK&I France Singapore Indonesia	Aviva platforms Distribution partners 3 <sup>rd</sup> party platforms	Invest in: • Marketing & brand • Proposition • Training / up skilling
2	Al's current direct-to- institution markets	<ol> <li>Distribution in place</li> <li>Al brand building</li> <li>Profitable</li> <li>Near Composite hubs</li> </ol>	Develop Al's current footprint	Consultants Wealth Platforms Pension Schemes Insurers	<ul> <li>Reinforce capability:</li> <li>Minimal in-market presence</li> <li>Service via local hubs</li> <li>Build B2B sales capacity</li> </ul>
3	Winnable new markets	<ol> <li>High scale markets</li> <li>Diversifies asset base</li> <li>Leveraged distribution</li> </ol>	<i>E.g.</i> US Japan	Financial Institutions Sub-advisory Distribution partners Consultants	<ul> <li>Build in-market capability:</li> <li>B2B sales capacity</li> <li>Client relationship management</li> <li>Consultant relations</li> </ul>



#### We have already been active in progressing this strategy

Value proposition & direction	<ul> <li>New ExCo, new strategy</li> <li>Exits from trading or non-outcomes style desks</li> <li>First multi-strategy suite launched – Target Return</li> <li>Built capability in active LDI, Multi Asset &amp; Illiquid</li> </ul>
Efficiency, effectiveness, complexity	<ul> <li>Single operating platform</li> <li>Initiated fund rationalisation programme</li> <li>Globalised front office capability in Fixed Income</li> <li>Controls Environment Improvement program</li> </ul>
Driving value via Composite	<ul> <li>Global Solutions Directorate to develop solutions for Aviva</li> <li>Re-amalgamated UK Collectives into Aviva Investors</li> <li>Initiated co-led projects with Aviva Life companies</li> </ul>

## **Our approach to successful implementation**



We see 4 drivers of successful implementation. We have made progress – but challenges over the next 18 months remain

Key delivery requirement	Now in place	18 month priorities & challenges
Organisation and culture	<ul> <li>Streamlined to 960 FTE</li> <li>Global front offices</li> <li>1 operating platform</li> <li>Enhanced controls environment</li> </ul>	<ul> <li>Globalisation / rationalisation</li> <li>Global culture</li> <li>Partnering and collaboration culture</li> <li>World class controls, KPIs and KRIs</li> </ul>
Implementation approach	<ul> <li>Rigorous change methodology</li> <li>Strategic roadmap</li> <li>Benefits realisation process</li> </ul>	<ul> <li>Deliver our 8 strategic initiatives</li> <li>Align transformation agenda cross Aviva</li> </ul>
Leadership	<ul> <li>Consistent strategy</li> <li>New Exec and external new hires</li> <li>Functional expertise</li> <li>Global Solutions for Aviva</li> </ul>	<ul> <li>Align Exec round balanced scorecard</li> <li>Integrate into Aviva strategic initiatives</li> <li>Programs to Kill Complexity across Aviva</li> <li>Aviva service and collaboration levels</li> </ul>
Measuring and evidence	<ul> <li>Cost/income</li> <li>Customer and employee metrics</li> <li>'External' and 'Internal' cells</li> </ul>	<ul><li>Net new revenue</li><li>Delivery of earnings</li><li>Lead indicators of strategy delivery</li></ul>

## **Summary: the Aviva Investors 5 year journey**



From	То
Captive insurance asset manager selling its expertise in the open market	Investment manager with clear value proposition directly targeted at real customer needs
Strong but inconsistent & heavily siloed specialist investment capability	Collaborative investment professionals working across borders to develop relevant propositions
Skeletal distribution, operating 'standalone' with a handful of relevant propositions	Focussed and resourced distribution, leading globally-relevant propositions, well-integrated with Aviva platforms
Fragmented & hard to scale operating model built round insurance legacy structures	Streamlined, less complex & scalable model, organised to harness capability across the globe
A challenged controls environment	A world class controls framework, with the accompanying mindset and culture
	35



# Aviva UK Life: Cash flow and growing the franchise

David Barral Chief Executive Officer, Aviva UK & Ireland Life

#### UK Life - At a glance





**cf124bn** assets under management - 3<sup>rd</sup> largest



6.4 million customers



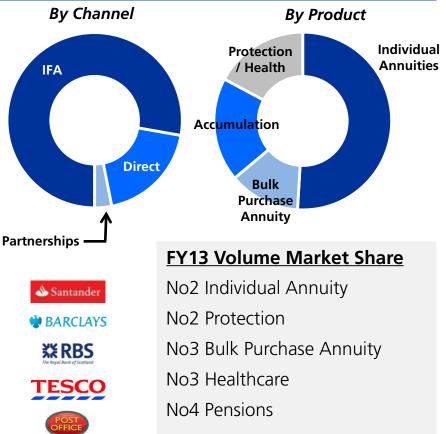
**Number 2** market share by Value of New Business\*



**£7.4bn** Embedded Value



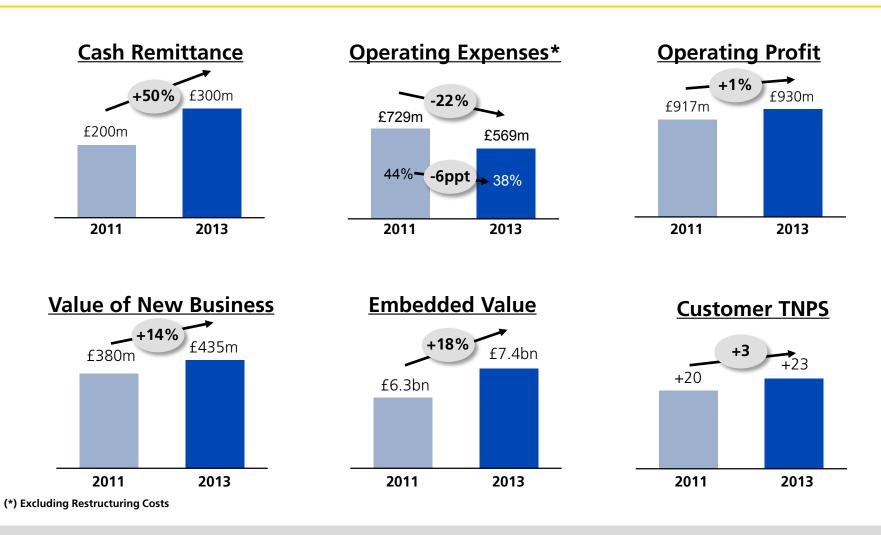
2013 Value of New Business



(\*) Derived from external released data

Large back book and customer base, multi products and multi distribution

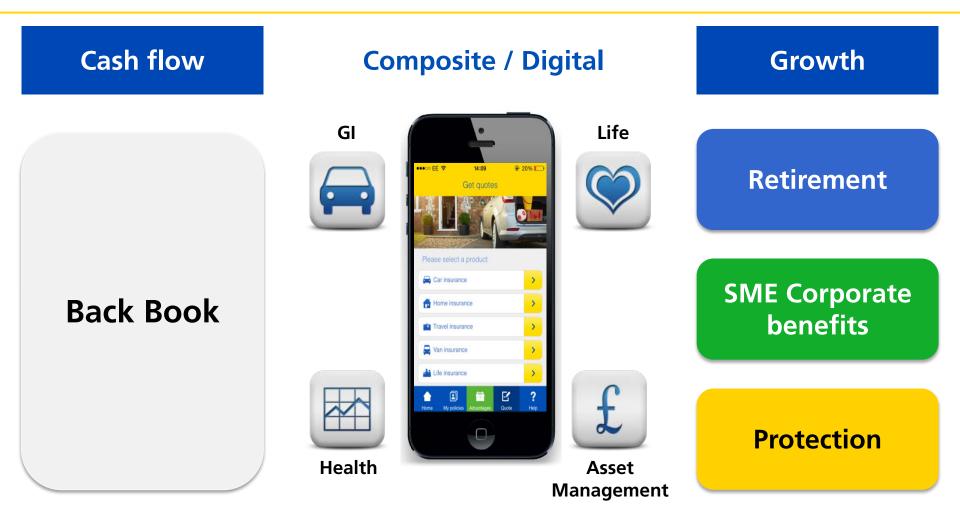




Delivered improvement across key metrics, but more to do

#### **Focussed Strategy**



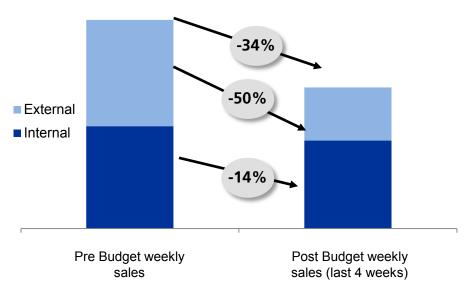


True composite, digital first, not everywhere

#### Post Budget individual annuities experience



#### **Individual Annuity Sales**



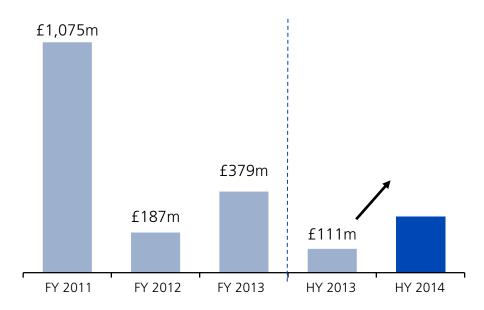
- Average weekly sales down 34%
- External sales down 50%
- Internal sales down 14%
- New business margins broadly unchanged

