

# In Focus: UKGI Personal Lines

25<sup>th</sup> January 2023

For  
**325**  
years



# Disclaimer & important information

## Cautionary statements

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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 longer-term impact of COVID-19) on our business activities and results of operations; the transitional, litigation and physical risks associated with climate change; failure to understand and respond effectively to the risks associated with environmental, social or governance (ESG) factors; our reliance on information and 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 customers 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, separation issues and other risks associated with our business disposals; and other uncertainties, such as diversion of management attention and other resources, 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 (for example, FCA Consumer Duty and Solvency II). Please see Aviva's most recent Annual Report and Accounts for further details of risks, uncertainties and other factors relevant to the business and its securities.

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 report are current only as of the date on which such statements are made.

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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 existing APMs used by the Group can be found in the 'Other information' section of the 2022 Half Year Report. All references to 'Operating profit' represent 'Group adjusted operating profit'. All comparatives presented are from continuing operations.

**All historic and forward-looking financial information is presented on an IFRS 4 basis. All 2022 financial information is unaudited and subject to finalisation procedures.**

# Agenda

## Welcome and introduction



**Charlotte Jones**  
Group CFO

## UKGI Personal Lines update



**Adam Winslow**  
CEO  
UK&I General Insurance

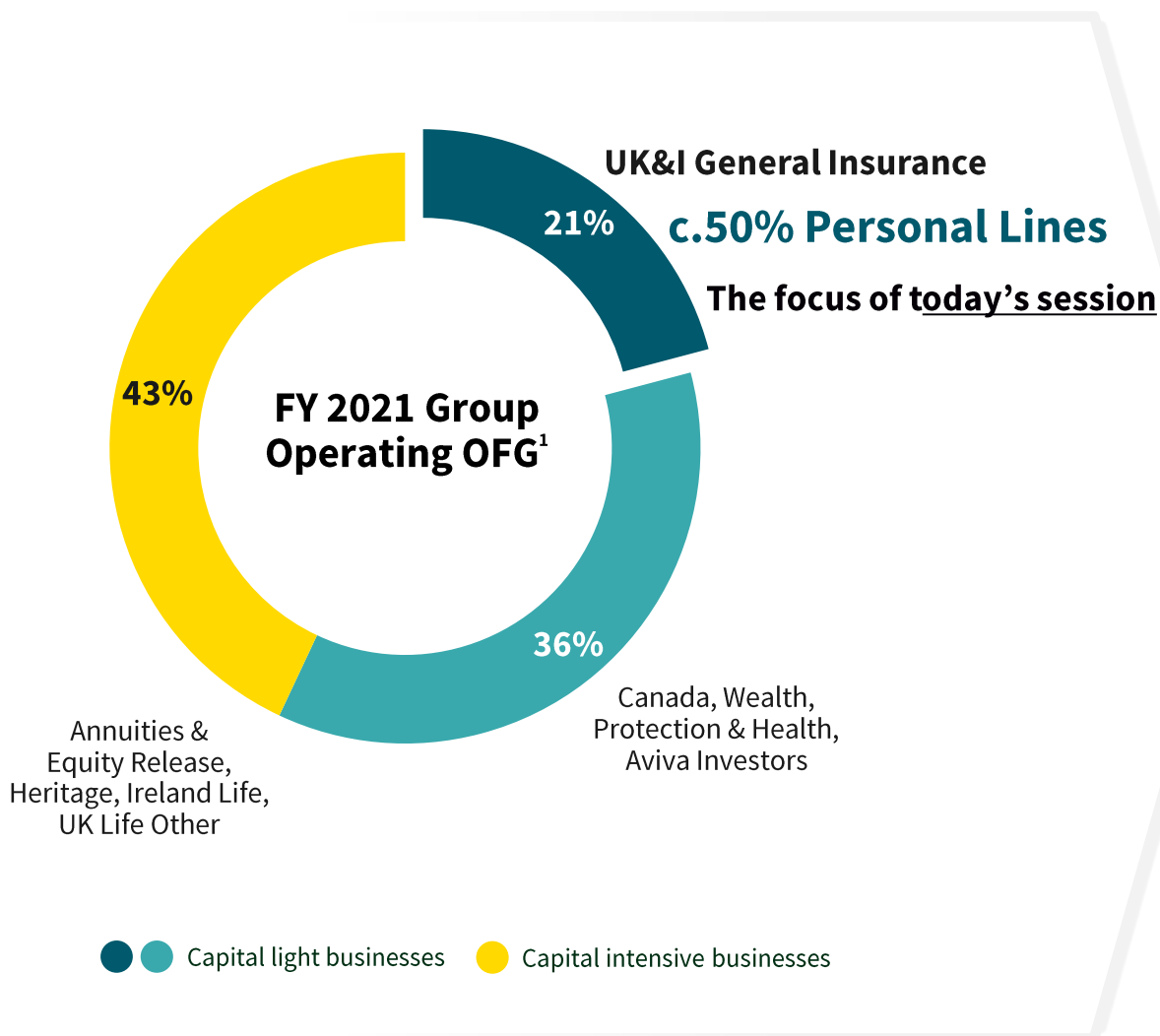


**Owen Morris**  
MD UKGI  
Personal Lines

# Q&A



# UK Personal lines is a key contributor in a diversified group



## Our UKGI Personal Lines Business:

**Strong and profitable growth opportunities** in attractive market segments

**Well diversified across product and distribution**, with targeted brand segmentation

**Strong performance** track record

Capital light **key contributor to Aviva Group** providing cash generation, operating profit and access to customers

Underpinned by **excellent technical foundations**

# Aviva full year 2022 General Insurance update

- Aviva's GI businesses in UK, Ireland & Canada **continued to trade positively** over the closing months of 2022
- We continue to **price appropriately for inflation**
- 2022 full year weather for the Group **broadly in line with long-term averages**
- **December's freezing weather in the UK** – c.£50m estimated cost
- Expect to report **2022 full year Group COR of c.94.6%<sup>1</sup>**

