

In Focus: UKGI Commercial Lines

18th January 2022

For
325
years


AVIVA

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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; changes in, or restrictions on, our ability to initiate capital management initiatives; 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; a cyclical downturn of the insurance industry; the impact of natural and man-made catastrophic events (including the impact of Covid-19) on our business activities and results of operations; the transitional, litigation and physical risks associated with climate change; our reliance on information technology and third-party service providers for our operations and systems; the impact of the Group's risk mitigation strategies proving less effective than anticipated, including the inability of reinsurers to meet obligations or unavailability of reinsurance coverage; poor investment performance of the Group's asset management business; the withdrawal by customer's at short notice of assets under the Group's management; failure to manage risks in operating securities lending of Group and third-party client assets; increased competition in the UK and in other countries where we have significant operations; regulatory approval of changes to the Group's internal model for calculation of regulatory capital under the UK's version of Solvency II rules; 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 and malicious acts (including cyber attack and theft, loss or misuse of customer data); risks associated with arrangements with third parties, including joint ventures; our reliance on third-party distribution channels to deliver our products; 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 tax laws and interpretation of existing tax laws in jurisdictions where we conduct business; changes to International Financial Reporting Standards relevant to insurance companies and their interpretation (for example, IFRS 17); the inability to protect our intellectual property; the effect of undisclosed liabilities, execution and separation issues and other risks associated with our business disposals; and the timing/regulatory approval impact and other uncertainties, such as diversion of management attention and other resources, relating to announced and future disposals and relating to future acquisitions, combinations or disposals within relevant industries; the policies, decisions and actions of government or regulatory authorities in the UK, the EU, the US, Canada or elsewhere, including changes to and the implementation of key legislation and regulation. Please see Aviva's most recent Annual Report for further details of risks, uncertainties and other factors relevant to the business and its securities.

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As a reminder

Throughout this presentation we use a range of financial metrics to measure our performance and financial strength. These metrics include Alternative Performance Measures (APMs), which are non-GAAP measures that are not bound by the requirements of IFRS and Solvency II. A complete list and further guidance in respect of the APMs used by the Group can be found in the 'Other information' section of the 2021 Interim Results Announcement. All references to 'Operating profit' represent 'Group adjusted operating profit'.

Agenda

Welcome and
introduction

UKGI Commercial Lines update



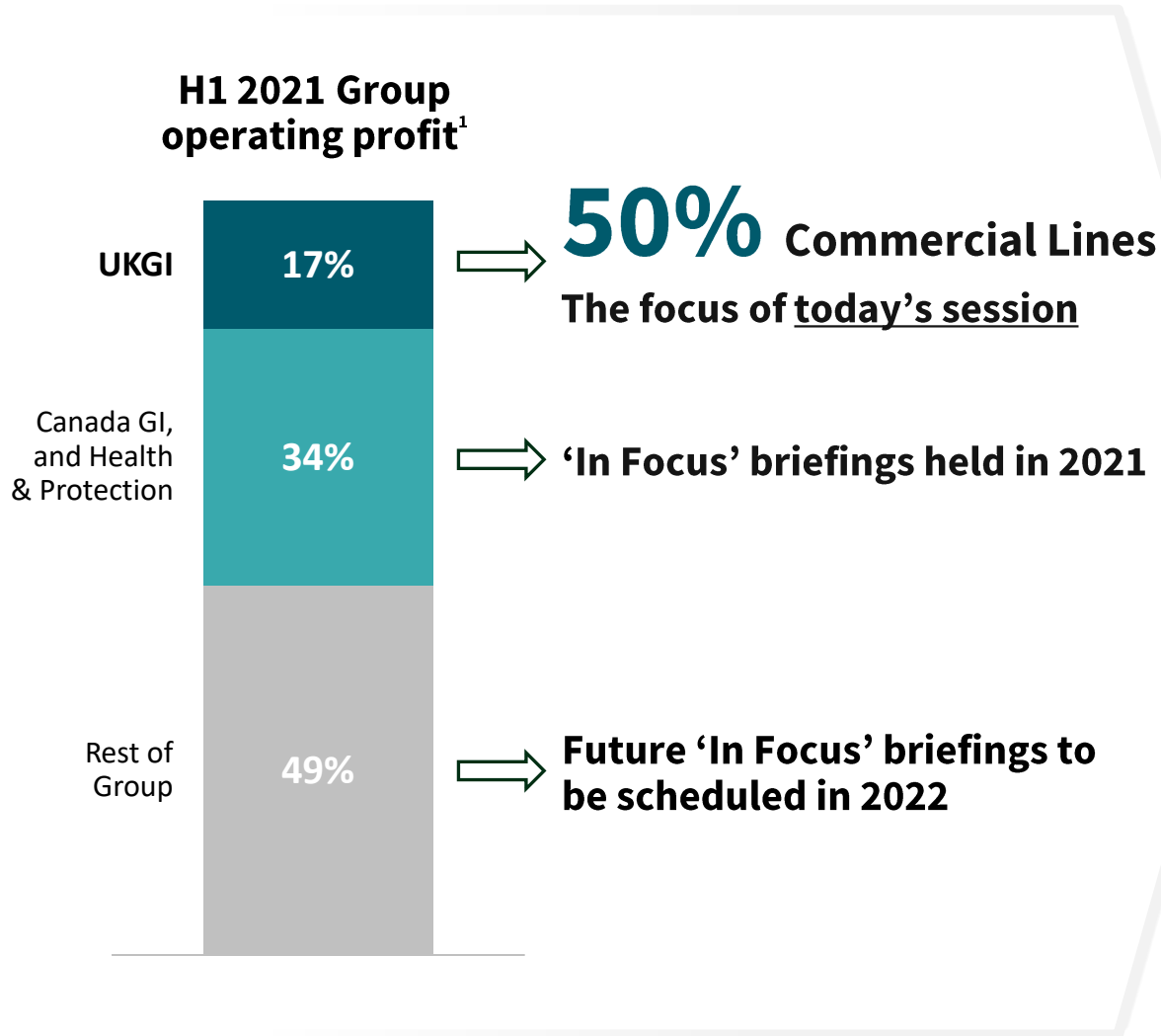
Amanda Blanc
Group CEO

Adam Winslow
CEO
UK General Insurance

Nick Major
MD UKGI
Commercial Lines

Q&A

UKGI is a key contributor to Aviva Group



- Delivers critical customer need and is an important **customer acquisition engine** | **c.6m** UKGI customers
- Material contributor** to Group performance | **17%** of H1 2021 Group Operating profit
- Attractive** Solvency II return on capital | **14%** UKGI, 2020
- Significant **capital benefit** from being part of the Group | **£0.8bn** Benefit to Group²

