Aviva PLC Capital Markets Day

Company Participants

- Angela Darlington, Interim CEO of UK Life
- Christopher Esson, Group IR Director
- Colm J. Holmes, CEO of General Insurance
- Euan George Munro, CEO of Aviva Investors
- Jason Michael Windsor, CFO & Executive Director
- Jason Storah, CEO
- Maurice Ewen Tulloch, Group CEO & Executive Director
- Nishit Piyush Majmudar, CEO & Executive Director
- Patrick Dixneuf, CEO of Aviva France & Aviva Europe

Other Participants

- Abid Hussain, Research Analyst
- Andrew John Crean, Managing Partner, Insurance
- Ashik Musaddi, Executive Director and Co
- Barrie James Cornes, Insurance Analyst
- Blair Thomson Stewart, Head of the UK and European Insurance
- Colm Kelly, Director, Co
- Dominic Alexander O'Mahony, Research Analyst
- Henry Heathfield, Equity Analyst
- Johnny Vo, MD
- Jonathan Michael Hocking, MD
- Oliver George Nigel Steel, MD
- Steven Haywood, Analyst
- Unidentified Participant, Analyst

Presentation

Christopher Esson {BIO 16208369 <GO>}

Good morning, everybody. I am delighted to welcome you to Aviva's Capital Markets Day, both -- all of those of you here in the room and the many of you who are viewing online.

In a moment, we'll show you a brief film. It captures what Aviva is here for. We are here quite simply for our customers, all our customers. We are here to serve them brilliantly today and tomorrow. And by delivering on our purpose and on our strategy, we will create enduring value for our shareholders. There is much to do to improve customer experience, to enhance our cost efficiency and to optimize our investments for the future.

Maurice has made a great start. And all of us, Board and management alike, know that improving the performance of the business is the first essential task. Beyond that we must define and execute a strategy to optimize the long-term value of group for our shareholders.

The strategy that Maurice will be putting in front of you in a few minutes, the Board and I agree, will both inspire our people and put Aviva on a trajectory to realize all the promise of its wonderful franchise. So first the film and then it will be Maurice. Thank you very much.

(presentation)

Maurice Ewen Tulloch {BIO 17683736 <GO>}

Morning. Every time I see that video, it reminds me of 3 things, the absolute privilege that I have to work at this great company and spent the last almost 28 years there now. It reminds me of our purpose and kind of what we do all around the world. And it certainly gives me goose bumps. And I think, lastly, it kind of reminds me my hairline's certainly moved in those last 28 years when I see myself at the UN.

Morning, ladies and gentlemen. Today is all about providing you with far greater clarity. Clarity about what we are and what we need to do, clarity about our group portfolio, clarity about our ambitions, our commitments and what we'll deliver for our shareholders. And you know what, clarity starts with transparency. So let's talk about Aviva's strategy, our operating structure and our ambition. I said in August that I'll be leaving no stone unturned in reviewing the group. Together with the Board and my senior team, we've completed a thorough review through the lens of shareholder value. The main conclusion, our performance needs to be better across the piece.

We have great businesses. But they're currently not reaching what I believe is their full potential in shareholder returns. And that's what I'm committed to delivering.

There is significant upside in getting this right. It's early days to me and the team. But we're already making good progress on this front. Our businesses have competitive advantage in their respective markets. They benefit from Aviva's strengths, our capital, our brand, our technical capabilities and their focus on helping customers prepare for a better future. I know some of you have suggested different approaches. However, I believe the best thing we can do to maximize long-term shareholder value is to deliver better results at Aviva. I'm dialing up accountability around commercial rigor. I'm insisting on strong, robust business plans, where we allocate capital using an economic lens. And that's the focus of today's presentations.

Now those of you that have met me before, you know that accountability is one area why we'll simply not compromise. And I hold myself and my team to that very same standard. I expect the commitment to deliver on promises and providing an honest appraisal of our progress. As you know, I've separated our general insurance business and our life business here in the U.K. I've integrated our U.K. digital business back into our main business. This will improve focus, accountability and performance. I'm already starting to see early benefits, such as enhanced efficiency. And today, I'm announcing the creation of our investment, savings and retirement business. This is a business with unique capabilities that can meet important customer needs and offers Aviva excellent growth potential. I'll talk more about our plans here later.