# Still early, but we expect c50% reduction in our volumes in long term, in line with guidance

#### **Delivering profitable growth from bulk purchase annuities**



#### **Bulk Purchase Annuity Sales**



- 2012 refocused on smaller, profitable schemes
- 2013 60 schemes with an average size of £6m
- H1 2014 30 schemes
- H2 2014 strong pipeline
- Margins remain acceptable

#### Winning due to longevity and asset sourcing skills, pricing and brand

#### **Retirement Solutions**

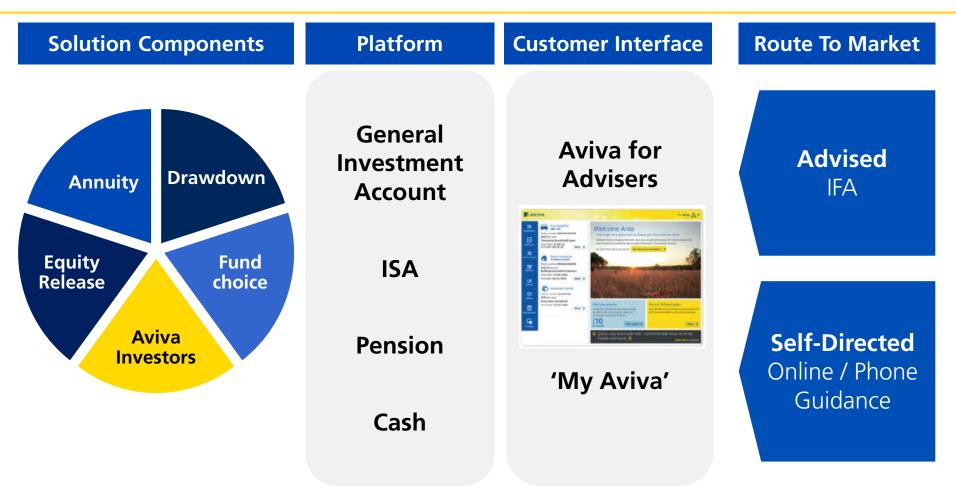


What our customers want		s want	The Opportunity
"Take control for me and make it simple"	"Give me the tools and support I need to make good decisions"	"I want advice and solutions that allow me to secure a good lifestyle in retirement"	<ul> <li>The budget creates a new paradigm for UK retirement savings</li> </ul>
Simon	Michael	Louise	<ul> <li>No longer a point in time but a transition</li> <li>High concentration of UK assets in 50+</li> <li>23m customers in UK - 6m Aviva</li> </ul>
Simplicity	Certainty Ch	oice Help	• £0.7bn of sales came to us direct in 2013 for retirement products

#### Focussed on winning in the new 50+ market

#### **Enhancing Capabilities**

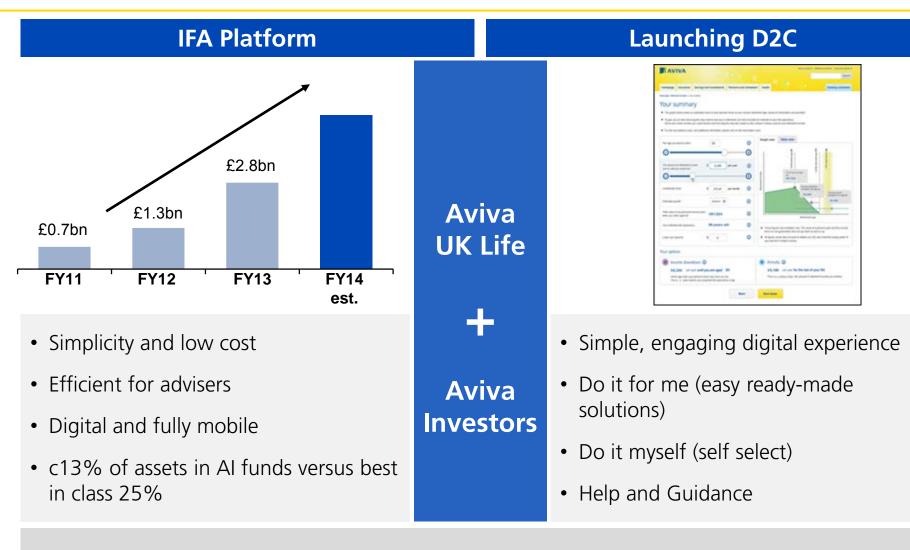




#### Leveraging existing strengths and enhancing capabilities

#### **Growing IFA Platform and Direct opportunity**



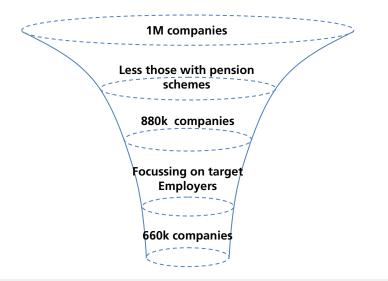


Good traction on IFA platform; opportunity to grow Aviva Investors and Direct

#### **SME Corporate Benefits**

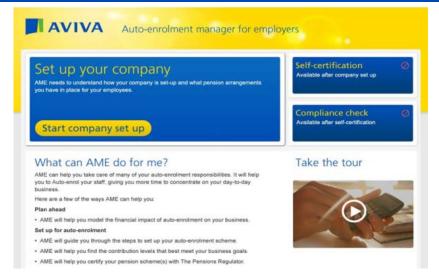


#### The **Opportunity**



- Auto-enrolment opportunity SME's staging from now through to July 2017
- Targeting small businesses (5-99 lives), higher margin segment
- Leveraging benefits of Aviva brand
- Significant direct opportunity

#### **A Winning Proposition**

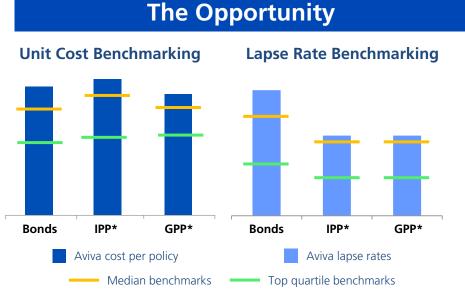


- Market leading Auto-enrolment tool (AME)
- Proposition focussed on SME needs
- Aviva Investor default fund
- Cost efficient packaged solution
- Cross-sell across composite

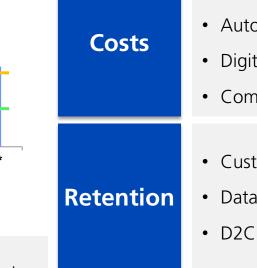
Capitalising on SME auto-enrolment opportunity and leveraging composite to become Trusted Advisor for small businesses

#### **Back Book value**





- Large back book but not achieving scale efficiencies
- Retention programme making a difference but more to do
- Clear management focus



Capital

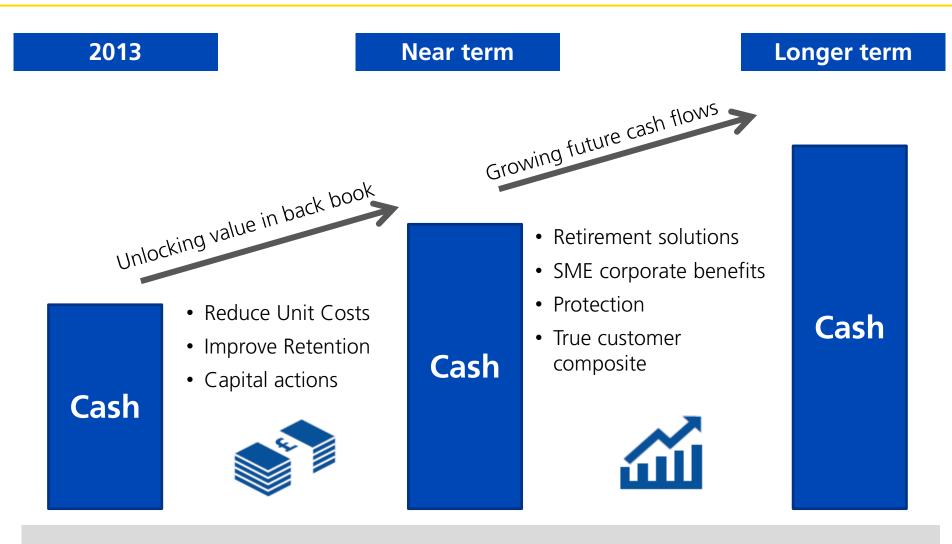
#### **Driving Improvement**

- Process simplification
- Automation
- Digital documents
- Commission actions
- Customer engagement / My Aviva
- Data Analytics
- D2C investment proposition
- Leverage group-wide diversification
- Legal entity rationalisation •
- De-risking •