1. Group IFRS operating profit from continuing operations before strategic investments, centre costs and debt costs

2. Marginal capital diversification benefit from having UKGI as part of the Group

Today's session

- 1 Overview of the Commercial Lines market**
- 2 A closer look at our business**
- 3 Winning now and in the future**



Key highlights



The UK's leading Commercial insurer

Strong **financial, distribution** and **underwriting** performance

No.1 for UK broker sentiment¹

2020 COR 95.4%²: aiming for <94%



Key growth area and growing source of cash

Consistently providing **cash, operating profit** and **GWP growth**

+12% underwriting profit 2017-20 CAGR²

+10% GWP 2017-20 CAGR







Robust strategy in place to win

Enhanced capacity to support **growth across all segments**

2024 operating profit ambition >£200m

Ambition: c.9% CAGR GWP growth 2020-24

The capability to win across all customer segments

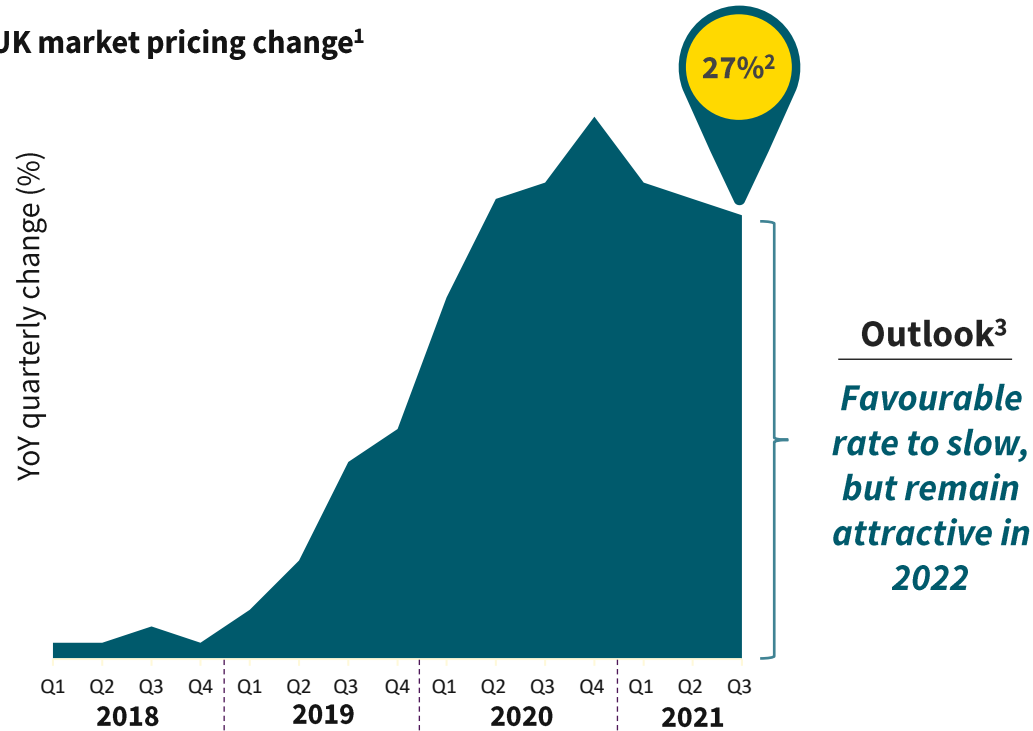
| | | Market size ¹ | Customer/premium | Distribution | Segment characteristics |
|-----|---|--|---------------------------------------|--|---|
| SME |  Small & Micro (digital) | c.£4bn | Low complexity, <£15k premium | Broker (digitally led) Growing Direct | <ul style="list-style-type: none"> Digital distribution via extranet platforms Brand an important factor in customer decision making |
| |  Mid-market | c.£8bn | >£15k premium, <£250m turnover | Regional / National Brokers | <ul style="list-style-type: none"> Regional broker focused market as customers seek advice for risks Digitisation & automation increasingly important |
| |  UK Corporate | c.£8bn | Large UK Corporate, >£250m turnover | National Brokers / London Market | <ul style="list-style-type: none"> Broker focused segment for bespoke and complex risks Significant market capacity although discipline remains in key segments |
| GCS | Total UK domestic | c.£20bn | | | |
| |  Global Corporate & Specialty | c.£38bn² (£15-20bn within appetite) | International wholesale and Specialty | London Market / Lloyd's | <ul style="list-style-type: none"> London Market via International brokers Lloyd's continues to play a role through global licensing infrastructure |
| | Total market | c.£58bn | | | |

1. Aviva estimates 2. Total international insurance market size c.£63bn incl. reinsurance

Highly supportive conditions for profitable growth

Beneficial market rates

UK market pricing change¹



Outlook³
Favourable rate to slow, but remain attractive in 2022

Q4 2020 to Q3 2021 average % change, by business class:



Current trends



Digital adoption

- Brokers seek digital efficiency improvements
- Increased customer demand in micro and small segments
- Growing direct to consumer opportunity