In August, we announced a strategic review of Asia. The review, including seeking offers for a Singaporean business and comparing those offers to the value the business can create as being part of Aviva. The reality is, others are not able to offer us more value than we can create ourselves. And hence, we've made the decision to retain Singapore.

Together with our Chinese COFCO partnership, Singapore and China will provide a profitable, growing and cash-generative presence for us in what are attractive markets. I'm also pleased that my leadership team is now largely in place. We have one of the strongest leadership teams in the sector. A strong blend of experience from both inside and outside the business. I look forward to welcoming Erica Arnold, our new Chief Operating Officer; Jan-Hendrik Erasmus, our new Chief Risk Officer; and Danny Harmer, our new Chief People Officer in Q1 of 2020.

Let's turn to costs. Reducing costs is another of our commitments. And I'm incredibly pleased to say, we're making good progress since we last spoke some three months ago. We've increased our expectation of in-year savings to GBP 60 million as a result of progress on both the lean group center and rationalizing our IT. With the initiatives we now have, we're implementing, we already have in place GBP 150 million of in-year savings for 2020. And to hit our target of GBP 300 million net of inflation, naturally, we're going after more. Efficiency is no longer optional at Aviva. Gone is also access costs below the line.

Let's talk a bit about strategy. I want to shift my focus back to the group as a whole, starting with our strategy and our priorities. We have refined our purpose, vision and strategy. This provides our employees with a North Star around which all of our actions and decisions are based. It makes it clear to our customers and our shareholders and other stakeholders what we stand for. We help to create a better tomorrow by helping our customers to save for the future, navigate retirement and ensure what matters most to them, their health, their families and their belongings. This means a relentless focus on getting the fundamentals right and delivering on all of our promises. It's what our 30,000 colleagues are aligned behind. And it's what they're focused on in each and every one of our businesses.

In today's world, a great reason for existing is really -- is only as useful as your broader social agenda.

At Aviva, we've been a leader in ESG for over 40 years. Many are now jumping on the social bandwagon. At Aviva, we've been influencing the social agenda, investing with sustainability in mind and lowering our footprint for some time now. We, too, are accelerating our efforts. Responsibility in doing the right thing for our customers, the planet and the communities we work in is at the heart of our values. It makes good business sense. And it matters to our customers, the fact that we're using active stewardship in our voting. The fact that we were one of the few companies that actually helped shape the TCFD rules. Or the fact that we've been carbon neutral since 2006, long before it was the flavor du jour. We will continue to make positive changes, continue to act as good stewards of both our policyholder and shareholder funds.

Our strategic priorities are focused on 3: deliver great customer outcomes, excel at the fundamentals of insurance, invest in sustainable growth. Now there's naturally a link between these priorities. We have to offer simplicity and great service for our customers and our distributors. To do that, we need to be efficient, make good underwriting and pricing decisions. And we must invest to sustain the leadership positions we hold and build on our capabilities.

In fact, our business plans and our targets are net of GBP 1.3 billion of investment we're making in the coming three years. And as I mentioned right at the start, our people are going to be held to account for spending, for commercial returns and delivery for our customers. And of course, that kind of accountability includes and starts with me.

The evidence shows, on this chart, that when we get this right we can demonstrate growth at Aviva. On the slide, I've outlined 4 examples that all fit within our strategic priorities. So first one, Quotemehappy, it's our U.K. aggregator brand. We established this business only in 2011. It was a low-cost digital insurer. Since then we've grown the business to 1.4 million customers. We're operating at a 5% expense ratio. And the profitability has been attractive. I plan to export that kind of capability for other parts of the group.

Our U.K. savings business, we've maintained a leading position in workplace pensions and invested to scale up our adviser platform. As a result, we've increased assets under administration by 58% just since the start of 2016. Bulk purchase annuities, again, we've invested in capabilities that enables us to write larger case sizes. And we've leveraged our expertise in the liquid assets of Aviva investors. We've built a competitive, profitable business with clear hurdles on IRR and cash flows, which this year is expected to write GBP 4 billion in volume. Our Singaporean franchise, our investment in building the strongest financial advisory network ahead of the market offers customers more choice, better service. And this has helped us deliver consistently new business growth in excess of 20% per annum.