#### Forensic approach to improve back book efficiency unlocking value and cash

#### **Delivering cash flows and growing the franchise**





We will grow cash flows over near and longer term



# **Q & A**

Euan Munro Chief Executive Officer, Aviva Investors

David Barral Chief Executive Officer, Aviva UK & Ireland Life



### **Aviva General Insurance**

# Digital, analytics and opportunities to grow underwriting profits

Maurice Tulloch Chairman Global, General Insurance and CEO, UK&I GI

#### Aviva General Insurance – at a glance

**15 million** customers

**£8.1bn** GI gross written premiums

97% COR, operating profit £763m

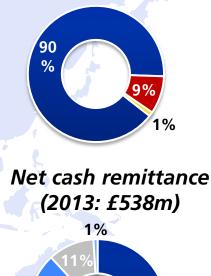
**£17.5bn** assets under management

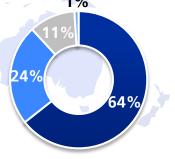
Top 3 GI position UK, Canada & Ireland



Cash generator Turnaround Growth

Underwriting profits (2013: £225m)

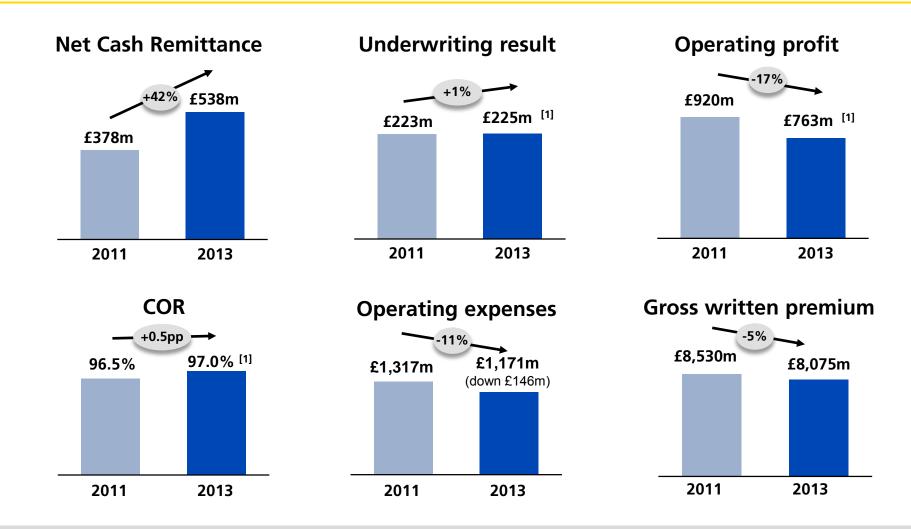




UK Canada France Poland

Aviva GI: In 7 markets and delivering over 40% of Group cash flow

# Financial progress – total general insurance



#### Some progress made, more to do

<sup>[1]</sup> Excluding impact of Canadian floods (two 1-in-100 events) underwriting result would have been £354m, COR 95.3% & operating profit £892m Note: GI Financials exclude discontinued operations (Turkey) (with the exception of operating expenses); Global totals include Aviva Re & other.





Growth	Cash	Analytics
Grow UK Direct and leverage composite opportunity	Improving cost efficiency	Broaden underwriting appetite
Focus on retention & average product holding	Accelerating automation	<b>Risk analytics</b>
Grow commercial lines	Reducing internal leverage	Customer analytics
Not Everywhere	Grow operating earnings	<b>Behavioural analytics</b>

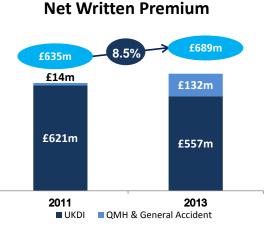
#### Global exploitation of expertise through the operating model

#### Digital first: Winning in a commoditised world

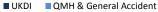


#### Low cost direct – UK retail personal lines

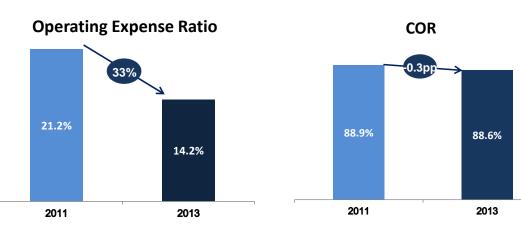
	UKDI*	Broker
Motor – retention	70%	50%
Home – retention	85%	75%
Average product holding	2.0	1.5







GA GENERAL ACCIDENT AVIVA Quote me happy.com



Note: Retention statistics for Broker based on premium persistency. Average product holding includes policies & add-on insurance products, and for Broker is estimated based on internal MI. Customer policies for Motor based on vehicle count.

#### **Digital first: Proof points**



#### General Insurance



#### Health





- 1,025,000 logins
- 100% increase in cross-sell
- 15x more travel insurance
- Mobile/ tablet motor quotes to overtake desktop in 12 months
- Increased customer
   interaction

#### Life



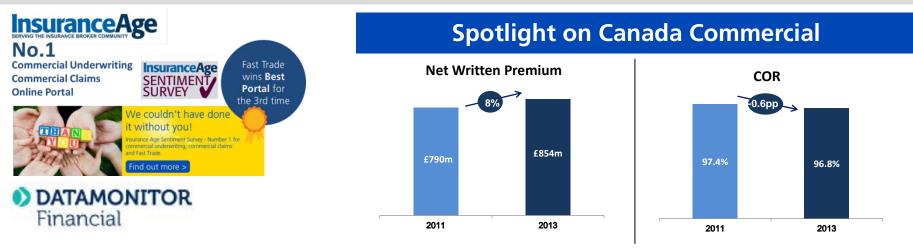
#### Asset Management



#### Grow commercial: A capability led business



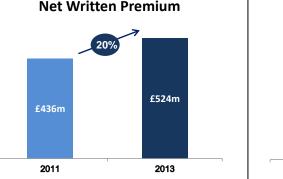
# Underwriting actions taken to improve profitability; expertise being exported across our Global model



#### **Principles & benefits**

#### **Spotlight on UK Large Commercial**

- Single operating model
- Global underwriting strategy
- Growth opportunity in untapped markets
- Diversification benefits
- Leverage existing capability & expertise
- Earnings improvement & stability



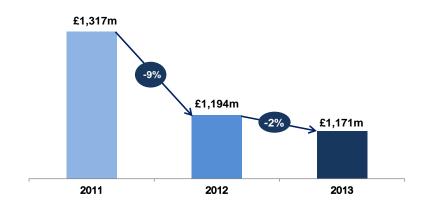


#### Exploiting Analytics in commercial and controlled growth in Large Commercial

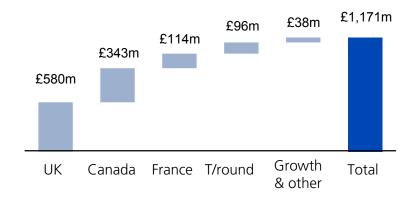
#### Improving cost efficiency



#### Global GI – Lower expenses in 2013 ...



Lower operating expense ratios			
	2011	2013	Trend
UK	15.2%	15.2%	0.0%
Canada	12.9%	11.9%	1.0%
Global GI – Total	15.9%	15.1%	0.8%
Comprises: - management	11.2%	10.7%	0.5% 🕂
<ul> <li>– claims handling</li> </ul>	4.7%	4.4%	0.3% 🔶



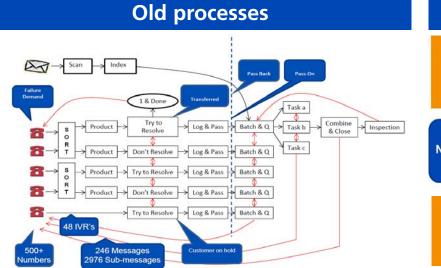
- Global GI expenses down 11%.
- Continued focus on **distribution ratio** efficiency across all businesses.
- Focus on total COR rather than component parts.

# GI expenses down 11% in the last 2 years – still more efficiency opportunities to explore, particularly as we grow

#### Automation in claims: Continually improving customer service and efficiency



# Improving our process through automation, systems thinking & analytics working together





- Integrated solutions across billing, claims & administration.
- Canada personal lines claims implemented.
- UK commercial admin and claims live.
- UK & Canada further roll-outs planned through to Q4 2016 across both personal & commercial lines.
- Other markets under review.



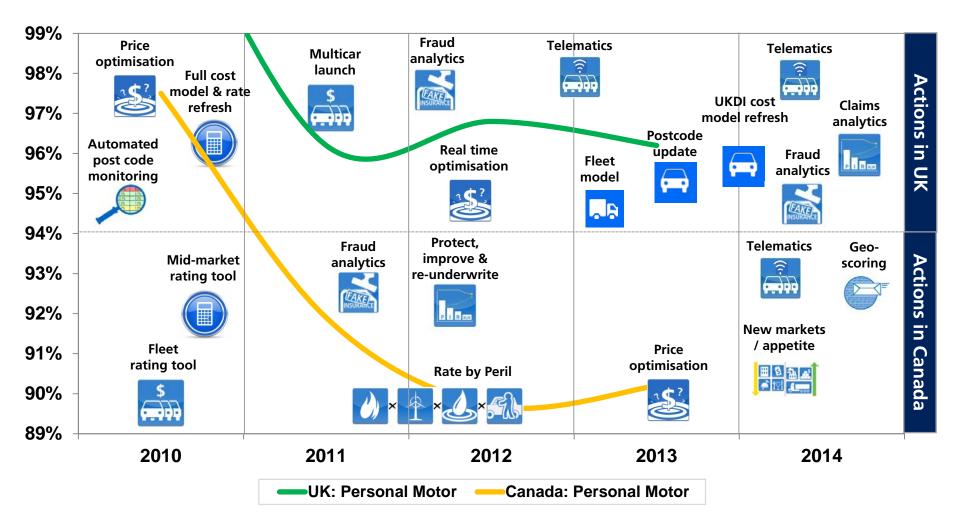
#### **Developments in train**

- Moving towards fully automated customer journey:
  - Log claim
  - Choose replacement product
  - Arrange delivery.
- Customer choice in how to interact e.g. trial use of video chat capability.

