

**AVIVA plc**  
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**Group Chief Executive**



SG Conference  
The Premium Review  
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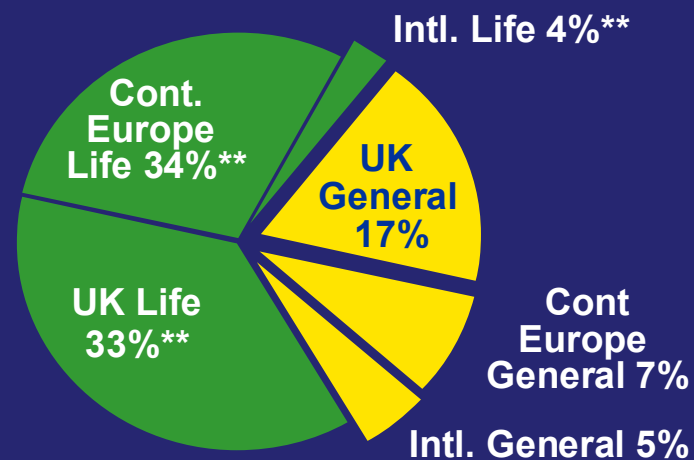
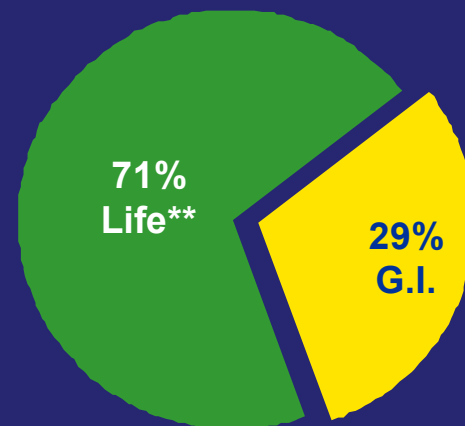
# Agenda

- **Life, pensions & savings remains a growth market**
- **General insurance cycle and prospects**
- **Summary and outlook**

# Aviva overview

- Leading pan-European life insurer
- Short-tail general insurance business
- Strong market positions
- Self-financing model

2003  
premiums / sales\* (£30bn)

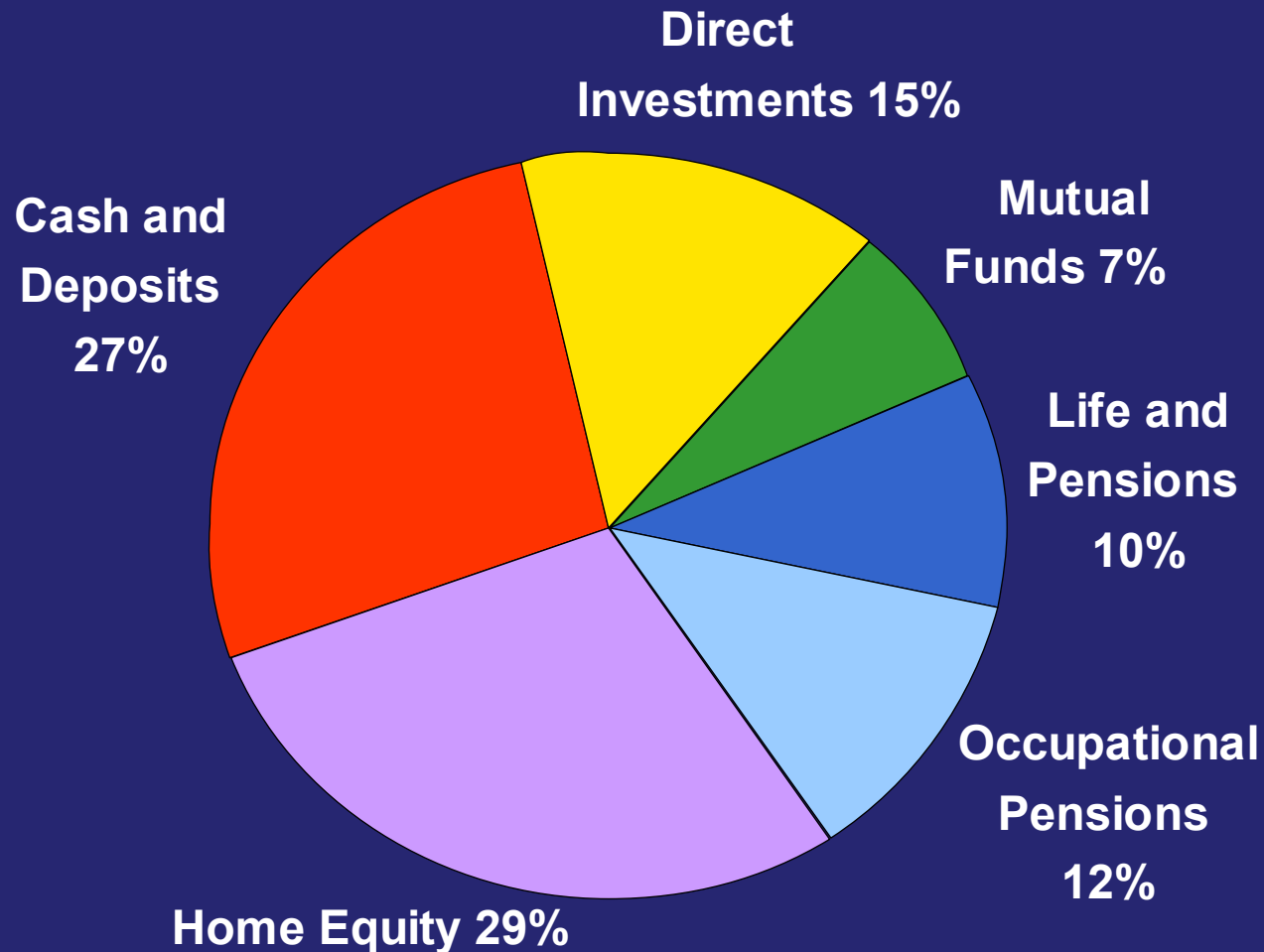


\* Net written premiums from continuing operations.

\*\* Life includes retail investment sales and health.