Our B&B in Singapore has a credible track record of turning into cash. In conclusion, what this shows is that when we get the basics right, we can perform incredibly well and we can grow profitably.

Listen, to bring this strategy to life. I want to take a closer look at our simplified operating model and also our business priorities. We're focused on 5 business divisions. And you'll see all the business leaders present today.

This is really how you should think of Aviva going forward. Our financial targets are value orientated. They are fully aligned to our focus on sustainable, growing returns for our shareholders. We have 5 key objectives at the group level: Solvency II, return on equity, where we target a 12% or greater number; cumulative group OCG; cumulative cash inflows to center, where we're targeting between GBP 8.5 billion and GBP 9 billion between 2019 and 2022; our cost reduction target; and our debt reduction target. To deliver these targets, we're going to need to execute well, allocating capital in the right way, improving our efficiency and making the right choices on product mix and pricing.

Let's now turn to the business units to bring the execution story more to life. First of all, the equity story. Our pitch for investors is simple and clear, we will deliver sustainable growing returns. We'll do this through operational excellence and commercial rigor across all 5 of our operating divisions. And the divisions will benefit from the clarity and discipline of being run as separate businesses. A simple structure is important in facilitating better performance. But it also makes Aviva easier for you to understand and gives you greater clarity on how we are doing.

Historically, I know our story hasn't always been easy. And we've not made it easy for you to assess our performance, our growth or our dividend sustainability. So we're changing. Providing a structure that's more coherent. And Jason will discuss, in his presentation, that we're emphasizing economic targets as these will ultimately be used to allocate capital and ultimately determine the trajectory of our dividend.

One of the great things about Aviva is the attractive balance between cash generators and growth engines. Our business gives us the ability to sustain our dividend today and grow it into the future. An important point for you to take away from this chart is that I expect all of our divisions to deliver both cash flow and growth. Just some portions will be slightly different. I like having this balance as it gives me choices in capital and resource allocation to ultimately drive the highest returns. And we will continue to make choices based on what we believe maximizes long-term value for our shareholders.

Let's look at a new division. We have a new division called Investments, Savings and Retirement, which we see as a long-term growth engine. This division will report into you and Munro. It includes Aviva investors and our U.K. savings business. We are focused on creating a modern, integrated wealth and asset management business. I'm incredibly excited about this new business. It will serve as a -- it will serve a critical growing market, which is emerging as consumers look to save for their futures. Safeguard against the unknown, realize their hopes and dreams and importantly, enjoy income in their retirement years.

Aviva is uniquely positioned. We have the #1 market leading brand. We're #1 in workplace pensions. We are rapidly ascending the IFA league table. And we have a growing direct offer. And importantly, the widest range of products and services in the market. This is a market where Aviva should be the clear winner. It's a business where we already have scale. And crucially, we already are the leader in the corporate channel, which gives us access to 3.5 million customers. And we have a rapidly increasing presence both in the adviser and the retail channel. We are setting an ambitious target of GBP 20 billion in net flows per annum across our third-party asset management business and our workplace and platform business. Euan will provide more color this afternoon.

Our U.K. Life business incorporates 3 segments: annuities and equity release, Protection and Health and Heritage. This business is our cash flow machine. The mandate for U.K. Life is twofold. One, to generate significant levels of capital and cash flow to fund the group dividend. In fact, our target is between GBP 4.25 billion and GBP 4.75 billion between 2019 and 2022. And two, to recycle some of that capital into new business to increase replacement cash flows over time. Angela's presentation today will highlight our confidence on increasing cash flows into the future beyond 2022. Even if our new business production is flat against 2019 baseline, we estimate we'd increase cash flows from our U.K. Life business over the next 10 years. Now, of course, our ambition's to grow our new business over time. Given our strong fundamentals, I've got plenty of confidence about the outlook for our U.K. Life business.

