ISSUED 09 October 2023

PLATFORM SECTOR

Aviva Platform

FINANCIAL STRENGTH ASSESSMENT

Analysis by AKG Financial Analytics Ltd

Accessible • Comparative • Independent

AKG

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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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 UK & Ireland Life segment, and 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 2022 to £44.6bn (from £43.1bn)
- The advised platform AuA was £39bn at year end, and platform business remained resilient with £3.8bn of net flows during 2022; this has continued during 2023, with £1.2bn of net flows during the six months to June 2023
- In the advised platform space, Aviva is maintaining a very strong market position in terms of gross and net flows and overall AuA; it also cites an increasingly primary position held with advisers via strategic partnerships and panel appointments
- Further investment into a key, longstanding association with partner Wipro is driving an increase in digital and automated capability and capacity across the Wealth business
- AWUK remains loss making (2022 loss before tax £4.5m) due to recharged costs for the continued development of the Direct Wealth programme; APT carried similar development costs but remained profitable (2022 PBT £12.1m)
- Both AWUK and APT are relatively immaterial to the Aviva group on any accounting measure, but hold strategically and technically important roles within it
- Aviva plc is a very strong parent and it performed well in 2022 with cash reserves remaining strong, and Solvency II capital requirements comfortably met; due to the focus on SII performance, the business accepted that the IFRS result was impacted, and a loss after tax of £1.1bn posted [2021: PAT £2.0bn]; underlying (adjusted) operating profit was reported to have improved at £2.2bn [2021: £1.6bn]
- Interim figures to June 2023 show the group has continued its momentum across the business and is on track to exceed its Own Funds generation target

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. In 2019, £100m of capital was provided to the Platform business by the group, £65m to AWUK and £35m to APT, to cover prior year losses, continue platform developments and ensure that capital adequacy was maintained.

On 1 January 2022 the new FCA prudential regime MIFIDPRU came into force, and AWUK is required to maintain Own Funds (OF) at least equal to its Own Funds Requirement (OFR); the OFR calculated under K-factor requirements increased compared to the 2021 requirement, and AWUK's OF reduced due partly to the loss after tax of £3.3m in the year. This resulted in a significant decrease in the coverage ratio, from 1548% in 2021 to 844% in 2022, against the FCA requirement of 100%. Noting this was still very comfortable in terms of coverage.

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 but was fully backed by Aviva plc, one of the UK's largest insurers, and financial support continued flowing to AWUK and APT during 2018 and 2019. The platform's importance to Aviva's evolving UK proposition provides positive impetus to maintain investment, although none has been required since 2019.

Aviva has progressed its strategy through 2020-2022, 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 in the UK, Ireland and Canada. 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 212% as at 31 December 2022 [2021: 244%], the decrease in surplus from £13.1bn to £8.7bn largely due to planned return of £3.75bn capital to shareholders in 2022, along with dividend payments, net debt redemption, acquisitions and non-operating capital generation, partially offset by operating capital generation. Aviva targets a cover ratio working range of between 160% and 180% based on the shareholder view. On an adjusted pro forma basis, the Solvency II cover ratio was 196%; this allowing for the redemption of c.£0.5bn of debt over time (which Aviva now expects to incorporate a combination of subordinated and senior debt), £0.1bn payment in relation to the Aviva plc staff pension scheme made in February 2023, a £0.3bn share buyback and the final 2022 dividend of c.£0.6bn.

The shareholder coverage ratio excludes the with profit funds and staff pension schemes in surplus, and so the comparable regulatory coverage ratio was 198% as at 31 December 2022 [2021: 205%].

As at 30 June 2023, the group reported an estimated Solvency II (shareholder view) cover ratio of 202% and regulatory cover ratio of 183%. With liquidity of £1.6bn as at end July 2023 and stable Solvency II debt leverage ratio at 32% as at 30 June 2023 (reducing to 30% pro forma for planned debt reduction), 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 have dominated the service aspect over the past few years, impacting both existing clients and new business growth. The issues cascaded out to the support and services provided by the operations and contact teams also, and required a wide-ranging remediation programme. This programme was completed in 2021, and a small number of staff involved were redeployed into permanent operations roles, thus retaining a significant amount of expert knowledge gained from that experience within the business. The focus has remained on continuing service improvements and building out functionality, for instance in terms of ESG, where the business has been an early adopter and innovator, and in expanding the retail proposition.

