ISSUED 11 September 2024

PLATFORM SECTOR
Aviva Platform

FINANCIAL STRENGTH ASSESSMENT

Analysis by AKG Financial Analytics Ltd
Accessible • Comparative • Independent

ABOUT THIS FINANCIAL STRENGTH ASSESSMENT

This AKG report and the analysis and ratings contained within it provide assessment of financial strength and associated considerations. Financial Strength is focused on the ability of a company to deliver ongoing operational capability in the interest of its customers and in line with their fairly held expectations. AKG's perspective in the assessment of financial strength is wholly that of a customer of a product or service. From that foundation, this analysis is specifically designed to inform financial advisers and assist in their required understanding of a company's operational financial strength.

Given the underlying customer perspective, the financial strength of companies needs to be focused at an operational level, specifically on the company that is effecting the product or service that a customer is selecting. This is important, because from the customer's perspective it is that company that needs to survive in a form that maintains the requisite operational characteristics to meet their fairly held requirements. And it is thus at this level that the selection needs of the customers' advisers must be met. This contrasts to credit rating, which will be undertaken at group or parent company level where investment or debt placement etc. is made.

Further details on how analysis is undertaken is provided at the end of this report and may also be obtained from AKG.

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CONTACT INFORMATION

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Rating & Assessment Commentary

RATINGS

Overall Financial Strength

AKG A
FINANCIAL STRENGTH RATED
PLATFORM SECTOR SUPERIOR
AVIVA WRAP UK LTD

Supporting Ratings

	Service	Image & Strategy	Business Performance
Aviva Wrap UK Ltd	✩✩✩✩✩	✩✩✩✩✩	✩✩✩✩

SUMMARY

- The Aviva Platform is an important element of Aviva's Wealth business, within its Insurance, Wealth and Retirement (IWR) operating segment, and the adviser platform is provided by Aviva Wrap UK Ltd (AWUK), supported by Aviva Pension Trustees UK Ltd (APT), with platform technology provided by FNZ UK Ltd (FNZ)
- The UK Platform (which defined by Aviva represents the AuA/M in the UK Wealth business, including Succession Wealth acquired in 2022) saw AuA increase in 2023 to £50.6bn (from £44.6bn in 2022)
- In the advised platform space, Aviva maintained a very strong market position with net flows of £2.7bn during 2023, the second highest amongst the platform peer group (and highest amongst the 'open market' advised platforms), and this has continued into 2024
- The Aviva adviser platform AuA had increased to £47bn as at the end Q1 24, representing a market share of around 7.5%, with c. 5,000 advisers using the platform; and Aviva is increasingly being used as a primary platform, developing this position through strategic partnerships and panel appointments
- Further investment into a key, longstanding association with partner Wipro has driven a transformative increase in digital and automated capability and capacity across Wealth Operations, with further initiatives planned into 2025 off the back of success to date
- The UK Wealth business launched the direct to customer Direct Wealth app in September 2023, the development costs of which APT and AWUK have both contributed towards
- Two further operational teams have been established within the Wealth business, named 'Propositions, Platform & Product' and 'Customer Outcome', to support the Advised, Workplace and Direct Wealth trading businesses
- Both AWUK and APT are relatively immaterial to the Aviva group on any accounting measure, but hold strategically and technically important roles within it; APT received additional funding from its parent Aviva Life & Pensions Ltd (AVLAP) in the year by way of a £30m long term loan and £20m of capital from the issue of new shares
- Aviva plc is a very strong parent and it performed well in 2023 with cash reserves remaining strong and Solvency II capital requirements comfortably met; the business made an IFRS PAT of £1.1bn [2022 restated: IFRS loss after tax £1.0bn] and underlying (adjusted) operating profit was £1.5bn [2022 restated: £1.4bn]
- In April 2024 Aviva plc completed the acquisition of AIG Life Ltd for £460m, which will further develop Aviva's protection business, adding 1.3m individual protection customers and 1.4m group members

COMMENTARY

Financial Strength Ratings

Aviva Wrap UK Ltd

The Aviva Platform holds a strategic and technically important position within Aviva's Wealth business, where it is operated by AWUK. APT is the SIPP provider and Aviva views both entities together as the 'platform' business, also including its complementary Aviva Online Investment Service (its direct-to-consumer platform, also known as Aviva Investment Services) within this definition. APT additionally offers pensions through Aviva's MyMoney platform, which provides platform technology for corporate businesses.

The focus of this assessment is AWUK as the advised platform operator. Reference is, however, also made to APT where appropriate, recognising its role as part of the overall proposition. An AKG Financial Strength assessment of APT as a SIPP Provider is available separately.

AWUK and APT are fully supported by Aviva plc in their role in providing the Aviva platform and had not required additional capital since 2019; in 2023, APT was provided with a £30m loan and issued £20m new shares to cover the loss made in the year and to support its ongoing funding and capital requirements.

AWUK is required to maintain Own Funds (OF) at least equal to its Own Funds Requirement (OFR) under the IFPR regime and its OF reduced in the year due largely to a trading loss of £4.8m after tax, resulting in coverage reducing from 844% to 701% in 2023; still a very comfortable position.

The Aviva group has completed a process of divestiture of non-core operations to focus on its core growth markets, and the retail platform business benefits from increased importance given this strategy, with the potential for ongoing investment likely. The advised platform migration to FNZ technology had a considerable financial impact on the entities providing the platform and essentially covering the costs of re-platforming, but AWUK and APT were fully backed by the Aviva group. The platform's importance to Aviva's evolving UK proposition provides positive impetus to maintain investment as required.

Aviva has progressed its strategy through 2020-2023, narrowing the group's focus to the UK, Ireland and Canada as its core markets. This positioned the UK operation firmly at the centre of its activities and future growth plans, albeit in markets that are already developed and where there is considerable competition. By the end of 2021, Aviva had completed all its targeted disposals, generating £7.5bn in proceeds from the sale of eight non-core business. Aviva is now a leaner, simpler business, identifying itself as a leading Insurance, Wealth & Retirement business operating across its core markets. AWUK and APT remain part of that strategy, aligned to the strategic focus on developing savings and retirement as core growth opportunities for the business.

The group's Solvency II shareholder coverage ratio reduced to 207% as at 31 December 2023 [2022: 212%], There was nonetheless a small increase in capital surplus from £8.7bn to £8.8bn mainly due to operating capital generation and net issuance of subordinated debt which was largely offset by dividend payments, £300m share buyback and non-operating capital generation, including integration and restructuring costs (net of tax) of £(356)m. Aviva targets a cover ratio working range of between 160% and 180% based on the shareholder view.

