Annual General Meeting 2007
Frequently asked questions

In the Chairman's letter which accompanied the Notice of Annual General Meeting, shareholders were given an opportunity to ask the directors a question relating to the business of the Meeting or the Company generally. It is believed that this is of particular interest to those shareholders who are unable to attend the meeting. A postage paid question form was attached to the Notice of Meeting for this purpose. This leaflet sets out the answers to the most frequently asked questions.

Q1 What is the current position on the ownership and distribution of the inherited/orphan estate funds? On what basis will the funds be distributed between shareholders and policyholders?

A The Company continues to explore the possibility of a reattribution of the inherited estate of the CGNU Life Assurance and Commercial Union Life Assurance Company with-profits funds.

On 21 November 2006 Ms Clare Spottiswoode was formally appointed as the Policyholder Advocate, an independent third party appointed to represent the interests of policyholders. At the same time Norwich Union wrote to all potentially eligible policyholders to share with them what was being planned. Since being appointed, the Policyholder Advocate has consulted widely on the proposed reattribution with, and on behalf of, policyholders. The Policyholder Advocate and her independent team of advisers have now commenced negotiations with Norwich Union over the detail of any possible reattribution.

The Company is not in a position to give further details as confidential negotiations between the Policyholder Advocate and Norwich Union are underway. In the event that any reattribution offer is agreed between the Policyholder Advocate and Norwich Union it is still subject to final agreement by the Aviva plc Board, the outcome of a policyholder election and High Court approval.

Q2 Given the recent acquisitions of RAC and AmerUs, how does the Company intend to grow in the future – by further acquisitions or through "organic" growth?

A Aviva will continue with aggressive organic growth of its business across geographies and product lines, subject to strict profitability targets. In particular, Aviva expects robust growth from its international businesses, where underlying market growth is often higher than in mature markets. Aviva will supplement strong organic growth, where necessary, by evaluating joint ventures or bolt-on acquisitions where these meet its strict criteria for value creation.

Q3 Despite the relatively positive stock market conditions, and Aviva's continued strong profitability, the returns on my life assurance policy are still very low and I am informed that there will be a shortfall on maturity. How can the Company explain this and reassure policyholders?

A The with-profits funds are self supporting and with-profits policyholders benefit mainly from the investment return earned by the with-profits fund in which they are invested. The returns of the with-profits funds are passed on to all customers by increasing the underlying value of their policies (asset share). In a particular year, customers may not get the full investment return due to smoothing. This means that in good years they may get less bonus than has been earned, but in poor years they may get more. For example in 2002 the Company still added regular bonuses even though there was a negative investment return. Over the longer term the bonuses added will fully reflect underlying policy earnings.

With-profit policy returns are not connected to the Company's operating profits which are not used to subsidise policy shortfalls. The operating profits belong to the shareholders and reflect the return on the capital which they have invested, and put at risk, through their equity stake in the Company.
As a consequence the results of the Company, whether they be good or bad in any one year, are distinct from, and do not influence, the bonuses declared to policyholders. Also, it should be noted that the Aviva Group comprises a much wider range of businesses than just Norwich Union Life. It includes life assurance companies throughout the world, particularly Europe, as well as general insurance operations which produced a significant part of the Group's operating profits.

Q4 Salaries and bonuses paid to directors continue to increase year on year above the rate of inflation. Why is this, especially when returns on policies are poor? What systems are in place to ensure that employees share in the success of the Company?

A The Company's remuneration policy seeks to provide remuneration packages which attract and retain high calibre employees and encourage and reward superior performance. Senior executives are rewarded on the basis of performance and their remuneration packages are set at median against external comparator data for on target performance, and upper quartile for superior performance.

The annual bonus plan, which was approved by shareholders at the 2005 AGM, is geared towards incentivising and rewarding superior performance and returns to shareholders. When Aviva announced its 2006 full year results, they were at a record level and widely regarded as very good and therefore the Company's reward structure has done what was promised and rewarded excellent performance appropriately.

The investments of Norwich Union Life's policyholders are ring fenced from the assets belonging to shareholders. The return on those investments, paid in the form of bonuses, reflects the performance of the policyholders' funds, not the operational performance of the Company as a whole.

Bonuses declared by Norwich Union Life on its with-profits life assurance products are based on the investment returns achieved on policyholders' savings in its with-profits funds. Those savings are invested to provide investment growth and security. The with-profits funds aim to even out the variations in performance over the investment period using the financial strength of the funds to "smooth" the returns.

Executive pay and staff pay operate as completely different "markets", moving at different rates. Having said that, all Aviva staff are on performance-related pay structures and therefore salary progression depends on individual performance. Additionally many UK staff received bonuses for 2006 which reflected the good results delivered by the business units.

Q5 It has been widely reported that overseas call centres provide a lower level of service than UK based centres. How can the Company justify their continued use and what steps are being taken to improve their quality?

A As you would expect, Aviva thought long and hard before making its decision to relocate some aspects of its activities to India – it was not the first to make this move; neither will it be the last.

The marketplace in which the Company operates is highly competitive; customers increasingly demand value for money products, as well as a high quality service and the Company has recognised that relocating some of its operations can help. Typically, a call centre operation is 40% cheaper to run in India than it is in the UK, primarily because wages and other fixed costs are substantially lower.

These savings provide the Company with a strong element of cost control which can be used to maintain competitive advantage, invest in new initiatives and provide working capital to be invested in future growth.

