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"Surviving in a low interest rate environment"

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Agenda

- Long-term savings
  - Matching consumers to products
  - Margins
- General insurance
- Capital and risk management

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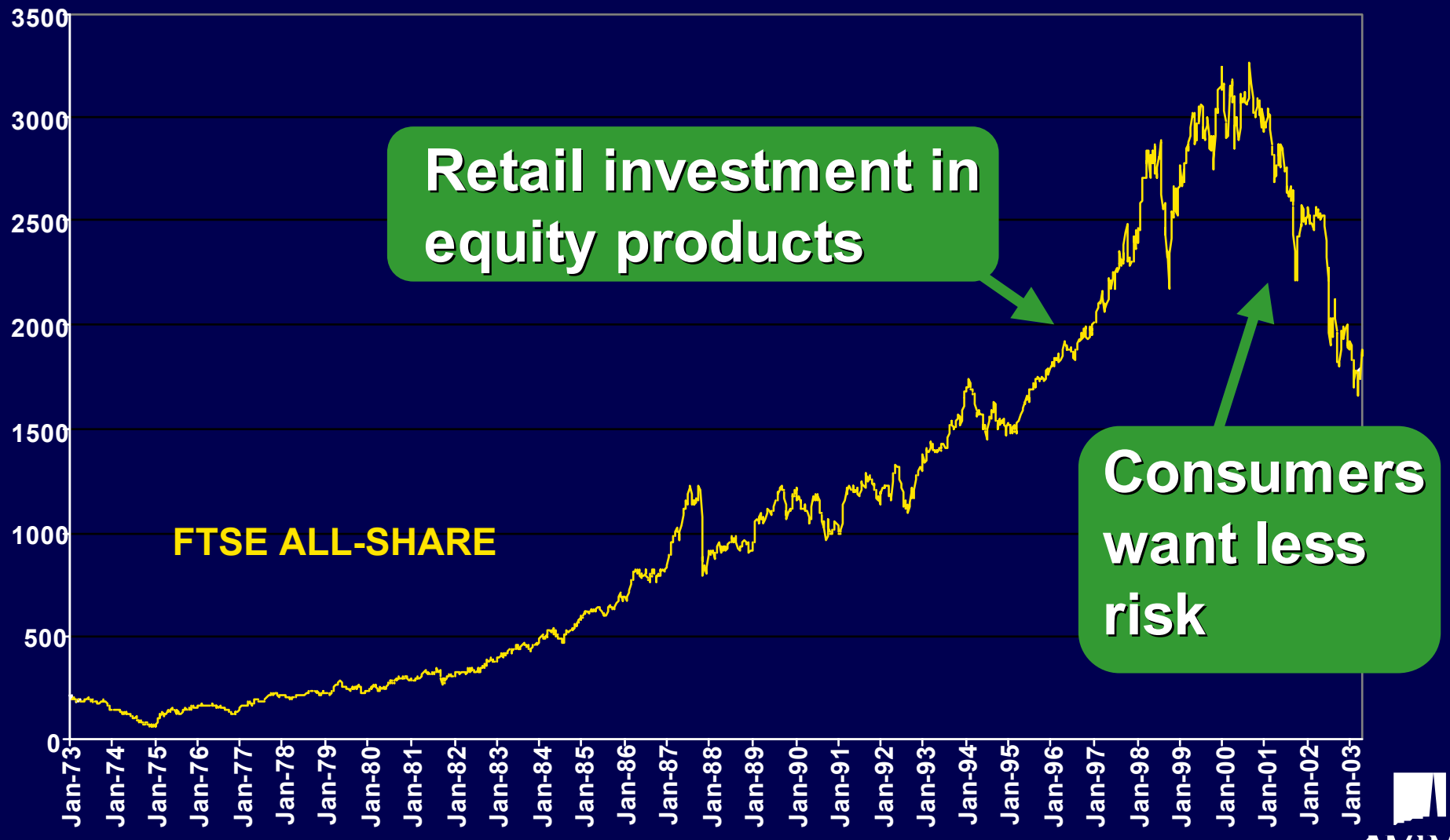
Consumer risk appetite lags equity market



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Offer broad fund choice - Norwich Union Life (UK)