Market consolidation

- National broker networks drive consolidation
- Corporate broker mergers places importance on strong relationships



Prevention

- Increased client demand for risk mitigation
- Risk management plays an increasing role in client expectations

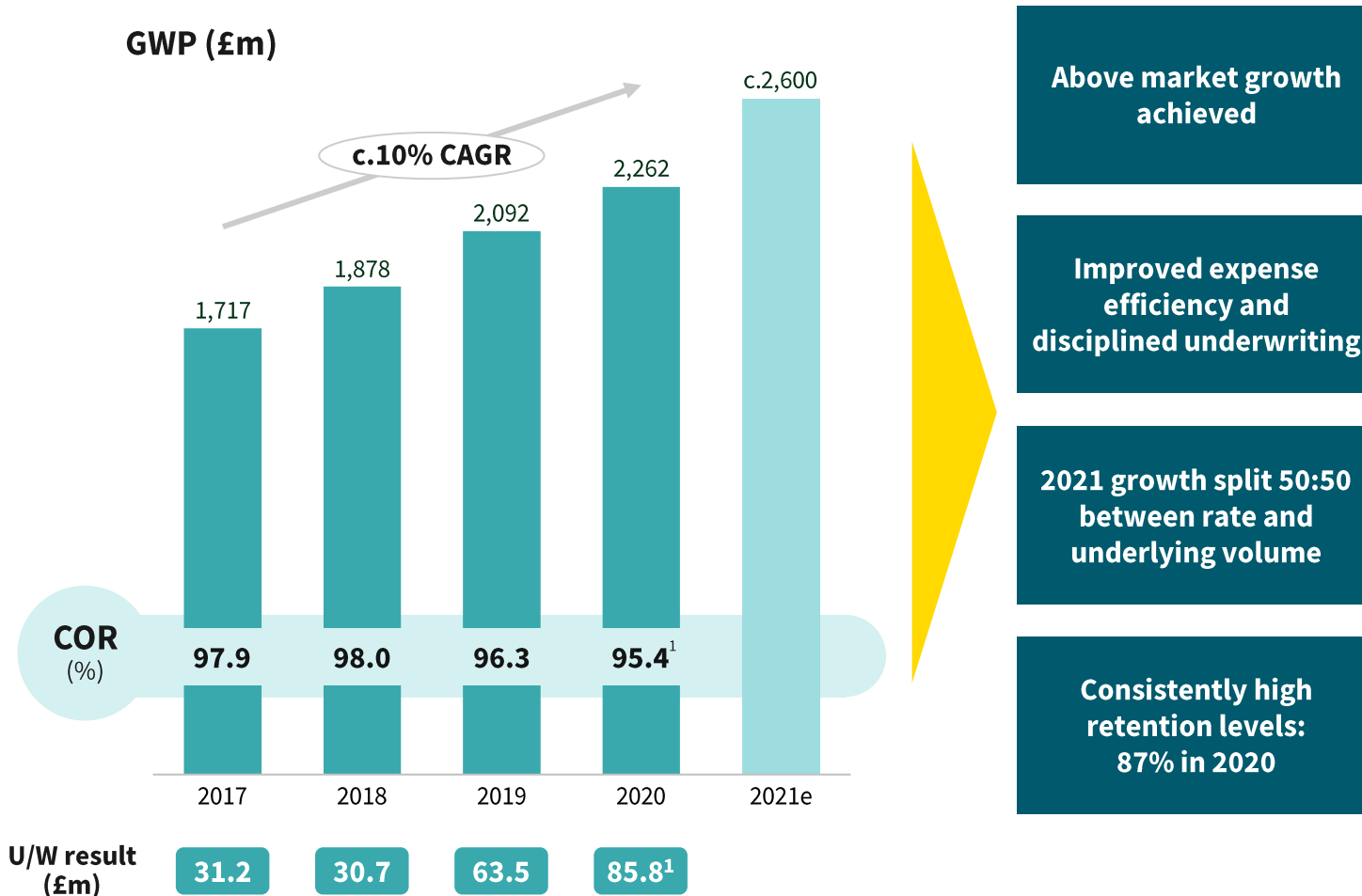


Emerging risks

- Future of mobility e.g. electric vehicles/autonomous cars
- Cyber crime
- Climate change

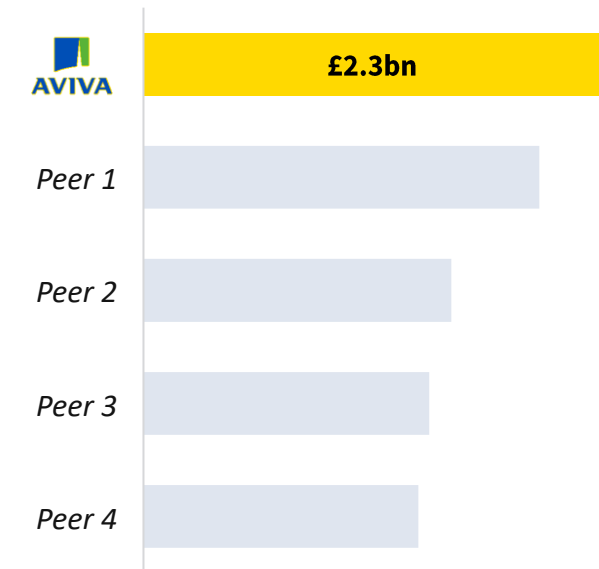
Aviva UK Commercial Lines overview

Commercial delivers profitable growth...