The shareholder coverage ratio excludes the with profit funds and staff pension schemes in surplus, and so the comparable regulatory coverage ratio was 188% as at 31 December 2023 [2022: 198%].

Aviva plc continues to perform well and provides a very strong parental support component to the Adviser Platform.

Service Rating

The IT migration to FNZ and subsequent negative impact on the functionality and processes of the Aviva platform proposition dominated the service aspect for several years, impacting both existing clients and new business growth. A wide-ranging remediation programme addressing the issues which had cascaded out to the support and services provided by the operations and contact teams was completed in 2021. Since then the focus has remained on continuing service improvements and building out functionality, and the platform was in a much stronger position to manage resiliently the challenge to service levels from the COVID-19 pandemic. Aviva's improved service levels were recognised by FT Adviser in 2022 through their annual Financial Adviser Service Awards, where Aviva won the Readers' Choice award and was the Most Improved Pensions and Protection Provider, being awarded a five star rating in this respect.

The business has demonstrated continued enhancements to its service delivery to both advisers and customers through subsequent years, with better user satisfaction scores being recorded, a positive record during a period of growth. The Aviva Intermediate & Retail Wealth distribution team has over 100 staff making it one of the largest in the UK Advised Platform market, it states, and Aviva has maintained its leading position in terms of adviser penetration with 35% (Investment Trends 2024) of UK advisers using the platform. Its quarterly relationship-based Net Promoter Score (NPS) produced a record high in adviser satisfaction at +18 in 2023, proving the effectiveness of its approach.

In addition, Aviva's Operations Transactional NPS (TNPS) had risen to a high of +51 as at 31 May 2024, with the lowest point seen during 2023 of +14. The business undertakes monthly forums to discuss customer feedback and how it can improve service for customers, creating actions to turn detractors into promoters. It achieves this by better use of data, sharing results within teams and with individuals to increase awareness of the impact of their actions, and improved training and resources generally.

Defaqto's annual Platform Service Review 2024 found Aviva the preferred platform provider, with 29% of advisers voting it in their top three.

Image & Strategy Rating

Brand recognition in the UK remains strong. Aviva holds a leading position in the intermediated long-term savings market and has assumed clear consumer awareness in the broader insurance market.

Aviva's business is split into several operating segments (see Business Performance and Background sections for further information) and within the IWR segment, the business' strategy has seen Wealth and the platform become relatively more core to the business aims in the UK. In the past, the brand and image has leveraged activity from the now more separate GI activity, but Wealth is benefiting from an increased strategic role and brand activity, which is seeing the platform's profile also increase.

In latest annual results published, the CEO stated: " Sales are up, costs are down, and operating profit is 9% higher. Our position as the UK's leading diversified insurer, with major businesses in Canada and Ireland, is clearly delivering".

The strategy to be seen as the leading adviser platform continues, with an aim to reach the top spot in terms of net flows and targeting growth in market share; it looks to gain back key business lost or deferred during the platform issues - and the shadow of the IT migration is receding, with less and less impact on Aviva's image in this market. The strategy supports both the Aviva Investment Account direct-to-consumer platform and the re-launched Aviva for Advisers within the context of an integrated proposition, with the retail platform holding a core position in the value chain within Aviva. In the Investment Trends annual reporting (2023 UK Online Investing Report - Industry Analysis), Aviva's market penetration amongst adviser firms and its overall satisfaction score compared favourably to peers, with the satisfaction score displaying continual improvement over the last four years. Out of 26 platforms that were scored, advisers ranked Aviva's wrap platform as number 1 in terms of value for money, competitiveness and financial stability.

The acquisition of Succession Wealth, completed in August 2022, has enhanced Aviva's position in the wealth market and generated internal value, as Succession Wealth advisers continue adopting the Aviva platform. The UK business has been a strong ingredient within a wider group, which has had to address structural and performance issues. Its positioning has been heightened, albeit in a small overall operation.

In April 2023, Aviva announced that it was extending its partnership with Wipro, a global business undertaking process transformation through automation and digitisation. Aviva has worked alongside Wipro for over 20 years as a key IT development partner, and as part of the project it set out to deliver better customer outcomes in Wealth Operations. Progress has been positive through 2023 and into 2024 in both this transformation (in terms of automation and improving digital capabilities) and transition (extending its offshore/partner footprint to mitigate resource risk). Further initiatives are planned for delivery in 2025 with additional opportunities under review.

Under its Sustainability agenda, the Aviva plc group promotes a strong DEI (Diversity, Equity and Inclusion) strategy alongside a commitment to social action (for instance, its partnership with Citizens Advice). It also shows full support for climate action, with a Net Zero 2030 ambition for its operations, where the move to its new London headquarters 80Fen, with an EPC 'A' rating, was a significant step, it stated.

Business Performance Rating

As at 31 December 2023, the Aviva UK Platform business had AuA of £50.6bn, up from £44.6bn in 2022, this representing AuA across the adviser platform, Direct, Workplace and Succession. The Adviser Platform performed very strongly within its peer group in terms of gross and particularly net flows for the year to December 2023, reporting the 2nd highest net inflows for the year (£2.71bn).

AWUK's revenue in 2023 increased by 3% to £27.4m [2022: up by 6% to £26.6m], as a result of higher average AuA in the year. New business sales for the Wrap business were 18% lower than the prior year, at £1.9bn of PVNBP [2022: £2.3bn]. Within total operating expenses, the largest element is those costs recharged to AWUK by Aviva Life Services UK Ltd (UKLS) for the supply and provision of operational assets and services under a management agreement; these costs increased by 9% to £37.1m, due to higher platform fees, inflation and development costs. The recharged fees were partially offset by deferred acquisition costs of £3.7m, so total operating expenses, including some other minor operating costs, increased overall by 9% to £33.7m [2022: £31.0m]. AWUK reported an increased loss after tax of £4.8m in 2023 [2022: loss after tax £3.3m].

APT's income in 2023 increased by 8% to £96.6m [2022: £89.1m] as a result of higher average AuA in the year. New business sales for SIPP business were 1% higher than the previous year at £7.8bn of PVNBP [2022: £7.7bn], including £2.5bn from the MyMoney Platform [2022: £2.8bn].