Risk Profile	Fund	Investment Term		
		Short	Medium	Long
Very Low Risk/Return	Deposit	✓		
Low Risk/Return	Defensive Managed	✓	✓	✓
Low to Medium Risk/Return	Gilt	✓	✓	
	Index-Linked Gilt	✓	✓	✓
	Retirement Protection	✓	✓	
	Global Bond	✓	✓	
	Stakeholder With-Profit		✓	✓
	Sustainable Future Corporate Bond	✓	✓	
Medium Risk/Return	Property	✓	✓	✓
	Balanced Managed	✓	✓	✓
	Sustainable Future Managed	✓	✓	✓
Medium to High Risk/Return	International Index Tracking		✓	✓
	Global Equity		✓	✓
High Risk/Return	UK Index Tracking		✓	✓
	UK Equity		✓	✓
	European Equity		✓	✓
	US Equity		✓	✓
	Pacific Equity		✓	✓
	UK Equity Ethical		✓	✓
	Sustainable Future UK Growth		✓	✓
	Sustainable Future European Growth		✓	✓
	Sustainable Future Global Growth		✓	✓
	Sustainable Future Absolute Growth		✓	✓

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Consumer expectations will align to investment market returns

- Evidence in France (low inflation country) is that demand for “lower” return / low risk products remains robust
- Expect period of consumer adjustment in countries (eg UK) where equity-linked content was higher
- Industry needs to manage expectations through pro-active communications

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Attraction of equity-linked will return

- Deposit 2-4%
- UK 10 year gilts c.4%
- Property ? ?
- UK FTSE-100 dividend yield 3.4%

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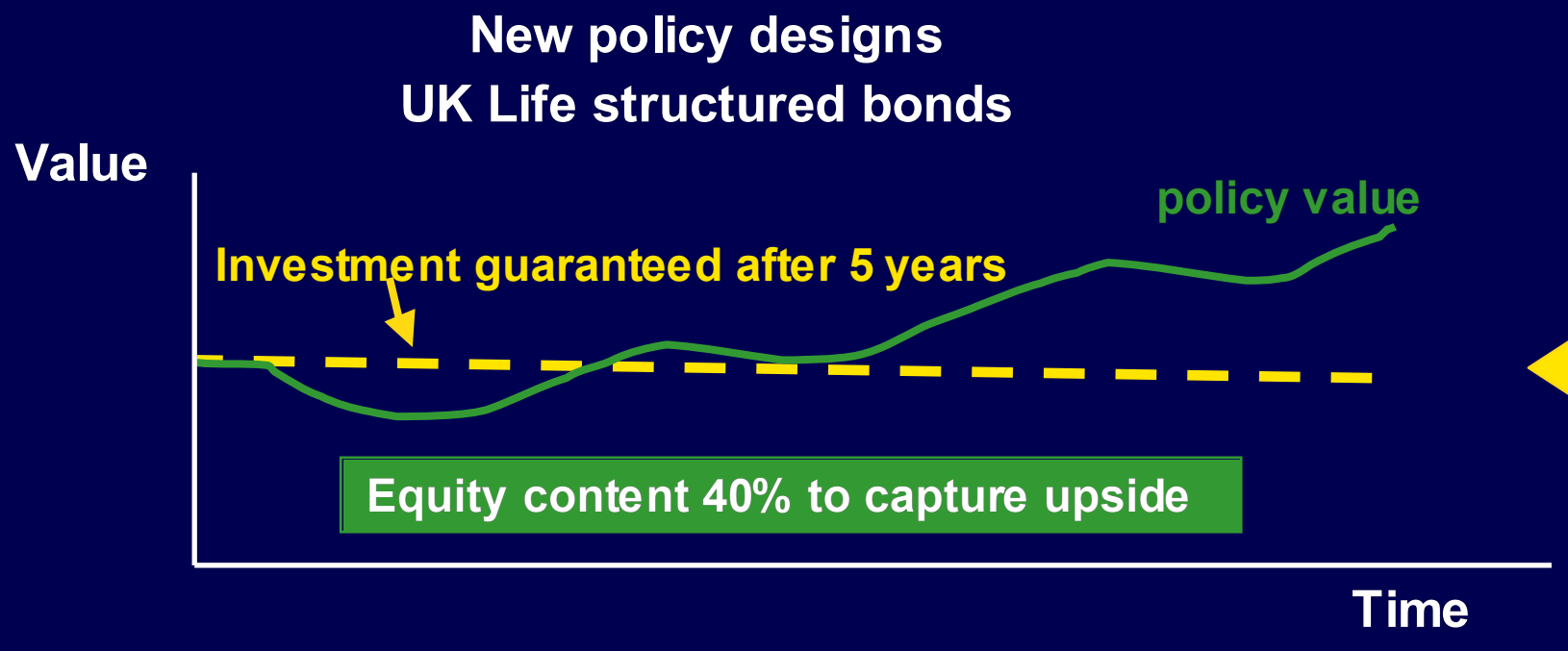
Innovate on product design