Let's turn to General Insurance. General Insurance is a GBP 9 billion business at Aviva. And our focus is on delivering profitable growth. I believe we're underweight in general insurance relative to our natural market share. And that's something I want to address. Efficiency, speed and simplicity will drive personal lines performance. Part of this is integrating digital, which has helped deliver some of the success stories, like I alluded to, such as Quotemehappy, MyAviva or the data and analytics capabilities that we've built up namely in our personal lines engine. We're going to keep that momentum going. But we're also going to focus on the momentum that we have going in commercial lines right now. We have real strength in the SME market. And we're expanding into adjacent areas like mid-market. And that is spurring growth at attractive margins.

Our General Insurance business has delivered attractive results with low volatility for the past decade. We're also guiding today on even stronger growth. Growth of 20%, plus also guiding our combined operating ratio lower, Colm will provide more detail.

We're going to maintain the discipline that's allowed us to achieve these results. We're also increasing our ambition, building scale in Europe, restoring Canada through its rightful place as a market leader and gathering momentum here in the U.K.

Europe. In Europe, we've achieved strong results in recent years through our focus on the fundamentals, distribution, product mix and expense efficiency. Our focus is continuing on accelerating our efforts in these critical areas.

Listen, the current interest rate environment is challenging. In an environment where 10-year yields are negative, even 0% guarantees create capital headwinds. And this is something that we need to keep managing actively, both in terms of the in-force book but also in terms of the front book.

Our new business mix has been on the right path, with well over half of our Life sales in 2018 coming in capitalized products but given where yields are, our plans to accelerate the business mix optimization.

Over recent years, Europe has seen a number of macroeconomic events. But our business has been resilient and continues to deliver. I'm confident that Patrick and the team will ensure that remains the case.

Asia. As I mentioned, we've gone through with a slide ruler our Asian business. I have considered with the Board numerous options. This was a thorough process where shareholder value always at the core of the review. I'm really pleased that Nish, our Singaporean CEO, has joined us today to present on the market and the excellent growth potential from our advisory-led business.

Retention of China was always a likely outcome, given the scale of the market and our excellent partnership with COFCO and the excellent growth prospects in China. Both countries are expected to pay dividends to the group center in 2019. And in total, Asia now changes from becoming a net contribute -- to becoming a net contributor of cash flow for the group in 2020 and beyond.

Today, we're also announcing that we've reached an agreement with Hillhouse to exit our Hong Kong joint venture. We're also currently in discussions on the future of our businesses in Vietnam and our joint venture in Indonesia. And I will update you on those conversations in due course.

Talked an awful lot about dividend. Our presentations today should leave you in no doubt about Aviva's dividend sustainability. Now Jason is going to go through our capital and cash numbers in more detail. But on this slide, I wanted to provide a brief snapshot that I think helps sets the tone.

Listen, on the left-hand side, if we take a look at the dividend through an ROE lens, the first column, 8%, effectively represents the cost of our 2018 dividend in relation to our Solvency II book value or equity. The second column on the right highlights our group return on equity target for 2022. At this 12% ROE target, we should afford the dividend but also deliver compounding growth in Solvency II book value.

On the right side is the cash flow bridge. This shows that we have the capacity to pay the dividend and reduce our debt in line with our targets.

So in conclusion, in conducting my review, shareholder value has certainly been the key watch word. My presentation today summarizes our purpose, our strategy. And our financial targets and the key priorities that are being built into our execution plan. This should give you a clear sense of who we are and where we're going. And it should also give you an unambiguous message on the dividend, which is sustainable in the current 4-year cycle while still enabling debt reduction and significant investment of GBP 1.3 billion in the business. This investment, together with our plans to improve efficiency, build on the strong fundamentals will increase the return on equity to 12% and ultimately support a progressive dividend policy well beyond 2022.

What I am delivering at Aviva is a company that is simpler, both internally and externally. Stronger at operational execution and better at rewarding our shareholders with sustainable growing returns. Thank you very much.

I'm now going to hand over to Jason to take you through the financials.