# The savings market is huge...

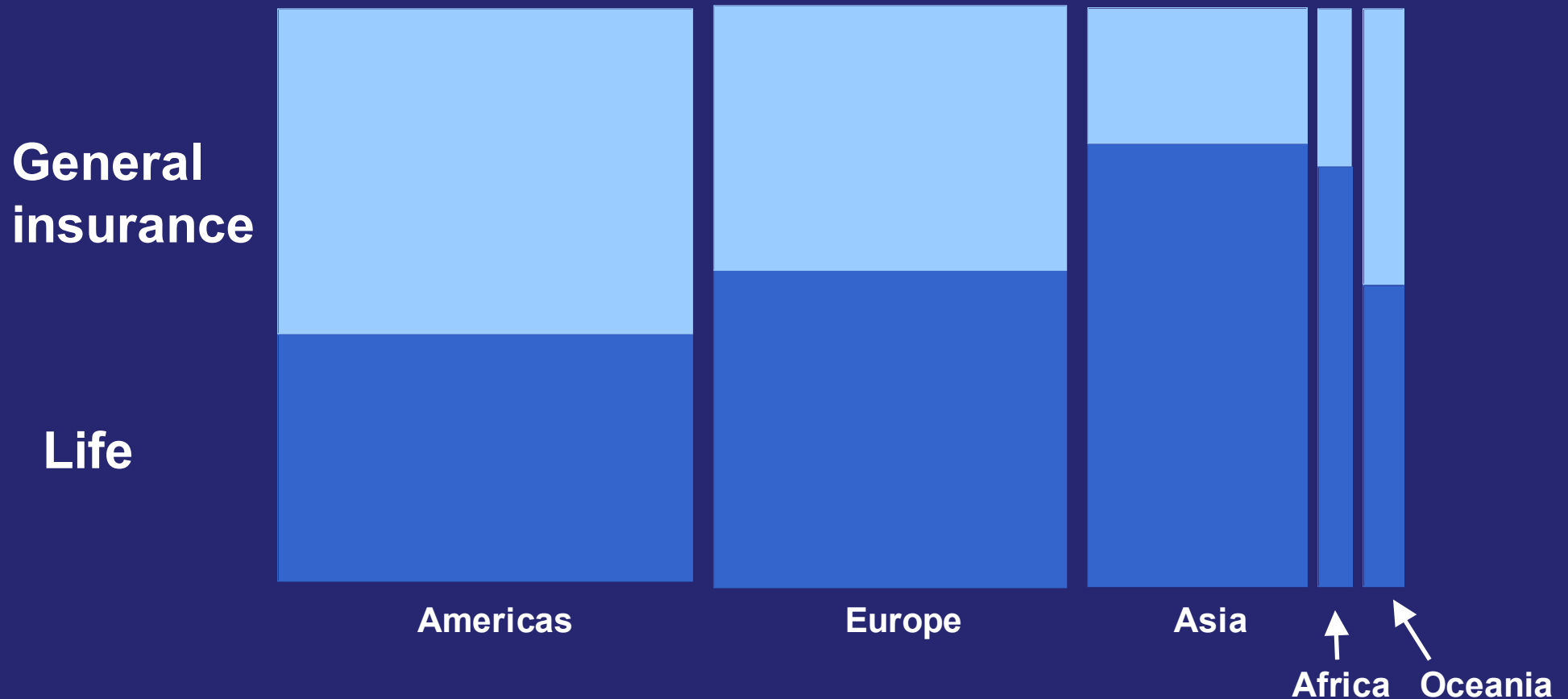
**\$90 tn**



**\$26 tn accessible by insurers, more than twice US GDP**

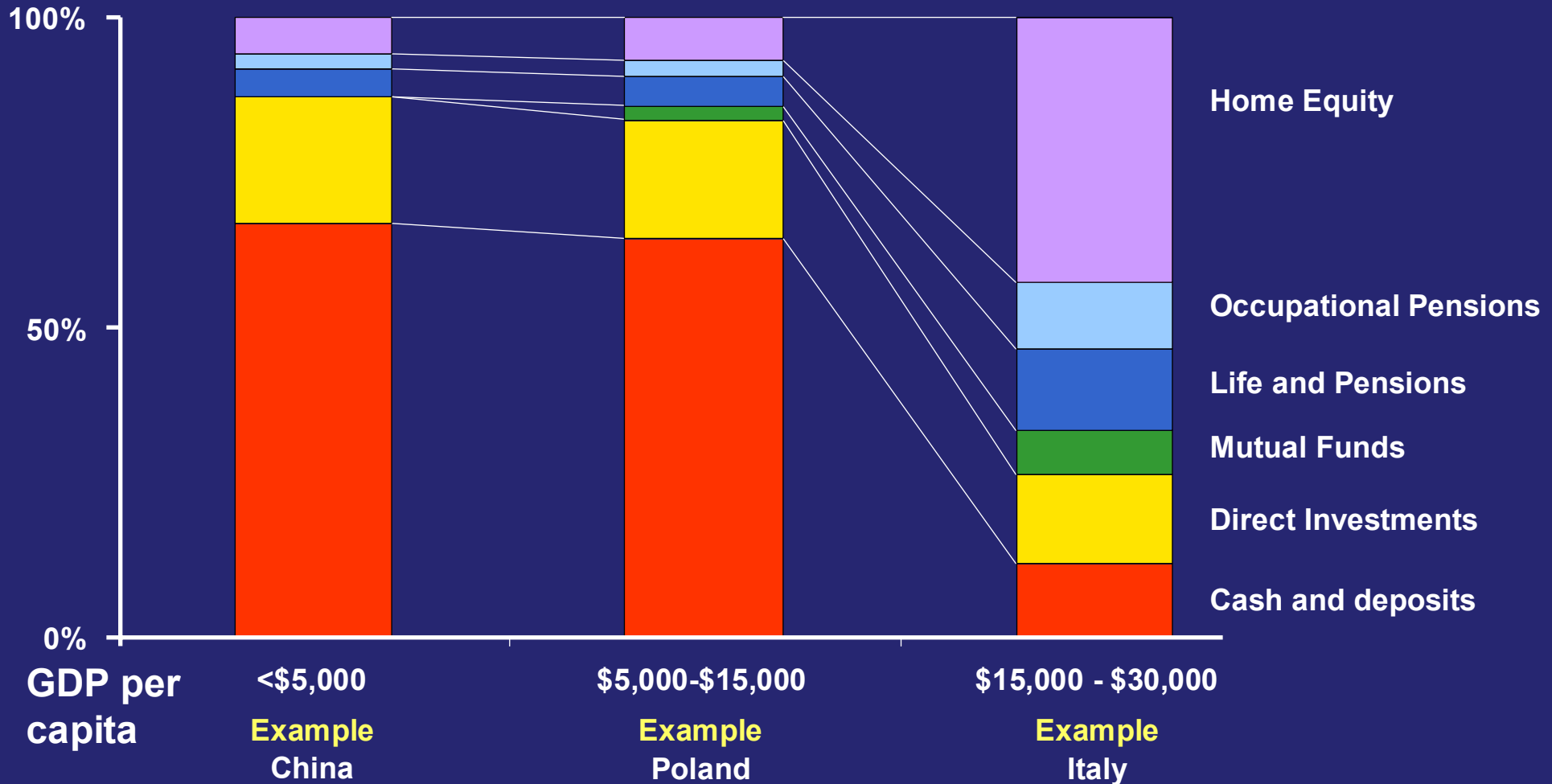
# Insurance assets weighted to European and US markets, but rapid growth prospects in Asia life

Global distribution of life and general insurance premiums (2003)



