

2015 Annual General Meeting

Mark Wilson Speech

Well good morning everyone. I'm delighted to see you all back again, in fact it's a bigger crowd than last year, I think that's good. I'm delighted also to see you all looking so well, and it sort of struck me that I think that owning Aviva shares now may be good for your health.

But you know today is something of an auspicious occasion because it is our first chance to formally welcome our new friends, I think that's both literally and figuratively, those of you that have made the choice to take Aviva shares in exchange for the Friends shares. So I'd like to thank you for your trust, we have to earn that but I'd like to welcome you to Aviva. And I think I'm also delighted, just following on from what the Chairman said, I've already enjoyed starting working with the two new friends from the Friends Board, Sir Malcolm Williamson and Andy who will of course be joining the Board after this meeting.

But before I get started I wanted to say - it would be remiss of me not to say a few words about our Chairman. John this meeting marks your final act as Chairman of Aviva. And some of you this morning over tea were asking me what words I would use to describe John. Well I would use words like strength and subtlety, a lot of charm and courage, humanity and humour. John has this unique ability to keep people involved and make them feel like part of the solution. He inspires confidence, not just with shareholders but with our staff and customers as well. And he is at his best on those occasions and in those big moments that really count. And that, ladies and gentlemen, is the mark of an excellent Chairman. And I'd like to think he appointed a reasonable CEO as well but that remains to be seen.

But it is true to say that John and I have had an excellent partnership indeed. Chairman you go to Barclays with my personal thanks and I'm sure the best wishes of all our shareholders here in the room today and the rest of the Board.

But today we of course welcome our new Chairman who is not new to us at all, as Sir Adrian Montague has been a key part of our journey to date. He has the knowledge, experience and was able to very ably step into the role with no disruption to the business. And with

Adrian we get the continuity that shareholders desire, and I have no doubt he will be a very fine Chairman in his own right.

Now this morning was a great pleasure, and I always enjoy the AGMs, it was a pleasure catching up with many of you this morning in an environment that is quintessentially British, over a cup of tea. And unsurprisingly a lot of the conversations I heard were about the single event that is dominating the whole nation at the moment, what's going to happen over there in the palace of Westminster on 7th May, the small matter of the most unpredictable general election in the generation.

Now I heard an economist this week and he said - about the election he said we're looking at six months of considerable uncertainty, and he said after that he was not quite sure.

And you know that reminded me of a sound bite attributed to Mr Wilson, no not me but that other somewhat more distinguished Mr Wilson who knew a little bit about closely fought elections. Of course I'm referring to ex-Prime Minister Harold Wilson. And his aphorism has entered the lexicon. He said, and we all know it well, a week is a long time in politics. And it struck me if a week is a long time in politics, then how long is two years in business, especially at Aviva.

Well it appears quite a long time. And for those of you in the room, and I know there is many who have been on this two year journey with us, I'd like you to climb on board an Aviva time machine and travel back to Thursday 9th May 2013, indeed it was my first AGM as your CEO which I think was at the Barbican, right? And now I shan't forget the welcome to Aviva, especially the robust questioning that rightly came our way from many of you in the room. And I certainly haven't forgotten that shortly before the meeting we made the necessary but difficult choice to cut the dividend.

I mean two years ago I think many people in the media and indeed in the room thought Aviva wasn't fixable and that - with our history that was entirely understandable. And I've compared Aviva to the past like a huge boat that had a whole lot of leaks below the waterline, and being in the bowels of the ship you didn't know which leak to put your hand over first. So when I got on board it was crystal clear to me and the rest of the Board that we

had some significant issues to address and we had to take some pretty radical action. And that's what we did.

We've fixed a lot of the leaks, not all yet. We've fixed a lot of the leaks, we've thrown the deadweight companies overboard, we've refitted at sea, we've got a new crew on the bridge. And you know what, our ship is much more seaworthy and it's more streamlined and the boat is moving faster, but can still move a lot faster.

So let's just - in that context let's have a look at the review of the results in 2014. Now all of our key metrics are moving in the right direction. Cash is up 65%, operating earnings per share they're up 10%, book value is about 26% higher, expenses are down 14%, value of new business is at record levels, breaking the £1bn barrier for the first time in our history. And in General Insurance we've achieved the Group's best combined ratio for eight years at 95.7%. And the final dividend for 2014, that's the final, was up 30%.