#### Analytics: Continually evolving to win the data arms race



#### Analytics: a major contributor to COR improvement and competitive advantage



#### **Risk Analytics: Demonstrating outperformance**



#### 80% 85% Auto Loss Ratios Personal Property Loss Ratios Industry Aviva ndustry Aviva 75% 80% 70% 75% 65% 70% 60% 65% 60% 55% 50% 55% 2006 2007 2008 2009 2010 2011 2012 2013 2006 2007 2008 2009 2010 2011 2012 2013 Industry 63.5% 64.9% 73.5% 73.9% 62.4% 68.8% 58.0% 73.3% 66.8% 71.4% 77.0% 76.4% 82.3% 75.4% 73.8% 73.3% Industry Aviva 70.4% 72.0% 70.2% 69.1% 70.8% 66.4% 64.3% 62.6% Aviva 62.9% 60.1% 69.2% 67.0% 57.2% 58.8% 55.2% 69.1%

#### Canada – Leveraging predictive analytics to be an industry leader across Personal Lines

#### UK 2014 floods – losses of c 5% significantly lower than our market share of 11%



- Yellow outline marks a single postcode previously no acceptable risks.
- Prior to developing capability we would not have written any properties.
- Further level of sophistication identifies specific areas of high flood risk (shown as red / black).
- We now know address points for insured properties are not at significant risk of flood.<sup>50</sup>

#### Behavioural analytics: Combatting claims fraud



Aviva UK & Ireland GI repudiated 15,000 fraud claims at £110m in 2013; Fraud costs each household an extra £50 per year through increased premiums

#### **Organised Fraud**

- 6,000+ claims under investigation
- 90% repudiation rate





#### **Defending injury claims**

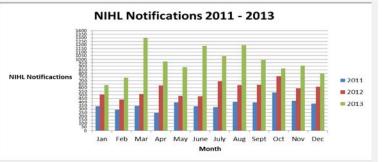
- Aviva UK & Ireland GI 'nil-settle' 40% of Injury cases
- Government Lobbying:
  - Independent Medicals
  - Dealing with non-fault differently

### Is the Customer who they say they are?





#### Noise Induced Hearing Loss Claims current repudiation rate: 85%



Our Philosophy – Prevent | Identify | Investigate | Deter

#### **Summary**



Growth	Cash	Analytics
Grow UK Direct and leverage composite opportunity	Improving cost efficiency	Broaden underwriting appetite
Focus on retention & average product holding	Accelerating automation	Risk analytics
Grow commercial lines	Reducing internal leverage	Customer analytics
Not Everywhere	Grow operating earnings	Behavioural analytics

#### Global exploitation of expertise through the operating model



### **Q & A**

Maurice Tulloch Chairman, Global General Insurance Chief Executive Officer, UK & I GI

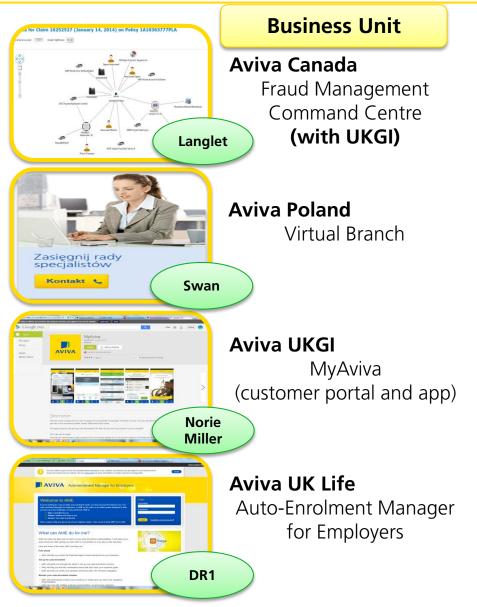


# **Transforming our customer experience**

Monique Shivanandan Group Chief Information Officer

#### **Overview of Digital Exhibitions**





#### **Demonstration Details**

- Shows how insurance fraud is uncovered using the internet and Aviva's technology tools in replica command centre
- Explains collaboration with UK central fraud teams
- Video showing key functionalities of Virtual Branch from an end to end customer experience perspective
- Live connection via website to a Virtual Branch consultant
- Shows how we have made it easier for customers to engage with us via customer portal, app (single view of customer) and other connections (e.g. telematics)
- Shows online tool that helps employers become compliant with the auto-enrolment regulations set out by The Pensions Regulator
- Fastest capability to stage an employer in market (20 minutes)



- 1. Find your group number on the front of your name tag (1 4).
- 2. Follow the events leader holding a paddle with your group number on it.
- 3. Pick up a take-away boxed lunch at your first demo station 10 minutes.
- 4. Each demo will be 20 minutes in length.
- 5. Afternoon session will commence at 2pm back in this room.
- 6. If you get lost our events team will usher you around the floor.
- 7. For those watching online, we will resume the live streaming in about 90 minutes.



### **Aviva Europe**

# **Cash, Turnaround & Growth**

David McMillan Chairman, Global Health Chief Executive Officer, Aviva Europe

#### Aviva Europe – In a nutshell





**cf100bn** assets under management



13 million customers



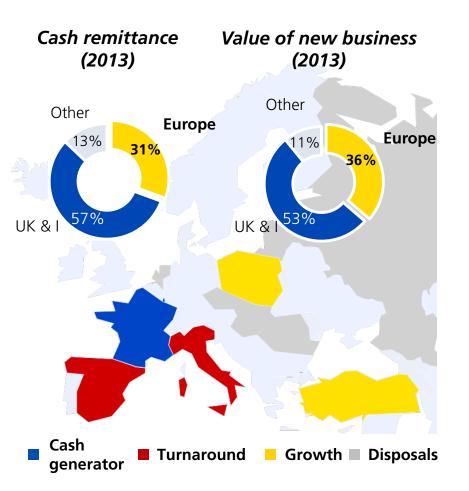
**Top 5 Life** provider in Poland & Turkey



**£1.6bn** GI and Health net written premiums



**Composite player** in 3 markets



Aviva Europe is focussed on 5 markets and accounts for 1/3 of the Group

#### **Our European portfolio – cash, turnaround & growth**

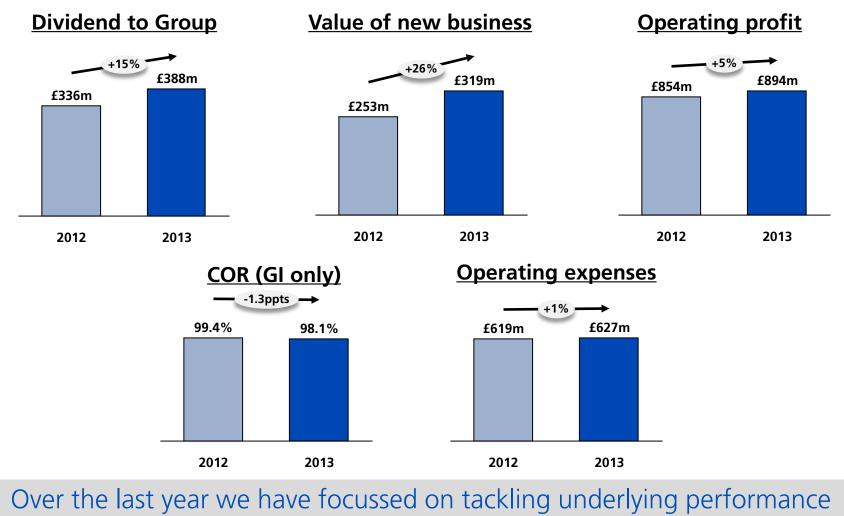


Cash Generator	France	Our business ✓ #9 insurer*	<ul> <li>Owned channels</li> <li>#1 direct funeral provider</li> <li>#2 direct GI player</li> <li>Largest FA network</li> <li>900 tied-agents</li> <li>Output Content of the second of t</li></ul>	Key partners
punc	Italy	<ul><li>✓ #10 life insurer</li><li>✓ #4 protection provider</li></ul>	×	UniCredit Second Depolare UBI >< Banca
Turnaround	Spain	<ul> <li>✓ #6 life insurer</li> <li>✓ #4 protection provider</li> </ul>	X	Unicaja Banco Caja España 🏠 BMN Pelayo 🎓 novagalicia Banco
vth	Poland	✓ #2 insurer	<ul> <li>✓ Largest life direct sales force network (2,300 advisors and management)</li> <li>✓ #3 largest life tied-agents network in Lithuania (500 advisors)</li> </ul>	WEINE   Bank Zachodni WBK     Bank Pocztowy     Consultia     Deutsche Bank     C
Growth	Turkey	<ul><li>✓ #2 pensions provider</li><li>✓ #5 life insurer</li></ul>	<ul> <li>✓ Largest life direct sales force network (700 advisors and management)</li> </ul>	AKBANK TEKNOBA Carrefour () SA Odeabank