- Use guarantees provided by investment banks
- Price guarantee into policy



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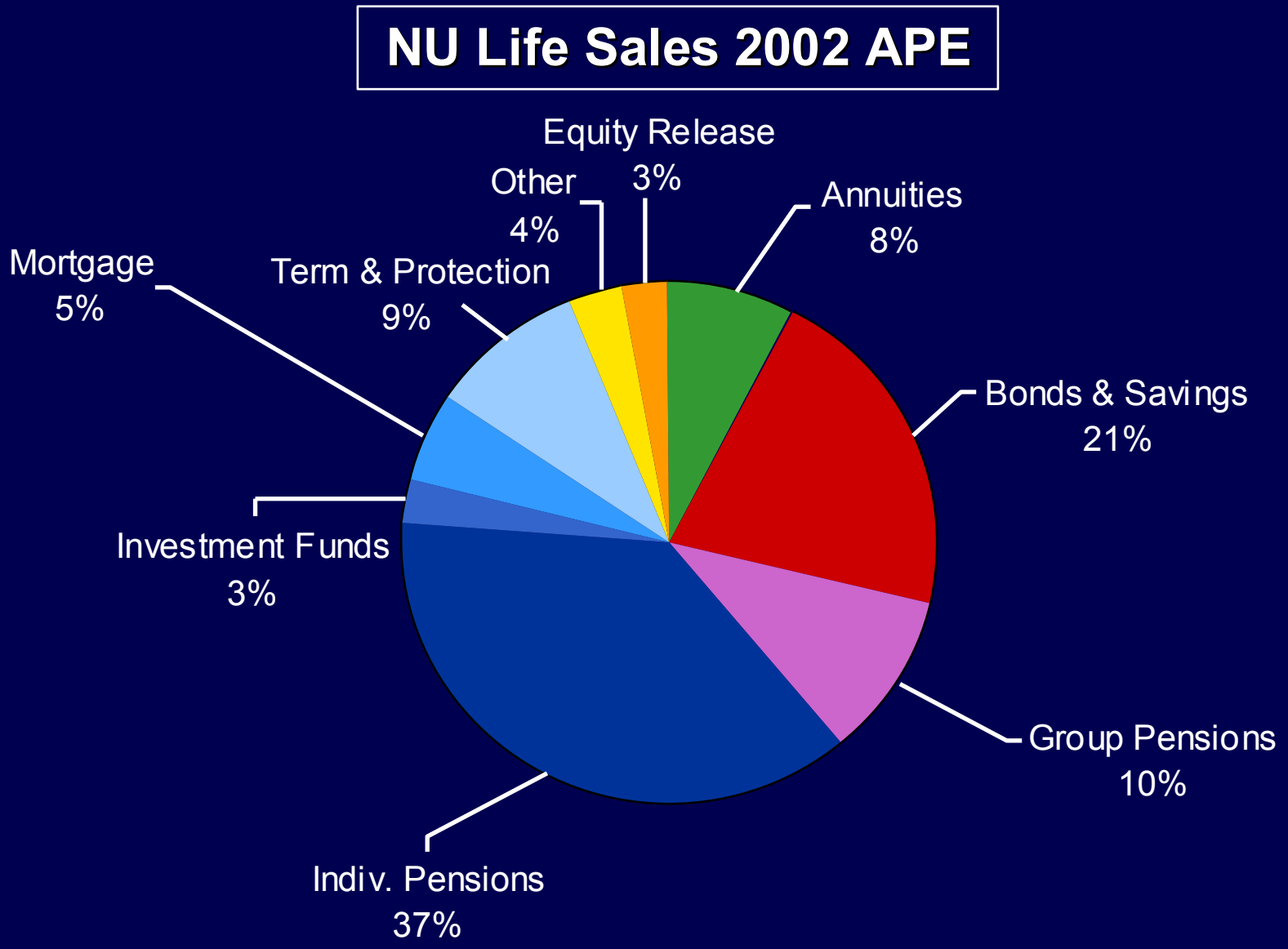
Broad product range enables insurers to flex marketing spend towards demand