And if we look over the last 24 months our stock has risen well over 70% while the FTSE has risen 11% over that same period. Total shareholder return, which I think we're all pretty interested in; total shareholder return including dividends over the past 24 months has been 83.9%. And when you quantify that in numbers it means that Aviva has added about £8bn to shareholders' wealth over the period, that's excluding the Friends transaction. That is almost £11m per day, and that's not a bad start for a couple of year's work.

But two years ago on the day of our AGM our market cap was 9.5 billion. Today it's 21.6 billion and we sit comfortably in the top 30 of the FTSE. Now I know, I know inevitably some of you in the room will no doubt remind me when the stock stood at £9, and I suspect I'll get that in the questions today. Well ladies and gentlemen unfortunately I can't change the past. What we can do, what we can only do is aim to scale those sort of heights again in the future as we look forward.

But of course the financial performance alone doesn't show the progress we have made in de-risking the business and in allocating the capital more effectively across the Group. It's quite a big task. The financials also do not show the progress we have made in making Aviva much simpler and much easier to understand. You know two years ago we set out

what Aviva's could expect from us; it's what we called our investment thesis. You'll remember it well I'm sure, cash flow plus growth, and that remains our consistent focus.

And in the last month with your agreement as the Chairman said, we completed a transaction that accelerates our ability to deliver the investment thesis and is the catalyst for the next phase of our growth. And of course that was the transaction the acquisition of the Friends Life Group. It was clear that our investors agreed with our rationale, with an entirely satisfactory 99.8% of Aviva's shareholders voting in favour, and 94.4% of the Friends shareholders voting in favour of the deal. And that's simply because it ticks all the boxes.

The acquisition gives us 600 million in incremental cash flow. It gives us no further need to deliver. It gives us 225 of expense synergies and the ability to move to a two times coverage ratio on our dividend which means it will go up over time. Strategically it secures our leading position in our home market. It adds about 5 million extra customers to us in the UK making the total 16 million. It gives us a bigger back book from which we can pull out synergies. It gives us greater expertise in that area from Friends. Importantly it adds scale to Aviva Investors, up to about 340 billion by in sourcing another £70bn of funds under management, and that will help Aviva Investors become a much bigger contributor to our overall profits.

And finally it gives us higher levels of capital which we can deploy and invest in our growth markets around the world. The size of the prize, make no mistake it's huge. But integration will be difficult. But as my team remind me it's no more difficult than what we've done over the last couple of years. And I certainly believe we have the team to deliver it.

And what about our strategy? Well last July we set out the what we do and the where we do it and the who we are of our business strategy. It's what we called our strategic anchor and it's got three key components. First we are what we call a true customer composite. Second we put digital first, and I'll explain this in a moment, and third we are not everywhere.

So a true customer composite means that we do asset management, we do life insurance, we do general insurance, we do health insurance. Digital first means we invest operationally in digital first before anything else, and this is increasingly how our customers want to deal with us. And not everywhere means that we won't flay a plant, we're not interested. What

we want to do is focus on a small selective number of market segments where we have scale, where we have profitability and where we have a distinct advantage.

Now if you bear with me just for a moment I'd like to illustrate what being a customer composite really does mean. Now how many in the room are Aviva customers?

Quite a few. And by the way if you're not you should be.

See me afterwards. But maybe you have a home so you need home insurance, possibly a car so you need car insurance. Maybe you've got a mortgage so you definitely need some life cover. Maybe you'll have a pension. Maybe you have an ISA with a fund manager. But I suspect that a number of those products will be with different providers, and that's incredibly inconvenient and it's much more expensive. You have a different set of underwriting rules, piles of forms, layers of bureaucracy, layers of expenses, time and money both of which I'm sure are in very short supply.

Now our research tells us that what customers want, especially in a digital world, is simplicity and quality at a good price. And my vision, which we are in the process of developing, is to offer one view of Aviva for the first time, one statement, one premium which you pay monthly, one phone number, one login, one set of underwriting, one set of forms. I want customers who have pensions with us to have their house and their motor insurance with us, all in one statement, all transparent, all clearly identified. And because there's an automated back office our expenses are much lower, so we'll be able to offer customers a much bigger discount the more products they buy at Aviva.

And do you know what? Now for the first time we do have the technology to do it. And it's only recently that this technology has even been available to get in the market. I think you'll agree this is a no brainer for our customers and a total no brainer for Aviva. But we're not there yet, but we need to get there, we need to get there quite quickly.