\*Based on Aviva's internal profit analysis

#### **Financial progress**

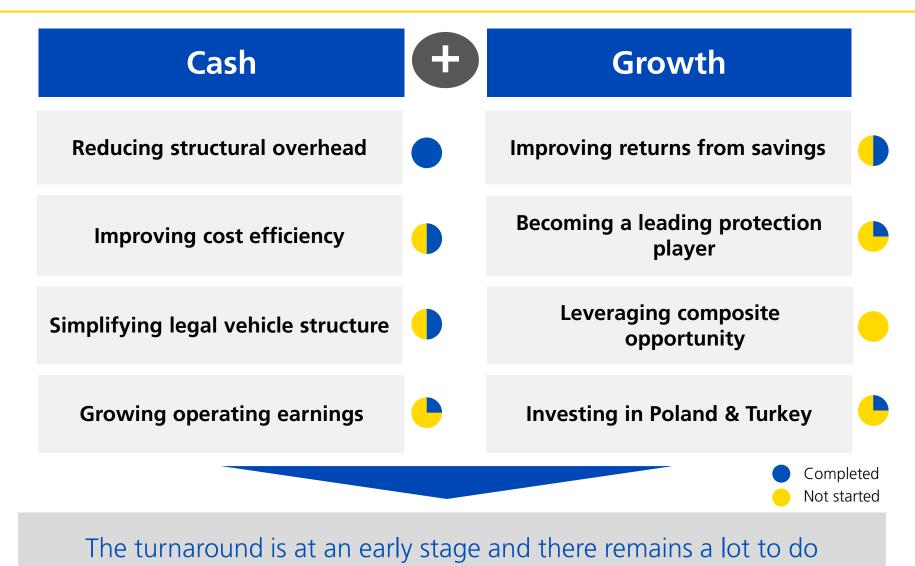




and delivering stronger results

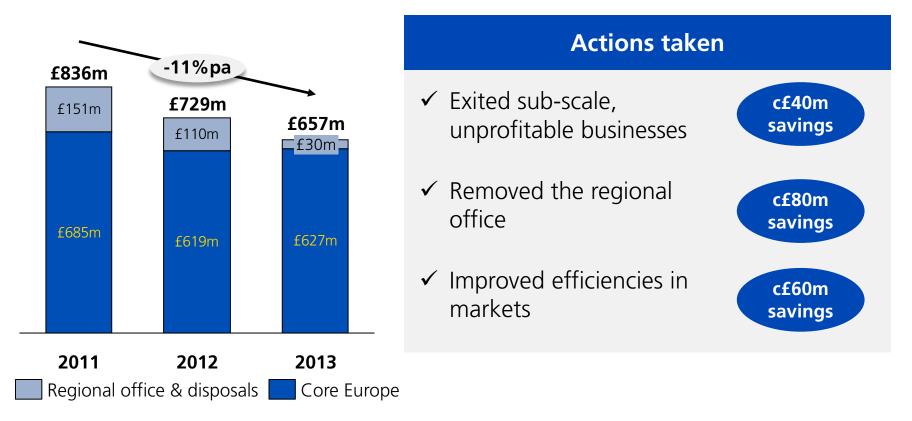
#### Our strategic agenda







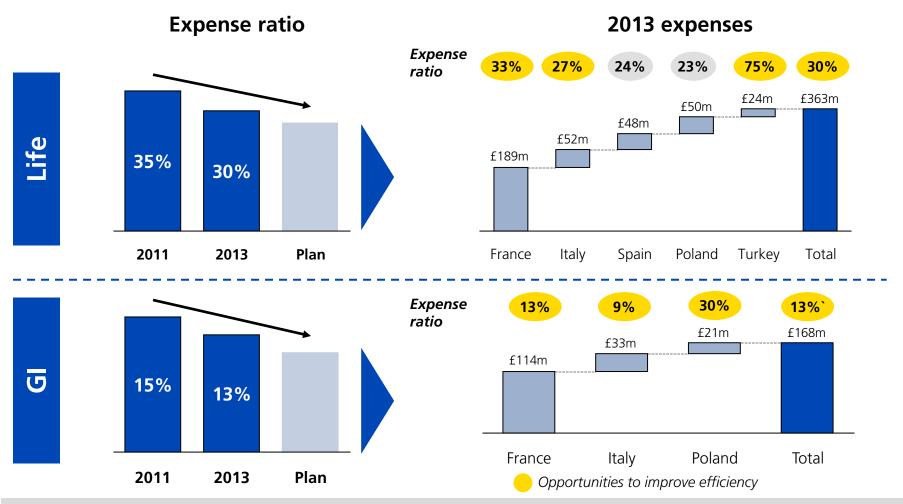
#### **Operating expenses**



Since 2011 we have eliminated the European regional office and exited sub-scale businesses saving c£180m



#### **Cash: Improving cost efficiency**

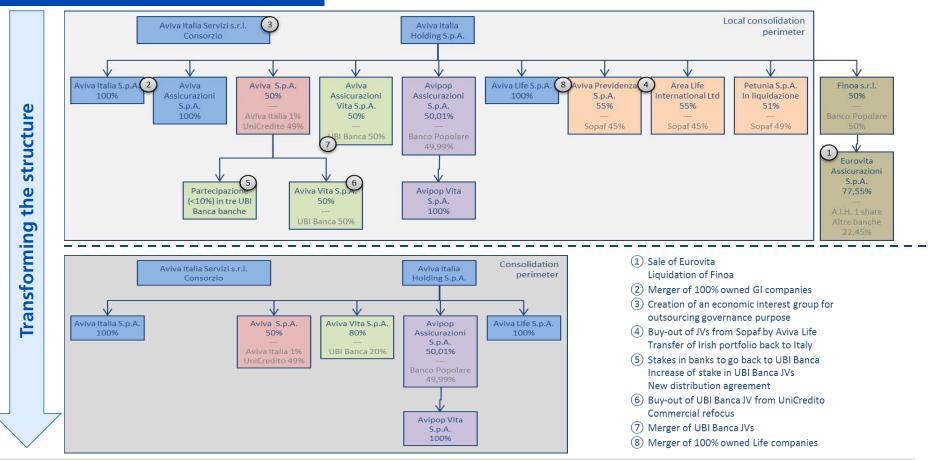


We are now focussed on achieving 'best of breed' efficiency ratios through further automation and reengineering

# **Cash: Simplifying legal vehicle structures**







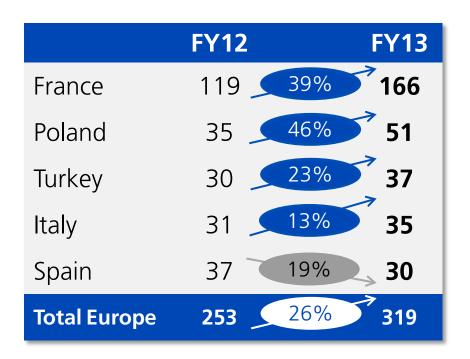
Simplifying legal vehicle structures to remove cash traps and increase remittances to Group

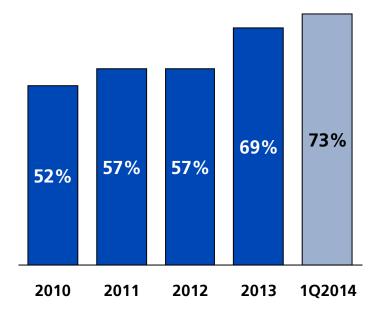


## **Growth: VNB and capital efficiency**

#### Value of new business (fm)

#### VNB / Capital strain



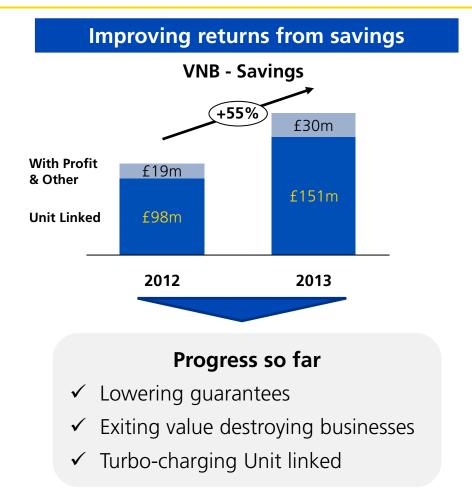


VNB and strain net of taxation and minority interests

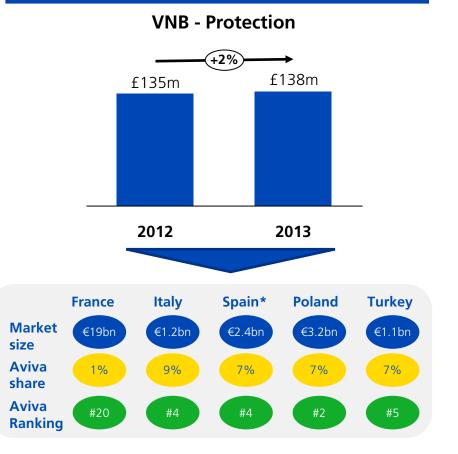
#### VNB has grown by 26% with a more efficient new business capital strain



