



Aviva Life & Pensions Ireland Designated Activity Company Irish With-Profits Fund

Summary of changes
to the With-Profits Operating Principles
(WPOP) and Practices of Financial
Management (PFM)



It takes Aviva.



Introduction and Background

This document summarises changes made to the Irish With-Profits Fund WPOP and PFM.

The Principles and Practices of Financial Management (PPFM) was first published on 1 January 2015 and has subsequently been amended on a number of occasions. Recently the PPFM has been split into 2 documents, the WPOP and PFM. The website aviva.ie/ppfm now displays the latest version of the WPOP and PFM.

1. Changes effective from 01/01/2023

The PFM was amended 1/1/2023. One practice was amended following an internal review.

(a) Practices B.1.1

The wording before the smoothing percentage limit was corrected from 'less than' to 'less than or equal to'.

2. Changes effective from 01/01/2021

The PFM was amended 1/1/2021. One practice was amended following an internal review.

(a) Practices B.3.1

The only change relates to the removal of references to the funding of the staff pension scheme. This reference is no longer considered relevant as the costs charged to the Fund are governed by board approved fee scales.

3. Changes effective from 01/01/2020

The Company considered it appropriate to combine the PFM and WPOP into a single document. This is to ensure that there is no possibility for inconsistency in the two documents. The PPFM has been split into two sub-documents: the first containing the With-Profits Operating Principles and the second containing the Practices of Financial Management. The re-organisation did not change any Principle or Practice other than minor immaterial changes, e.g. change reference numbers of sections. In future the title of the PPFM document will be "With-Profits Operating Principles (WPOP) and Practices of Financial Management (PFM) for the Irish With-Profits Fund of Aviva Life & Pensions Ireland Designated Activity Company".

(a) General changes

Subsequent to the re-organisation we made some nor clarifications of wording. These have not been described here as they no material changes to the WPOP or PFM.

(b) Introduction 1.4

Irish regulations require that the Board, in its annual report include a summary of the report made by the Head of Actuarial Function. Section 1.4 required a separate summary report. We have made the section consistent with Irish regulations. This is not considered a material change.

(c) Practices B.1.1 (formerly 2.2)

We have made some changes to the way we apply smoothing of payouts to better achieve the way smoothing is described in the Principles.

(d) Practices B.1.3 (formerly 2.6)

We have made some changes to provide additional information on the way in which the Inherited Estate should be distributed.

(e) Practices B.2.1, B.5.1 (formerly 3.2 and 6.2) and Glossary

We have updated the wording to reflect the Risk Appetite Framework. The aim of the Risk Appetite Framework is to manage the fund so that the Inherited Estate remains within agreed ranges. We have also changed 6.2 to note that distributions are currently being made from the Inherited Estate.

4. Changes effective from 29/3/2019

Under a Scheme approved by the Court in February 2019 ("the 2019 Scheme") the Irish With-Profits Sub-Fund of Aviva Life & Pensions UK was transferred to Aviva Life & Pensions Ireland Designated Activity Company ("ALPI DAC") and became the Irish With-Profits Fund ("Irish WPF"). Under the terms of the 2019 Scheme the Irish WPF is required to have a PPFM. The Irish WPF PPFM is the PPFM of the Aviva Life & Pensions UK Limited Irish With-Profits Sub-Fund amended as required by the 2019 Scheme, by the requirements of the Irish regulatory regime and by the transfer to ALPI DAC.

(a) General changes

All references to the With Profits Actuary have been replaced by the Head of Actuarial Function ("HoAF"). The HoAF responsibilities are defined by the Central Bank of Ireland but these responsibilities have been extended and are set out in the PPFM. In general, Board decisions affecting the Irish WPF must be made after consultation with the HoAF who will consult the With Profits Committee.

All references to UK legislative requirements have been replaced by wording specifying the requirement. This ensured that the PPFM was compliant with UK legislation at the point of transfer but does not commit ALPI DAC to continuing to follow changes to UK legislation.

(b) Purpose of PPFM

The PPFM now requires that future changes to the PPFM will need to be compliant with Irish regulatory requirements but will have regard to changes in UK legislation affecting with-profits business.

(c) Practices 2.6

We have removed the requirement that when the Irish WPF reduces in size to €100m it must be converted to non-profit. The rationale is that this requirement could force the company to convert with-profits policies to non-profit policies at a time that is disadvantageous to the with-profits policyholders, for example at a time of significant market turmoil.

(d) Principles 3.1

To reflect the move to ALPI DAC we have changed the sources of any possible support for the Irish WPF to ALPI DAC funds.

(e) Practices 4.2

The changes described below were made to bring UK protections explicitly into the PPFM.