# “Ride the wave” as markets develop

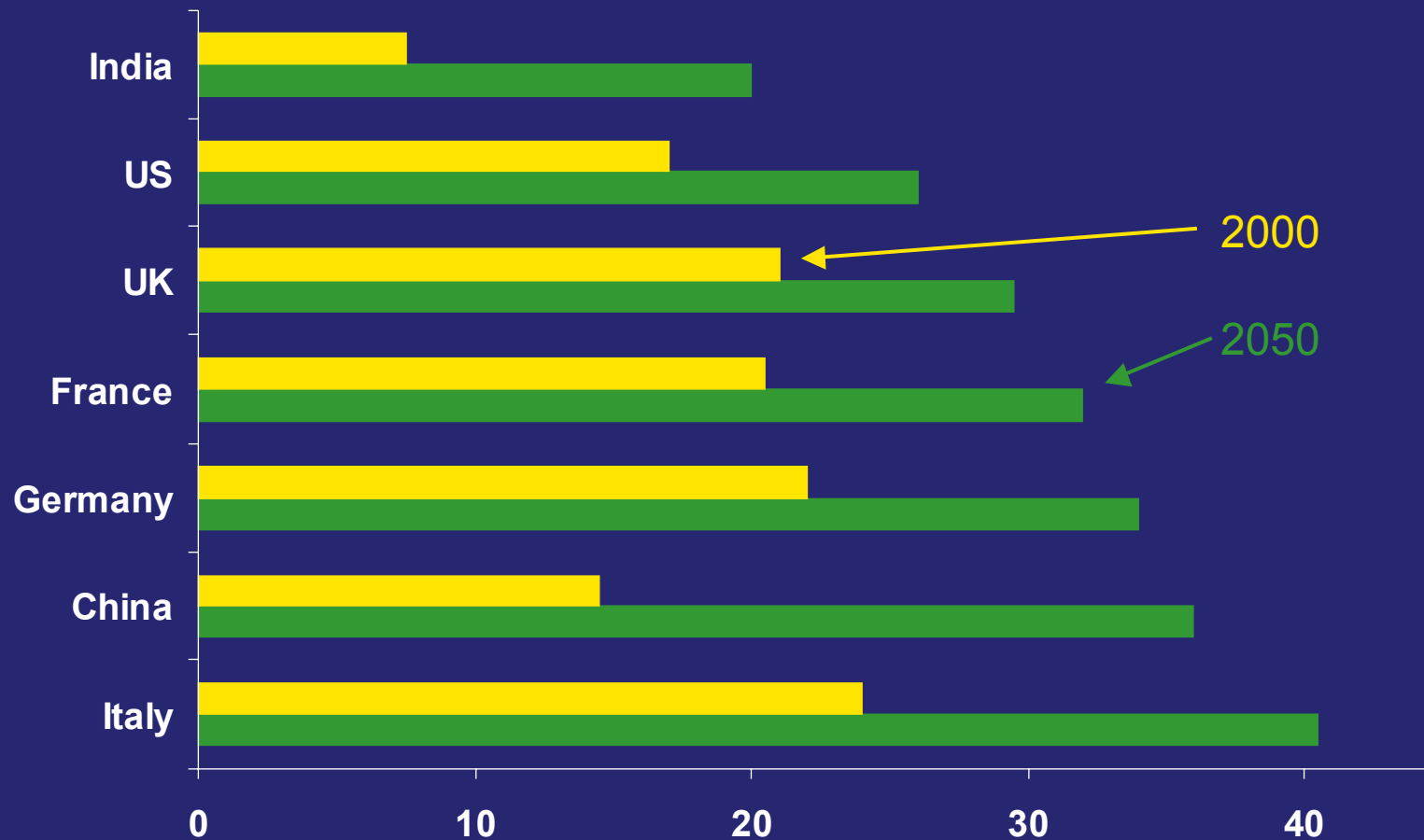
## Split of personal financial assets by asset class



# Life remains a growth business

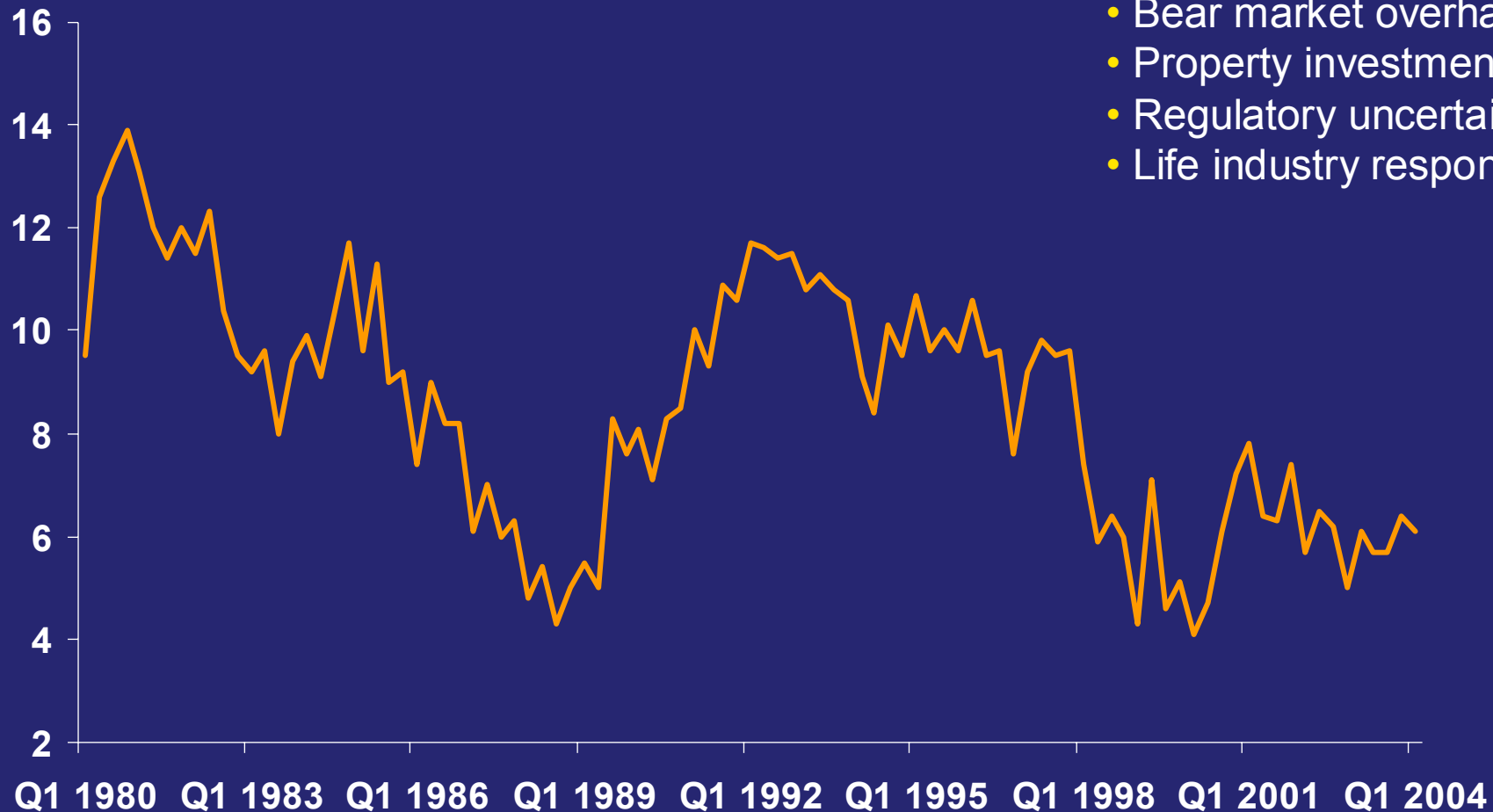
## Ageing

% of population aged over 60



# UK Life: savings ratio needs to double

UK household savings ratio\*



- Bear market overhang
- Property investment
- Regulatory uncertainties
- Life industry responding