A more recent challenge for service levels was from the COVID-19 pandemic, and the platform showed resilience here, with key activities such as cash payments and transaction processing being maintained, IT systems remaining operational, and employees including frontline customer facing staff being supported to ensure that they could service customers during the period. The platform distribution team for example were all operating from home within a short period and able to support adviser clients in this way; there was also some team reshaping to support telephony rather than face-to-face contact.

Aviva's overall satisfaction score (NPS) declined slightly in 2022, with transactional NPS reducing by 2.5 to 40.5. 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 business has demonstrated improved service delivery to both advisers and customers through the latest period, with better user satisfaction scores being recorded and in a period of growth this is overall a much more positive position than previous years. Responsiveness to complaints was flagged as an area of weakness in the past but increased resourcing and training has resulted in complaint volumes reducing.

Aviva's 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.

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 UK & Ireland Life business is split into three segments: Insurance, Wealth and Retirement. The CEO's strategy has seen the Wealth business 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 "Our plan is working and our combination of Insurance, Wealth and Retirement brings clear benefits, as evidenced in our 2022 results".

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 2022 UK Adviser Technology and Business report (May 2022) Aviva was ranked 4th in brand association.

Aviva intends investing £300m over the next three years into growth and £200m to accelerate efficiency. The acquisition of Succession Wealth, completed in August 2022, is expected to enhance Aviva's position in the wealth market and generate internal value, as Succession Wealth advisers begin 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, 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.

Business Performance Rating

As at 31 December 2022, the Aviva UK Platform business had AuA of £44.6bn, this representing the Advised Platform, Direct, Workplace and Succession. The Advised Platform fared well against its competitors in terms of gross and net flows for the year to December 2022, reporting the 2nd highest net inflows for the year 2022 (£3.85bn per Fundscape), and AuA at the year end of £39bn.

AWUK's revenue in 2022 increased by 5.9% to £26.6m [2021: up 27.0% to £25.1m], as a result of higher average AuA. New business sales were 24% lower than the prior year, at £2.3m [2021: £3.0bn] of PVNBP (Present Value of New Business Premiums). Total AuA held via AWUK decreased by 4.0% over the year to £12.5bn as at 31 December 2022.

The largest element within operating costs was the recharge to AWUK by Aviva Life Services UK Ltd (UKLS) which supplied and made charges for the provision of operational assets and services under a management agreement. These recharge costs increased by 8.9% to £34.2m, largely due to increased development costs through the Direct Wealth programme. They were partially offset by deferred acquisition costs of £3.3m, so total operating expenses increased by 12.6% to £31.0m. AWUK reported an increased loss after tax of £3.3m in 2022 [2021: loss after tax £2.0m].

In the wider group, the UK & Ireland Life division saw the present value of new business premiums (PVNBP) 7% lower in 2022 at £33.3bn [2021: £35.6bn] reflecting lower BPA volumes of £4.4bn [2021: £6.2bn] and the impact of higher discounting of future premiums in Wealth and Protection & Health, as a result of higher interest rates. VNB (value of new business), a key measure of the profitability of new business, was up by 15% to £767m [£668m] driven by improved margins across all lines of business. Wealth net flows were resilient at £9.1bn [£10.0bn] driven by strong performance in Workplace offset by Platform which remained robust in the face of market volatility, it stated.

UK & Ireland Life reported an underlying (adjusted) operating profit (AOP) which was 34% up on 2022, at £1.9bn [£1.4bn) driven by strong margins in Retirement, strong performance in Ireland Life, the impact of market movements on policyholder tax in Heritage, and a higher contribution from management actions and other, partly offset by Wealth where revenue was adversely impacted by market volatility. Baseline controllable costs in UK & Ireland Life decreased marginally, by 1% to £1.1bn [2021: £1.1bn].

UK & Ireland General Insurance reported gross written premiums that were 7% higher than 2021, at £5.8bn [2021: £5.4bn], and a combined operating ratio of 96.1% [2021: 94.3%] which it considered a strong result given the market conditions.

At group level, there was an IFRS loss for the year of £1.1bn [2021: PAT £2.0bn]. The underlying AOP increased, by 35% to £2.2bn [2021: £1.6bn]. Aviva continued its focus on cost efficiency, and 2022 saw baseline controllable costs from continuing to reduce, by 3% to £2.8bn [2021: £2.9bn] despite the impact of inflation. The group noted that since 2018, it had made £327m of savings net of inflation, ahead of target, and was on track to meet its cost ambition of £750m (gross of inflation) cost reductions from the 2018 baseline by the end of 2024.

