

November 2007

AVIVA'S OPERATIONS IN CHINA

About the Aviva's joint venture

- Aviva has maintained a presence in China since 1994 when Commercial Union established a representative office in Beijing with the objective of securing an operating licence. Aviva received approval to set up a joint venture (JV) Life Assurance company in 2001.
- The business is a 50/50 joint venture with China National Cereals, Oils and Foodstuffs Import and Export Corporation (COFCO), one of China's largest state owned enterprises.
- The Chinese insurance regulator, China Insurance Regulatory Commission (CIRC), formally granted a licence to Aviva-COFCO Life (ACL) to operate in Guangzhou in December 2002, and the business was launched on 1 January 2003.
- Aviva has successfully established a multi-distribution channel (direct sales force, bancassurance, broker and group) operating model and multi-product approach with its national headquarters in Beijing and a centralised back office in Guangzhou.
- As of today, Aviva has 6 branch licences (Guangzhou, Beijing, Chengdu, Fuzhou, Jinan, and Hunan) and 9 additional sub-branches/sales offices making a total presence in 15 cities.
- Total Aviva-COFCO sales were £71m (2004: £14 million) for the year to 31 December 2005. Aviva's 50% share of new business sales was £35 million (2004: £7 million).
- Sales of group life policies started in January 2005 – Aviva was one of the first international joint ventures to write group business and while the licence is nationwide the main market is Beijing.
- Based on CIRC ranking, ACL was 4th in total new business premium income among the 25 foreign life insurance companies in 2006.

Objectives of the joint venture

- Aviva's objective is to achieve an average market share of 10 per cent in 10 major provinces/municipal cities in China by 2010 (our so called '10x10x10 strategy').
- Aviva will continue to increase its presence in China during 2006.

About Aviva's licences

- The first licence was for the city of Guangzhou, the capital of the province of Guangdong (NB Guangdong province was previously called Canton). Guangzhou has a population of 7.2m and started operations from 1 January 2003.
- Three further branch licences in Beijing (population 15.2 million), Chengdu (population 10.4 million) and Fuzhou (population 5.89 million). Chengdu and Fuzhou are the capital cities of Sichuan and Fujian provinces respectively.
- Aviva-COFCO was first foreign life insurer to operate in Chengdu and Fuzhou giving Aviva first-mover advantage.
- Aviva-COFCO obtained its 5th licence in Jinan, the capital of Shandong province in 2006. Jinan has a population of 5.69 million people, including 2.54 million urban people.

- In that same year, it was awarded its 6th licence in Changsha, the capital of Hunan province.
- In August 2007, it received its 7th licence in Shijiazhuang in the province of Hebei.

Sales offices

- Aviva has 15 sales offices. They are:
 - Zhongshan, Foshan and Shenzhen (all in Guangdong province)
 - Mianyang, Nanchong, Leshan and Dazhou (all in Sichuan province)
 - Xiamen, Quanzhou, Nanping (all in Fujian province).
 - Yantai, Taian and Weifang (all in Shandong province)
 - Zhuzhou and Changde (both in Hunan province)

New licence applications

- Aviva-COFCO will be seeking one more branch licence and four more sales licences by end 2007.

The products and services

Aviva-COFOC targets individual long term saving & retirement planning as its core business.

Opportunities in China

- China's GDP is expected to grow by 7-8% over the next five years and the insurance market is anticipated to grow at more than 10% over the next nine years.
- China represents one of the largest opportunities for growth in financial services in the world. It is forecast to become the fourth largest life market in the world by premiums in 2008 (after the US, Japan and UK)
- Life market penetration (life premiums: GDP) in 2002 reached 2.1% in China compared with 8.2%, 4.3% and 4.5% for Japan, the USA and the World respectively. This represents an increase of 122% since 1998 in China compared with (7%), 14% and 8.5% for Japan, the USA and the World respectively. (source: Sigma, February 2005)
- China has 25 domestic life companies (December 2006), one foreign-owned company (AIA) and 25 foreign joint ventures with life insurance companies. The number of insurers in the market is expected to increase. (source: CIRC website)
- 91% of business written is currently by local companies – foreign companies account for around 9% of the market as at the end of December 2005 (2004: 2.6%). (source: CIRC website)

Aviva's presence in China as at 15 November 2007

No.	Branch / Sales Office	City	Year of entry	Province
1	Branch	Guangzhou	2003	Guangdong
2	Branch	Beijing	2004	Municipal City of Beijing
3	Branch	Chengdu	2004	Sichuan
4	Sales office	Zhongshan	2005	Guangdong
5	Sales office	Foshan	2005	Guangdong
6	Sales office	Mianyang	2005	Sichuan
7	Sales office	Nanchong	2005	Sichuan
8	Sales office	Leshan	2005	Sichuan
9	Branch	Fuzhou	2005	Fujian
10	Sales office	Shenzhen	2006	Guangdong
11	Sales office	Xiamen	2006	Fujian
12	Branch	Jinan	2006	Shandong
13	Branch	Changsha	2006	Hunan
14	Sales Office	Quanzhou	2006	Fujian
15	Sales Office	Yantai	2006/07	Shandong
16	Branch	Shijianzhuang	2007	Hebei
17	Sales Office	Zhuzhou	2007	Hunan
18	Sales Office	Changde	2007	Hunan
19	Sales Office	Nanping	2007	Fuzhou
20	Sales Office	Taian	2007	Shandong
21	Sales Office	Weifang	2007	Shandong
22	Sales Office	Dazhou	2007	Sichuan

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