-\* Percentage of household disposable income that is saved rather than spent

-Source: datamonitor

# Product strategy

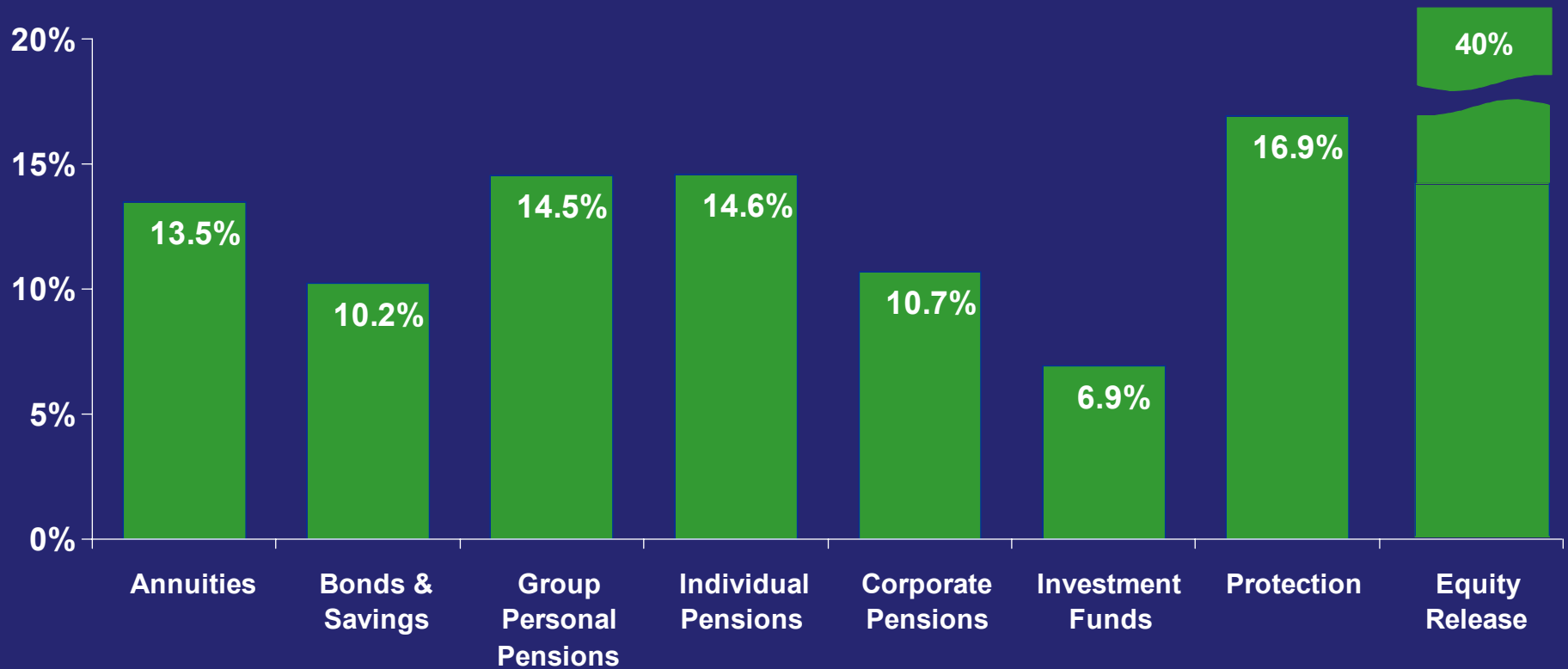
- Broad product strategy
  - enhances quality of growth
  - access to cycle trends

# Are people becoming more risk averse?

Are you more or less likely to take financial risks than you were 5 years ago?



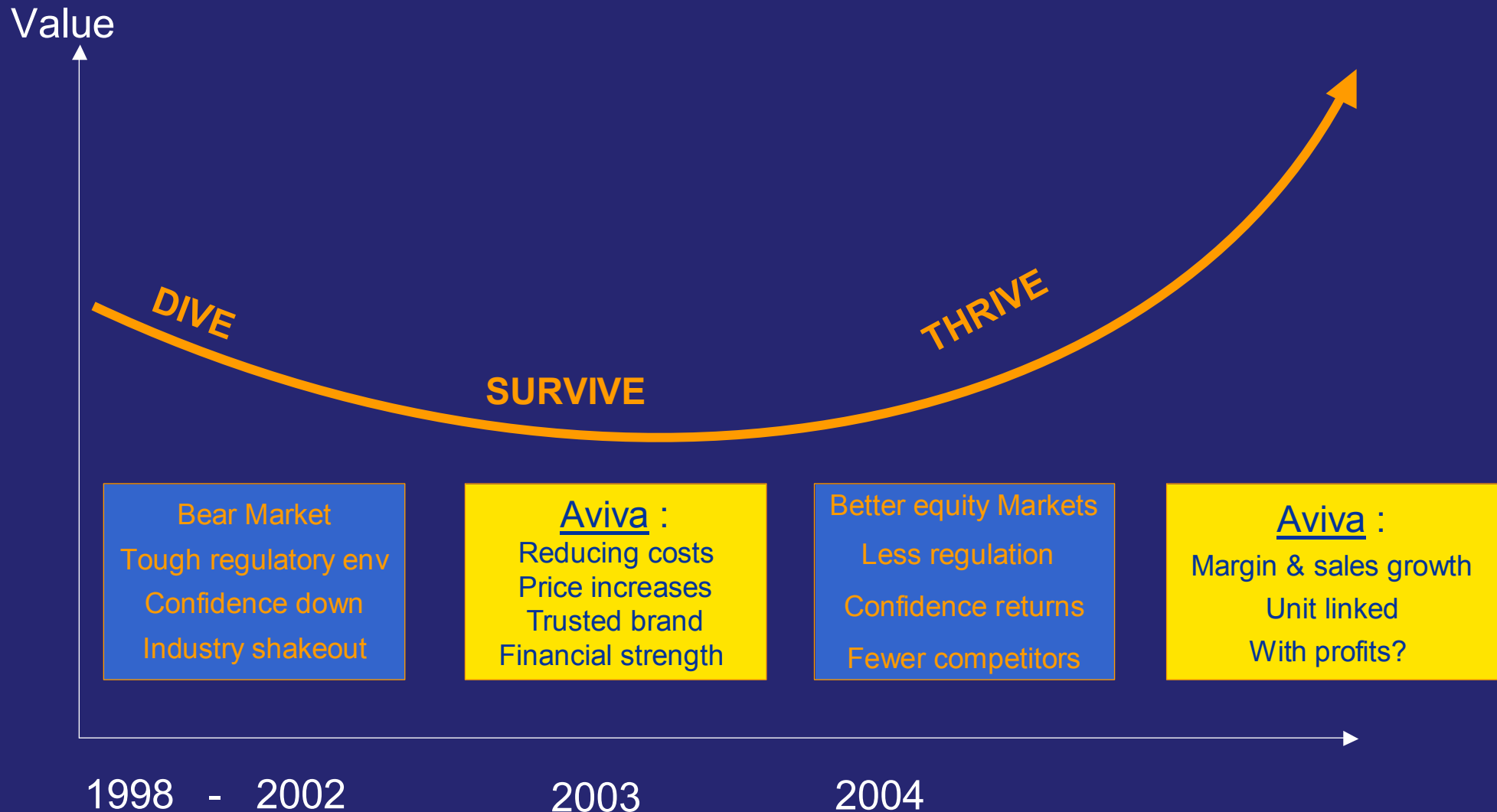
# Aviva's UK life business broad product strength