Aviva manages the performance of UK and offshore call centres on a monthly basis across a variety of performance measures. The expectations of offshore operations are equally as high as those in the UK.

The results show that the performance of Aviva's offshore call centres is excellent, delivering good levels of customer satisfaction.

Whilst the Company has always been as confident in the overall quality and success of its operations in India as for the UK, it recognises there is more that can be done. Aviva constantly monitors and reviews its call centre operations to ensure areas for improvement are identified and acted on immediately.

Customers should therefore also have as much confidence in the Company's Indian operations as they do in the work we do in the UK – indeed independent customer research show that satisfaction levels are broadly similar for UK and offshore operations.

Q6 Given the results achieved in 2006, could Aviva use some of those profits to provide discounts to its loyal shareholders, or alternatively to offer better rates on age related products?

A The Company has offered various discount schemes in the past, however the size of the Company's shareholder base (approximately 650,000) makes it impracticable for administrative reasons to operate a blanket discount scheme to all shareholders. Discount schemes are also a challenge economically, given that Norwich Union and RAC product lines are already very competitively priced.

Furthermore, age related products provided by Norwich Union are already competitively priced and the provision of discounts in this area would also be difficult to achieve.

Nevertheless the Company continues to look at ways of offering discounts efficiently and economically on certain products, so that shareholders can benefit further from their relationship with the Company.

Q7 Why do Aviva shareholders have to request a hard copy of the annual report and other shareholder documents in future? Does this not undermine the communication between the Company and its shareholders?

A As a continuation of Aviva's concern to limit the environmental impact of its business and to manage its costs effectively, the Board is seeking approval at the Company's AGM to take full advantage of the new provisions introduced by the Companies Act 2006, which recognises the growing importance of electronic communications. The new legislation provides shareholders with a choice of whether they receive all communications via electronic means, e-mail or website etc, or continue to receive hard copy documents through the post.

The Company realises that many Aviva shareholders will not have access to a computer or may simply still wish to receive hard copies of documents and therefore shareholders can elect whichever means of communications is appropriate for them. This will ensure that Aviva can maintain its dialogue with shareholders, whether through electronic means or more traditional methods of communication.

Some shareholders have specifically asked about the effect of the new procedures on their dividend paperwork. It is the current intention that consolidated and individual tax vouchers will continue to be sent in hard copy form to all individual shareholders (unless they positively elect to receive their communications electronically). Therefore shareholders who take no action will see no change to the way the payment of dividends is administered.

The Company believes that these new provisions are advantageous for those shareholders who would rather not receive a large number of documents they may possibly never read. However as stated those shareholders who do wish to receive hard copy documents can continue to do so. The Company values communication with its shareholders and the new legislation is considered as a method to enhance its already robust communication procedures.

Q8 As a global organisation, what contribution is Aviva making towards protecting the environment in the territories in which it operates?

A As a forward thinking insurer Aviva is making provision for the effects of climate change through adapting and creating new products and services to meet this challenge. The Company also seeks to reduce its own CO_2 output and encourage others to do the same through its influence as an investor and purchaser. We will work with others to better understand the future implications of climate change and play our part in helping to develop and deliver society's continuing response.

Aviva has been managing and reducing where possible, its CO_2 output since 1998. We also seek to use alternative sources of energy where possible. For example 55% of our global electricity consumption now comes from zero emissions sources.

The Company will continue to make every effort to reduce its CO_2 output further, but will not be able to remove it altogether. We therefore decided to take the next step and make our worldwide operations "carbon neutral". What this means in practice is that we shall commission third parties to absorb or reduce carbon output on our behalf – for example, through supporting projects that generate zero emissions electricity. We are looking for qualifying projects in both developing countries and in countries where we operate, and aim to find projects that not only offset our carbon output but also promote local community benefits.

The lower the Company's carbon usage, the lower the annual cost of buying the offset. The initiative therefore provides the Company with a financial incentive to continually seek ways of reducing its carbon footprint.

Q9 In view of the recent media exposure to the problem of identity fraud, what steps are Aviva and its Registrar taking to protect shareholders against the possibility of their personal information being compromised?

A Company law requires that a shareholder's name, address and the number of shares held are recorded on a register which is publicly available upon payment of a fee. The availability of such personal information will be more restricted following the introduction of the Companies Act 2006, however there is still the possibility that these records are being accessed by third parties for fraudulent activities.

Aviva has been working with its Registrar, Lloyds TSB Registrars, to review its procedures and where possible restrict the opportunities for fraud, for example in the processing of change of addresses.

In addition, many of our shareholders expressed concern in the past about the use of "open" reply paid proxy voting cards showing their name and shareholder account details. From this year the Company has provided prepaid envelopes for the voting cards to reduce the risk of fraud.

There are also actions that shareholders themselves can take. These include moving shares into the Aviva Share Account nominee service (as they will not be a registered shareholder their name and address will not appear on the public record), setting up a dividend mandate in order that their dividends can be paid directly into a designated bank account and electing to receive communications or documentation via the Aviva website. Shareholders may also register at www.aviva.com/shareholders where they will be able to monitor their shareholding, amend their personal details and set up a dividend mandate. Shareholders requiring further details should contact Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 6DA, telephone 0870 600 3952 or via e-mail to aviva@lloydstsb-registrars.co.uk