Group balance sheet cash and cash equivalents increased from £12.5bn in 2021 to £22.5bn, with cash from operating activities generating £15.9bn, £3.75bn returned to shareholders via the B share scheme and net £0.9bn paid off borrowings which included subordinated debt and senior notes. Total group assets under management reduced to £352bn [2021: £401bn], including AuM of £222bn [£268bn] managed by Aviva Investors.

Interim figures for the six months to June 2023 show that the business has maintained momentum across its core businesses, benefitting from its diversified business in the current market volatility. The business has continued to absorb inflationary pressures and maintained a flat cost base, underpinning profitable growth, and maintaining strong shareholder cover ratio of 202% as at 31 June 2023 [31 December 2022: 212%]. The advised platform market remains challenging but Aviva is maintaining a strong position amongst its peers, reporting a significant market share of net flows through recent reported quarters.

Group & Parental Context

BACKGROUND

The Aviva Platform is distributed and managed by Aviva Wrap UK Ltd, a subsidiary of Aviva plc (Aviva). During 2013 Aviva brought together its platform, SIPP and AA (Aviva Advisers) propositions onto a single portal (AA holds the majority of legacy assets including individual personal pensions and investment bonds).

AWUK's ultimate parent is Aviva plc. Aviva is an international savings, retirement and insurance business. It has, however, recently been undertaking a significant refocusing on core markets with a series of international disposals, and this was reflected in a reduction in funds under management worldwide to £401bn as at 31 December 2021 [2020: £535bn].

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.

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 review of Aviva's strategy was undertaken to simplify Aviva, 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 has been 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 which consists of:

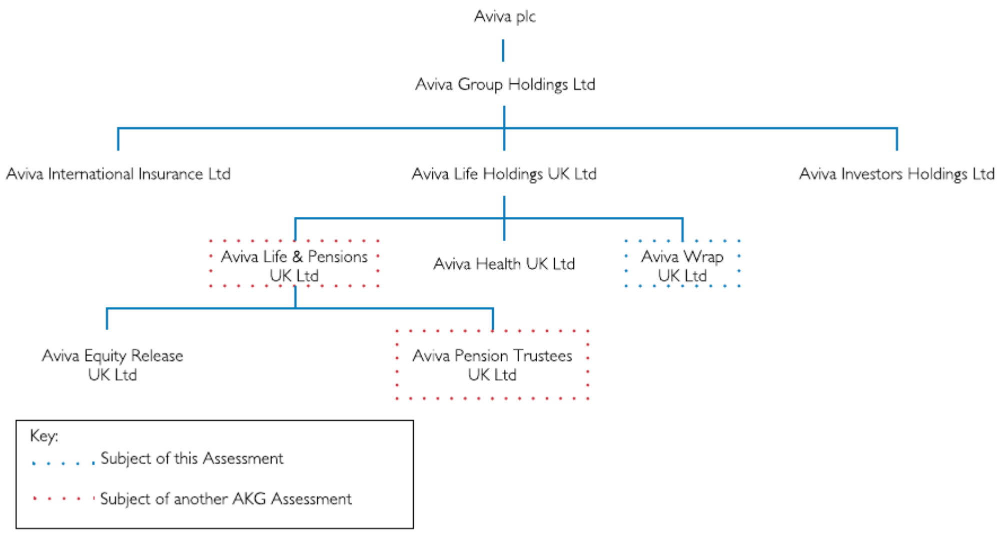
Core markets:

- UK & Ireland Life - the UK's largest life insurer with a 25% share of the UK market, over 11 million customers, and a product range which meets all of its customers' insurance, wealth and retirement needs; includes Wealth/savings and retirement business, Aviva's UK workplace and platform savings business, and Aviva Platform
- General Insurance - providing general insurance in the UK & Ireland, and Canada
- Aviva Investors - global asset management

International investments:

- Aviva's long-term business operations in China, India and Singapore - offering a range of insurance and savings products

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
0800 056 2026
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, UK & Ireland Life Insurance	D A Brown
MD, Wealth & Advice	M Golunska
Finance Director, Wealth	J I Slider
Intermediary & Retail Director	R Marsden
Director of Strategic Platforms	M J Hogg
Director of Investments	K Oak
Director of Direct Wealth	S Layden (interim)
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. In March 2010, AWUK was sold by AWGUK to AWGUK's immediate parent, Aviva Life Holdings UK Ltd (ALHUK), for £9.5m.