...and is the clear industry leader

UK Commercial GWP² (2020)



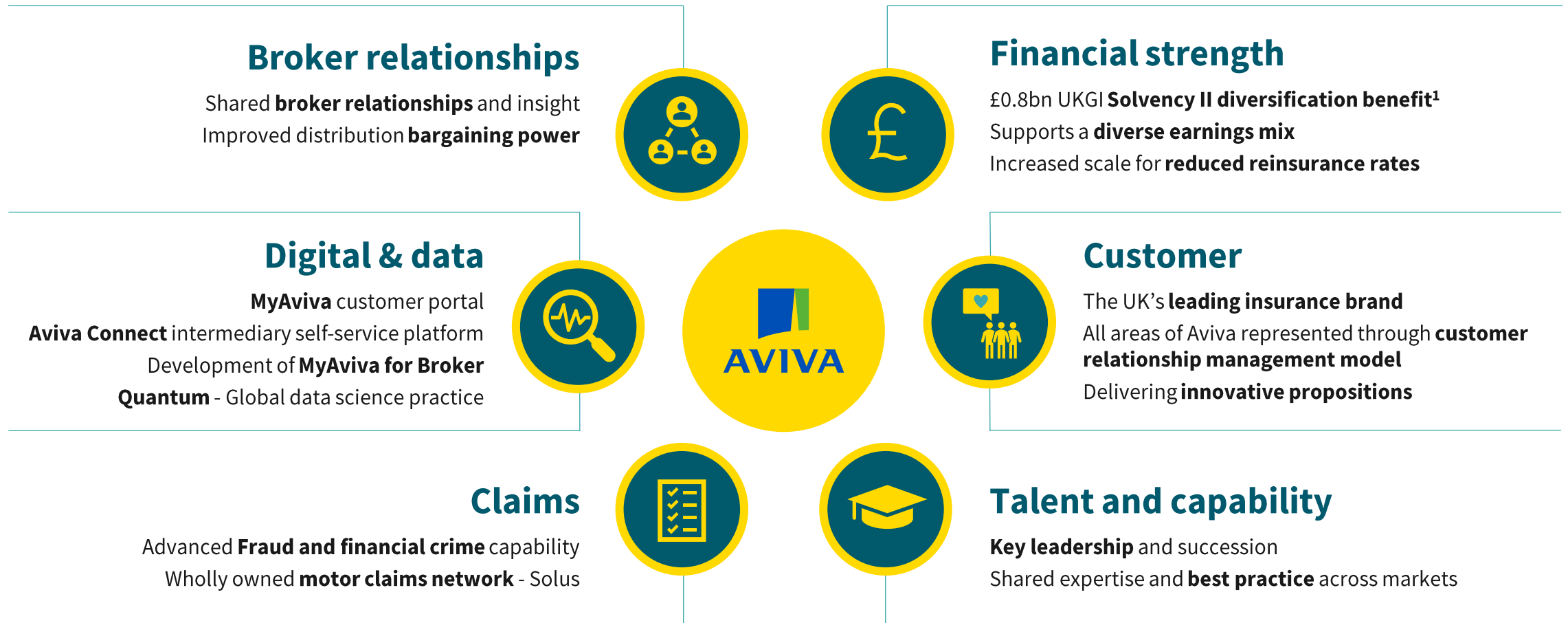
Commercial Lines
Insurer of the Year
2021



Commercial Lines
Insurer of the Year
2020 & 2021

1. Excluding all Covid-19 impacts 2. Peer GWP based on Aviva estimates

Leveraging One Aviva



1. Marginal capital diversification benefit from having UKGI as part of the Group

Enhanced customer solutions through innovation

Commercial property telematics

Suite of internet of things devices and sensors to protect client properties



Use of open source database, natural language processing and artificial intelligence to optimise underwriting

FOUNDERS FACTORY.

Partnership and investment opportunities in start-up companies and new technology

Digital next generation

Development of connected IT technology stack to improve agility and partner insurtechs

Claims prevention through technology



Water sensors



Temperature sensor



SimpliCam HD camera



Motion sensor

Technology partner

integrate latest smart solutions for tangible benefits

SimpliSafe

Protecting customers

provide early warnings and alerts across core commercial perils

12 weeks to market

first in the UK, demonstrating rapid proposition development

Supporting brokers and customers

differentiated proposition for less frequent and less severe claims

ESG is at the heart of our corporate agenda



Cladding

Leading the way by **offering renewals** to all existing customers impacted

New customers now given access to sustainable cover for blocks of flats with combustible cladding



Mobility

Strategic 5-year partnership with Darwin Innovation Group, launching the first fully autonomous electric vehicle registered to drive on UK roads in September 2021

Investment in motor repair capability to meet increasing claims demand for electric vehicles

Renewables Portfolio

Exited the London Market for **insurance of standalone operational fossil fuel power generation** in 2019

Renewable energy proposition launched across onshore wind, solar and battery energy storage

Ambition **to be a top 3 Renewable Energy Insurer** in the London market by end of 2022



Underwriting

Committed to becoming a net zero insurer by 2040

Committed to the UN Paris Agreement, phasing out the underwriting of thermal coal and unconventional fossil fuels by 2022 – and **supporting businesses to transition** away from coal and unconventional fossil fuels