Source: ABI / MSE H1 2004

**NU's total market share H1 2004 is 12.1%, and IFA Market share H1 2004 is 14.3%**

# UK Life: potential “Golden Scenario”



# Distribution

- Multi-distribution
  - access growth via different channels
  - successful new market entry

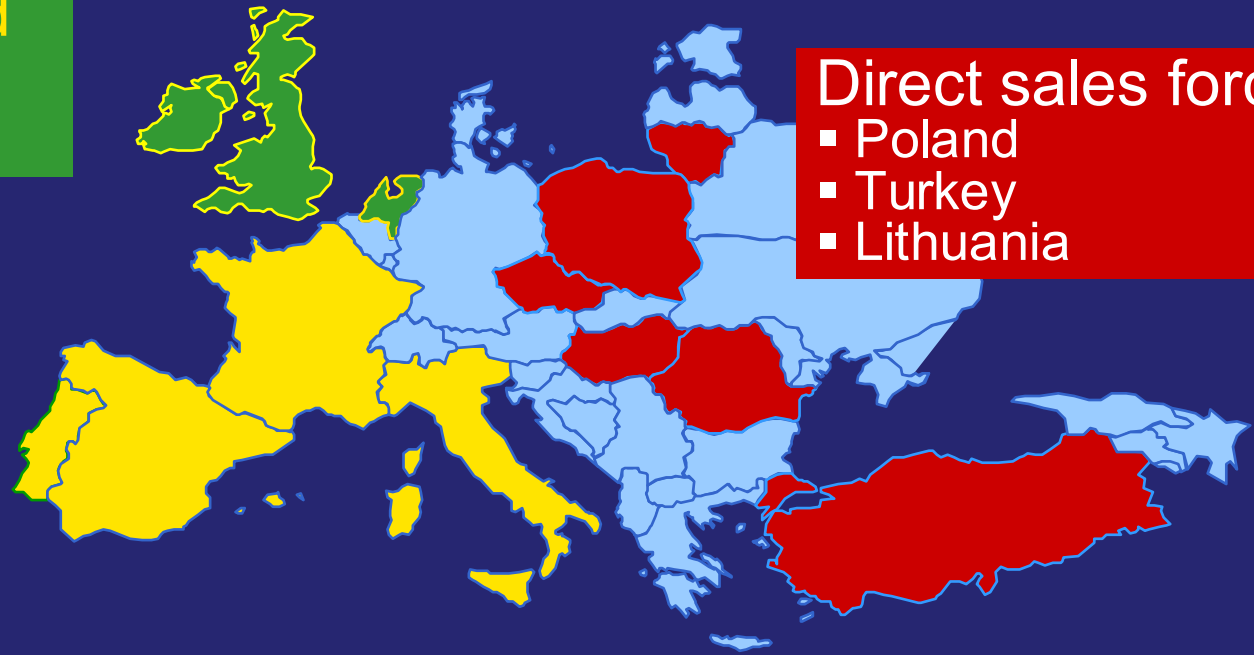
# Distribution: Evolving across life markets

## Advice dominated

- UK
- Netherlands

## Bancassurance

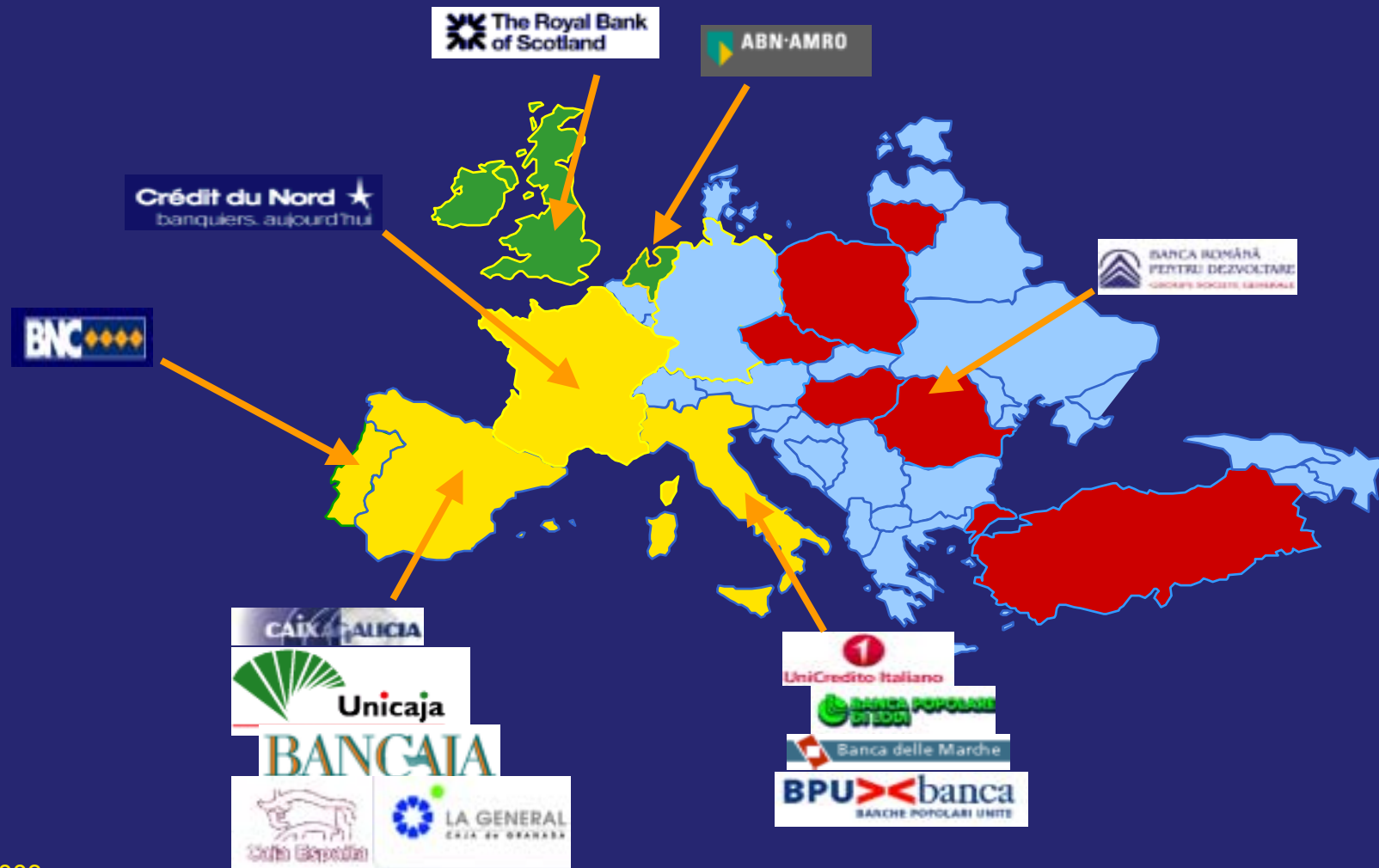
- Spain
- Italy
- France
- Portugal



## Direct sales forces

- Poland
- Turkey
- Lithuania

# Aviva capturing bancassurance opportunity (23%\* of Aviva's life & pension sales)



\* APE FY 2003

# Distribution to evolve rapidly throughout Asia

- DSF initially in China
- Importing western insurers' distribution expertise
- International bank networks being developed