# The UK Personal Lines market

Products | Distribution | Key trends | Major players



# Personal Lines competitive landscape

## Success in Personal Lines

Factors for success

**Customer & Brand**

**Technical Foundations & Efficiency**

**Retail Scale**

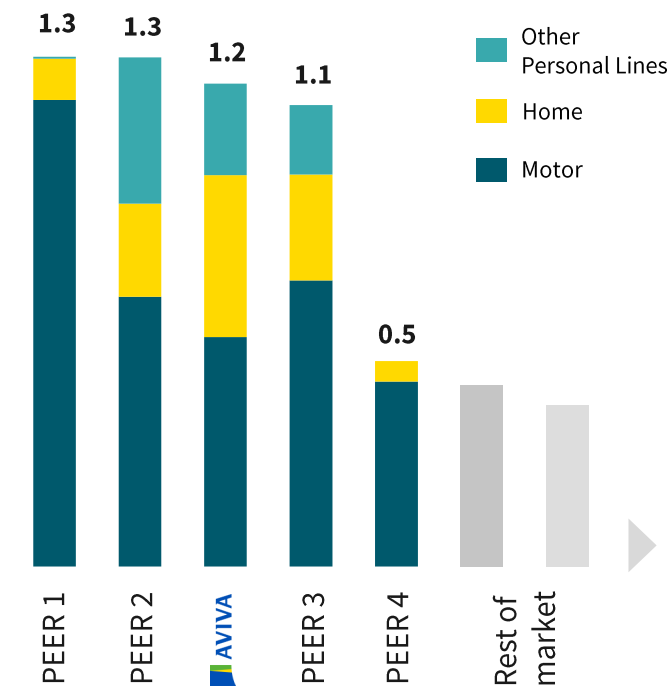
**Claims & Supply Chain Expertise**

**Diversified but Focused**

Aviva is **well equipped to win**, across all of the above factors

## Leading providers by scale

HY 2022 GWP<sup>1</sup> | £bn



Aviva is one of a clear **top 4 by volume**, but with **leading product diversification**

## Positive trajectory

HY 2021 vs HY 2022
















	Market Rank	COR
PEER 1	#1 (1) ▷	+23pp
PEER 2	#2 (2) ▷	+5pp
 AVIVA	#3 (4) ▲	+3pp
PEER 3	#4 (3) ▽	+15pp

Aviva **with momentum, trending up** versus other leaders

1. Product splits based on latest available company disclosures and Aviva estimates

# Personal Lines market overview

## Market landscape

	Segment	Market size (GWP 2021)	Aviva share	% of Insurer market profit <sup>3</sup>	Market Growth Outlook (5+ Years)
Product lens <sup>1</sup>	 Motor	£13bn	8%		
	 Home	£6bn	12%		
	 Other	£6bn	9%		
Distribution lens <sup>2</sup>	 Retail	£12.5bn	8%		
	 Non-Retail	£12.5bn	10%		
Total PL		£25bn	9.4%		

## Market factors

### Regulation

Pricing Practices reform - removing new business discounts and increasing retention

### Growth in Retail distribution & digitisation

PCW dominance in new business and convenience-based service

### Claims inflation

Double-digit inflation, across Motor & Home

### Cost of living

Drop in real incomes increasing exposure for those who need cover most

## Aviva position

- ✓ **Pre-emptive pricing action** minimises shock
- ✓ **Breadth of distribution** spreads risk and gives access to scale back books with retention uplift
- ✓ **Strongest UK brand**
- ✓ **Strong PCW growth** with Aviva Online, >1m policies in force.
- ✓ Aviva Zero **next generation Motor**
- ✓ **Rated ahead of the market**
- ✓ **Wholly-owned repair network** to mitigate claims costs
- ✓ **Launched 'Essentials' & 'Connect' products**, covering only what you need, at a price you can afford



# The Aviva Personal Lines Business

Diversification | Performance | Team | Strategic priorities

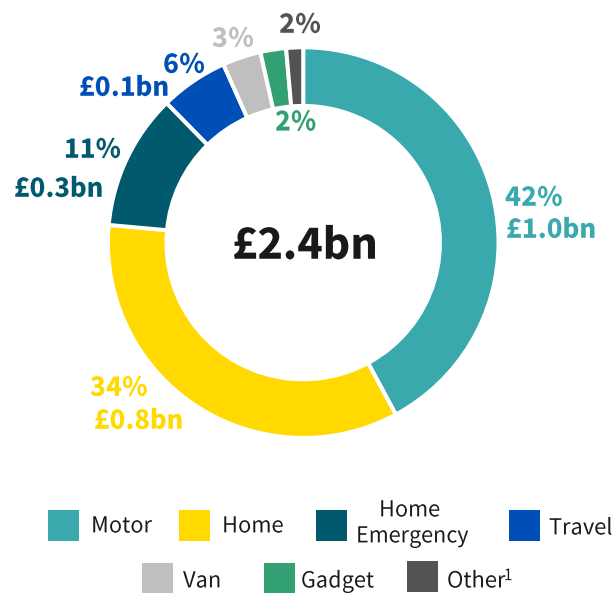


# Aviva's well balanced and diversified PL business



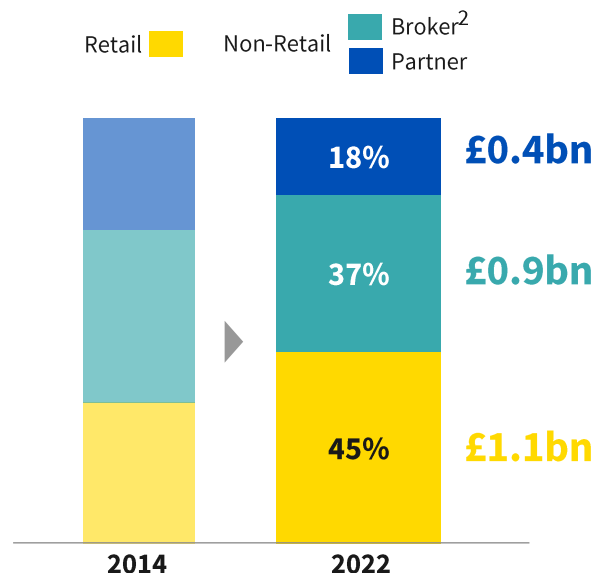
## Diverse portfolio mix

GWP, 2022



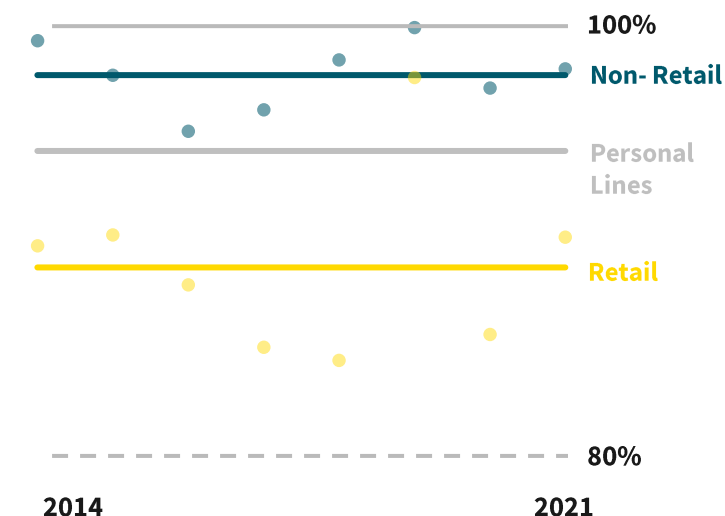
## Multi-distribution model

GWP, 2022



## Consistent profitability

COR, 2014-21



- ✓ **#1 in Home** and soon to be in High Net Worth
- ✓ Targeted scale via **differentiated motor propositions**, future growth driven by Aviva Zero
- ✓ **Leading Travel provider** with post-Covid and new deal growth expected