Similar to AWUK, there was a significant recharge to APT from UKLS, up by 16% to £97.9m [2022: £84.4m] due to higher platform fees, inflation and development costs. APT operating expenses overall increased by 35% to £104m [2022: £77.0m], with other operating expenses in 2023 including one-off costs of £12.0m related to remediation costs. Partially offsetting the other operating costs were deferred acquisition costs of £13.6m [2022: £13.4m]. Despite the increase in revenue in APT therefore, additional costs led to a loss after tax of £6.6m for 2023 [2022: PAT of £9.8m].

Across the group's operating segments in 2023, the headline business performance was:

- IWR - Protection & Health (Insurance) APE increased by 16% to £415m, driven by strong growth in Health (up 41%) and Individual Protection (up 13%). Wealth net flows remained a resilient 6% of opening AUM) at £8.3bn driven by strong performance in Workplace (£6.9bn of net flows), partly offset by Platform which remained robust in the face of market volatility. In Retirement, BPA volumes were up 24% to £5.5bn across 56 transactions. IWR baseline controllable costs fell 1% to £1,085m as a result of cost reduction initiatives. IWR operating value added increased by 13% to £1,849m. IWR adjusted operating profit was 17% lower at £994m primarily due to the impact of the different interest rates used to value assumption changes
- UK & Ireland General Insurance (UK&I GI) - gross written premiums (GWP) increased by 16% to £6,640m with double digit growth in both personal lines and commercial lines. Baseline controllable costs here reduced by 4% to £674m despite the inflationary environment, and while continuing to grow the business. UK&I GI AOP was 63% higher at £452m supported by improved investment returns
- Canada GI GWP of £4,248m was up 10% on a constant currency basis. Baseline controllable costs increased 1% on a constant currency basis to £415m reflecting growth in the business partly offset by lower claims handling costs. Canada GI AOP increased 13% to £399m
- Aviva Investors external net flows remained positive at £0.7bn. Baseline controllable costs were 6% lower at £311m. Revenues were 9% lower at £346m reflecting the impact of weak investment markets on AUM. Aviva Investors AOP decreased to £21m [2022: £25m], or £35m excluding cost reduction implementation costs, strategic investment costs and foreign exchange movements [2022: £48m]
- International investments (India, China and Singapore) showed PVNBP were 80% higher in constant currency at £2,048m reflecting strong growth in India and China. AOP was up 62% to £63m

At group level overall, there was an IFRS profit for the year of £1.1bn [2022: loss after tax: £1.0bn]. The underlying AOP increased by 8% to £1.46bn [2022 restated: £1.35bn]. Aviva continued its focus on cost efficiency, and 2023 saw baseline controllable costs continuing to reduce, by 1% to £2.7bn [2022: £2.8bn] which more than offset inflation. The group noted that since 2018, it had made £757m of savings net of inflation, ahead of target ambition of £750m (gross of inflation).

Group balance sheet cash and cash equivalents decreased from a restated £22.5bn to £17.3bn as at 31 December 2023, and net assets (total equity) decreased from £10.2bn to £9.6bn.

Total group AUM increased to £376bn [2022: £352bn], including AuM of £227bn [£223bn] managed by Aviva Investors.

Group & Parental Context

BACKGROUND

Aviva plc is an international savings, retirement and insurance business which in recent years has undertaken a significant refocusing on core markets with a series of international disposals, reflected in a reduction in funds under management worldwide from £535bn in 2020 to £401bn as at 31 December 2021.

Aviva was formed by the merger of CGU plc and Norwich Union plc on 30 May 2000. CGU plc was renamed CGNU plc on completion of the merger, and subsequently renamed Aviva plc on 1 July 2002. CGU plc and Norwich Union plc were both major UK-based insurers operating in the long-term insurance business and general insurance markets. Both companies had long corporate histories. CGU plc was formed in 1998 from the merger of Commercial Union plc and General Accident plc. General Accident plc was incorporated in 1865. Commercial Union was incorporated in 1861 and in 1905 acquired Hand in Hand, which was incorporated in 1696. Norwich Union plc was founded as a mutual society in 1797, and had expanded as a global business by the 20th century. In 1997 it demutualised and became an English public limited company.

During 2013 Aviva brought together its platform, SIPP and AA (Aviva Advisers) propositions onto a single portal (AA held the majority of legacy assets including individual personal pensions and investment bonds).

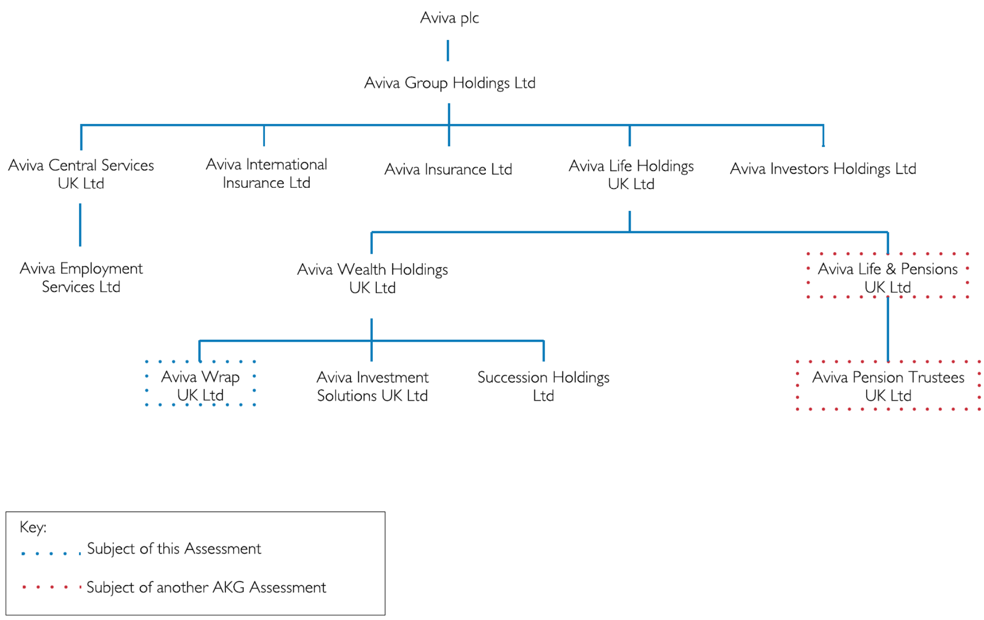
On 10 April 2015, the Aviva Group completed the acquisition of Friends Life Group Ltd through an all share exchange. On 1 July 2016, Aviva Canada Inc. acquired 100% of the issued and outstanding shares of RBC General Insurance Company (RBC) in Canada.

