

Mike Kirsch

Operations Director

Achieving Operational
Excellence



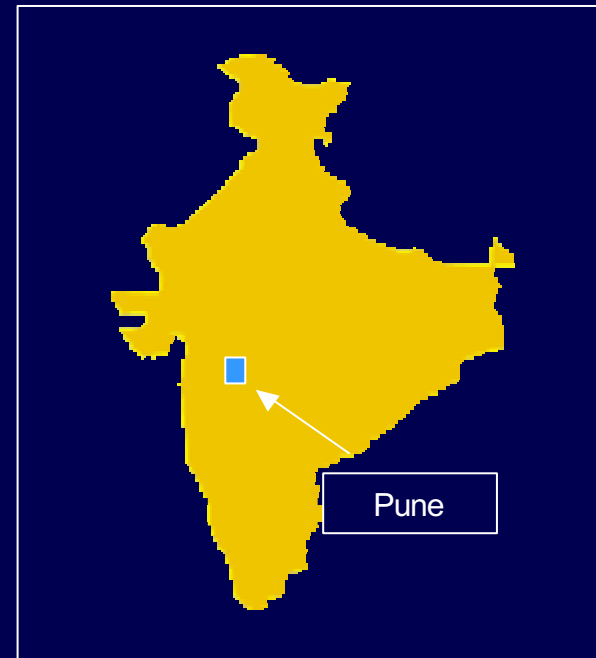
**NORWICH
UNION**

an AVIVA company

Our operational excellence ambition is focused on our customer service and technology business units



7,000 people in 9 locations



Achieving operational excellence: Old World

- Historically strategic emphasis has been on rapid business growth and achieving our merger commitments
- Improving service whilst building cost efficiency
- Too complex and fragmented: Need to simplify
- Customer demands have increased: Need to respond

New World: We have a number of strategic imperatives to deliver operational excellence and cost efficiency

- Multi-sourcing
- Leveraging scale and improving productivity
- Building excellence in process management
- Improving service experience

NUL is driving towards achieving both efficient and effective performance



We have made good progress

Customer Service Demand and Headcount Comparison 2003-4



- Overall productivity increase of 40% and headcount reduction of 1,000 FTE within customer service business unit
- Realised ongoing cost reduction of £10m since end 2002

Our 2007 picture continues this progress across customer services and technology business units

- Further operational cost savings of £55m by end 2007
- Further productivity increases of up to 50%
- Improved service experience
- Reduced UK headcount across customer service and technology business units by over 2,000 FTE as previously announced

These 2007 objectives will be achieved through 3 core strategies

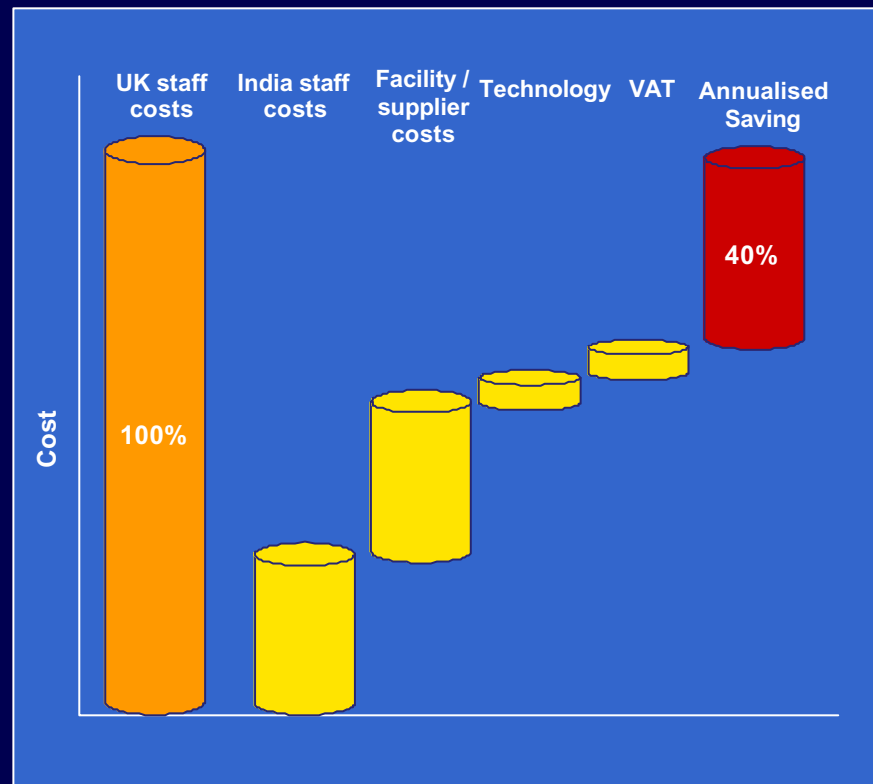
- **Multi-sourcing**
 - Offshoring
 - Outsourcing
- **Process Excellence**
- **eCommerce**