A closer look **at our Commercial Lines business**



Success built upon first class capability

No.1



**Small & Micro
(Digital)**

No.3



**Mid-
market**

No.1



**UK
Corporate**

**Targeted
growth**



**Global Corporate
& Specialty**

Relentless focus on core strengths



Distribution

Unrivalled regional distribution, #1 for UK broker sentiment



Underwriting

Deep cross-sector expertise supported by automated Commercial Intelligence Tool



Claims

Leading cross-class claims service, bespoke for UK and multinational clients



Prevention

Aviva Risk Management Solutions, #1 commercial cross-class prevention provider

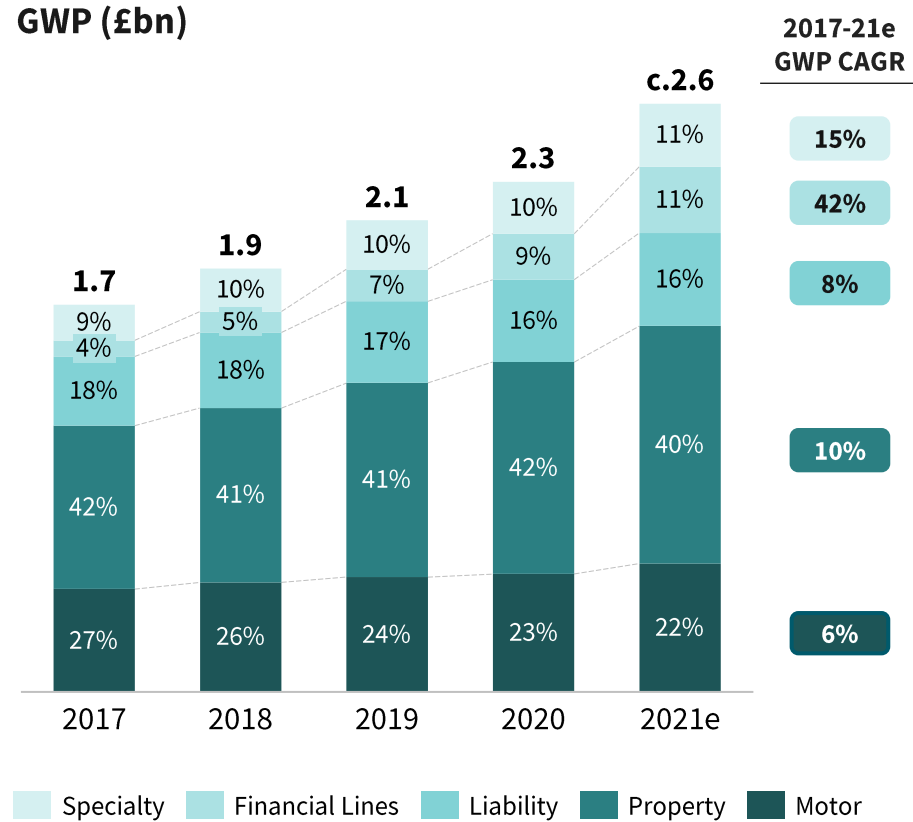


Digital assets

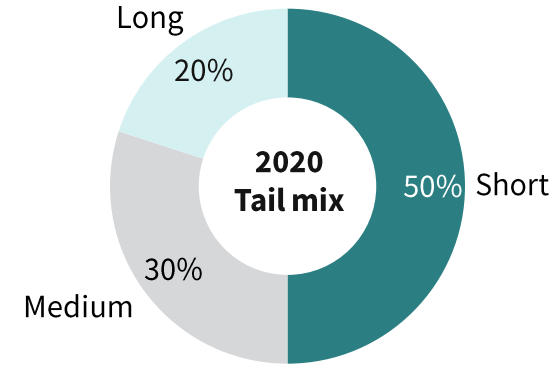
Fast Trade #1 rated extranet platform, Aviva Connect platform

Targeted Commercial Lines growth

Growing a balanced product mix



Optimised portfolio exposure

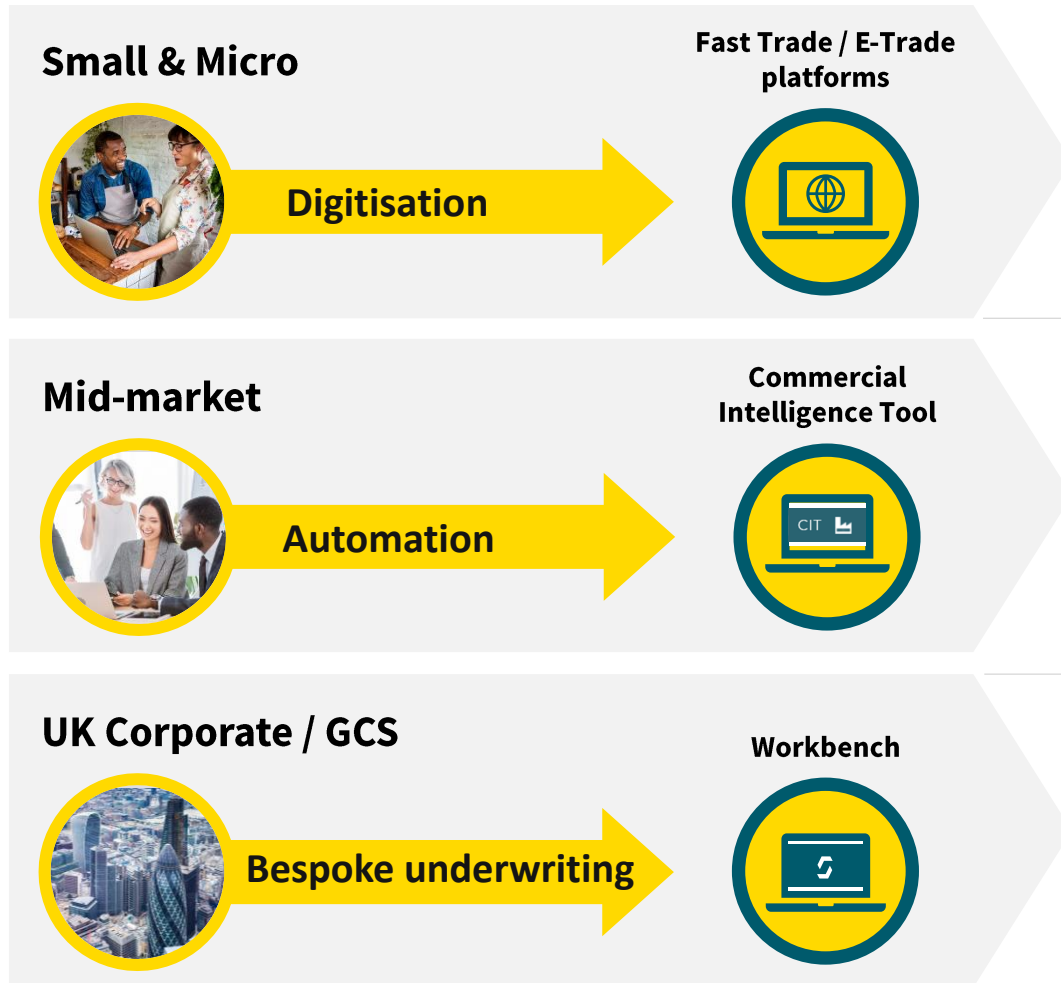


Top 5 commercial lines exposures:

| | | Net exposure (£m) |
|---------------------------|--------------------------|-------------------|
| UK Exposures | UK flood | 150 |
| | UK windstorm | 150 |
| Overseas exposures | California quake | 25 |
| | North Atlantic windstorm | 25 |
| | Germany flood | 25 |