And that lead through to the performance and the numbers that you as shareholders will see. You see if we don't get the numbers right we won't be a great business, it's quite simple. But the numbers are not - they're the outcome, they're not why we're in business. We're in business for our customers.

Now I'm the first to acknowledge that we don't always get it right. In fact I phone up customers every week where we haven't got it right and I learn a great deal about what Aviva looks like to them. But getting it right is what we strive for and that's why we've anchored the business in the right culture and some strong values.

So alongside all the facts and the figures that we focused on, the annual report is punctuated by a number of anecdotes and a number of stories. We have tried to live up to our values. And many of these stories are told by the customers themselves.

Now the first value is something we call create legacy or I call it being a good ancestor. So that the decisions we make today will stand up in 10 or 20 years time. We're good ancestors here in the UK through the billions of pounds we invest in infrastructure in schools and hospitals and energy. In fact we're the market leader in residential solar energy here in the UK. These are good investments for our customers, they're good investments for our shareholders and they're good for Aviva.

The second value is never rest, and this is important, that we never want to be satisfied as a business with the status quo. We want our people to always want to do better, to challenge the way we do things and change things if they're not right. And there's still plenty we've got that isn't right. For example we never rest in protecting our customers from the impact of fraud. We strive to do the right thing and we expect customers to do the right thing in return. And I can assure you that's not always the case.

We have zero tolerance for fraud or unethical behaviour to the detriment of other policyholders. For example we've slammed the brakes on 6,500 claims and about £60m linked to motor fraud from organised crime gangs. But unfortunately it's not just the organised crime gangs who commit crimes and a good example of this in the UK is fraudulent whiplash claims which is still at epidemic proportions and that's unacceptable.

Our third value, kill complexity. This is simply about making things simpler, it's about getting rid of the bureaucracy. Our customers want simplicity, they want quality, they want convenience and we're aiming to give that to them.

And finally care more. This is simply about doing the right thing for our customers, our shareholders, our people, and society, communities in which we live and operate.

You know one of our Aviva customers, Mr Yo from Singapore, he had found out he only had a few weeks to live and we paid out some of his life policy when he was still with us. And one of his affairs - he wanted to put his affairs in order and be reassured his son would continue his studies abroad. And his widow, her name was Madam Chin, and she's on page 12 of the annual report, and I'll read you what she said if you haven't read the annual report yet. She said it was such a difficult time so not having to worry about our finances on top of everything else was a relief. This experience made me realise just how beneficial insurance can be and now I'm an advocate so want to help others understand its importance.

And ladies and gentlemen that is why companies like us are here.

So finally, at a personal level I'm hugely grateful for the support I've had from the Board, my colleagues behind me and from the shareholders over the last two and a half years. You've been supportive even through some of those really tough decisions that we've had to make.

Now I regularly get emails from some of you in the room. I have to say I don't always agree with you, but I certainly do appreciate the feedback and support. So thank you both for the letters of encouragement that we get and also for the challenges as well, and please keep them coming.

And I really do - if I can just take a moment, I really do appreciate the dedication and commitment from our people right through the organisation. Many of you like you are shareholders - many of whom like you are shareholders. And there's a lot of people between our CFO Tom and I who do extraordinary work for customers and shareholders every day. You know their dedication, focus and technical skill really sets them apart I think from some others in the industry.

But rest assured, just to be clear, our people know that we still have many issues to address and many things to fix. They know we certainly have a further distance to travel than the distance we have already come. They know that we make enemies of ourselves if at any time we get ahead of ourselves and the progress we're making, if they confuse what we

could achieve with what we have achieved. For example we need to integrate Friends Life and we need to make some significant progress on that this year. We need to drive the true customer composite model right throughout the business. We need to grow our digital and direct channels and we need to continue to improve efficiency. We need to invest in our growth businesses, both here in the UK and around the world, and none of this is easy. But if we allow - and I can assure you we will not succeed if we allow hubris or arrogance to again creep into our decision making.

You see I believe as a CEO that our role in business is not to follow the competition but to exceed our own expectations and break our own records and look at our own strategy. We need to ensure that our impact, our positive impact on customers and shareholders and society - I think our objective is to ensure that that impact is greater this year than it was in the last year. And ladies and gentlemen what's the point of being in business and being a shareholder if you don't want that?

So I thank you for your support, and certainly I look forward to talking with as many people as I can after the meeting. So thank you and good morning.