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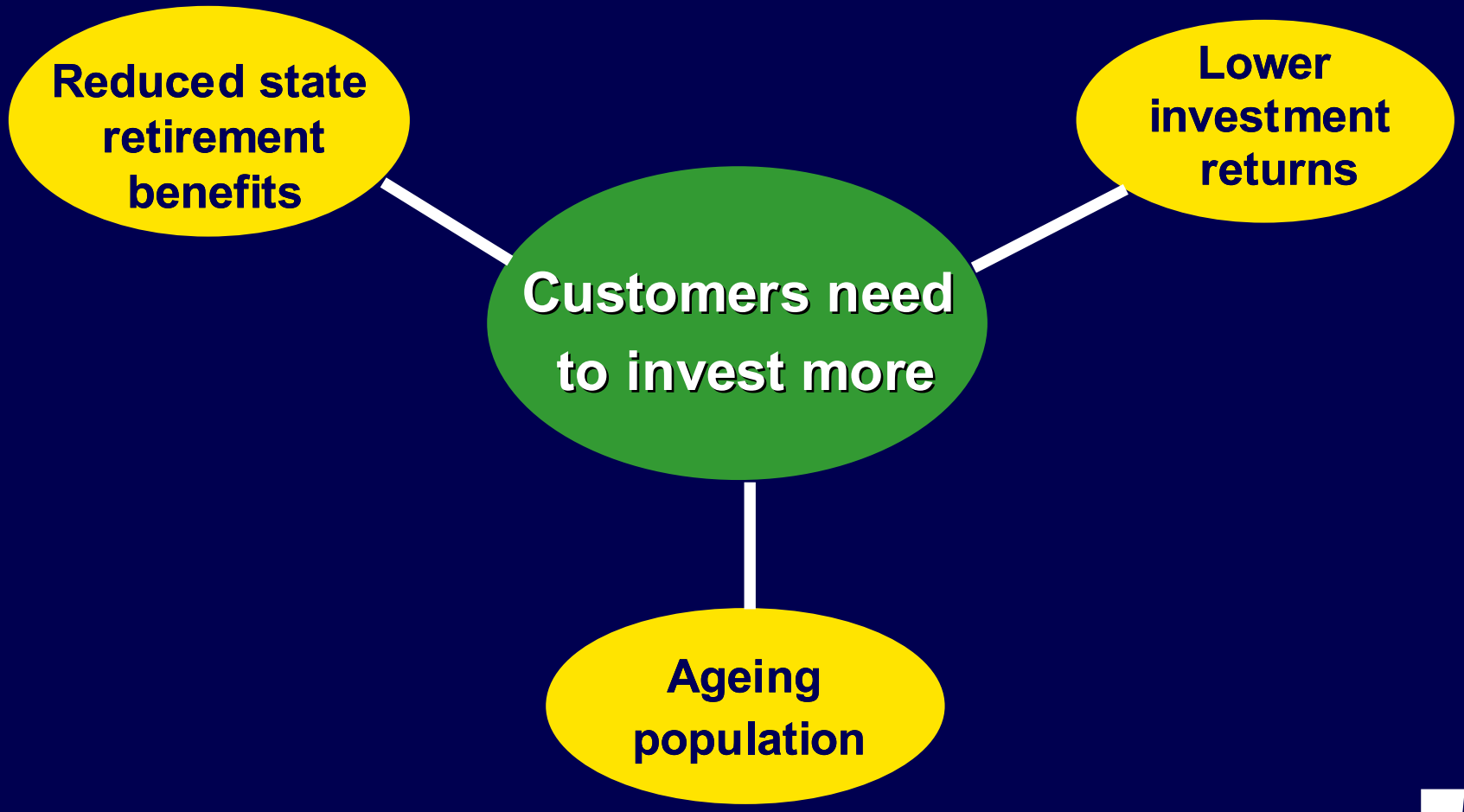
Increase in savings levels required to meet retirement aspirations



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Bancassurers have excellent access to deposits

- Bancassurance accounts for over 50% of new business sales in Spain, Italy and France

- Aviva bancassurance:
  - Accounted for 22% of Aviva's new business in Q1 2003
  - Sales +60% in Q1 2003 vs Q1 2002
  - Margins 35.1% vs Group average of 24.4% for 2002

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What can management do to offset pressure on margins?