Customer journeys built around customer needs

Solutions powered by technology



Delivering benefit to customers, brokers and Aviva

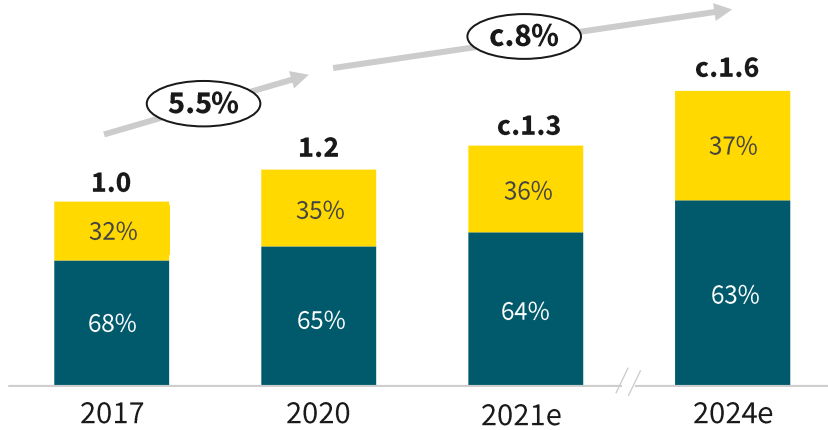
- **Digital platforms** provide extranet and online panel broker solutions
 - **Efficient and digitised channel for brokers** to place business with Aviva
 - Respond to evolving **customer choice** over **broker** or **direct** distribution
-
- **Automated yet highly personalised solution to support simpler risks** enabling underwriters to focus on complex cases
 - **Internal and external data** supports underwriting and enhances productivity
 - **£20m cumulative GWP benefit** since implementation in November 2018
-
- Workflow management system **reducing manual activity** for underwriters across large and complex risks
 - Flexible engagement model to **meet the needs of large corporates**

Accelerating growth in SME

Established SME insurer

Small & Micro
Mid-market

SME GWP (£bn) and CAGR



COR 95.4%¹ | 103.8% | 94.3% excl. COVID-19 | <94%

Key strengths



Proven profitable growth



Fast, seamless journeys



Broker relationships

Regional leadership

- ✓ Regional brokers are critical to Aviva's SME success
- ✓ Leading broker sentiment is the springboard to accelerate growth in mid-market and heartland SME

Future growth key levers

- ✓ Increased underwriting expertise and capacity, supporting broker demand
- ✓ Expanded digital specialty product suite to meet more customer needs
- ✓ Schemes growth through enhanced regional sales capability

Our regional trading footprint



1. 2017 Reported COR rebased for current perimeter of CL business

A winning small & micro digital strategy

Leading digital capability

- A winning strategy that meets the needs of our brokers
- >70% of small & micro business transacted digitally today



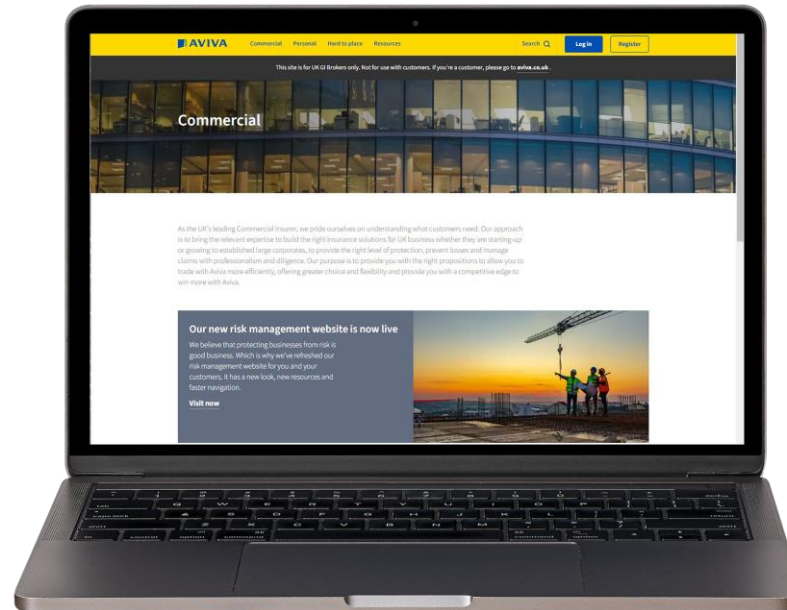
#1
UK Digital SME Insurer



#1
Fast Trade extranet



Winner 2021 Excellence in E-Trading



Further digitise business through superior broker experience:

1. Expansion of existing E-Trade product suite
2. Automated underwriting to boost productivity
3. Investing in digitised broker claims
4. Investing in automated bordereau solution to minimise back office processes

Digital next generation

Rapidly evolving digital distribution

>90% of Aviva risks <£15k transacted digitally by 2023

Driven by new entrants, modernising traditional players and evolving customer needs