Aviva strategic emphasis increasing in Asian long-term savings



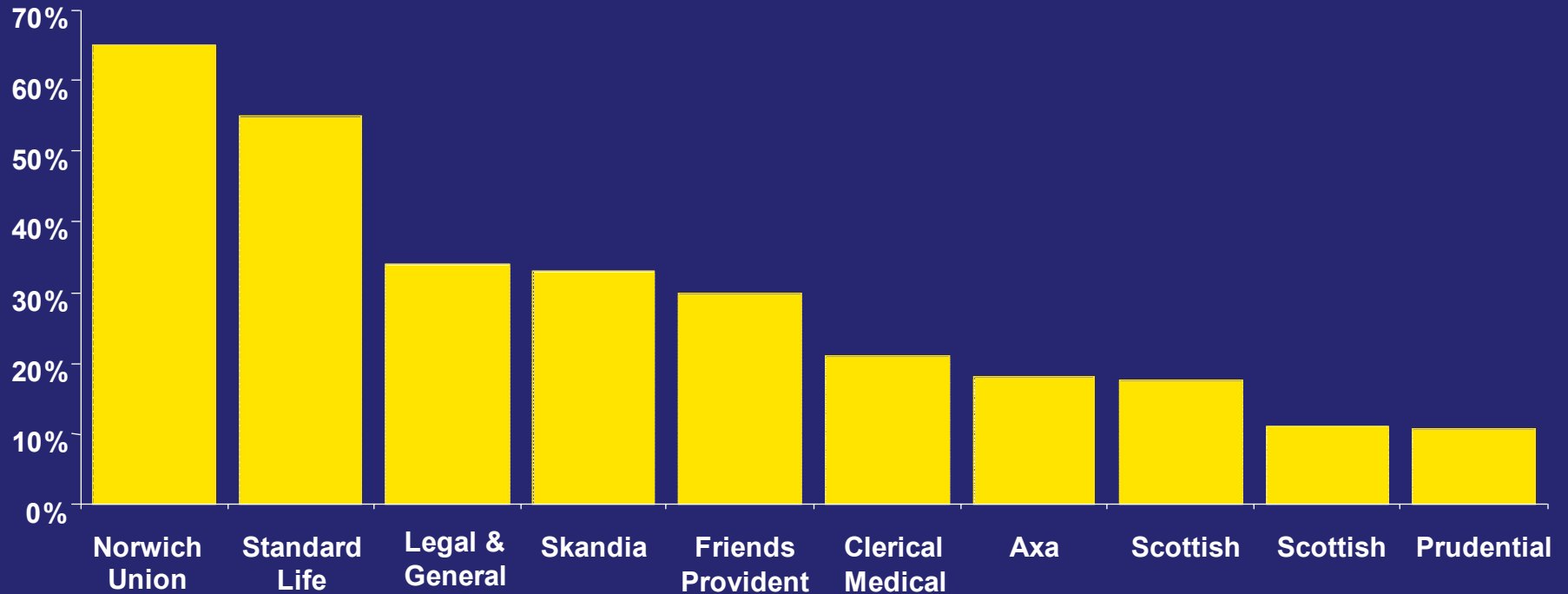
# China: positive life launch (10x10x10)

- Chengdu (from 9/04)
  - First foreign JV player
  - No. of life players: 6 locals only
  - Population 10.4 million;
- Beijing (from 9/04)
  - No. of life players: 8 locals & 5 foreign branch/JVs
  - Population 14.6 million
  - Our China HQ
- Guangzhou (from 1/03)
  - No. of life players: 6 locals & 7 foreign branch/JVs
  - Population 7.2 million
- Secured “Sino-British Life Insurance Company” brand



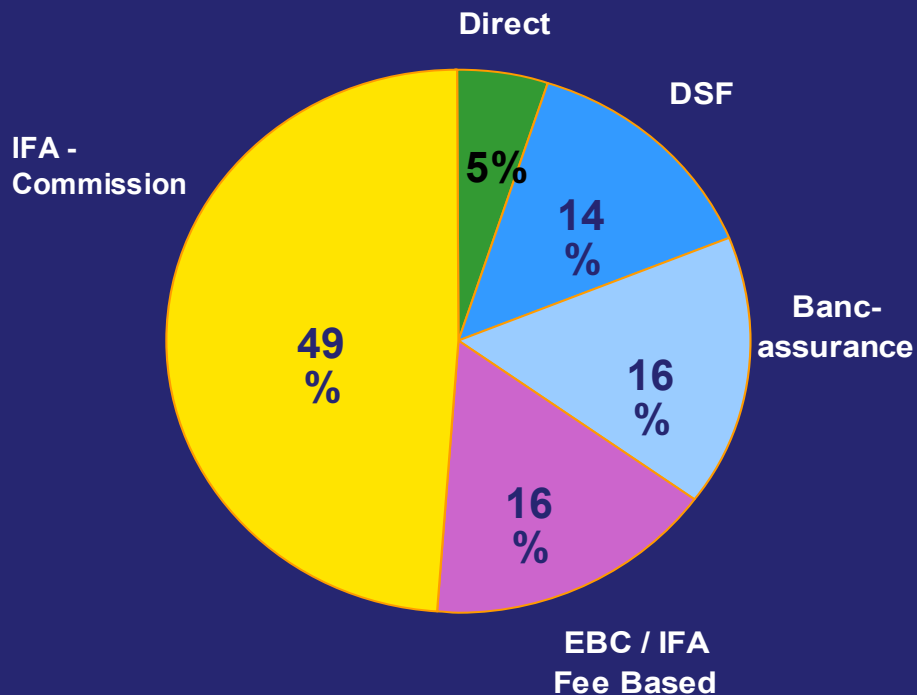
# Depolarisation in UK life

- **Aviva top choice for IFA life & pensions multi-ties**
  - 65% of IFAs questioned would include Norwich Union in their top 4 multi-tie providers



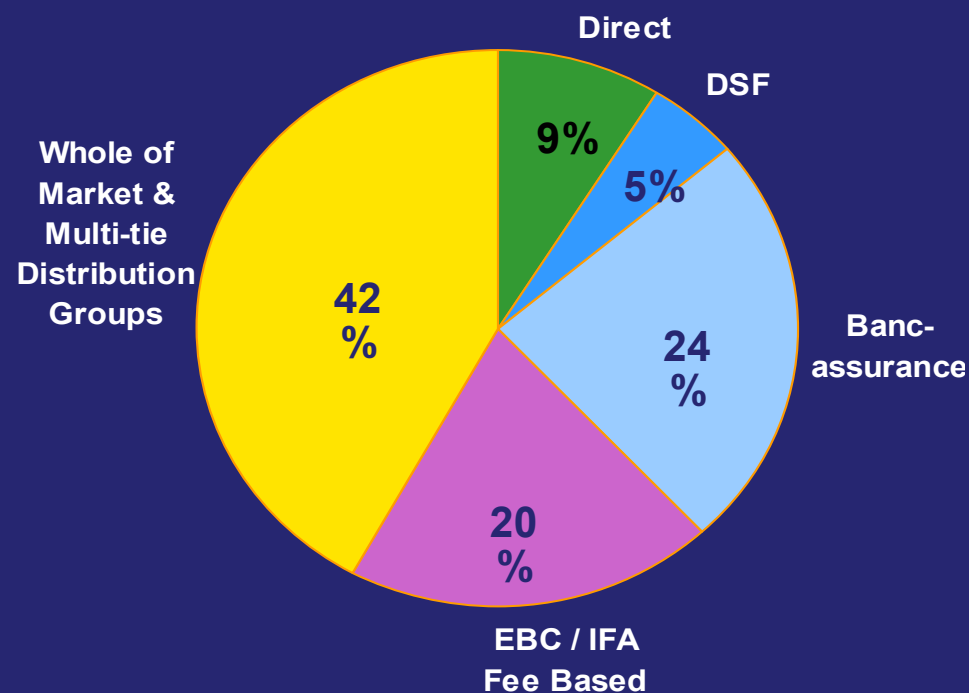
# Depolarisation expected to change distribution, not market size