Subsequently branded as the Aviva Platform, it operates within the Wealth division of Aviva's UK & Ireland Life business. AWUK is authorised and regulated by the FCA and is classed as a non-SNI MIFIDPRU firm.

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. The company, as a wholly owned subsidiary of Aviva plc group, is managed as part of its Savings & Retirement (S&R) business, within the Wealth division. Aviva plc board stated that it had streamlined its governance arrangements to better align with the size and shape of the group during the year.

Following input to regulators, Aviva has completed its work to encompass the outcomes of the Investment Platform Market Study (IPMS, in respect of faster platform transfers) and Retirement Outcomes Review (ROR) in respect of investment pathways. The group risk function has been proactive on key initiatives around climate risk and the Consumer Duty regulations during 2022 and into 2023, Aviva reported, and other governance committees have undertaken deep dives into vulnerable customers, customer data, corporate customers and financial inclusion, including the community investments Aviva has made.

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 and Advice business unit senior leadership team (SLT), chaired by the MD of the Aviva Wealth and Advice UK business unit, who is also a member of the broader UK Life SLT.

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.

The Risk & Governance forums in place include:

- Wealth & Advice Risk Committee - chaired by S Gains - 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.

- Intermediated & Retail Leadership Team Meeting - chaired by R Marsden - to oversee the management of the Intermediated and Retail (I&R) business including operational performance, risk, change, complaints and distribution.
- Strategic Platform Risk & Governance Forum - chaired by M Hogg - to oversee the quality of customer experience through actively monitoring key sources of conduct MI, identifying / Investigating areas of potential concern and overseeing actions to rectify conduct issues.
- I&R Proposition Development Forum - chaired by R Marsden - to oversee propositional development, maintenance of existing proposition and any other material business change impacting customers ensuring operating in line with Customer Led Propositions governance framework as set out in the UK Life Product Development Approval and Management business standard.
- Distribution Risk & Conduct Forum - chaired by B Gabriel - to oversee the Distribution Team's activity, intermediary activity, risk events and breaches.
- Platform Investment Governance Committee - chaired by D Hewison - 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 S Otley - 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

Aviva's 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.

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 Wealth business more widely received Best Default ESG Strategy at the 2022 Corporate Adviser Awards, and five Gold awards from Benefits Guru during 2022.

Aviva's overall satisfaction score (NPS) declined slightly in 2022, with transactional NPS reducing by 2.5 to 40.5. 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".

Aviva platform was winner of the 'Best Use of Technology' in the Platform of the Year awards in December 2020, specifically for its Client Reporting service (in conjunction with FEFundInfo), and in 2021 was Runner Up in the Platform Of Year category, as well as runner-up in Leading Platform for Model Portfolio Services in those awards. The platform was also shortlisted for 'Best Wrap/Platform' in the 2020 Investment Life & Pensions Moneyfacts awards.

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 at a senior level (managed by the Head of Strategic Platforms). FNZ provides ongoing enhancements and updates to meet regulatory and business requirements with such developments and releases scheduled well into 2024. 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.

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 of two geographical divisions across the UK. The business manages its key existing relationships by face to face and telephone-based business development managers, supported by a technical onboarding team, distribution insight and support teams. Through this approach it 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. 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.

Further teams of business development and platform account managers deal with a range of smaller intermediary firms, supported in the same way. During the COVID-19 pandemic there was a need to maintain relationships remotely, and the company reports that this has worked well for the advisers it supports. Through this period the business undertook some restructuring of the distribution team to improve targeting of non-supporting firms. 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.

Aviva continues to invest in and incubate a range of Fintech initiatives and start-ups where they have relevance for the platform business (to follow its example with Wealthify, where Aviva acquired a further significant shareholding in 2020 and made Wealthify a wholly owned subsidiary of Aviva plc).

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 £40bn AuA, with assets from over 5,000 adviser firms. The platform offers access to a wide range of investments including over 5,500 from 225 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 36,000 investors who can choose from approximately 4,000 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 AFA (Aviva Finance Advice).