- ✓ **#1 in Non-Retail** – major UK bank partnerships
- ✓ **Growing Retail (Direct & PCW) customers** to become dominant channel
- ✓ **Targeted breadth of distribution** provides a clear, competitive advantage

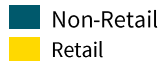
- ✓ **Consistent underwriting profit** across the whole business for the long term
- ✓ **Reliable, leading profit in Non-Retail**
- ✓ **Retail business returns on average materially better** – hence our primary area of focus

# Transforming performance

## Strategic Approach

### GWP

Period avg.



### COR

Period avg.

### Op Profit

Period avg.

### # Products

From 2019 estate

### # IT Applications

From 2019 estate

2019 to 2021

## Portfolio reshaping

#1 Non-Retail player  
Dialling up in Retail  
Digitising and simplifying service model

£2.4bn

57%

43%

c.98%<sup>1</sup>

c.£100m<sup>1</sup> pa

495



221

187



159

2022 to 2024<sup>2,3</sup>

## Targeted Retail & Specialist growth

Prioritised mass-market Retail growth  
#1 Bancassurer | #1 in Home | Grow to #1 in HNW  
Focus on underwriting return in Motor

£2.4bn

<50%

>50%

c.96%

c.£150m pa

▶ 100

▶ 119

2027 Ambition<sup>2,3</sup>

## Diversified & customer focused

Optimised portfolio & diversified growth  
Top 3 Retail business  
Launch new innovative propositions

~£3bn

<35%

>65%

<94%

£200m+ pa

▶ 95

▶ 108



# Refreshed leadership team to optimise performance



**Managing Director**  
Owen Morris



**Finance Director**  
Tom Latter

**Retail**



Stuart  
Curson

**Zero**



Michael  
Korner

**HNW**



Ann  
Owen

**Partnerships**



Jonathan  
Marsh

**Broker & Affinities**



Jonathan  
Santer

**Customer**



Charlotte  
Moran

**Claims**



Waqar  
Ahmed

**Data & AI**



Stephen  
Shaw

**Pricing & UW**



Anthony  
Ray

**Marketing**



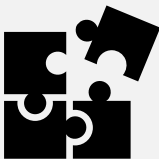
Starting  
Mid-23



**Technical & focused expertise**



**Specialists from across the market**



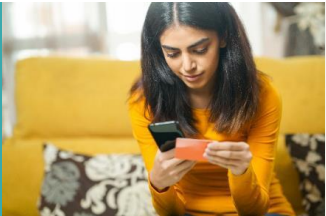



**Clear, complementary accountabilities**



**Engaged & diverse workforce**

# Personal Lines' strategic priorities

2027 Ambition<sup>2</sup>

<b>A trusted customer champion</b>		<b>Deeper customer relationships</b>	<b>Intelligent, digitally based journeys</b>	<b>Customer-led propositions</b>	<b>&gt;5m</b> Retail customers
<b>Becoming a diversified growth engine</b>		<b>Accelerate growth in Retail</b>	<b>Target #1 in HNW</b>	<b>Maintain Home leadership</b>	<b>~£3bn</b> GWP
<b>Forging first class foundations</b>		<b>Data led pricing &amp; U/W</b>	<b>Optimised Claims</b>	<b>End-to-end structural efficiency</b>	<b>&lt;94%</b> COR <sup>1</sup>
<b>Leading on sustainability</b>		<b>Lead on climate change</b>	<b>Financial Inclusion</b>	<b>Develop a thriving workforce</b>	<b>Net Zero</b> by <b>2040</b>



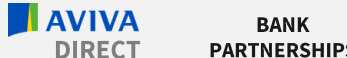

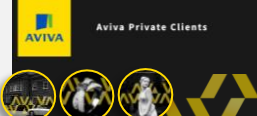

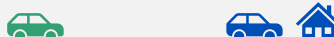
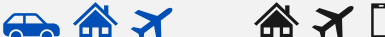
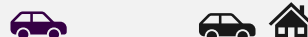











# Delivering on our Priorities

Customer | Growth | Foundations | Sustainability



# Customer led, segmented PL portfolio strategy

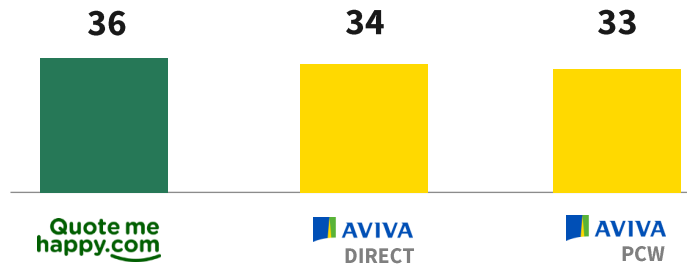
	Low Cost	Mass Market	Mass Affluent	Mass Specialist	HNW
Brand Positioning	 <p><b>Offering you the best price</b> Basic cover with optional add-ons</p>	 <p><b>Environmentally aware technology innovator</b> Sustainable, innovative products</p> <p><b>Covering all of your needs at an attractive price</b> Targeted mass-market proposition</p>	 <p><b>Convenient, comprehensive with the service you expect</b> Premium, differentiated cover</p>	 <p><b>We're there for you when others might not be</b> Specialist product suite</p>	 <p><b>Product excellence, with a team you can trust</b> Unparalleled product, with bespoke customer service</p>
Products					
default		 	 	 	
Distribution	Only on PCWs	Only on PCWs	Direct Cross-sell Banking apps & via PCWs	Direct and PCW Broker	Exclusively via brokers

# Deepening our customer centricity

## Trusted consumer brands

### Overall Transactional NPS

Dec 2022



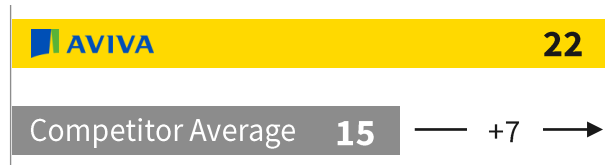
### #1 Insurance brand

Brand Power



### Relational NPS

2022



## Deliver intelligent, digitally based journeys



### Digital Default

- All servicing requirements enabled to be **completed online**
- **Intuitive customer journeys**