- Leverage scale to increase “pricing”
- Best “pricing” conditions for 10 years
- Focus capital towards higher margin products
- Reduce expenses
  - Grow “e” activity
- Aviva will size cost to revenues where necessary, drawing on its cost reduction experience through M&A

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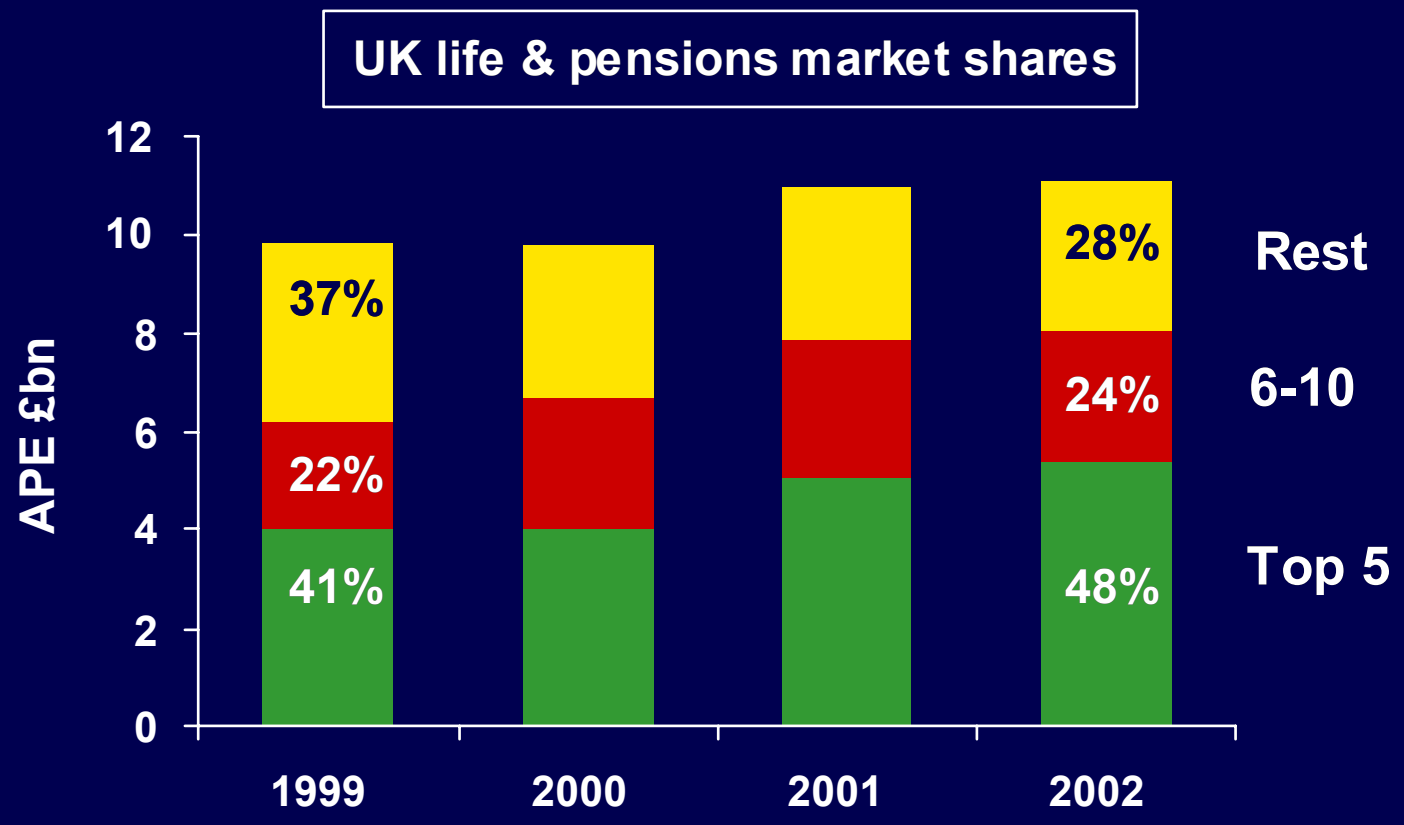
Conditions are a catalyst to re-structuring