During 2019 Aviva reshaped its strategy and senior leadership team, with Maurice Tulloch appointed Group Chief Executive Officer. A strategic review was undertaken to simplify the business, the outcome of this seeing Aviva split into five core operating divisions. In the UK, Aviva separated the management of its life and general insurance businesses. This approach was subsequently refined further in 2020 after Tulloch stepped down for personal reasons and was replaced by Amanda Blanc, previously a non-executive director. The strategic focus shifted towards a group portfolio approach and currently the group has the following operating segments:

- Insurance, Wealth & Retirement (IWR) - with principal activities of life insurance, long-term health and accident insurance, savings, pensions and annuity business. Within Wealth sits the Aviva Platform business, and here also the business is creating a 'Connected Wealth' proposition across Workplace, Advice (Succession Wealth and Sesame Bankhall Group) and Direct Wealth offerings to cater to the lifetime needs of its customers
- General Insurance: in UK & Ireland, principal activities include the provision of insurance cover to individuals and businesses, for risks associated mainly with motor vehicles, property and liability (such as employers' liability and professional indemnity liability); in Canada the GI activities include the provision of personal and commercial lines insurance products, for risks associated mainly with motor, property and liability principally distributed through insurance brokers
- Aviva Investors - operates in a number of international markets, in particular the UK, North America and Asia Pacific, managing policyholders' and shareholders' invested funds, provides investment management services for institutional pension fund mandates and manages a range of retail investment products. These include investment funds, unit trusts, open-ended investment companies and individual savings accounts
- International investments - comprising long-term business operations in India, China and Singapore. In India, the Group has a 74% shareholding in Aviva India. In China, Aviva plc have a 50% shareholding in Aviva-COFCO Life Insurance Company Limited. On 13 September 2023, Aviva plc announced the sale of its entire shareholding in Aviva Singlife
- Other Group activities - including investment return on centrally held assets, head office (Corporate centre) expenses such as Group treasury and finance functions, financing costs arising on central borrowings, the elimination entries for certain inter-segment transactions and group consolidation adjustments

In January 2024, Aviva acquired the Canadian vehicle replacement insurance business Optiom O2 Holdings Inc (Optiom) for £100m. In April 2024, it acquired AIG's UK protection business (AIG Life Ltd) for £453m. And in July 2024, Aviva completed the acquisition of Probitas Holdings (Bermuda) Limited and its subsidiaries, providing entry into Lloyd's market through Probitas' fully-integrated Lloyd's platform, for a total consideration of £242m.

GROUP STRUCTURE (SIMPLIFIED)



Company Analysis: Aviva Wrap UK Ltd

BASIC INFORMATION

Ownership & Control
Aviva plc

Year Established
2002

Country of Registration
UK

Head Office
Wellington Row, York, YO90 1WR

Contact
https://www.aviva.co.uk/help-and-support/contact-us/

Key Personnel

Role	Name
Group Chair	M G Culmer
Group Chief Executive Officer	A J Blanc
Group Chief Financial Officer	C C Jones
Group Chief Information Officer	J Cummings
Chief Executive Officer, IWR	D A Brown
Finance Director, Wealth	J I Slider
Chief Operating Officer, UK IWR	C Fazzini-Jones
MD, Wealth	M Golunska
Commercial Director - Retail Adviser	L M Whalley
Wealth Propositions, Platforms & Planning Director	M J Hogg
Director of Investments	M Rajah
Customer Outcomes Director	C J Dowson
Head of Platform CASS & Middle Office	C M Golland
Savings & Retirement Distribution Director	B Gabriel
Head of Platform Development & E-commerce	K Greenway
Head of Platform Compliance	A Madaan

Company Background
The company was originally established by Norwich Union in 2002, as Lifetime Portfolio Management Ltd (becoming Lifetime Marketing Services Ltd in 2003).

The first platform proposition was provided under its subsidiary Lifetime group of companies, launched in 2006 and branded 'The Bigger Picture'. It was decommissioned in Q1 2009, and all assets and records were migrated to a new IT platform, named the Norwich Union Wrap, outsourced to Scottish Friendly Assurance. When the group re-branded to Aviva (from Norwich Union) in 2009, Lifetime Marketing Services Ltd changed its name to Aviva Wrap UK Ltd, with its immediate parent also changing name, to Aviva Wrap Group UK Ltd (AWGUK), and the platform was re-branded The Aviva Wrap. Now branded as the Aviva Platform, it operates within the Wealth division of Aviva's IWR business segment.

AWUK is authorised and regulated by the FCA and is classed as a non-SNI MIFIDPRU firm. In March 2010, AWUK was sold by AWGUK to AWGUK's immediate parent, Aviva Life Holdings UK Ltd (UKLH), for £9.5m. At the end of 2023, as part of a capital optimisation plan, ownership of AWUK was transferred from UKLH to its subsidiary Aviva Wealth Holdings UK Ltd (UKWH). UKLH remains the relevant entity should parental support be required.

Employees of all Aviva group companies, including the platform businesses, are employed by Aviva Employment Services Limited (AES). AES employs around 600 people to directly support AWUK and APT, predominantly located in 4 locations within the UK (York, Norwich, Sheffield and Glasgow).

OPERATIONS

Governance System and Structure

The board of Aviva plc is ultimately collectively responsible for setting the group strategy and risk appetite, and to ensure that the financial controls and risk management systems are robust. It acknowledges that a strong system of governance aids effective decision making.

The AWUK board is responsible for monitoring and upholding the culture, values, standards, ethics, and reputation of the company to ensure that its obligations to its shareholder and to its customers and other stakeholders are met. The AWUK board monitors adherence to the Aviva group business standards and compliance with the Aviva Governance Framework.

Aviva's group risk function has continued to be proactive on key initiatives around climate risk and the Consumer Duty regulations during 2023 and into 2024, with specific work undertaken in respect of delivering its current requirements for the STAR transfers scheme, providing feedback and support to the FCA in respect of its ongoing advice gap review, and completing an impact assessment and commenced work in respect of HM Government's Sustainability Disclosure Requirements (SDR) as these apply to platforms. In addition to this, during 2024 the business dealt with ISA changes resulting from the 2023 UK Spring Budget.

Risk Management

The company operates a risk management framework that forms an integral part of the management and Board processes and decision-making framework, aligned to the group's risk management framework. A three-line defence model is employed supported by clear and documented delegations of authority and role profiles, allowing an appropriate segregation of duties to be maintained.