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 2022

Capital Resources Disclosures

	Dec 20 £m	Dec 21 £m	Dec 22 £m
Available capital resources	72.2	65.0	57.2
Capital resources requirement (CRR)	4.5	4.2	6.8
Excess capital resources	67.7	60.8	50.4
CRR coverage ratio (%)	1,603	1,548	844

AWUK and APT are fully supported by Aviva plc in their role in providing the Aviva platform. In 2019, £100m of capital was provided to the Platform business by the group, £65m to AWUK and £35m to APT, to cover prior year losses, continue platform developments and ensure that capital adequacy was maintained.

On 1 January 2022 the new FCA prudential regime MIFIDPRU came into force, and AWUK as a non-SNI MIFIDPRU firm is required to maintain Own Funds (OF, formerly Available Capital Resources) at least equal to its Own Funds Requirement (OFR, formerly CRR).

In 2022, AWUK's OFR was calculated under the new rulebook and the K-factor requirement (KFR) of £6.8m applied, being the higher of the other measures of OFR, permanent minimum capital (PMR) and fixed overhead requirement (FOR). This was an increase on the previous OFR in 2021 (the FOR of £4.2m).

The level of OF was calculated in the same way as prior years, and reduced from £65.0m to £57.2m, due to a loss after tax of £3.3m in the year and increased level of intangible assets to be deducted from the available funds, up from £15.7m to £20.1m. The actual calculation reflected the Issued Share Capital of £169.5m less retained losses of £92.2m, less intangible assets of £20.1m to establish OF of £57.2m in 2022, all classed as Tier 1.

The overall result from the changes was a decrease in the coverage ratio, from 1548% (reflecting the former minimum Pillar 1 requirement) to 844%, against the FCA requirement of 100%.

Additionally, under MIFIDPRU, in a measure replacing the previous higher Pillar 2/3 requirements, 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 2022 reported available capital resources of £48.1m, up from £31.8m in 2021. This was represented by total equity of £117.9m [2021: £108.1m] less regulatory deductions for deferred acquisition costs (asset deduction) and illiquid assets totalling £69.7m [2021: £76.3m].

As at 31 December 2022 the Aviva group had a SII Regulatory Capital Surplus of £8.7bn [2021: £13.1bn] over the group SCR of £7.8bn [2021: £9.1bn]. The SCR is calculated using a partial internal model. Of the £18.7bn [2021: £25.6bn] eligible own funds (prior to adjustments to the shareholder view), £13.2bn or 71% [£19.1bn or 75%] was classed as unrestricted tier 1 capital.

As at year end December 2022, 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 212% as at 31 December 2022, down from 244% in 2021. The decrease in surplus (from £13.1bn to £8.7bn) was mainly due to £3.75bn capital returned to shareholders (reducing Solvency II shareholder cover ratio by 41pp), dividend payments, net debt redemption, acquisitions and non-operating capital generation, partially offset by operating capital generation. Non-operating capital generation includes the impact of market movements primarily from an increase in interest rates and widening of credit spreads.

The adjusted pro forma Solvency II cover ratio at 31 December 2022 was 196%, allowing for the redemption of c.£0.5bn of debt over time (which Aviva now expects to incorporate a combination of subordinated and senior debt), £0.1bn payment in relation to the Aviva plc staff pension scheme made in February 2023, a £0.3bn share buyback and the final 2022 dividend of c.£0.6bn.

Statement of Financial Position

	Dec 20 £m	Dec 21 £m	Dec 22 £m
Assets	85.8	83.8	82.4
Current liabilities	(3.2)	(3.2)	(5.1)
Long-term liabilities	0.0	0.0	0.0
Net assets	82.7	80.7	77.3

Statement of Changes in Equity

	Dec 20 £m	Dec 21 £m	Dec 22 £m
Equity at start of period	83.8	82.7	80.7
Movement due to:			
Share capital and premium	0.0	0.0	0.0
Retained earnings	(1.1)	(2.0)	(3.3)
Other	0.0	0.0	0.0
Equity at end of period	82.7	80.7	77.3

Following a capital injection of £65.0m to AWUK in 2019, accumulated losses in subsequent years have decreased net assets to £77.3m as at the end of 2022 [2021: £80.7m].

Current liabilities of £5.1m include amounts owed to group undertakings which increased by £2.0m to £3.3m. Fairly significant provisions in prior years (£10.7m originally identified in 2018) 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, had been reducing year on year and were extinguished in full in 2022.