- Shake-out of weaker, inefficient operators
- Increased market shares for strongest



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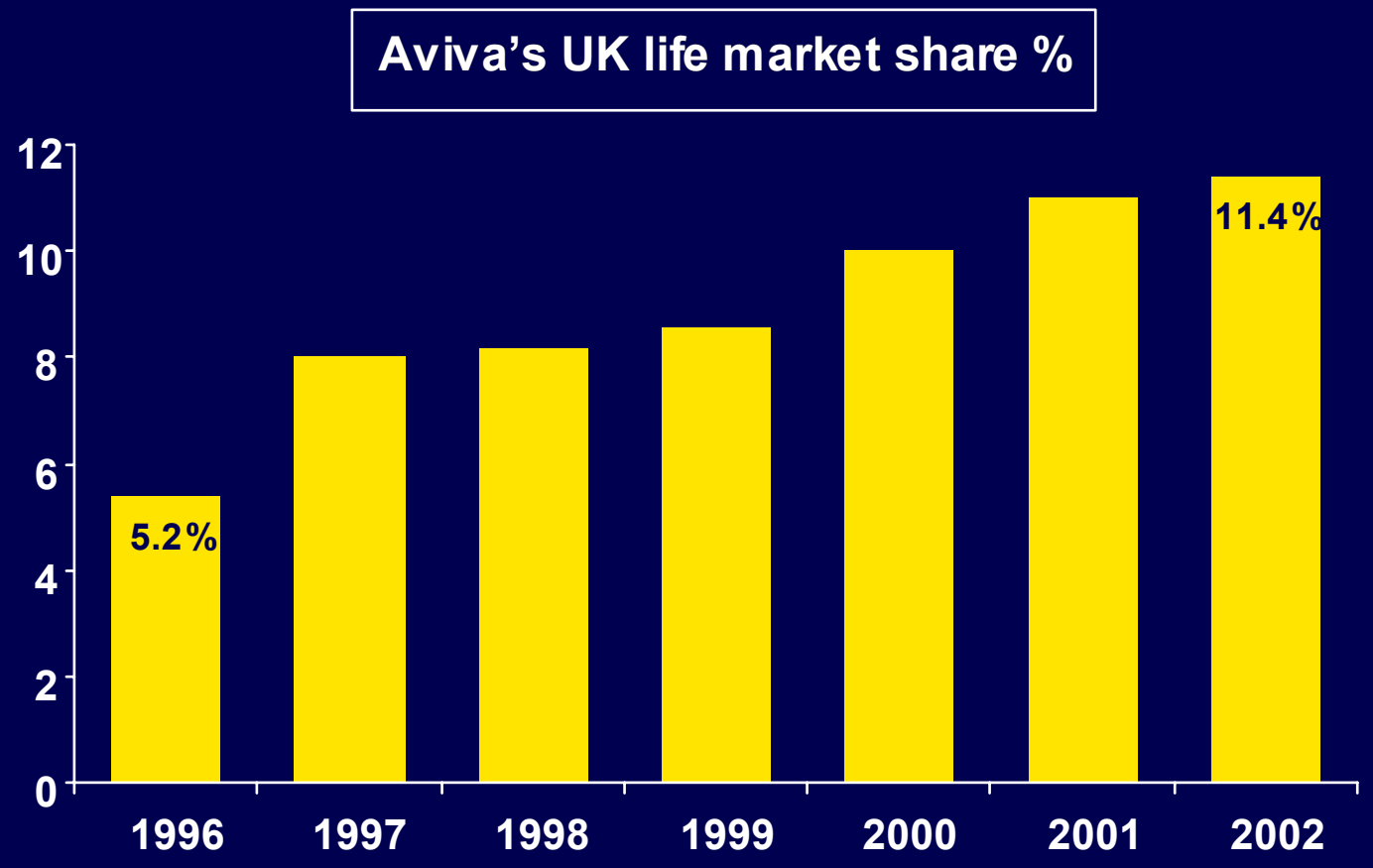
Aviva's UK life market share more than doubled

- Competitive advantage through capital strength, brand, market leading product range