## **Growth: Optimising Life product mix**



#### Becoming a leading protection player

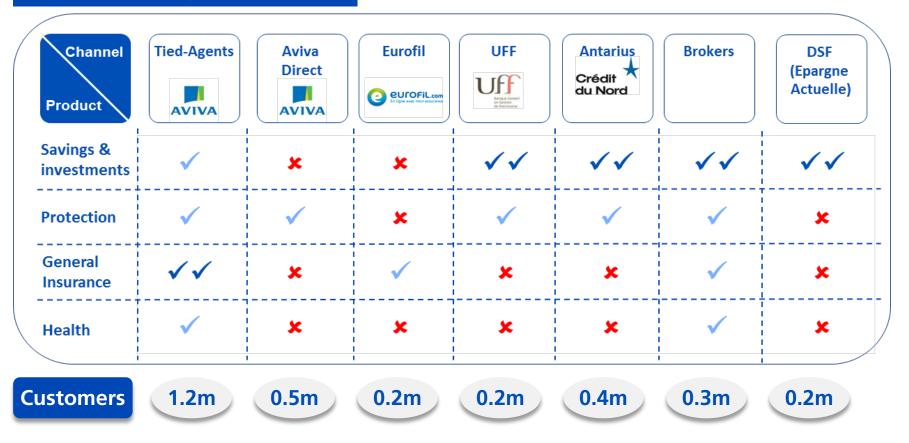


We have shifted our product mix towards unit-linked and improved profitability of guaranteed products. Our focus is now on growing protection

## **Growth: Leveraging composite opportunity**



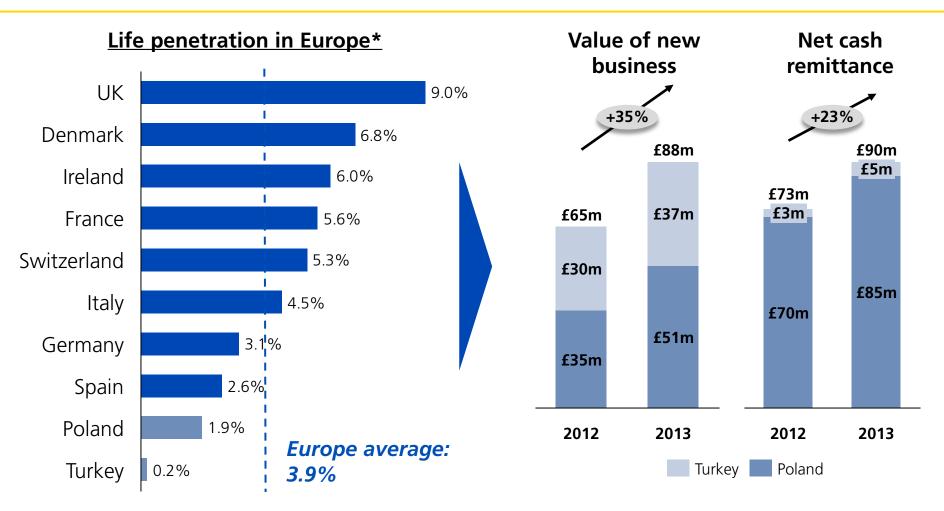
A French example



Our ambition is to move from fragmented operating models towards true customer composite across all our markets

## **Growth: Investing in Poland & Turkey**

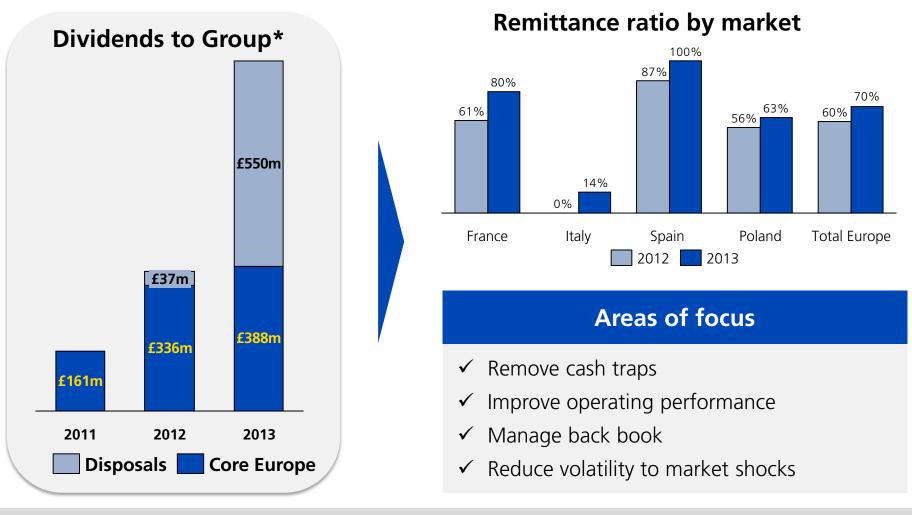




We have strong positions in two of the fastest growing European markets. We will invest in our brand, products and distribution to capture future growth

### **Delivering dividends to Group**



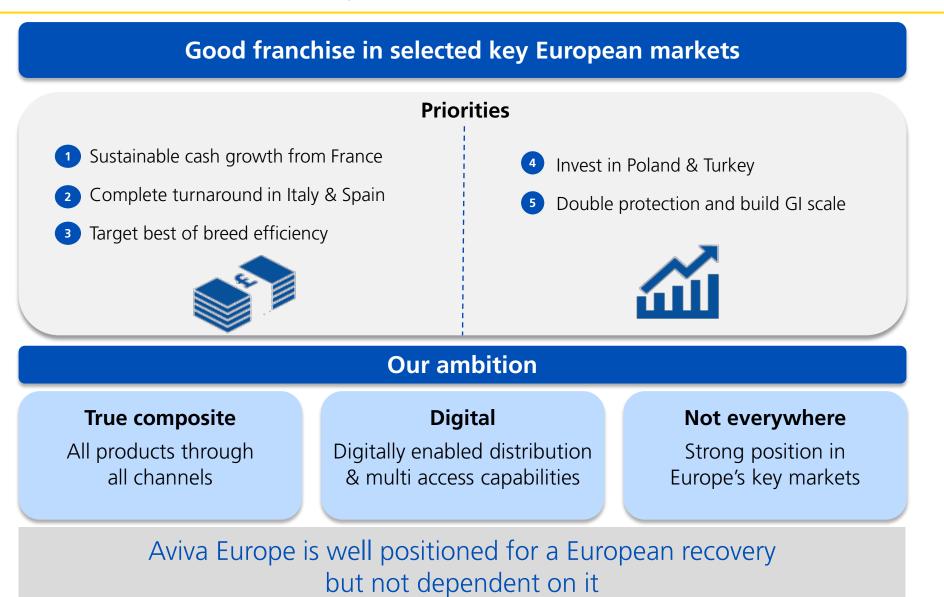


#### Since 2011 dividends to Group increased by £200m+ but there is more we can do to grow cash

\*Financials exclude Aseval, Eurovita, Russia and Danube

#### **Aviva Europe in summary**







# Aviva Asia Capitalising on Asia's growth potential

Khor Hock Seng Chief Executive Officer, Aviva Asia

## Aviva Asia – Greater China and South East Asia



#### **Greater China**

- China: 50:50 JV with COFCO Group
- Hong Kong: 100% Aviva owned
- **Taiwan:** 49:51JV with First Financial Holdings

#### Geographically focussed in markets with enormous growth potential

- Large population, 25% of world total
- Strong GDP growth
- Rising Wealth and Middle Class
- Low Insurance Penetration

#### South East Asia

- **Singapore:** 100% Aviva owned
  - Indonesia: 50:50 JV with Astra International
  - **Vietnam:** 50:50 JV with VietinBank

Strategically positioned footprint

### Strong local partners with great brands and customer reach













#### **Market position**

- Leading conglomerate in Indonesia
- US\$25 billion market cap\*
- 179 companies, including Bank Permata, finance companies & automotive manufacturing
- Largest supplier of food & agricultural products in China
- Diversified business (real estate, financial services)
- RMB 266.8 billion total assets in 2013
- #1 Bank in Singapore
- S\$402 billion total assets in 2013

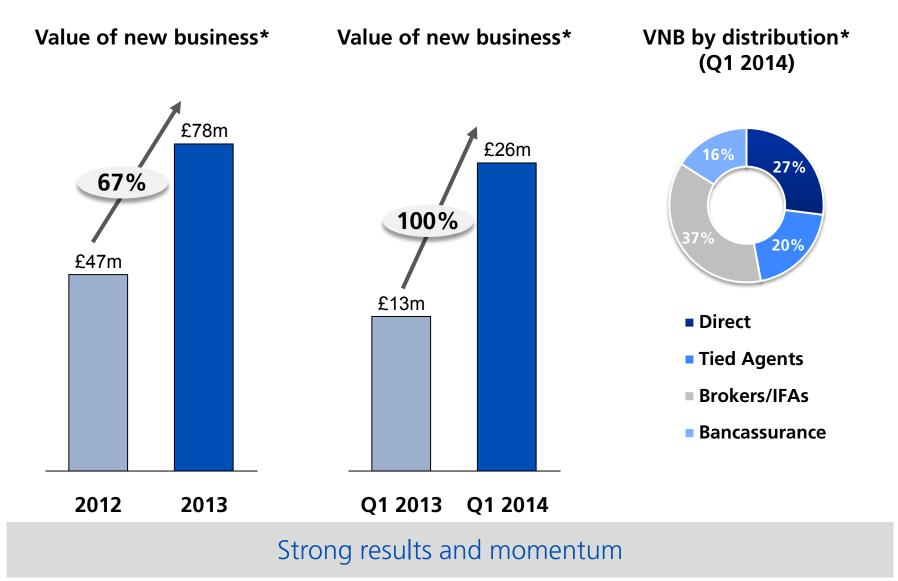
#### **Distribution & Customer Reach**

- 300 Bank Permata branches nationwide, with 2m customers
- Nationwide network of finance companies, with over 200 branches
- 10m AstraWorld customer database
- 1m offline customer database (real estate)