Income Statement

	Dec 20 £m	Dec 21 £m	Dec 22 £m
Revenue	19.8	25.1	26.6
Other operating income	0.0	0.0	0.0
Operating expenses	(21.1)	(27.5)	(31.0)
Operating profit (loss)	(1.4)	(2.5)	(4.5)
Other gains (losses)	0.0	0.0	0.0
Profit (loss) before taxation	(1.4)	(2.5)	(4.5)
Taxation	0.3	0.5	1.1
Profit (loss) after taxation	(1.1)	(2.0)	(3.3)
Other comprehensive income	0.0	0.0	0.0
Dividends	0.0	0.0	0.0
Retained profit (loss)	(1.1)	(2.0)	(3.3)

Financial Ratios

	Dec 20 %	Dec 21 %	Dec 22 %
Operating margin	(7)	(10)	(17)
Pre-tax profit margin	(7)	(10)	(17)
Employee costs as a % of revenue			

AWUK's revenue in 2022 increased by 5.9% to £26.6m [2021: up 27.0% to £25.1m], as a result of higher average AuA for most of the year. New business sales for the Wrap business were 24% lower than the prior year, at £2.3m [2021: £3.0bn] of PVNBP (Present Value of New Business Premiums). Total AuA decreased by 4.0% to £12.5bn as at 31 December 2022.

Total operating expenses increased by 12.6%. Within this, the largest element is costs recharged to AWUK by UKLS which supplied and made charges for the provision of operational assets and services under a management agreement. These recharge costs increased by 8.9% to £34.2m, largely due to increased development costs through the Direct Wealth programme. They were partially offset by deferred acquisition costs of £3.3m, so total operating expenses increased by 12.6% to £31.0m. AWUK reported an increased loss after tax of £3.3m in 2022 [2021: loss after tax £2.0m].

APT's income in 2022 increased by 6.7% to £89.1m [2021: £83.5m] as a result of higher average AuA in 2022 (up from £35.6bn to £39.6bn). New business sales in 2022 for SIPP business were 7% higher than the previous year at £7.7bn [2021: £7.2bn] of PVNBP, including £2.8bn [2021: £1.4bn] from the MyMoney Platform.

Similar to AWUK, there was a significant recharge to APT from UKLS of £84.4m [2021: £87.2m]. APT operating expenses overall increased by 2.5% to £77.0m [2021: £75.2m] due to increased platform fees and development costs through the Direct Wealth programme, partially offset by deferred acquisition costs. PAT increased to £9.8m [2021: £6.7m].

Statement of Cash Flows

	Dec 20 £m	Dec 21 £m	Dec 22 £m
Net cash generated from operating activities	0.4	(6.3)	(7.9)
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	0.4	(6.3)	(7.9)
Cash and cash equivalents at end of period	70.8	64.5	56.5

Assets under Administration (AuA)

	Dec 20 £bn	Dec 21 £bn	Dec 22 £bn
Assets at start of period	27.5	32.4	40.4
Inflows	5.4	7.9	6.7
Outflows	(2.0)	(2.5)	(2.8)
Net market and other movement	1.5	2.6	(5.1)
Assets at end of period	32.4	40.4	39.2
Growth rate (%)	18	25	(3)
Net inflows as % of opening AuA	12	17	10

The operational cash outflow of £7.9m reduced AWUK's balance sheet cash and cash equivalents from £64.5m to £56.5m at the end of 2022. The outflow was due to the loss for the year before tax (£4.5m), an increase in deferred acquisition costs (£3.3m) and an increase in receivables (£2.1m) partly offset by an increase in payables (£2.0m). APT saw a cash outflow of £5.2m reducing its cash reserves to £27.1m [2021: £32.3m].

The AuA figures shown in the table above reflect the advisor platform business only, and remained resilient with £3.8bn of net flows, despite severe cost of living pressures; net fund flows dropped by 29% between 2021 and 2022, in comparison to an overall drop of 57% experienced by the market, according to Fundscape. AWUK's total AuA reduced by 4.0% from £13.0bn to £12.5bn, and APT reported AuA down from £39.8bn to £39.5bn, as at 31 December 2022.

Wealth segment net flows were resilient at £9.1bn [2021: £10.0bn] driven by strong performance in Workplace offset by Platform.

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/platform.

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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