Our customer service offshoring model builds capability and flexibility

- Major captive operational site in Pune, India
 - Started November 2003
 - 450 people already employed offshore, building to 1,300 by end 2005 predominantly back office
- Effective development of customer service offshore capability
 - Build-Operate-Transfer basis
 - Strong partners - WNS and EXL
- Our experience has been positive
 - Provides cost, quality and flexibility advantage
 - Customer reaction has been encouraging
- 2/3:1/3 onshore and offshore model within customer services

Offshoring brings significant financial benefit for NUL

Why Offshore?



We are fundamentally transforming our technology and change functions

- Redefined business model for technology and change
 - 50:50 in-house vs outsource model
- Selected two global outsourcing partners, based in India
 - Tata Consultancy Services (TCS) and Wipro IT Services
- UK transformation partner to be selected
- Will deliver significant improvement in productivity and capability
 - Enhanced expertise and greater band-width
 - Ability to flex cost base
 - Management of legacy
- By 2007 will achieve £35m run rate cost savings and headcount reduction of 950 FTE as announced in June 2004

Process Excellence enables us to standardise and simplify the business

- Implementing a process excellence programme across customer services and more widely within NUL
 - Focus on customer needs
 - Simplify and standardise
- LEAN and 6Sigma will deliver cost and quality benefits
 - Building significant internal capability
 - Becoming a process-based organisation
- Aiming to Become the Best for customer service
 - Getting things right first time
 - Building a culture of continuous improvement
- Example - Protection New Business

<i>Protection New Business</i>	
<i>Cycle Time Reduction</i>	<i>50%-70%</i>
<i>Productivity Increase</i>	<i>25%</i>
<i>Reduction in Errors</i>	<i>35%</i>
<i>Financial Benefits</i>	<i>£1.5-£2m p.a.</i>

Our eCommerce offering has progressed well and will enhance efficiency and the intermediary experience

- Our eCommerce developments are focused on the intermediary
- The proportion of eBusiness will continue to increase
 - 20% of new business today and expected to grow to 70%+ by 2007
 - e-servicing will also be a key element of the customer proposition
- Launch of new online services (end 2004, early 2005)
 - New business tracking and online valuations
 - eBilling for Group Pensions
- August launch of Point of Sale & Tele-Underwriting for Protection New Business
 - Instant Decisions Online (IDO)
 - Well received by intermediaries: already 40% of protection volumes
 - Market-leading technology - unique offering in the market

Successful transformation will result in:

- Efficient and effective delivery
 - Further annualised cost savings of £55m from 2003
 - Unit cost reductions in excess of 35%
 - Significant improvements in productivity, flexibility and quality
- Recognised by customers and intermediaries for quality of service
 - Consistent, reliable, dependable
 - Keeping our promises
- Doing business in a new way
 - 2/3:1/3 onshore and offshore model for customer services
 - 50:50 in-house and outsource model for technology business unit