## Market Distribution Mix 2004



Source: ABI/MSE H1 2004

## Market Distribution Mix 2007



Source: McKinsey Consulting Group (May 03)

# General insurance

- UK cycle looks and feels different

# Market dynamics in UK general insurance very different to 1990s

- Low inflation & interest rates
- No bull equity market / capital scarcity
- Stronger regulation (FSA / rating agencies)

UK general insurance market concentrated  
(top 5 market share)

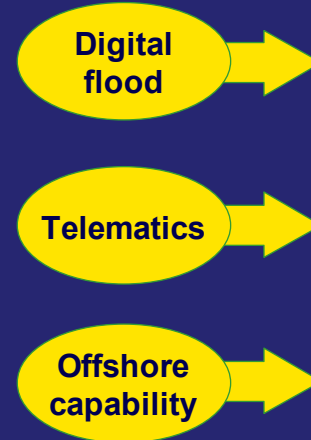
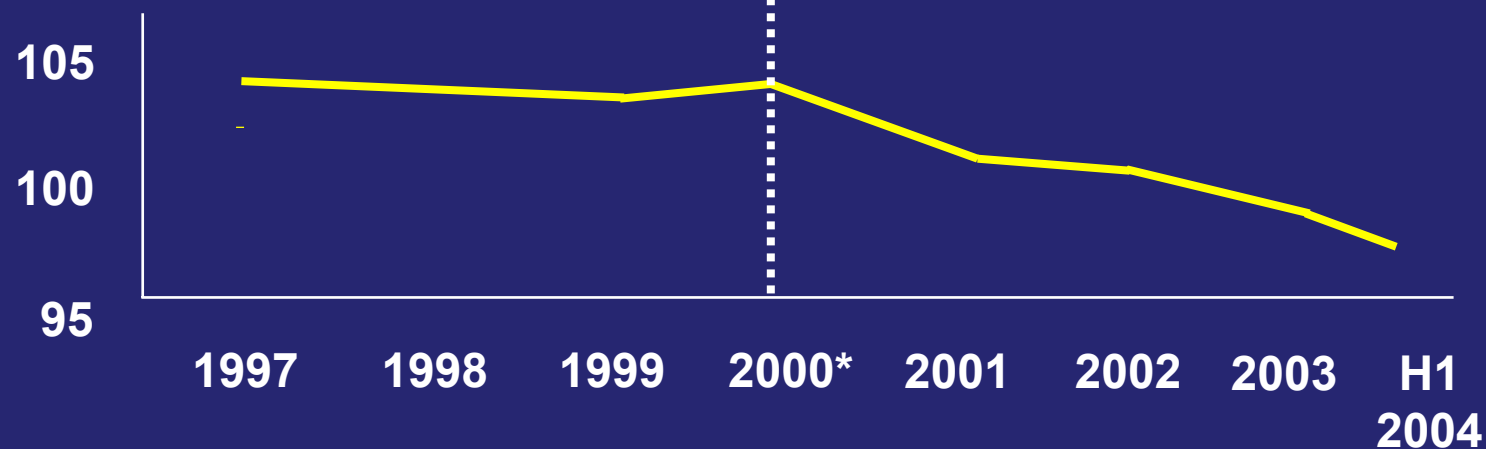


# Aviva UK general insurance: sustainable model

- Strong management team across period
- Leveraged scale advantages (esp bulk purchase for claims: Supply chain savings over £200m (annualised) in 2004)
- Creating new competitive advantages
- COR target of 100% for 2004 - 2006