### Contact Technology

- **Voice assistant** drives telephony demand to digital
- **Digital assistant** supports online queries e.g. live-chat



### Human Support

- Prioritised for **vulnerable customers** and complaints
- AI technology identifies when **customers need support**

# Leveraging our Aviva customer franchise

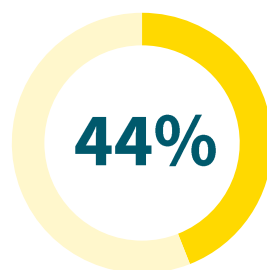
## Proven cross-sell capability in Personal Lines

 Share of Aviva Direct sales to **multi-product customers**

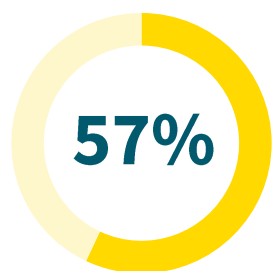
By product



Of all sales



 Leading to **increased retention**



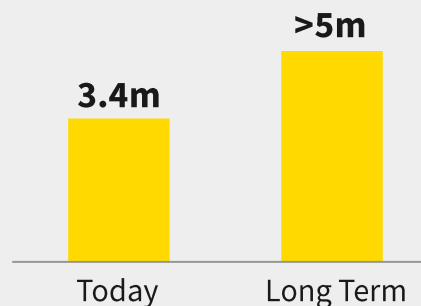
of all renewals to **multi-product customers**

**+6.6ppt**  
higher retention rate of existing **customers** vs those without multiple products

## To be leveraged across the wider Aviva group

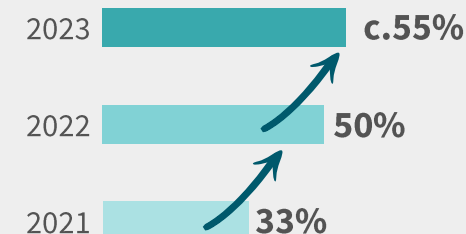
 Growing **marketable customer base**

Personal Lines Retail customers




Increased **customers we bring** into the wider group

Aviva group customer marketability

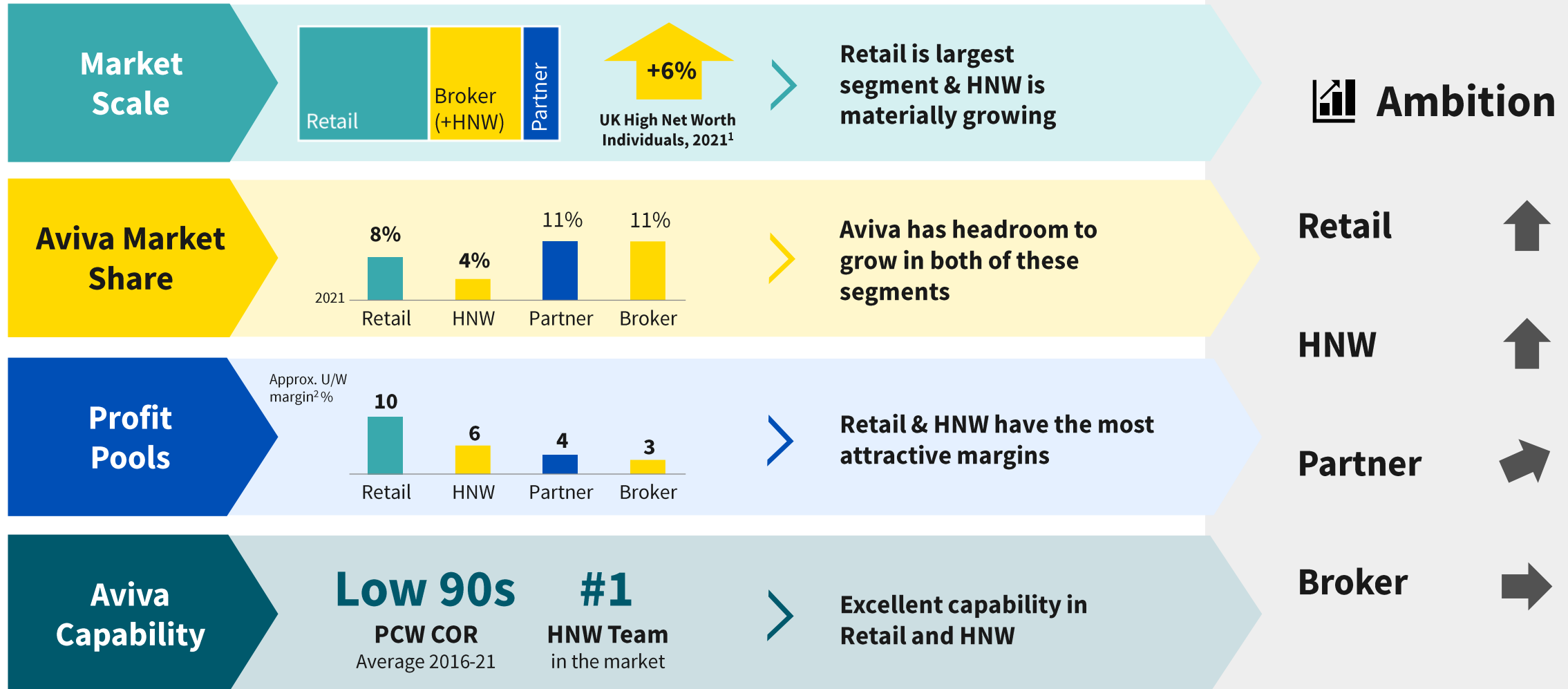


Increased group **customers we can reach** with PL products

 **Aviva in action**

2022 saw application of an **exclusive Pension customer discount** for customers shopping for an Aviva Motor policy on PCWs, corresponding to an uplift in sales