- Operates in Singapore, Hong Kong, China, India and Taiwan
- C.4m retail customers in Singapore with the largest branch network

- #8 bank in Taiwan by total asset (NT\$ 2,263 billion 2013)
- #1 bank by total asset (VND 576 trillion in 2013)
- 190 branches
- 5m retail customers
- 150 branches and 1,000 transaction offices
- 1,000 corporate clients
- 1.2m retail customers

#### Foundation for growth evidenced by recent strong results





#### **Strategic Priorities**



1

# Capitalise on the distribution strength and customer reach of our partners

- Build an integrated distribution network with our partners to penetrate the customer base
- Offer a holistic customer proposition supported by digital & analytics capabilities

2

## **Optimise and expand our multi-distribution platform**

- Grow owned channels by expanding Agency, Telemarketing and Online distribution
- Accelerate growth of FA channel
- Expand bancassurance channel by implementing an integrated sales model

3

### Develop our multi-line and integrated product offering

- Realise protection and savings market potential via multi-pronged product strategy
- Optimise product mix to enhance profit margin



#### **Deliver a superior customer experience**

- Tailored products based on customer segmentation and data analytics
- Superior customer experience via digitally enabled multi-service touch points

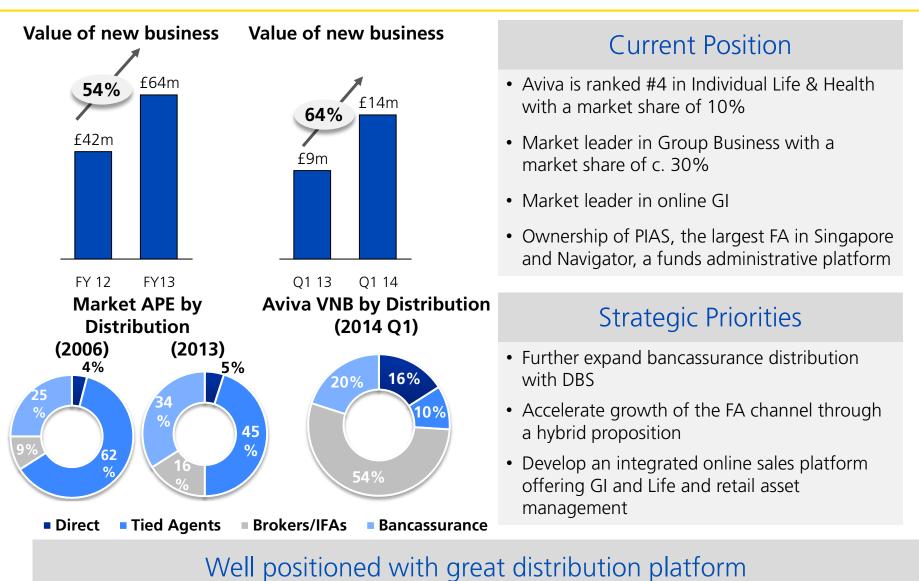
4

# Drive digital into the DNA of the organisation

- Digital to be embedded within both sales processes and customer service touch points
- Develop a holistic online digital sales platform offering GI, Life and retail Asset Management products where appropriate (e.g. Singapore)

### Singapore: Winning through innovation and multi-distribution

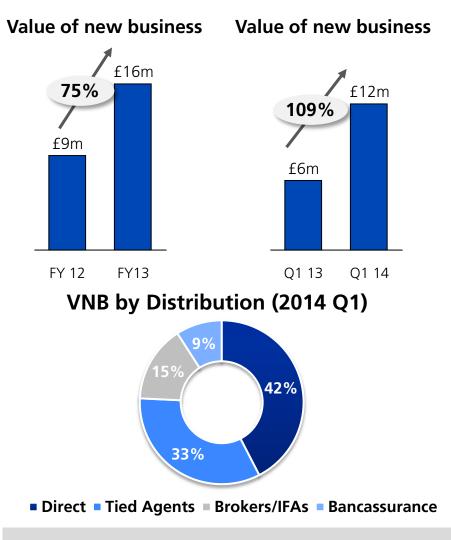




Note: Market rank and share based on Q1 2014 New Business APE Source: LIA

### **China: Deepening distribution to drive profitable growth**





#### **Current Position**

- One of the broadest footprints among foreign JVs
  - 54 cities in 12 provinces
  - Total population of 800m
- Ranked in the Top 5 JVs in 8 provinces
- 9% spontaneous brand awareness
- Multi-channel distribution
- Strong partnership with COFCO (11m+ retail customers) – aligned objectives

#### Strategic Priorities

- Aggressively grow tied agency in tier 2 & tier 3 cities
- Accelerate telemarketing channel through an enhanced and integrated model
- Build a digital platform to support the COFCO customer proposition and wider customer base

#### Strong foundation for accelerated growth

#### Indonesia: Unlocking the JV potential



#### Market opportunity

- Largest economy in S.E. Asia: Growth at 6% p.a.
- Huge population of 250m
- Penetration is low at 1.2%
- Market margins at 50%+
- Future market growth at 10 15% p.a.



#### Indonesia Market APE (US\$ bn\*)

#### **Current Position**

- Newly formed JV with Astra May 2014
- Exclusive partnership with Permata Bank
- Exclusive partnership with Astra's finance companies
- Access to AstraWorld's 10m customer base and 4-5m new customers each year from their finance and automotive businesses

#### Strategic Priorities

- Launch Bancassurance with Permata Bank
- Build distribution to support Astra's finance companies and AstraWorld customer base
- Strengthen management team

#### Excellent opportunity to build a leading life insurer





### Well positioned in excellent growth markets in Greater China and South East Asia

Strong local partners with great brands and customer reach

Strong distribution foundation

Strategies to enable us to drive our future growth



# **Q & A**

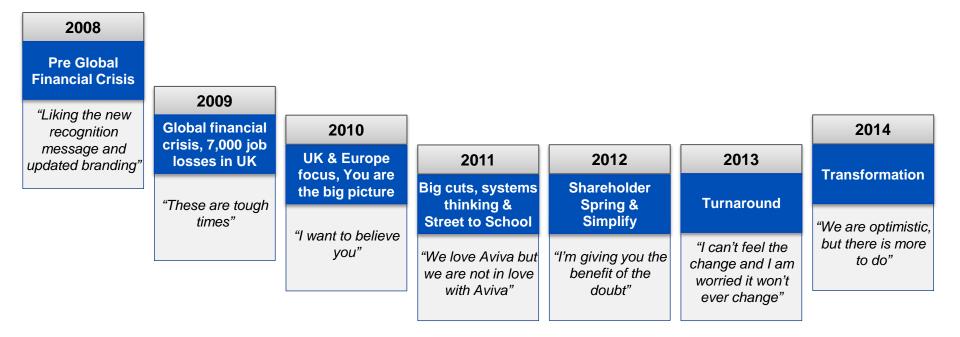
Khor Hock Seng Chief Executive Officer, Aviva Asia David McMillan Chairman, Global Health Chief Executive Officer, Aviva Europe



# Welcome to the Agora

Christine Deputy Group HR Director

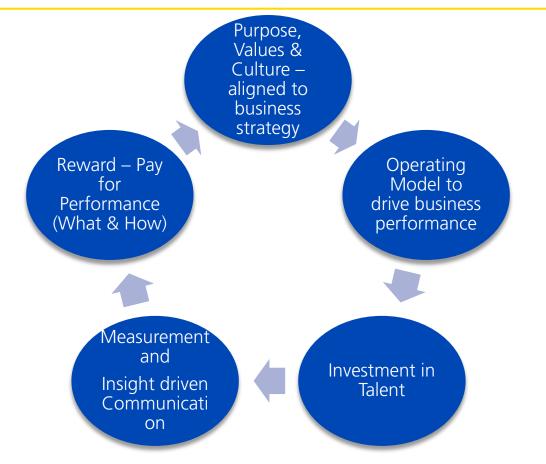
#### Similar to our investors, our people were losing patience