- We have made a statement specifying that ALPIDAC will not enter into a material transaction relating to the Irish WPF unless, in the reasonable opinion of the Board, the transaction is unlikely to have a material adverse effect on the interests of policyholders in the Irish WPF, having taken appropriate actuarial advice, including consulting the HoAF, who will take into account the views of the With Profits Committee.
- We have removed reference to the issue of business risk arising from capital instruments issued by Aviva plc or Friends Life Holdings. The Irish WPF does not subscribe to such capital instruments.
- We have clarified the position of the Irish WPF in relation to compensation costs and financial penalties:
 - › Compensation costs arising from mis-selling or maladministration will not be charged to the Irish WPF; and

- › Financial penalties imposed by the regulator will not be charged to the Irish WPF.

- No mortgage or charge on the assets in the Irish WPF is permitted except for the purposes of the business in the Irish WPF.

(f) Principles 5.1

We have clarified the determination of the amount of tax attributable to the Irish WPF. This will be based on the tax that would be borne if the Irish

WPF were a stand-alone company. This change was made to ensure that the PPFM was consistent with the 2015 Scheme.

(g) Practices 5.2

We have updated the treatment of expenses to note that, after the transfer, the Irish WPF will be administered by ALPI DAC and have described the protections for policyholders that apply to this arrangement.

5. Changes effective from 1/1/2019

The PPFM was amended 1/1/2019. A number of practices were amended following an internal review.

(a) General changes

Where possible we have standardised wording and removed any Practices that are no longer applicable. They have not been described here as they make no material change to the PPFM.

(b) Practices 2.2 & 2.6

We have made some changes to the way we apply smoothing of payouts to better achieve the way smoothing is described in the Principles.

(c) Practices 3.2

We have clarified the approach to reviewing investment strategy and how it is described within the PPFM.

We have corrected the description of the assets of the Irish With-Profits Sub-Fund to reflect that it no longer has a material property holding.

6. Changes effective from 1/1/2018

The PPFM was amended 1/1/2018. One practice was amended following an internal review.

(a) General changes

We have made some minor corrections and clarifications to wording. These have not been described in detail here as they make no material change to the PPFM.

(b) Practices 6.3

We have amended the risk appetite framework to simplify our process and to better achieve our Principles.

7. Changes at 1/10/2017

The PPFM was amended with effect from 1/10/2017. The timing of the changes was to coincide with the transfer of the policies of Friends Life Limited and Friends Life and Pensions Limited into Aviva Life & Pensions UK Limited.

(a) Introduction

The previous introduction in section 1 was replaced by a new introduction that is common to all PPFM documents for Aviva Life & Pensions UK Limited. This provides a brief overview of the Company, an explanation of PPFM documents and their governance and some general information on with-profits policies.

(b) Practices 2.4

The asset share Practices have been updated to note that no deductions are currently being made in respect of the costs of guaranteed annuity options. In addition, a smoothing deduction of 0.5% per year is no longer being made although such a deduction may be made in future.

(c) Practices 3.2

The Practices have been updated to state that the Irish Segregated Support Account has now been released in accordance with the terms of the Irish Scheme.

We have added an explanation of stock lending activity. The section outlines that we may lend some assets to selected financial institutions to generate extra income for the Sub-Fund. This would always be subject to a number of controls including obtaining security from each borrower.

(d) Practices 4.2

Following the transfer of Friends Life Limited and Friends Life and Pensions Limited, the Company now guarantees the repayment of some loan instruments issued by Friends Life Holdings plc and Aviva plc. The PPFM sets out the actions the Company will take to mitigate this risk.

(e) Practice 5.2

We have updated these Practices to note that a new Management Services Agreement was in place with effect from 1 January 2016. This has the same service standards as previously and will apply for the lifetime of the Irish With-Profits Sub-Fund.

(f) Appendices

We added appendices to show the new sub-fund structure within Aviva Life & Pensions UK Limited and to summarise the company history including that of the Irish With-Profits Sub-Fund. We also added an appendix that shows the original issuing companies for all the with-profits sub-funds in Aviva Life & Pensions UK Limited.

8. Changes effective from 1/1/2016

The PPFM was amended 1/1/2016. Following changes made by our regulators to the way we reserve for business (commonly known as the Solvency II regime) we have changed the way the PPFM describes this. These regulatory changes have not been described here, as they make no material change to the PPFM.

(a) Glossary

We have standardised the wording of some of the definitions to improve clarity and removed any definitions which are no longer relevant.

(b) Appendix C

We have updated the structure chart to reflect the new Solvency II regime and removed the dormant companies so as to avoid any potential confusion for customers who may have originally invested in these companies.



Aviva Life & Pensions Ireland Designated Activity Company, a private company limited by shares.

Registered in Ireland No. 165970. Registered office at Building 12, Cherrywood Business Park, Loughlinstown, Co. Dublin, D18 W2P5.

Aviva Life & Pensions Ireland Designated Activity Company, trading as Aviva Life & Pensions Ireland and Friends First, is regulated by the Central Bank of Ireland.

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