# The Retail and HNW growth opportunity

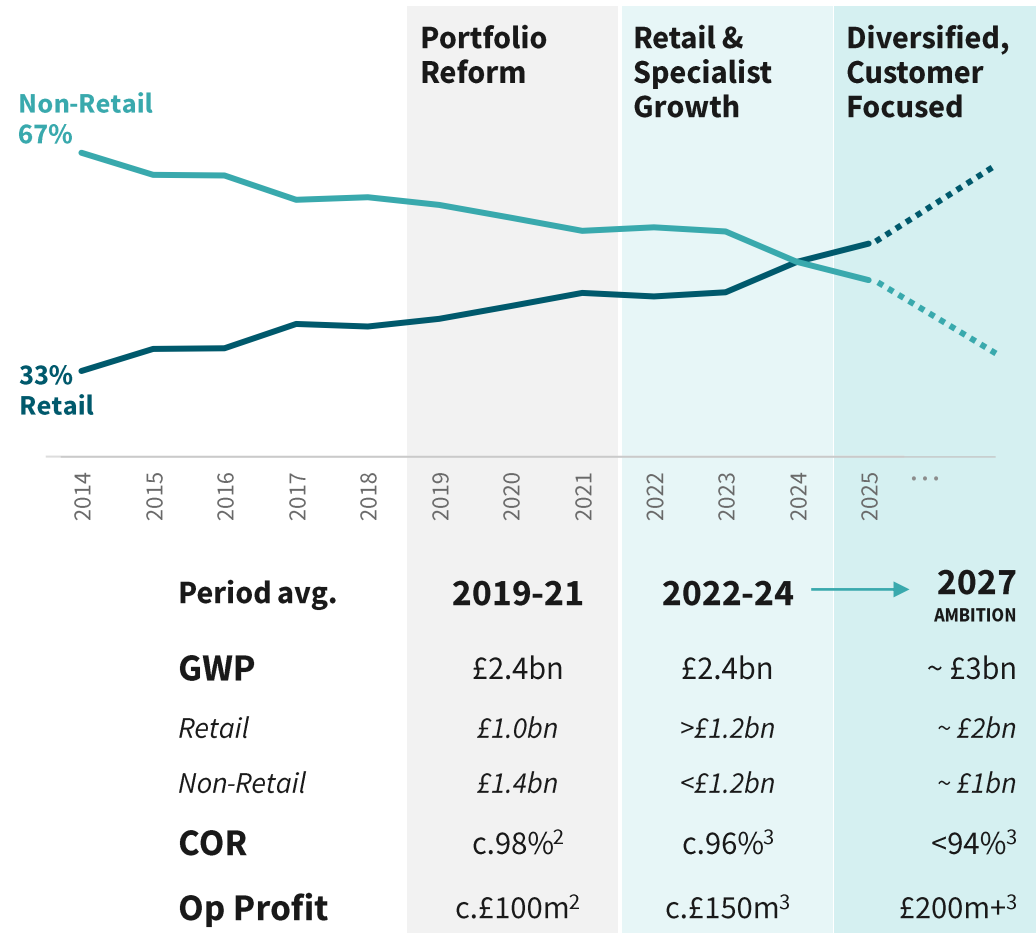




# Profitable, targeted, growing portfolio



## Evolution & flightpath of the portfolio



## Winning segment strategies

### Retail

#### Retail

PCW and Direct growth Aviva through 'own brand' strategy across multiple customer segments

#### Zero

Rapid customer and GWP growth via leading edge, API based cloud technology stack

>50%

of PL GWP by 2024

1m

policies sold by 2025

### Non-Retail

#### HNW

Integrate recent acquisitions and launch revamped Aviva Private Clients service proposition

#### Partnerships

Support bank partners evolve their insurance model and acquire new large partnerships

#### Mass Market Broker<sup>1</sup>

Optimise the portfolio to prioritise brokers with propriety advantages, focusing on non-standard risks

#1

UK HNW insurer

#1

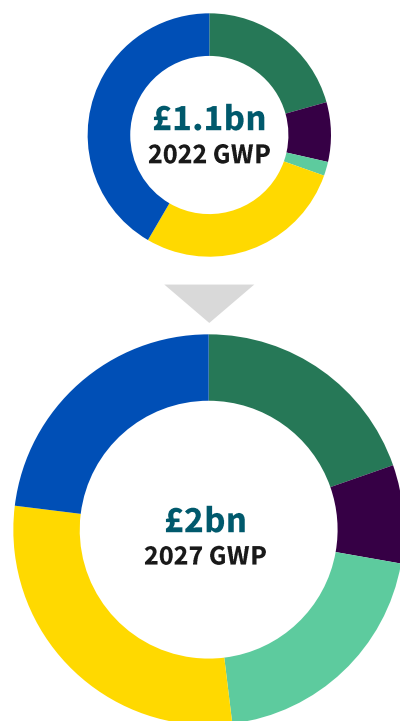
UK bancassurer

Profit accretive

# Retail – multi-brand driver of profitable growth

## Expanding our competitive footprint via distinct, complementary customer propositions

Increasingly PCW-based  
Retail portfolio composition



Five Year Ambition Flightpath  
(not to scale)

		To Date	Next Steps	NB Share	Outcome
PCW	Quote me happy.com	Low cost model Motor/Home via PCWs £260m GWP <sup>2</sup>	Connect and Essentials products, increasing consumer affordability & Aviva competitive footprint		£2bn GWP
	GA GENERAL ACCIDENT	'Black box' telematics Testbed for expansion £86m GWP <sup>2</sup>	Test and learn platform with underwriting focus to allow expansion into complementary / valuable segments		
	AVIVA zero	Cutting edge platform Motor via PCWs only, 65,000 sales since launch	Environmentally conscious proposition testbed with growth driven by technology enabled pricing sophistication & agility		
	AVIVA PCW	1 <sup>st</sup> Aviva brand on PCWs Rapid growth >1m policies in force	Exploit Aviva brand via PCWs using proposition differentiated by service, across Home and Motor		
Direct	AVIVA DIRECT	Highly profitable cross-sell opportunities £495m GWP <sup>2</sup>	New mass affluent proposition, existing cross-sell strength & inorganic opportunities		<93% Retail COR <sup>1</sup>

# Broker & HNW – shift to more attractive segments



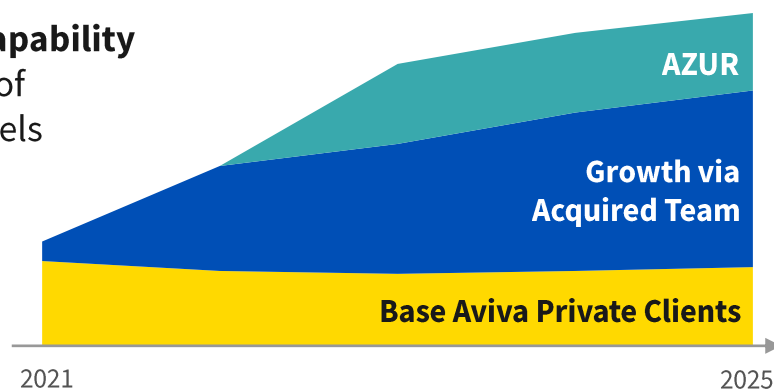
## Becoming market's #1 HNW insurer

**Capability and clear targeting** across all segments, from mid to ultra high net worth, exclusively via brokers

	Minimum Premium
Ultra High Net Worth	£25k+
High Net Worth	£5-25k
Mid Net Worth	£2-5k
MNW SmartHome	£1k