AWUK and the Aviva Platform more widely sit within the Wealth business of Aviva plc, and the proposition governance and risk management of the platform is the responsibility of the CEO of Aviva UK & Ireland Life business unit. Day to day operation of the platform is delegated to the Wealth & Advice business unit senior leadership team (SLT), chaired by the MD of the unit, who is also a member of the broader IWR executive management team.

Operational risk remains the principal business risk. Within the platform operations there are monthly risk forums in relation to the SLT, Platform operations, CASS and a Pension Trustee Forum which report into the quarterly meetings of the AWUK and APT boards. A Customer Forum, a Risk and Government Committee and a Supplier Forum meet monthly (quarterly in some cases) and report into the Platform board or CASS as appropriate. Business continuity planning has a particularly high focus and Aviva has internally and externally audited BCPs to provide a framework for an underlying philosophy of business continuity management. In line with the new FCA prudential regime, a decision was made in 2022 to dissolve the AWUK Risk Committee, as it was not a mandatory regulatory requirement, with all activity in this respect supported within the broader Wealth & Advice Risk Committee (see below).

The Risk & Governance forums in place include:

- Wealth & Advice Risk Committee - chaired by Head of Governance & Assurance Business Partner - to oversee, monitor and challenge the risk management practices, processes and control framework of the overall Wealth businesses ultimately ensuring that risks operate within the agreed business risk appetite
- Retail Risk Committee - chaired by Senior Governance & Assurance Business Partner - to oversee the management of the risks impacting Retail business, relating to Pricing, Distribution and Financial Crime
- Wealth & Advice Customer Outcomes Committee - chaired by Director of Customer and Product Management - carefully reviewing MI in response to Consumer Duty

- Platform and Change Leadership Team Meeting - chaired by Propositions, Planning and Product Director - to oversee the management of the Platform business including operational performance, risk and change
- Intermediated & Retail Proposition Development Forum - chaired by Head of Retail Propositions - to oversee propositional development, maintenance of existing proposition and any other material business change impacting customers ensuring operating in line with Customer Propositions Framework as set out in the UK Life Product Development Approval and Management business standard
- Distribution Risk & Conduct Forum - chaired by Distribution Director - to oversee the Distribution Team's activity, intermediaries activity, risk events and breaches
- Platform Investment Governance Committee - chaired by Head of Investment Governance - to provide oversight and challenge to ensure that fairness and suitability, customers' interests, and all relevant legal and regulatory requirements are appropriately considered in the investment and propositional ranges, design, decisions and structures. Operates in line with the Asset Eligibility Policy
- Wealth Change Steering Group - chaired by Head of Transformation - responsible for the delivery, monitoring and prioritisation of change planned across the business against agreed scope and within approved budget levels - responsibilities also include provision of strategic direction/guidance and priorities aligning platform change to Aviva IT test and release controls

Administration

The platform recovery plan was put in place in 2018 with a specialist remediation team set up, overseen by a senior management steering group. Re-building operational service excellence was a priority and a transformation programme was implemented from Q4 2018. The Aviva Investment Account and adviser platform teams were transitioned into a single team which sits within Aviva's S&R business. A series of new data centres were set up during 2019.

With the remediation work completed, the business retained expertise derived from that experience by deploying a small number of the core staff from that specialist team within the operations teams permanently.

In April 2023, Aviva announced that it was extending its partnership with Wipro, a global business undertaking process transformation, automation and digitisation. Aviva has worked alongside Wipro for over 20 years as a key IT development partner, and as part of an Aviva wide programme of transformation to accelerate automation and digital capabilities, Aviva reported it would be increasing its operational capacity within the Intermediated Wealth business to drive various transformation objectives. The business outcomes intended from this significant investment is an enhancement of customer operations, driving an increase in capability and capacity supported by Wipro's automation and digitisation expertise, ultimately supported the growing Intermediated Wealth business to achieve better client service and outcomes.

Benchmarks

Tviva's improved service levels were recognised by FT Adviser in 2022 through their annual Financial Adviser Service Awards, where the business won the Readers' Choice award and was the Most Improved Pensions and Protection Provider, being awarded a five star rating in this respect.

In the Investment Trends annual reporting (2023 UK Online Investing Report - Industry Analysis), Aviva's market penetration amongst adviser firms and its overall satisfaction score compared favourably to peers, with the satisfaction score displaying continual improvement over the last four years. Out of 26 platforms that were scored, advisers ranked Aviva's wrap platform as number 1 in terms of value for money, competitiveness and financial stability. In the Investment Trends 2024 report, Aviva maintained its leading position in terms of adviser penetration with 35%.

Aviva's overall satisfaction score (NPS) declined slightly in 2023, with transactional NPS reducing from +40.5 to +36.3. Whilst not universally positive therefore, a range of businesses showed improved scores. The platform business' own Adviser NPS has shown a steady improvement through the years 2019 to 2022, from a negative to positive NPS score, and the group stated that its overall relationship NPS trend overall demonstrated "five years of sustained high-level customer advocacy in a challenging marketplace". The quarterly Adviser NPS produced a record high in adviser satisfaction at +18 in Q2 2024, and the TNPS for 2024 improved year on year to +43 (as at May 2024), up from +21 in the same period for 2023.

In 2023 the Adviser platform won awards for 'Leading Platform for Model Portfolio Services' at the Schroders UK Platform Awards, Best ESG Provider' from Money Marketing and 'Best Stocks & Share ISA provider' from Moneyfacts.

Amongst wider business accolades and benchmarks in 2024 the broader Aviva was named in The Times Top 50 Employers for Gender Equality Awards for the seventh year running.

Outsourcing

The key outsourced relationship is the technology platform provided by FNZ. FNZ had for some years powered Aviva's Investment Account and corporate platform businesses, as well as being Friends Life's underlying technology provider when acquired in 2015. In addition to the Aviva Platform, FNZ powers a number of other adviser platforms in the UK including Embark, abrdn Wrap and abrdn Elevate, and the Quilter Platform.

The relationship with FNZ is closely managed with engagement from several individuals at a senior level, including Mike Hogg as Wealth Propositions, Platforms & Planning Director, and Craig Fazzini-Jones as Chief Operating Officer, IWR. Self serve ability for advisers and clients has been a key development with simple advancements such as change of address now delivered and more in the pipeline. In 2023 for instance, new functionality to enable intermediaries to self-serve bed and ISA transactions was established, which Aviva stated had improved completion times for the customer. FNZ provides ongoing enhancements and updates to meet regulatory and business requirements with such developments and releases scheduled well into coming years. A new 15 year agreement will introduce more products onto the FNZ platform and benefit customers with a contemporary IT platform.