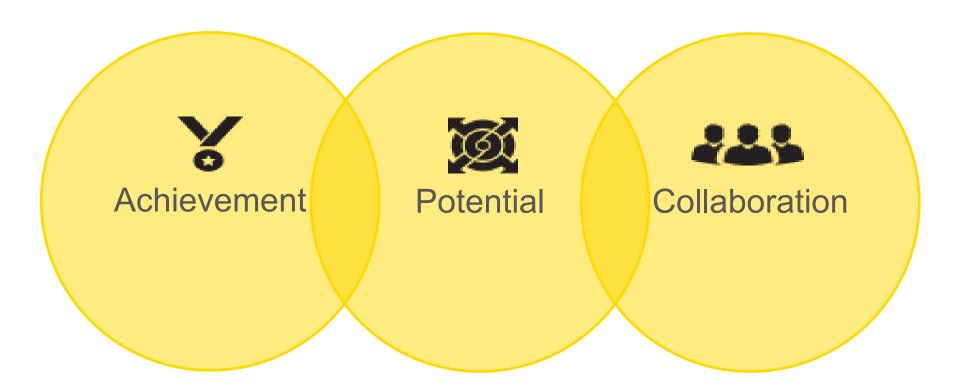
### **Building the future, today**





#### **People Thesis**





#### What colleagues are saying...

"We are encouraged to be innovative in our work but don't really have the opportunity to collaborate and share with our colleagues"

encouraged to be innovative

have

opportunities to collaborate

"We're starting to feel proud to work for Aviva again" Pride

"Our strategy is nearly there but now we need more detail and to see how it will work in practice"

Feel our strategy is the right one AVIVA

"It's great to see how the performance of the business has improved, but we're not getting the recognition for the work we do"

Feel colleagues are recognised for doing a good job

"We appreciate the increased openness and honesty of our senior leaders, particularly when they engage with us directly"



Believe there is open and honest communication



# Productivity and systems thinking

- Nick Amin
- Chief Operations and Transformation Officer



# 'Life begins at the end of your comfort zone'

Neale Donald Walsh





- 1. More to do, we are not done
- 2. Ship is turning
- 3. We will deliver as we have the execution focus
- 4. We are on it

We will not call victory too early



# Systems Thinking in Aviva

# Why, What, How and So What.



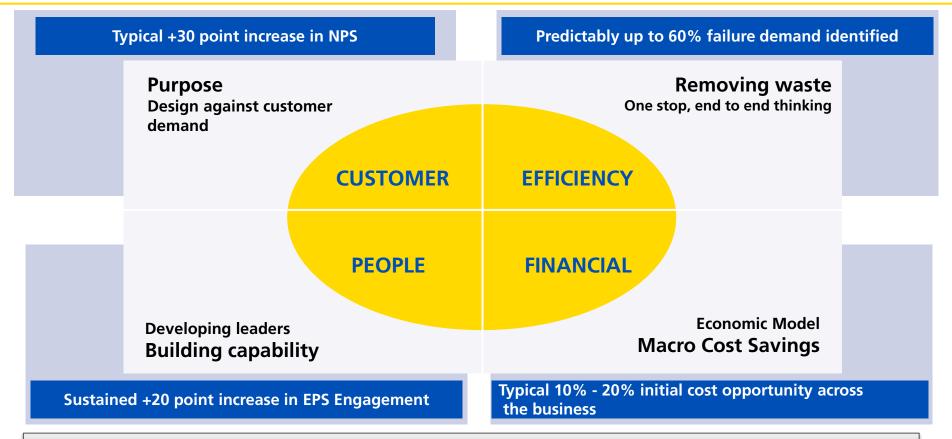
#### Scott McFie, Head of Systems Thinking



# Why?...Systems Thinking

#### **Commercial – it works... on all levels**





We have consistently found improved results in every area we have worked in

## **Conceptual**





"We can't solve problems by using the same kind of **thinking** we used when we created them" –

Relates to Thinking

"Insanity: doing the same thing over and over again and expecting different results" –

Relates to Method

Albert Terratein



We can use Systems Thinking to become more efficient in support functions...



But...more importantly, how do support functions ENABLE "Systems Thunk" Operations to better understand and meet customer purpose.

We have Systems Thinking work in IT and Change, HR and more recently, Finance, Audit and Marketing.



# What?...Systems Thinking

A gentle Intro

#### ... there is a (tenuous) connection between these two, honest!





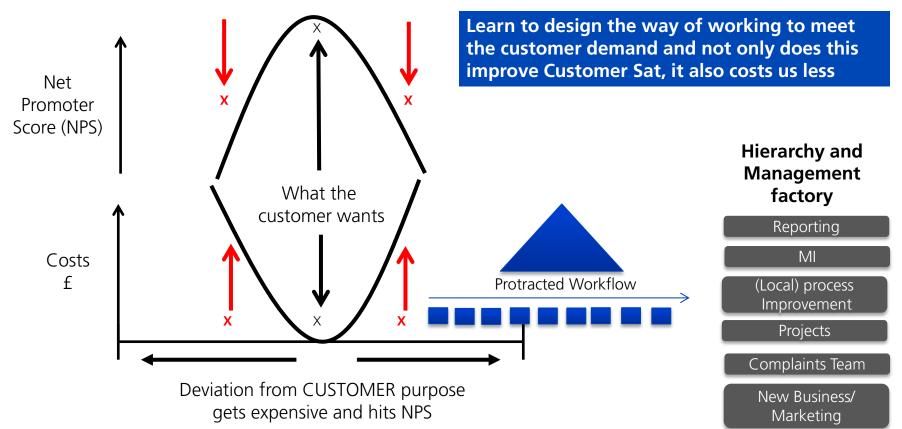
**Genichi Taguchi** 1924 - 2012



Brodie McFie (age 12)

### Why this works –







#### A major Claims area

• Like for like claims cost down £15m p.a. on c £350m spend and still reducing

#### AND...

- Net Promoter Score from -3 to +53
- Headcount from 355 to 280 and a further 150 roles insourced and absorbed
- 40%+ more efficient.



# **How?... Systems Thinking**



# So what's going on? - how do we see the "before" for what it really is, and make the transition to "the after"



#### **CHECK (STUDY)**

- Understand current performance "what and why"
- Use front line staff to study the work with leaders and data.

#### **RE-DESIGN (PLAN)**

- Identify levers for change and Experiment to get to perfect. Design against the customer demand.
- Do different assumptions and operating principles lead to improved performance

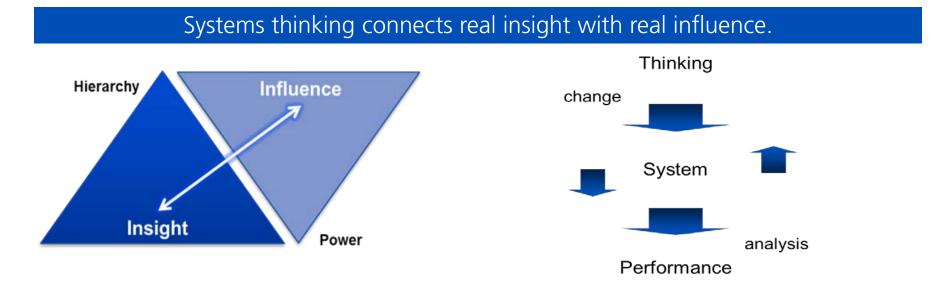
#### DO

- Implement the changes. Roll-In to the new design
- Make the new principles normal & sustainable at an
- organisational level. Much harder than in Re-design. This
- phase is about achieving **because** of the system design, not **despite** it.

Without exception, the Leaders who have been through the "Check" have been surprised by what they have learned, and are more aware that it's a work design problem.

#### And they now have a moral imperative and ambition to act sustainably





If you want to change Performance, (Leadership) Thinking must change. Analysis is bottom up from the work (with Leaders). Change happens at the thinking level. More attention to the system.



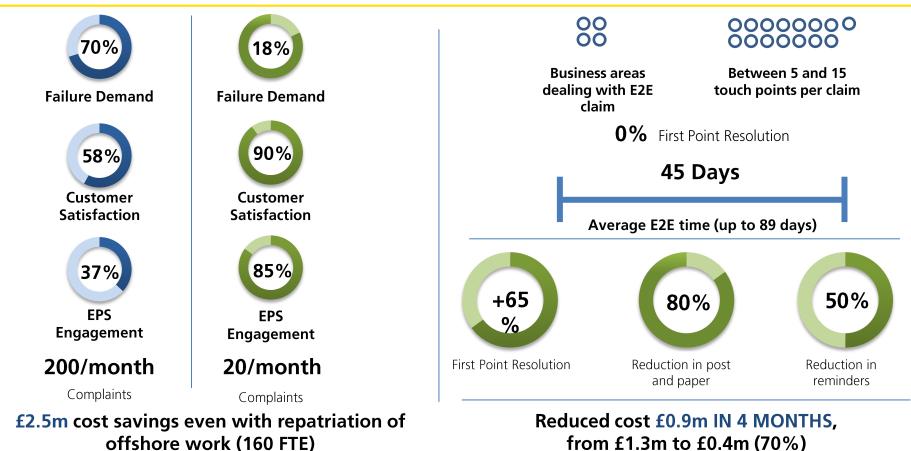
# So What ... Results and next steps



#### Life Policyholder Contact

#### Annuity death claims





#### ...to conclude



- We have tried and tested method and capability in Systems Thinking that drives and underpins our Theses Investor, Customer, Distributor and People
- It aligns perfectly to our Values
- So, when we say we will be more efficient AND transform the customer experience... we can, we have and we will.



# ....Thank You



# **Q & A**

Mark Wilson Group Chief Executive Officer Tom Stoddard Group Chief Financial Officer