## Fusion of new capability

& 90% retention of acquired book fuels material growth



## Selective participation in Mass Market Broker



**Brokers with unique access or data**

Customer access & competitive advantage through data



**Focus on portfolio optimisation**

Manage for profitability through portfolio management & trading



**Tailored approach**

Selective tailoring for non-standard priority schemes



**Non-standard specialists**

Complementary customer and market access

# Partnerships – an evolving business

Building on existing capability to maintain leading scale, optimise for new business and enhance our offering

## Leading in scale markets

Bancassurance strength



Home, Travel and Gadget insurance at scale, through some of the UK's best known consumer bank brands

### Leading digital capabilities

From branch to digital



Digitising bancassurance experience through **fusion of Aviva and partner capabilities**, accelerated post-Covid

### Leading into the future

Partnering to innovate

*Lemonade*

**UK partner for Lemonade, proven US-based 'insurtech'** with leading digital, AI and customer experience capabilities

### Leading in evolving landscape

Back book strength











Actively pursuing opportunities to **further strengthen our position in Home & Travel**

# First class foundations & efficiency

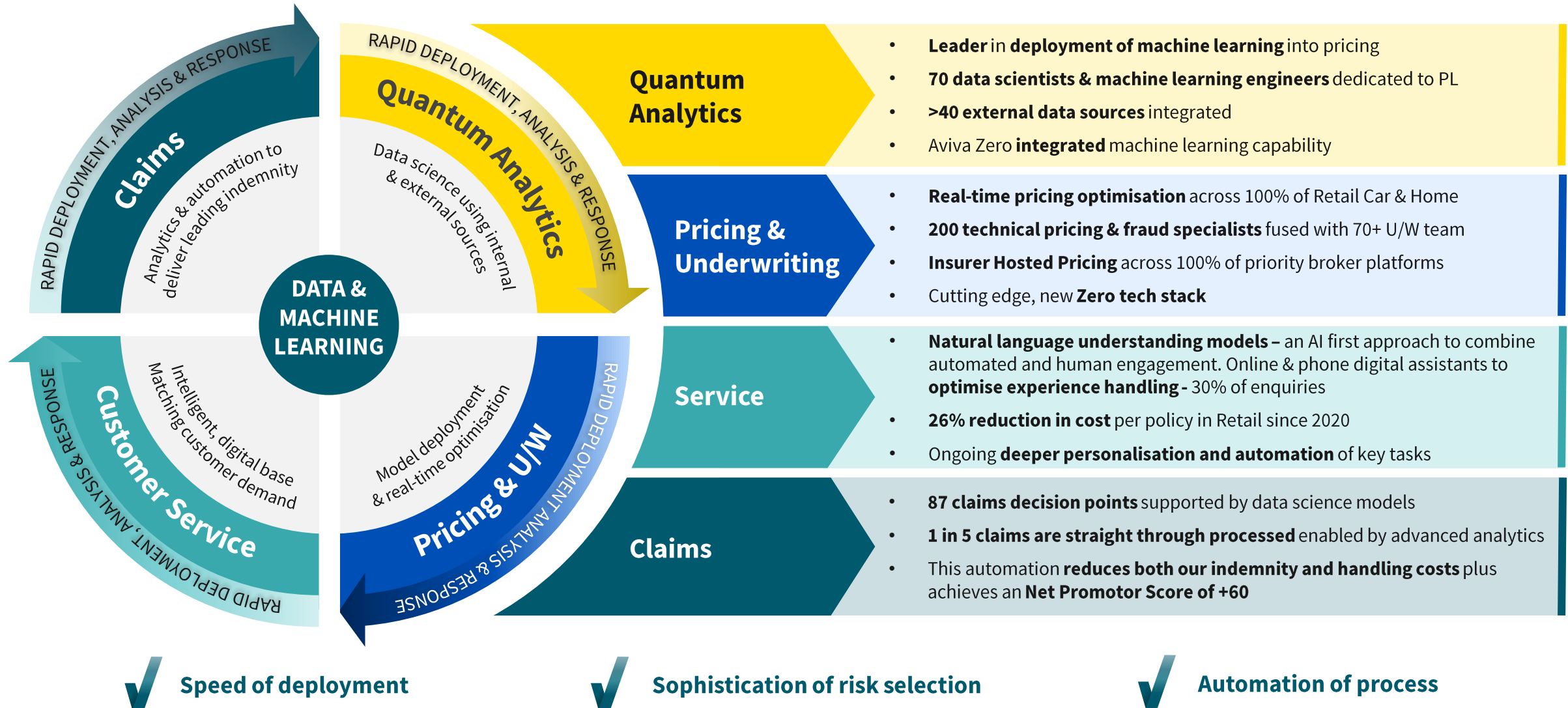
Combined functional approach to **drive efficiency and performance** across core areas



Area	Priorities	Trajectory
 <b>Technical</b>	<ul style="list-style-type: none"> <li>Enhanced pricing through NLM<sup>1</sup>, AI &amp; Zero capabilities across portfolio brands and channels</li> <li>Deliver 'Winning in Motor' programme for market leading profitability</li> </ul>	<b>Loss Ratio</b> 
 <b>Customer</b>	<ul style="list-style-type: none"> <li>Digital-first, targeted 'optimum-channel' approach</li> <li>Satisfy customer expectations by brand through intuitive digital journeys</li> </ul>	<b>TNPS</b> 
 <b>Claims</b>	<ul style="list-style-type: none"> <li>Deliver market leading indemnity performance through focus on total economic outcomes</li> <li>Re-engineer claims journeys with E2E ownership</li> </ul>	<b>Motor Indemnity</b> 
 <b>All functions</b>	<ul style="list-style-type: none"> <li>Simplification – two-thirds reduction in product estate in the last two years</li> <li>Leverage scale efficiencies and selectively tailor per channel where required</li> </ul>	<b>Expense Ratio</b> 



# Data science in our DNA



# Leveraging Solus - wholly owned motor repair network

## UK wide expertise and repair coverage



### Customer

- Award winning **customer experience** 2019, 2020, 2022 and **4.55 star rating**
- **12 day key-to-key times** vs 24 across wider network