As mentioned above, Aviva has a longstanding (over 20 years) relationship with Wipro as a key IT development partner, and in April 2023 engaged Wipro further as part of an Aviva wide programme of transformation to accelerate automation and digital capabilities.

On the adviser platform, various tools are available including an Illustration tool (provided by CTC) and Investment Profile tool. The platform has back office links with all main providers including Avelo and Intelliflo, with data in Intelliflo made available through other CRM systems, via the industry's Origo Integration Hub.

Curtis Banks is used for the purchase and management of commercial property holdings, and a Client Reporting tool is provided by FE Financial Express.

STRATEGY

Market Positioning

The prime distribution focus for the platform remains financial advisers. The Aviva Intermediate & Retail (I&R) Wealth distribution team is now over 100 strong and is aligned to c. 8,000 intermediary firms in the market through a distribution footprint managed across two geographical areas, each headed by a Divisional Manager supported by a wider team of regional managers, BDMs and platform account managers. Strategic account managers and key account managers provide more direct relationship support to nationals, networks and other large consolidators and service providers. All teams are supported by dedicated Platform Adoption Consultants and aligned Distribution Support Consultants, and also benefit from the expertise of two investment specialists (Investment Development Managers).

The business has also dialled up the proportion of telephone and Teams support to complement face to face relationships. And overall Aviva sees the combination and extent of the support as contributing to a market leading distribution footprint.

Through this approach Aviva hopes to maximise engagement and influence the outcomes on customer exits from Aviva's Heritage books of business, and to maintain and strengthen its panel positions with key strategic accounts to ensure continued support for the Aviva advised platform. The distribution team is one of the largest in the UK Advised Platform market, Aviva states, and it has maintained its leading position in terms of adviser penetration with 35% (Investment Trends 2024) of UK advisers using the platform. Additionally, the business aims to be the strategic partner of choice for the largest DFMs, supporting further the flow of assets onto the platform through that route.

The business remains aware of the dynamics of consolidation and vertical integration in the market and stands ready to capitalise on new business opportunities or indeed retention threats - Aviva remains focused on the latter and continues to mitigate against regulatory (such as IPMS Making transfers simpler) and maturing market trends (such as increasing numbers of customers moving into drawdown) using technology and digital developments to maximise this, helping customers move to more modern products for instance. The business also looks to leverage the strength of Aviva's Investment Proposition (i.e. the Smooth Managed Fund) to drive additional flows to the advised platform.

Proposition

The Aviva Platform delivers products through two distinct platform businesses, operating in separate distribution channels. Each has their own strategy and business plan.

The Adviser Platform is aimed at the intermediary sector, providing financial advisers with technology to support their customers' financial planning. The platform now has over £47bn AuA, with assets from over 5,000 adviser firms. The platform offers access to a wide range of investments including over 6,700 from 250 fund groups, a discretionary managed portfolio service, structured products, over 2,000 exchange traded assets and commercial property, as well as a full drawdown capability to support customers who wish to take advantage of Pensions Freedoms. Aviva provides a SIPP product via the platform, through APT. Aviva's target market is the mass affluent and mid-market sector and it maintains close links with key intermediaries mainly the networks and national adviser firms.

Wrappers are provided by: ISAs and Investment Portfolio - AWUK; SIPP - APT; Onshore Bonds - Aviva Life & Pensions UK Ltd. Offshore Bonds are not currently available to new business. Trustee services are provided by Aviva Nominees UK Ltd and APT. Further wrapper establishment is to be anticipated as the platform continues to widen usage across the adviser sector.

The second platform is the Aviva Online Investment Service (known as the Aviva Investment Account), and aims to meet the needs of both Aviva new and back book customers who wish to invest directly for medium and long-term goals, accumulation and decumulation, providing product wrappers for investments. The Aviva Investment Account platform is used by over 77,000 investors who can choose from over 5,000 funds from leading UK fund managers for investment in pensions, ISAs or General Investment accounts. It is also designed to support pension consolidation. As a feature and benefit for users it has a fully online service for drawdown with online transfers, a transfer tracking tool and an online withdrawal facility. Although the platform is deemed suitable for novice investors, there is the ability to utilise an in house financial advice service through Succession Financial Management, operated by the Succession Wealth Group.

Escalating interest in ESG investing has been responded to with the development of an ESG Resource Hub to give advisers information on Aviva Investor's approach; and for its customers the group has more widely articulated its sustainability ambition and climate goals ahead of any regulatory requirement in this respect. An ESG profiling tool is available on the retail adviser platform, providing an independently verifiable assessment of a client's holdings against a range of ESG preferences.

KEY COMPANY FINANCIAL DATA

Last 3 reporting periods up to 31 December 2023

Own Funds Disclosures

	Dec 21 £m	Dec 22 £m	Dec 23 £m
Available own funds	65.0	57.2	49.8
Own funds requirement (OFR)	4.2	6.8	7.1
Excess own funds	60.8	50.4	42.7
OFR coverage ratio (%)	1,548	844	701

On 1 January 2022 the new FCA prudential regime MIFIDPRU came into force, and AWUK is a non-SNI MIFIDPRU firm. In 2023, AWUK's OFR was calculated with the K-factor requirement (KFR) of £7.1m applied, being the highest of the other measures of OFR, permanent minimum capital (PMR) and fixed overhead requirement (FOR).

Own Funds reduced from £57.2 to £49.8m, impacted by the loss after tax of £4.8m in the year and an increased level of intangible assets to be deducted from the available funds, up from £20.1m to £22.6m. The actual calculation reflected the Issued Share Capital of £169.5m [2022: £169.5m] less retained losses of £97.0m [£92.2m], less intangible assets of £22.6m to establish OF of £49.8m in 2023, all classed as Tier 1.

The overall result from the changes was a decrease in the coverage ratio, from 844% to 701%, still a very significant and comfortable level of coverage.

In addition to the OFR coverage, AWUK is required to comply with the Overall Financial Adequacy Rule (OFAR), to ensure it has adequate OF and Liquid Assets to:

- Ensure it can remain viable throughout the economic cycle with the ability to address any potential harms from its ongoing activities; and
- To allow its business to wind down in an orderly way

The OFAR requires firm to evidence that it will maintain sufficient headroom in these measures over the duration of the next three years, with stress and scenario testing for the potential impact on OF and liquid assets. Compliance with the OFAR is monitored through the ICARA, with processes for the board to monitor capital and liquidity, with and triggers for action and notification. AWUK maintains risk appetite buffers to manage this, with (for instance) a 30% OF buffer (i.e. internal minimum requirement of 130% coverage). These processes and associated Recovery Plans are a key section of the ICARA, AWUK states.