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General insurance

- Increased focus on underwriting as investment returns fall
- Understand COR link to ROC
- Capital scarcity supporting:-
  - pricing
  - management discipline

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Aviva: Driving general insurance earnings

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Combined operating ratios

% of total* GI premiums		2001	**2002**
61	**UK**	102%	**101%**
6	**France**	104%	**102%**
5	**Ireland**	101%	**100%**
5	**Neths**	104%	**105%**
13	**Canada**	107%	**102%**
	Group*	103%	**102%**

*Continuing operations

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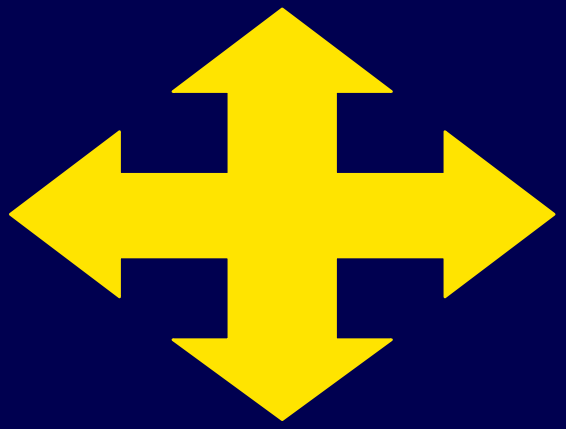
Capital & cash management techniques

Reinsurance capital

Securitisation



Reduce payback periods

"Cashless financing" from emerging surpluses

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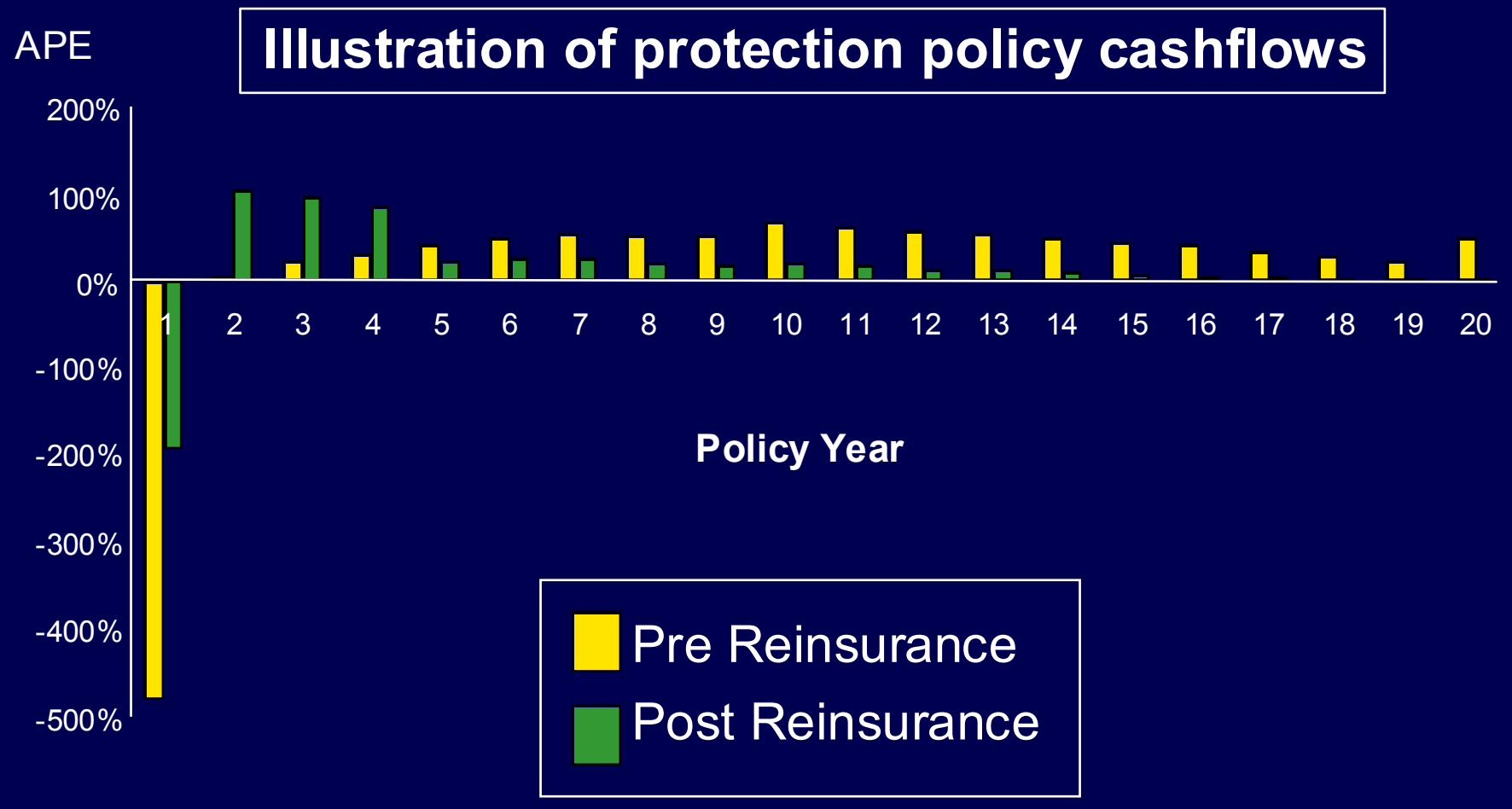
Bringing the cashflow horizon closer