### Aviva

- Ability to **manage supply chain inflation** through 'in-house capacity' and unique body management tool
- **Reduced supply chain disruption** through pre-diagnosis and six 24 hour garages



### Capability

- **Lower average cost** per repair vs non-owned network<sup>1</sup>
- Repair **inflation** held at **half** of what the market is seeing over the **last 3 years**

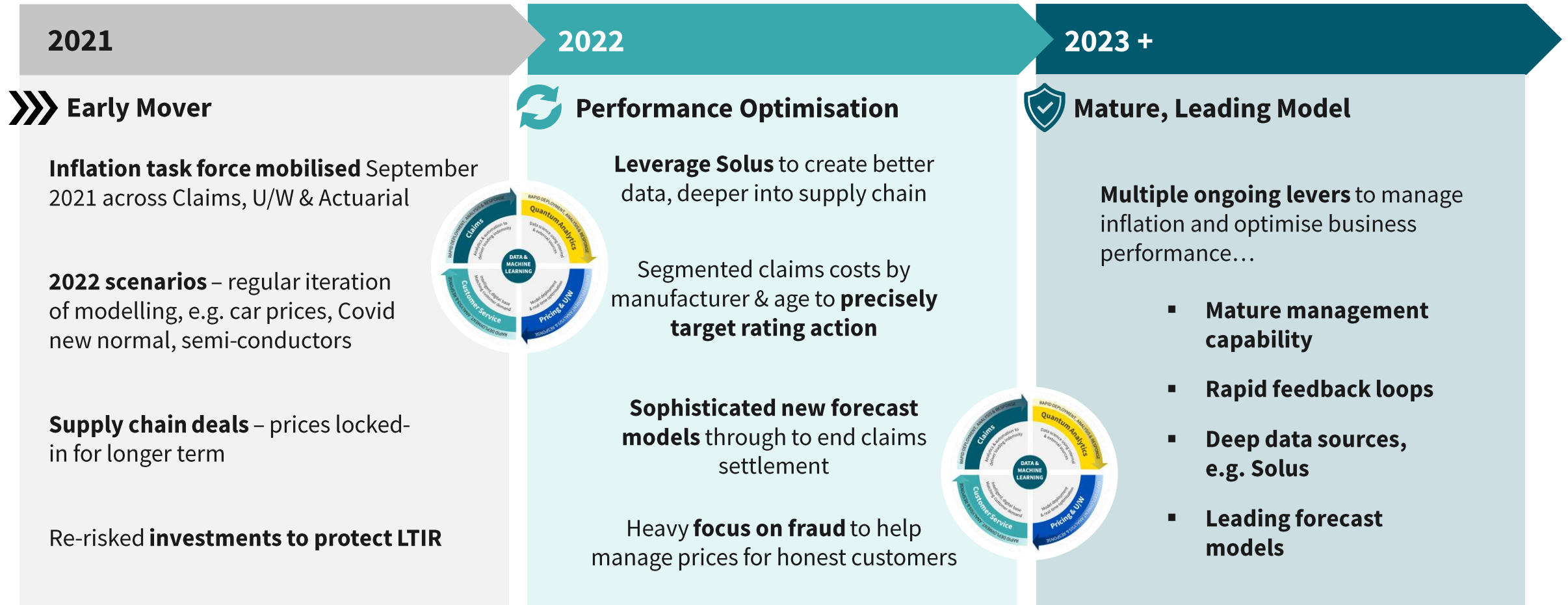


### Future

- Targeting a **Net Zero body shop by 2030**
- All management vehicles and 90% of courtesy fleet to **be EV or Hybrid by 2028**




1. On a like-for-like basis – actual average impacted by severity mix routed to Solus

# Leading inflation response



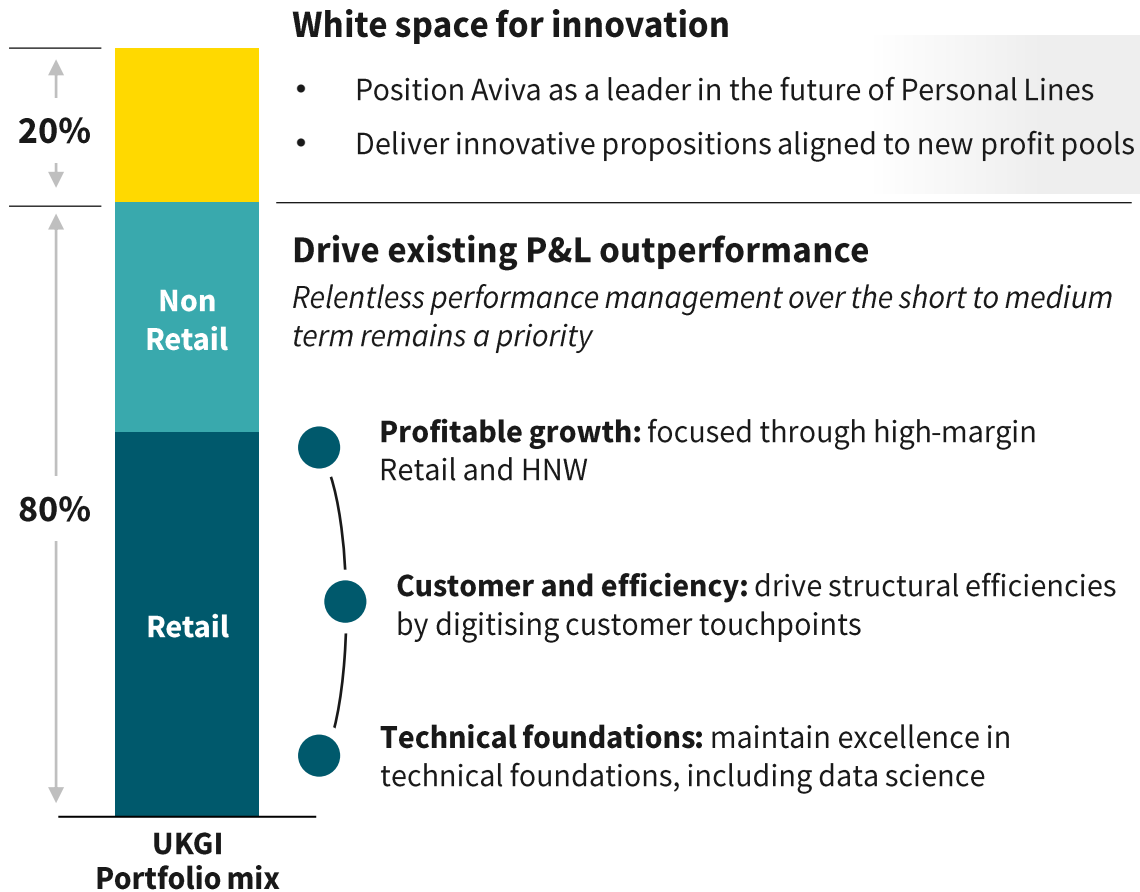
**Rapid speed to market through dynamic P&L management processes**