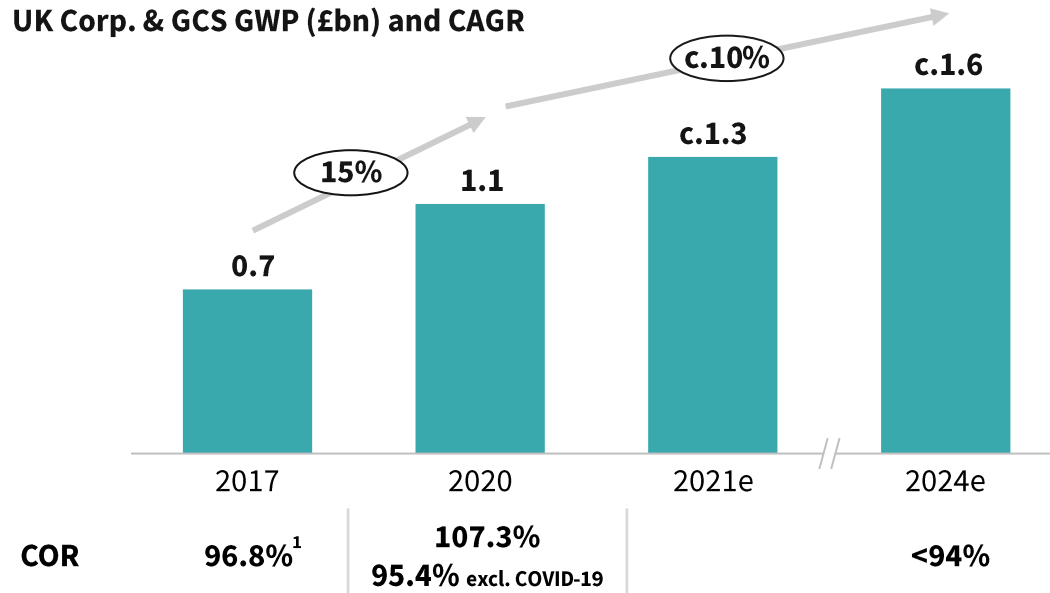
AI-led, fully automated 'Plug and Play' API¹ solution currently in development

1. Connected IT technology stack driving richer data transfer and improved pricing capability
2. Deliver a step-change in efficiency and distribution opportunities
3. Build foundations for partnering with InsurTechs and broker consolidators
4. Develop direct to customer capability

Transformed performance in UK Corporate and GCS

Strengthening our UK leadership position

UK Corp. & GCS GWP (£bn) and CAGR



COR

96.8%¹

107.3%
95.4% excl. COVID-19

<94%

Key strengths



Rapid underlying growth



Strong broker sentiment



Leading insurance capabilities

Sustaining growth in UK Corporate and GCS

56%

of growth achieved since start of 2020 through rate increase

-7%

2018-20 CAGR expense ratio improvement²

44%

of growth achieved since start of 2020 through volume

89%

Retention achieved in 2020



Underwriting led growth

Additional underwriting capacity to increase market share
Broaden distribution capabilities



Focused operational efficiency

Maintain top quartile efficiency and improve margins



Pricing sophistication

Data-led analysis to improve technical capability and decision making



Enhanced risk exposure monitoring

Accurate risk management supported by comprehensive reinsurance

What's driving our competitive advantage?



Unrivalled domestic distribution and sentiment



No.1 ranking by commercial brokers across all 11 key sentiment metrics¹ in 2021

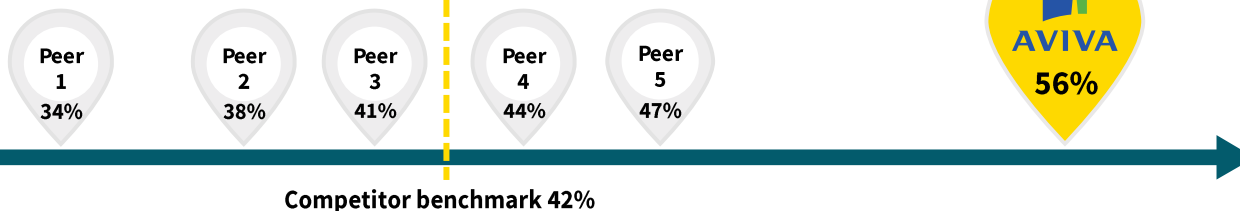
94%² of brokers trust Aviva

Top 10 brokers account for **c.64%** of GWP



- ✓ **Single Aviva relationship contact** building robust and effective trading partnerships
- ✓ **Clear partner of choice** for new and start-up brokers, supported digital solutions
- ✓ **Invested in specialist distribution capability** driving enhanced value for Aviva and partners
- ✓ **Client relationship managers** support clients day-to-day alongside brokers achieving high retention
- ✓ **Championing broker leadership talent pipeline** via the Aviva Future Leader Programme since 2018
- ✓ **Over 20 propositions** to help independent brokers develop and grow their business

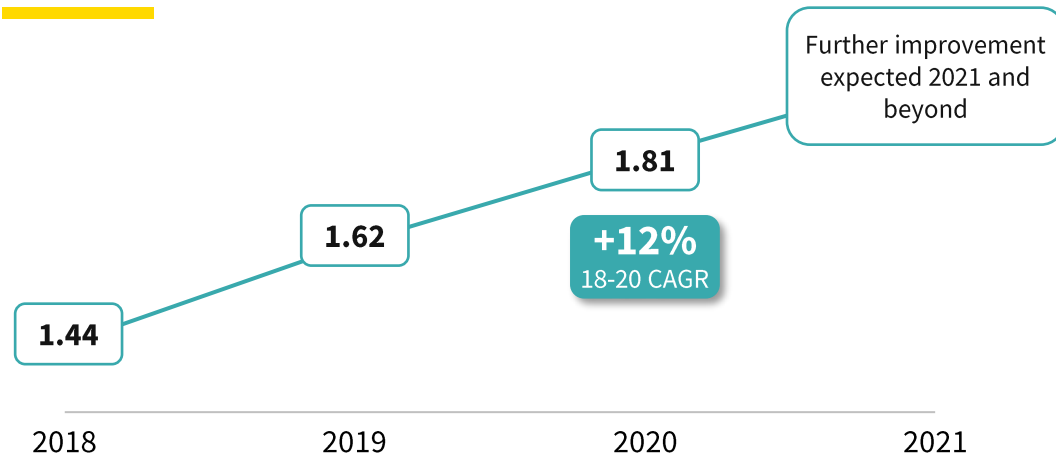
% scoring 9 or 10 for 'I trust this company completely' (Scale 0-10)³



