



Tom Godlasky, chief executive, North America

Interim results - 30 July 2008

Q: I wonder if you can start just by giving me a sense of how your operations in North America performed in the first half of 2008?

A: Yes, in a word – Great. The North American region now accounts for 12% of Aviva global sales.

Q: Turning to individual businesses, what was the story for Aviva USA?

A: Aviva USA continues to grow very rapidly. For the first half of 2008, we're up 28%, while maintaining our margins in excess of 4%. Furthermore, on a proforma basis we're up 76% in sterling terms since June 2006, and as a result well on our way to doubling the size of the business within the three-year timeframe that we set forth to do so.

Q: And Aviva Canada?

A: Aviva Canada continues to perform very well. They're growing their premiums. Their combined operating ratio is at 98%, which is an improvement over last year. And we continue to maintain the second-largest market segment within the GI business in Canada.

Q: So what then for you were the highlights of the first half?

A: Well a key highlight is that we're now Number 1 in our core markets. We're Number 1 in indexed life and indexed annuity. And we're the first company to hold that status.

In addition, expanding distribution has been the key strategy of ours. During 2008 we recruited almost as many IMOs – or independent marketing organisations – in the first half of 2008 as we did over the last two years. We're also expanding the number of agents that we have

under contract. And we now have an additional 2,300 agents that are writing our products.

We're expanding the brand proposition both within Canada and the US. In Canada, the brand proposition is "Let's change insurance". In the US it's "A brighter future". The key aspect is we're increasing the brand awareness of Aviva in both of our markets. And we've also landed the Chicago regional office, which will give us a focus on expanding the business across the region.

Q: You mentioned driving growth there. What for you are the key growth drivers?

A: It's a wonderful blend of several aspects. First, it's the financial strength of Aviva. The Aviva brand that is becoming more well known across the globe. It is our products that we're offering to the consumer base within both Canada and the US, and particularly in the US with the Baby Boomers want these guarantees. Our products meet their needs, and that's very important.

It is the development of our expanding distribution base, which is getting these great products out to the consumers themselves. And just generally it is the growth in the markets that we've experienced.

Q: So why then do you feel that you'll be successful, especially given the current economic climate?

A: Well, we are in the right place with the right products at the right time. And by that I mean, despite the economic headwinds that we're facing, we have great products with guarantees that meet a consumer need.

Q: You talked earlier to the strength of the Aviva brand. What has 'One Aviva. Twice the Value' meant for Aviva's North American operation?

A: Well, I think there's a number of items that I could touch upon.

First and foremost, we've now used Aviva Investors to manage all the investments within the North American region. So we have a great team that's based in the US, that is not only managing the US assets but also the Canadian assets as well, and tying into the 'One Aviva' of Aviva Investors, with Alain Dromer and what he's doing around Aviva Investors.

We're also working with our colleagues around the globe on our structured products, the guarantees, and beginning to work to try to place these products in different parts of the globe.

And then the global transformation around Finance that we're undertaking I think will provide great opportunities as Aviva becomes Sarbanes-Oxley compliant, then we will have the opportunity to perhaps have a listing within the US of Aviva shares.

Q: So what then do you see as the biggest challenges facing the region?

A: The biggest challenge is the economic climate within the United States. It is providing the headwind to our business. In addition, our Life sales are off slightly this year, as we pulled out of certain market segments. But we do have plans to increase new products and grow our Life sales toward the second half of 2008, and certainly into 2009.

In addition, the Securities and Exchange Commission is looking at the indexed products generally and trying to determine whether they're insurance contracts or they should be registered investment products. Regardless, we believe these products offer a great value proposition to the consumer because of the guarantees, and we are prepared, whichever way the SEC goes, to continue to offer these products through our distribution in order to meet our consumer needs.

But despite these challenges that are out there, and there are a couple, we are continuing to grow the business. And we are on track to double the size of the business within three years, as we've stated earlier.

Q: So what then is your outlook for Aviva North America in 2008?

A: Despite a very challenging economic environment, the outlook remains very strong for the North American region. We're doubling the US business by expanding our distribution and offering a very innovative product set. And in Canada we're growing the top line, improving our margins, our combined operating ratio and maintaining our Number 2 position within the GI marketplace in Canada. So the outlook remains very good and very strong for North America.

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