APT is authorised and regulated by the FCA as an IPRU (Investment) Chapter 5 firm, and in 2023 reported available capital resources of £50.6m, up from £48.2m in 2022. This was represented by total equity of £131.3m [2022: £117.9m] less regulatory deductions for deferred acquisition costs (asset deduction) and illiquid assets totalling £80.7m [2022: £69.7m].

As at 31 December 2023 the Aviva group had a SII Regulatory Capital Surplus of £8.8bn [2022: £8.7bn] over the group SCR of £8.2bn [2022: £7.8bn]. The SCR is calculated using a partial internal model. Of the £18.8bn [2022: £18.7bn] eligible own funds (prior to adjustments to the shareholder view), £13.2bn or 70% [£13.2bn or 71%] was classed as unrestricted tier 1 capital.

As at year end December 2023, Aviva was targeting a cover ratio working range of between 160% and 180% based on the shareholder view. On this basis (i.e. without ring-fencing the with profits fund), coverage was above the top end, at 207% as at 31 December 2023, down from 212% in 2022. The increase in surplus (from £8.7bn to £8.8bn) was mainly due to operating capital generation and net issuance of subordinated debt which was largely offset by dividend payments,

£300m share buyback and non-operating capital generation. The non-operating capital was in this respect negative, and included integration and restructuring costs (net of tax) of £356m [2022: £nil] of which £47m was incurred during the year, with the remaining £309m representing the present value of the costs expected to be incurred over the period 2024-2028 in relation to the extension of two key strategic partnerships. It also included £241m [2022: £nil] in relation to the correction of the historical allocation of policyholder benefit costs between the shareholder funds and the with-profit funds (explained further in the group financial statements).

The Group Solvency II SCR was calculated using a partial internal model and was £10.0bn as at 31 December 2023 [2022: £9.4bn]. The regulatory cover ratio was 188% at 31 December 2023 [2022: 198%].

Statement of Financial Position

	Dec 21 £m	Dec 22 £m	Dec 23 £m
Assets	83.8	82.4	76.2
Current liabilities	(3.2)	(5.1)	(3.7)
Long-term liabilities	0.0	0.0	0.0
Net assets	80.7	77.3	72.5

Statement of Changes in Equity

	Dec 21 £m	Dec 22 £m	Dec 23 £m
Equity at start of period	82.7	80.7	77.3
Movement due to:			
Share capital and premium	0.0	0.0	0.0
Retained earnings	(2.0)	(3.3)	(4.8)
Other	0.0	0.0	0.0
Equity at end of period	80.7	77.3	72.5

Following a capital injection of £65.0m to AWUK in 2019, accumulated losses in subsequent years have decreased net assets to £72.5m as at the end of 2023 [2022: £77.3m].

Current liabilities of £3.7m include amounts owed to group undertakings, which decreased by £2.1m to £1.2m. Fairly significant provisions were extinguished in full in 2022 having been reducing over previous years; these were related to the expected cost of policyholder compensation for errors identified in product administration. and remediation costs for customers and advisors impacted by the migration between platform service providers.

Income Statement

	Dec 21 £m	Dec 22 £m	Dec 23 £m
Revenue	25.1	26.6	27.4
Other operating income	0.0	0.0	0.0
Operating expenses	(27.5)	(31.0)	(33.7)
Operating profit (loss)	(2.5)	(4.5)	(6.2)
Other gains (losses)	0.0	0.0	0.0
Profit (loss) before taxation	(2.5)	(4.5)	(6.2)
Taxation	0.5	1.1	1.4
Profit (loss) after taxation	(2.0)	(3.3)	(4.8)
Other comprehensive income	0.0	0.0	0.0
Dividends	0.0	0.0	0.0
Retained profit (loss)	(2.0)	(3.3)	(4.8)

Financial Ratios

	Dec 21 %	Dec 22 %	Dec 23 %
Operating margin	(10)	(17)	(23)
Pre-tax profit margin	(10)	(17)	(23)
Employee costs as a % of revenue			

AWUK's revenue in 2023 increased by 3% to £27.4m [2022: up by 6% to £26.6m], as a result of higher average AuA in the year. New business sales for the Wrap business were 18% lower than the prior year, at £1.9bn of PVNBP [2022: £2.3bn]. Total AuA increased by 11% to £13.9bn as at 31 December 2023 [2022: £12.5bn].

Within total operating expenses, the largest element is those costs recharged to AWUK by UKLS for the supply and provision of operational assets and services under a management agreement; these recharge costs increased by 9% to £37.1m, due to higher platform fees, inflation and development costs. The recharged fees were partially offset by deferred acquisition costs of £3.7m [2022: £3.3m], so total operating expenses, including some other minor operating costs, increased overall by 9% to £33.7m [2022: £31.0m]. AWUK reported an increased loss after tax of £4.8m in 2023 [2022: loss after tax £3.3m].

APT's income in 2023 increased by 8% to £96.6m [2022: £89.1m as a result of higher average AuA in the year. New business sales for SIPP business were 1% higher than the previous year at £7.8bn of PVNBP [2022: £7.7bn], including £2.5bn from the MyMoney Platform [2022: £2.8bn].

Similar to AWUK, there was a significant recharge to APT from UKLS, up by 16% to £97.9m [2022: £84.4m] due to higher platform fees, inflation and development costs. APT operating expenses overall increased by 35% to £104m [2022: £77.0m], with other operating expenses in 2023 including one-off costs of £12.0m related to remediation costs. Partially offsetting the other operating costs were deferred acquisition costs of £13.6m [2022: £13.3m]. Despite the increase in revenue in APT therefore, additional costs led to a loss after tax of £6.6m for 2023 [2022: PAT of £9.8m].