Norwich Union performance

COR %



\* 2000 excluding floods

# UK general insurance: offshoring reduces costs

## India

- 40% reduction in claims handling cost
- Service quality on par with UK

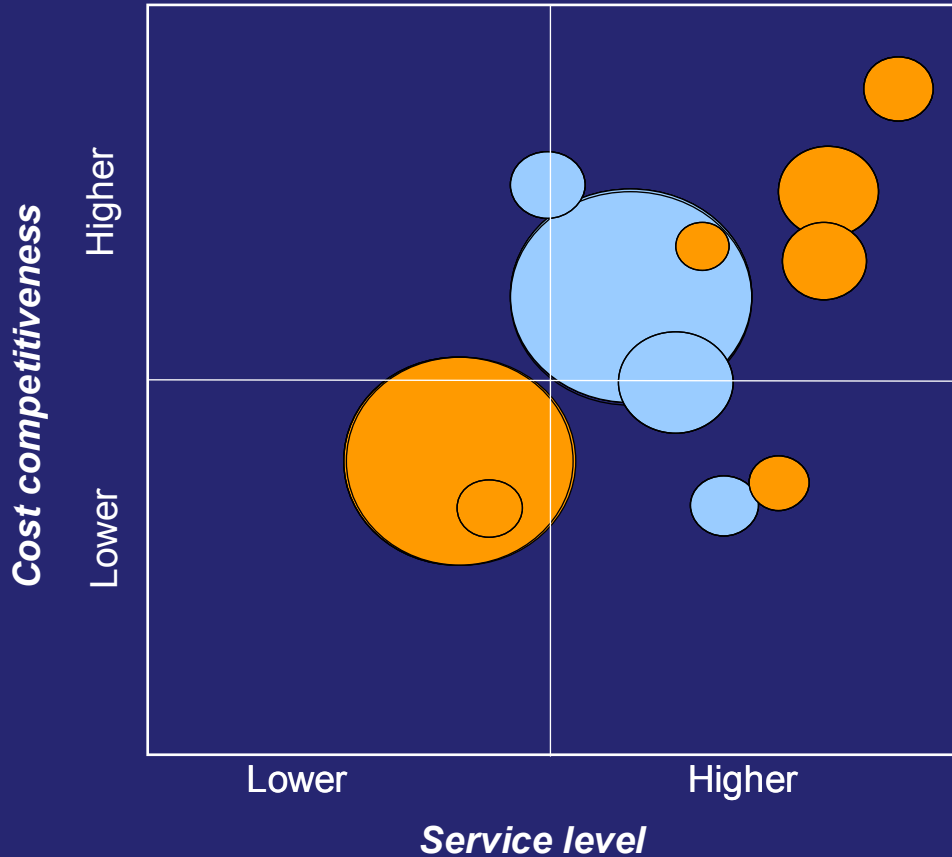


Substantial level of UK claims  
handling capacity in India by end  
2004

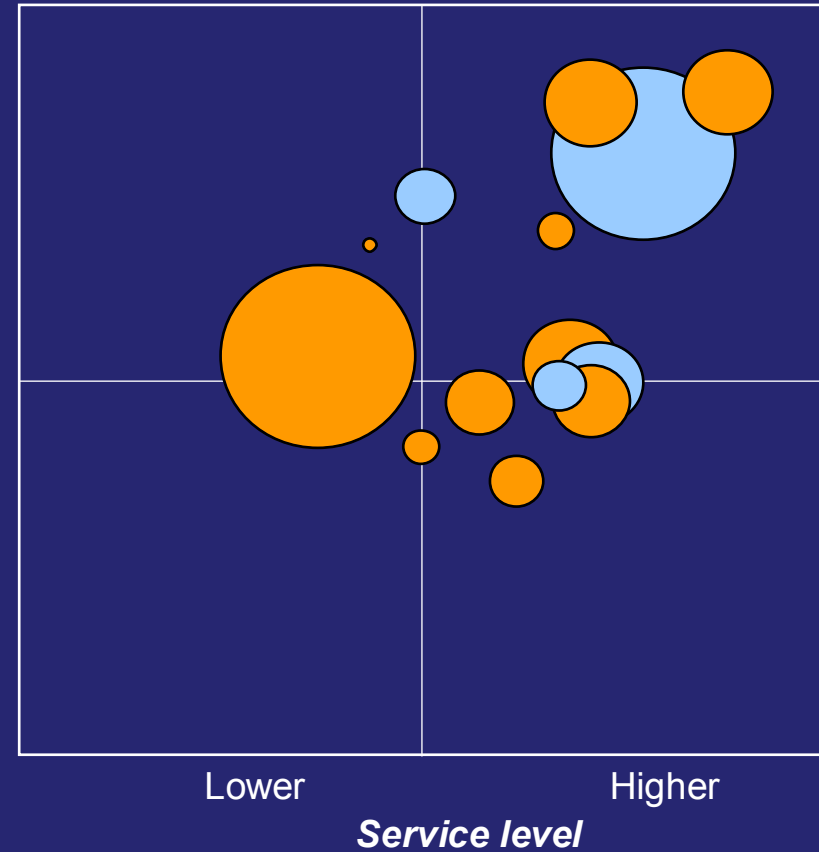
# Aviva summary

# Aviva making progress moving North-East...

Cost/Service efficiency 2003



Cost/Service efficiency 2004



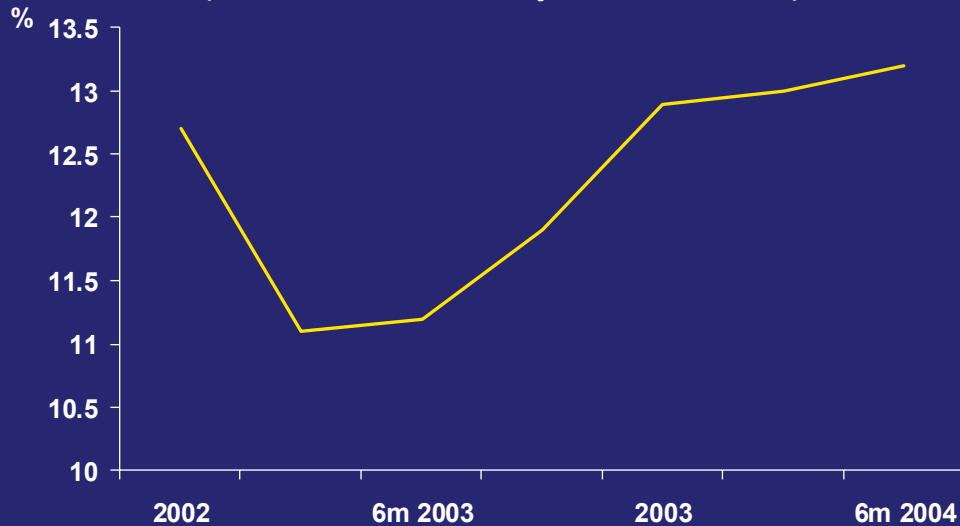
(relative to local market average)

- GI / Bubble size = 2003 NWP as forecast in 09/2003
- Life / Bubble size = 2003 New Business Sales as forecast in 09/2003

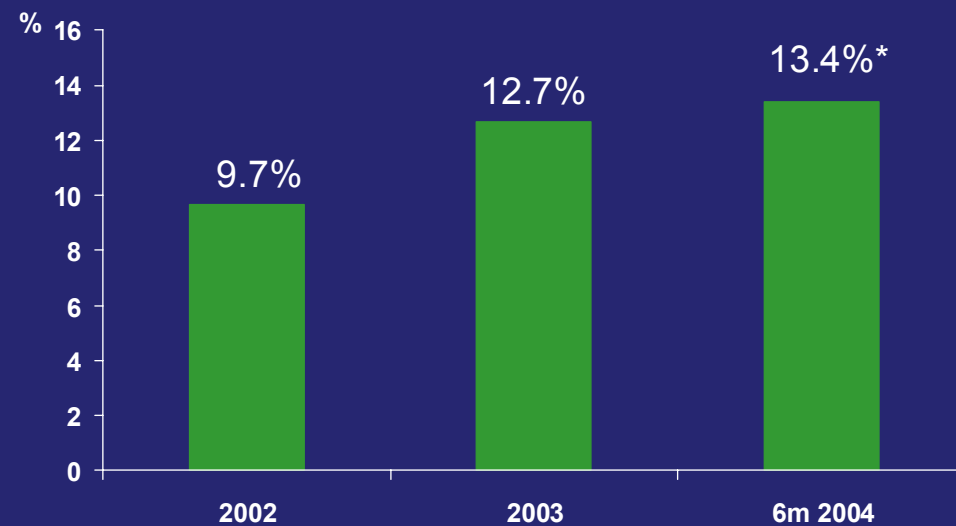
- GI / Bubble size = 2003 NWP
- Life / Bubble size = 2003 New Business Sales

# Pricing, cost savings and mix benefiting net shareholder life margins and ROCE

**Aviva new business net shareholder margins<sup>1</sup>**  
(after tax, solvency & minorities)



**Aviva ROCE**



(1) Year to date margins

\* Annualised

# Aviva outlook

- Long-term savings markets recovering
- Aviva total new business sales +9% (APE) at 9m 2004
- Multi-product and distribution skills to capture growth
- UK general insurance market more disciplined than previous cycles
- Overall outlook = positive

# Appendix

# Strategy

- Grow long-term savings aggressively and profitably
- Build a world-class fund management business
- Focused approach to general insurance business
- Build top 5 positions in selected markets
- Withdraw from lines of business or markets which do not offer the potential for market-leading positions or superior returns

# Strong market positions

	Life	Life (est.)	GI	GI (est.)
UK	1	12%	1	14%
France	10	4%	Top 15	2%
Netherlands	4	11%	4	8%
Spain	2	11%	-	-
Italy	7	4%	n/a	<1%
Ireland	3	11%	1	22%
Canada	-	-	2	10%
Poland	1	15%	-	-
Singapore	5	9%	-	-
Turkey	2	14%	Top 15	2%
Australia	Top 10	4%	-	-