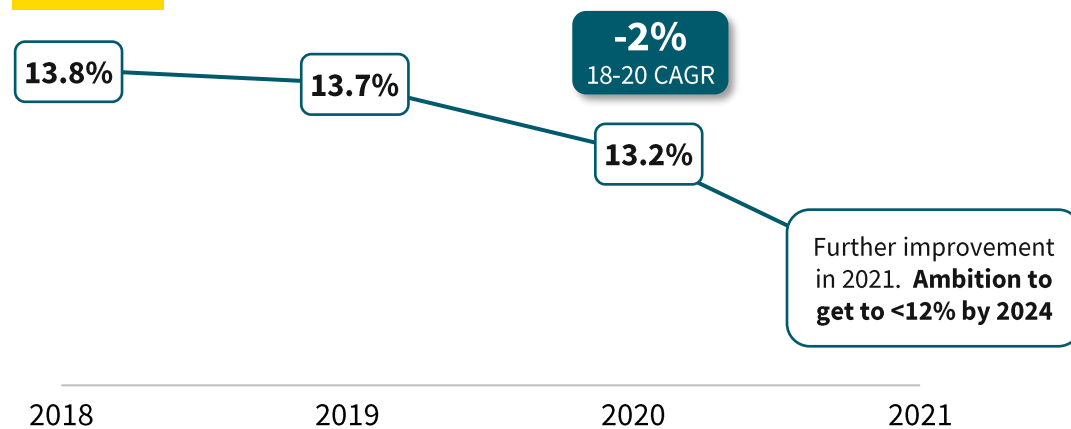
Trust score
14pts ahead of the competitor benchmark

Driving structural efficiency

GWP per FTE (£m)



Expense ratio¹



Key drivers

- ✓ Increased scale benefits through leveraging **recruited underwriting talent**
- ✓ **Digitisation and automation** of lower premium business to streamline underwriting processes and **focus resource on more complex, higher value cases**
- ✓ **Consolidation of regional underwriting centres and reduction of FTEs**, while maintaining broker sentiment and continuing growth
- ✓ Growth in our **low-cost Digital business**, which has a direct cost to income ratio of 1.8%
- ✓ Benefit of wider Group cost reduction programs, **reducing operational and functional costs**

Protecting customers when they need us most

Claims management

Supporting customers throughout the pandemic - £1.3bn claims in 2020

100% onshore, customer facing claims team

Highly skilled and dedicated in-house claims team **delivering great customer outcomes**



Leading **technical expertise driving superior indemnity management** across UK and multinational claims



Investment to **transform digital capabilities**, including broker self-service and claims tracking



Aviva Risk Management Solutions



Winner
'Risk and Resilience'

120 risk consultants
38,000 engagements
>£1tn assets reviewed

Award winning digital risk assessment tool providing a **simple self-service tool for customers**



Specialist risk consultants delivering digital and customised solutions to clients



Technical excellence for complex cases and drive insight for **enhanced underwriting risk selection**



Outstanding underwriting capability with pricing discipline

Portfolio management



Continuous **portfolio remediation** via tiering

Underwriting strategy by segment, product & geography

- **Lead data capability**, driving **automation** and **augmentation** of UW decisions
- Clearly defined **UW strategies** by product, peril and geography
- **Continuous improvement** of the renewing book through **tiering of accounts**
- **Ongoing investment** in pricing, exposure management and wordings capability

Governance & oversight



3 lines of defence

>**7,800** LUAs¹ & peer reviews completed

- **1st line:** Underwriter assessment – peer review, management information and portfolio reporting
- **2nd line:** Technical underwriting assessment and quarterly performance reviews
- **3rd line:** Conduct and Group Audit portfolio and thematic reviews

Reinsurance coverage



Volatility management on a per risk and CAT peril basis

Long-term, sustainable relationships

- Competitive reinsurance rates due to **scale and breadth of coverage**
- Aviva balance sheet strength enables **focus on XoL cover and strategic retention**
- **CAT retention** of £25m for overseas risks and £150m for UK risks
- Aggregate CAT cover shared with Canada and Ireland, **further mitigates volatility**

Summary messages to leave you with



Continuing profitable growth in UK Commercial

IFRS Op. profit¹
(Strong proxy for cash generation)

COR (%)

GWP growth (%)

Expense ratio⁴ (%)

UK Leader

2020

Market leader in SME and UK Corporate
Unrivalled digital capability
Leading broker sentiment

£146m¹

95

10 CAGR²

13

Growth

2024

Leverage hard market tailwind
Underwriting and digital growth
Increasing distribution reach

>£200m

<94

>7 CAGR³

<12

Key takeaways

Key contributor to Aviva Group, providing cash, operating profit and GWP growth



Leading UK Commercial insurer with strong underwriting capability delivering **profitable growth**



Attractive market with clear opportunities for profitable growth, due to continuing hard-market and new risks



Robust plans in place to deliver growth across Small & Micro (Digital) and Mid-market / Regional SME business



Organic Corporate growth through a focused, underwriter-led trading model and broadened distribution



Unrivalled strength in domestic distribution, underpinned by best in class service and sentiment from brokers



Q&A session



Amanda Blanc
Group CEO



Adam Winslow
CEO
UK General Insurance



Nick Major
MD UKGI
Commercial Lines