# Industry leadership on Sustainability

Focus areas	Target outcomes	Progress underway
 <b>Climate Action</b>	<p><b>Net Zero Claims</b> by 2030 and <b>Net Zero Underwriting</b> by 2040</p> <p><b>Insuring the electrification &amp; low carbon transition</b> with 1m Aviva insured BEVs</p>	<p>Key role in <b>establishing the NZIA Net Zero Underwriting</b> framework</p> <p>Insure 1 in 9 BEVs &amp; have offset <b>&gt;300m miles of driving</b> through Aviva Zero</p>
 <b>Stronger Communities</b>	<p>Lead in ensuring that <b>Financial Services</b> are as <b>accessible and inclusive</b></p> <p>Remain central to the success of <b>FloodRe</b> and the <b>‘Build Back Better’</b> programme</p>	<p>Founded an <b>industry-wide working group</b> to tackle financial inclusion</p> <p>Launched price champion <b>QMH Essentials &amp; Connect</b> propositions</p>
 <b>Sustainable Business</b>	<p><b>40% women in senior leadership roles by 2024</b> and <b>increased ethnic diversity</b></p> <p><b>Build partnerships</b> that share and align to our own <b>sustainability ambitions and values</b></p>	<p>On track, <b>38% senior female leaders</b></p> <p>Partnered with <b>Fair 4 All Finance</b> across a range of financial inclusion initiatives</p>

# Innovation key for long term

## Growing 'white space' value



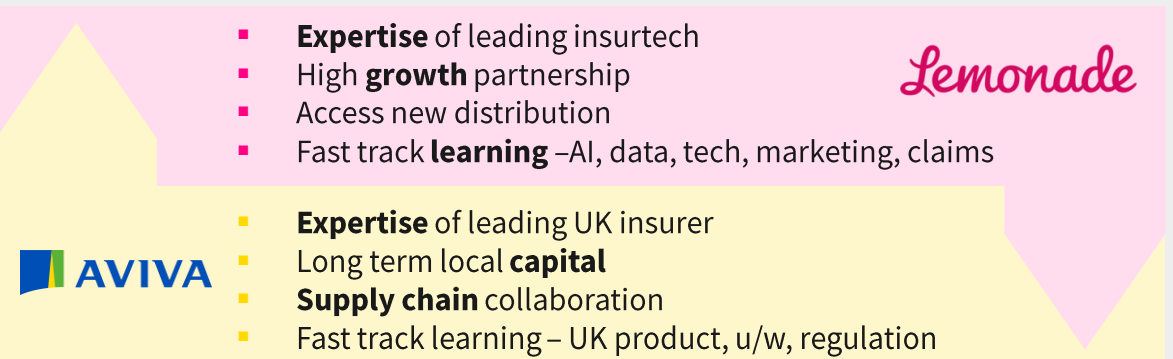
## Examples of innovation



- Next generation** Retail Motor via PCWs
- Deliver leading tech stack for **future growth**
- Leading pricing, ML and data capabilities**

Lemonade

- Grow customer reach**
- Partner on **cutting edge AI and CX**
- Collaborate across value chain**





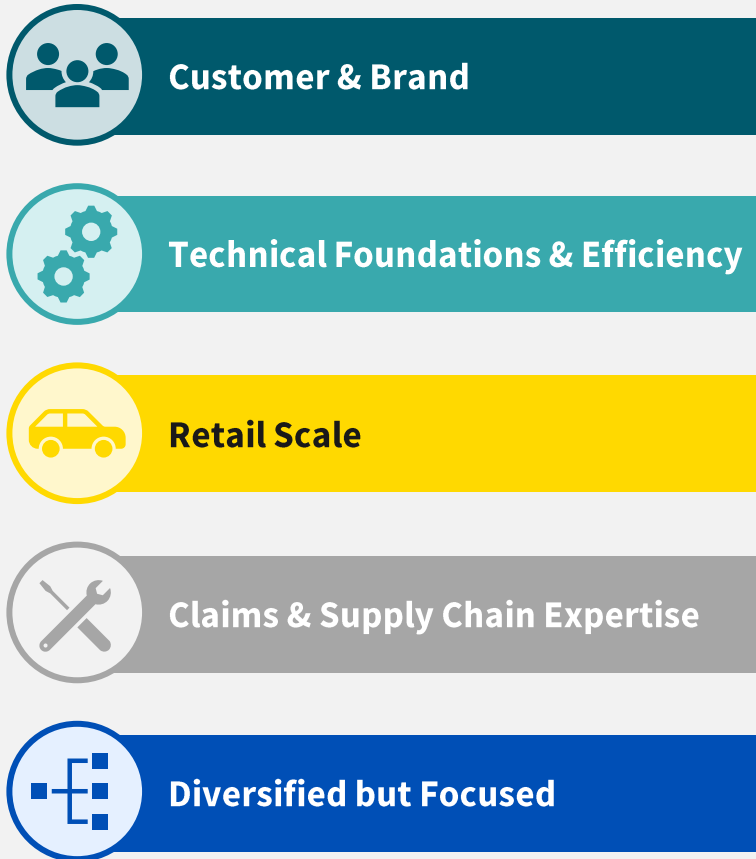
# In Summary

Key Takeaways | Q&A



# Key takeaways

## Factors for success in Personal Lines



## Key messages for Aviva

**Profitable growth opportunities**  
in attractive segments – Retail &  
HNW – enabled by #1 brand ✓

**Leading diversification across  
products & distribution** with  
deliberate, targeted brand  
segmentation ✓

**Industry leadership in  
sustainability** across climate  
action, communities & our  
own business ✓

**A scale Personal Lines business**  
performing strongly against the  
market and competitors ✓

**Excellent technical foundations**  
in key skillsets of data science &  
machine learning, applied  
across the business ✓

**Key contributor to Aviva Group,**  
providing cash, operating profit &  
customer growth ✓

# Q&A

Welcome and  
introduction ✓

UKGI Personal Lines update ✓



**Charlotte Jones**  
Group CFO

**Adam Winslow**  
CEO  
UK&I General Insurance

**Owen Morris**  
MD UKGI  
Personal Lines

# Q&A