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RBC will optimise risk management and capital allocation

Aviva RBC application

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Guarantees on in-force books

- UK: guaranteed annuity options were responsible for the demise of Equitable Life
- Hedge or fund historic guarantees
- Aviva in UK fully funded
  - Orphan estate struck after allowance for guarantees
  - Orphan estate £4.3bn at 31/12/02

    (additional >£4bn already provided)

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Thriving in a low interest rate environment

- Modelling techniques will optimise capital allocation and risk management
- Ageing populations underpin growth
- Equities will become more attractive!
- High volume / low cost survivors
- Competitive positions of strongest insurers significantly enhanced

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Appendix

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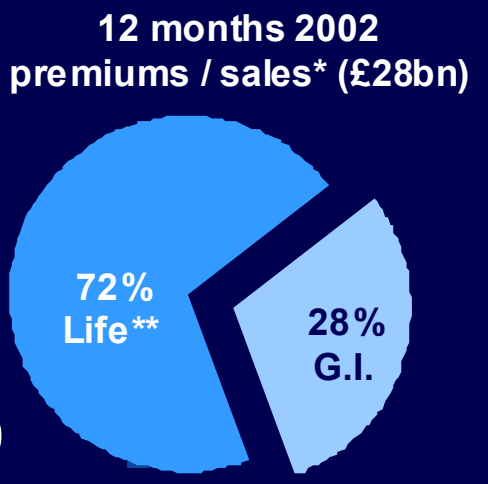
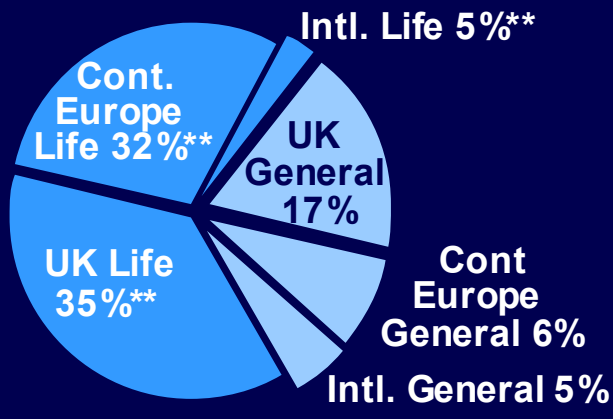
Aviva overview

- Leading pan-European life insurer
- Focused general insurance business
- Exited long-tail general insurance liabilities in 2000
- Bancassurance expansion
- Rebased dividend (1.51x covered)
- Resilient capital position





* Net written premiums from continuing operations.
** Life includes retail inv sales and health.

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Aviva: strategic focus on top 5 positions

	Rank Life	Market share Life (est.)	Rank G Ins	Market share G Ins (est.)
UK	2	11%	1	16%
France	10	4%	Top 15	2.5%
Netherlands	4	10%*	4	9%*
Spain	3	7%	–	–
Italy	6	5%	n/a	<1%
Ireland	4	11%	1	24%
Canada	–	–	2	9%
Poland	2	18%	–	–
Singapore	3	11%	2	9%
Turkey	3	13%	–	–
Australia	Top 10	4%	–	–

* Pro forma ABN Amro JV

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