Statement of Cash Flows

	Dec 21 £m	Dec 22 £m	Dec 23 £m
Net cash generated from operating activities	(6.3)	(7.9)	(13.2)
Net cash used in investing activities	0.0	0.0	0.0
Net cash used in financing activities	0.0	0.0	0.0
Net increase (decrease) in cash and cash equivalents	(6.3)	(7.9)	(13.2)
Cash and cash equivalents at end of period	64.5	56.5	43.3

Assets under Administration (AuA)

	Dec 21 £bn	Dec 22 £bn	Dec 23 £bn
Assets at start of period	32.4	40.4	39.1
Inflows	7.9	6.7	6.6
Outflows	(2.5)	(2.8)	(3.9)
Net market and other movement	2.6	(5.2)	2.7
Assets at end of period	40.4	39.1	44.4
Growth rate (%)	25	(3)	14
Net inflows as % of opening AuA	17	10	7

The operational cash outflow of £13.2m reduced AWUK's balance sheet cash and cash equivalents from £56.5m to £43.3m at the end of 2023. The outflow was due to the loss for the year before tax (£6.2m), an increase in deferred acquisition costs (£3.7m), an increase in receivables (£2.3m) and a decrease in payables (£1.4m), partially offset by a £0.5m decrease in tax assets. APT saw an operating cash outflow of £16.1m but this was offset by additional funding provided by parent AVLAP, in the form of £20m shares issued and a £30m long term loan, increasing cash reserves to £61.0m [2022: £27.1m].

The AuA figures shown in the table above reflect the advisor platform business only and remained resilient with £2.7bn of net flows, the second highest in the advised platform market in 2023. This was an excellent performance in a subdued adviser market in which net flows were down 64% compared to 2022, driven by the impact of challenging macroeconomic conditions. As at 31 December 2023 AWUK's total AuA increased by 11% from £12.5bn to £13.9bn (with £13.5bn of this related to the Adviser platform and £0.4bn Direct platform), and APT increased AuA by 21% from £39.5bn to £47.7bn (split Adviser platform £30.9bn, Direct £3.2bn and MyMoney £13.0bn).

Wealth segment net flows were resilient at £8.3bn [2022: £9.1bn] driven by a strong performance in Workplace (net inflows £6.9bn).

Guide

INTRODUCTION

For over 30 years AKG has particularly focused on the financial strength requirements of financial advisers, who when acting on behalf of their clients, need to ascertain a company's ability to deliver sustained provision.

From this customer perspective, the financial strength of companies needs to be focused at an operational level, specifically on the company that is effecting the product or service that a customer is selecting. This is important, because from the customer's perspective it is that company (not some higher corporate entity) that needs to survive in a form that maintains the requisite operational characteristics to meet their fairly held requirements. And it is thus at this level that the selection needs of the customers' advisers must be met.

It is also important to understand the sector approach (comparative peer groups) that is adopted in financial strength assessment and rating process.

At AKG, this is again driven by the end customer perspective and the fact that assessment is designed solely for this purpose, i.e. as a component in helping customers' advisers to select between comparable companies competing to deliver relevant products or services.

AKG's focus and approach has remained consistent over the years since it commenced assessment and rating support for the market. However, coverage, format and presentation has rightly evolved over this period, in line with the needs and expectations of assessment and rating users in the market. And AKG considers further changes on a continual basis.

Further details including an explanation of what is included in the assessment reports and coverage can be found online at https://www.akg.co.uk/information/reports.

AKG's process for assessment and rating is to use a balanced scorecard of measures and comparative information, relevant to the companies contained within each peer group. This is gathered via Public Information only for non-participatory assessments and public information plus company interactions with companies for participatory assessments. Further details on AKG's process can be found at https://www.akg.co.uk/information/reports.

This includes further information on the different participatory and non-participatory basis and for companies wishing to learn more about participatory assessment AKG is pleased to outline this and welcomes contact.

This is a participatory assessment.

RATING DEFINITIONS

Overall Financial Strength Rating
The objective is to provide a simple indication of the general financial strength of a company from the perspective of those financial advisers who when acting on behalf of their clients need to ascertain a company's ability to deliver sustained operational provision of products or services.

The overall rating inherently reflects the mix of business within the company, since different types of customer or policyholder have different requirements and expectations, and the company may have particular strengths and weaknesses in respect of its key product or service areas. However, it also takes account of comparison across the sector in which it is assessed.

The rating takes into account those of the following criteria which are relevant (depending upon the company's mix of business in-force): capital and asset position, expense position and profitability any specifically onerous element such as with profits realistic balance sheet position, structure (and size) of funds within the company, parental strength (and likely attitude towards supporting the company), operational capability, management strength and capability, strategic position and rationale, brand and image, typical fund performance achievements or product / service features, its operating environment and ability to withstand external forces.

Rating Scale	A	B+	B	B-	C	D	▣
	Superior	Very Strong	Strong	Satisfactory	Weak	Very Weak	Not applicable

Service Rating
The objective is to assess the quality of the organisation's service to the intermediary market in respect of the brand concerned.

Criteria taken into account include: performance in surveys, awards and benchmarking exercises (external and internal), the organisation's philosophy, service charters, the extent of investments designed to improve service, and feedback from intermediaries.

Rating Scale	★★★★★	★★★★	★★★	★★	★	▣
	Excellent	Very Good	Good	Adequate	Poor	Not Rated

Image & Strategy Rating
The objective is to assess the effectiveness of the means by which the organisation currently positions itself to distribute its products for the brand concerned and the plans it has to maintain and/or develop its position.

Criteria taken into account include: overall trends in the company's market share position, brand visibility and reputation, feedback from intermediaries and industry commentators, and AKG's view of the company's general strategy.

Rating Scale	★★★★★	★★★★	★★★	★★	★	▣
	Excellent	Very Good	Good	Adequate	Poor	Not Rated

Business Performance Rating
This review is an assessment of how the company and the brand has fared against its peers, and how it is perceived externally. Effectively this is how it has performed recently in the market. Whilst it will include performance indicators from the most recent available statutory reporting (report and accounts and SFCRs in the case of insurance companies, for example) it will also draw on other recent key performance elements before and after such disclosure, up to the point at which the assessment is undertaken.

Criteria taken into account include: increase/decrease in market shares, expense containment, publicity good or bad, press or market commentary, regulatory fines, and competitive position.

Rating Scale	★★★★★	★★★★	★★★	★★	★	▣
	Excellent	Very Good	Good	Adequate	Poor	Not Rated

ABOUT AKG

AKG is an independent organisation. Originally established as an actuarial consultancy AKG has, for over 30 years, specialised in the provision of assessment, ratings, information and market assistance to the financial services industry.

As the market has evolved over this period, the range of entities considered by AKG has expanded. Consequently, AKG has brought additional skill sets into its operations. This has meant the inclusion of accounting, corporate finance, IT and market intelligence experience, alongside actuarial resources, to deliver an expanded professional capability.

Today AKG's core purpose is in the provision of financial analysis and review services to support the wider financial services sector and its customers.

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