Jason Michael Windsor {BIO 17967688 <GO>}

Thank you, Maurice. Hi. Good morning, everybody. As Maurice outlined, our goal is to deliver sustainable, growing returns to shareholders. In my presentation, I'll set out how we'll do this from a financial perspective. There are 4 key points I want you to take away. First, we have robust financial targets focused on delivering economic value. Second, we're generating strong capital and cash flow to fund our progressive dividend. Third, we're investing for the future to grow the company and enhance returns. And this is done through a disciplined capital allocation framework. And fourth, we have a very strong financial position. We'll continue to actively manage our market and insurance risks to lower volatility.

I'm optimistic about the outlook for Aviva to achieve this growth in value and cash flow, growing the value of the company safely is my key objective as CFO.

Let's start by looking at the financial targets. As Maurice mentioned, our targets are based on economic metrics with IFRS disclosures used mainly to enable performance analysis. We use economic metrics to run the business. It's how we price. It's how we manage risk and volatility and ultimately, is what drives our ability to pay dividends.

Turning to the targets. I draw your attention to 2 points. First, we've introduced a return on equity target of 12% using economic capital. This is a fundamental building block between increasing the quantum and quality of shareholder return over the long run. I'll talk more about the calculation and business performance drivers in the coming slides. Second, a cash remittance target for 2019 to 2022 so four years in total. This level of remittances provide sufficient cash to comfortably cover the dividend and meet our debt reduction target.

At a detailed level, our targets incorporate yields in Europe from Q3. Yields have rebounded a little since then. But as we're at the start of our target cycle, I'm preferring to take a cautious stance.

Briefly looking at the other targets, OCG links closely to the return on capital. It's included, owing to its importance in funding the dividend. And of course, it provides additional discipline on managing new business strain. We're making good progress on the other targets we announced in June, namely debt reduction and operating expenses, which I'll come back to later.

So how do we think about value? Simply, I'm trying to grow the book value of the company and to sustain healthy dividends each year. We'll aim to do this by enhancing ROE through disciplined capital allocation and cost efficiency. We'll control volatility to underpin the sustainability and the investor confidence in our resilience. And also to deliver growth and demonstrate franchise strength and execution. We've delivered good progress over the past three years.

Since the beginning of 2016, we've paid out 90p per share of dividends and increased book value by 80p per share. That's a total return of 170p or 52% over that period.

By enhancing our return on equity, we will have high quality and attractive return profile for our shareholders in both NAV and dividends.

Now let's take a look at the return on equity target. This is simply calculated as own funds generated in the year as a percentage of opening owned funds, all based on unrestricted Tier 1. This is at a group level and is after all debt and preference share costs.

ROE is important in measuring the productive use of our economic capital. First, we use economic capital to ensure sound risk-based management. And second, in the capital allocation process, we balance returns and payback to manage the impact on cash flow. We set the ROE target of 12%, which is a strong return.

As you can see on the slide, it was slightly above the 7% in 2018, although that was helped by the relatively large contribution from management actions, which we also expect to be the case in 2019.

Our 12% target reflects a meaningful improvement in the underlying return. And the target includes management actions in a normalized range of approximately 1percentage point.

As we shift our emphasis to economic metrics, it's really important this doesn't turn into a black box financial modeling exercise. But I'm keen to provide more details on the capital generation in each division. At the half year, we provided you with more disclosure on the capital figures. So you can see the contribution to own funds and SCR from new business and the in-force book.

Before looking in more detail, it's worth noting that the divisional return figures are unlevered. They return on capital figures.

Leverage increases return on capital to group return on equity by around 2.5%. For now, we present UK Life and the investment savings and retirement division together, given their close alignment and the inclusion of certain savings businesses within the UK Life legal entity.

For that combined division, we're targeting a 9.5% return on capital. This is weighed down by the amortization of transitional measures of around GBP 350 million per year and reflects a conservative long-term assumption for management actions.

In general insurance, our target is a 14% return, which will be delivered as we improve the combined ratio to our 95% target. Europe Life returns are slightly lower, with a significant negative one-off item in 2018 in France. And of course, the low-yield environment. However, our plans in Europe reflect improving returns. We will be trying to grow new business valuably, improve returns and improve cost efficiency, particularly in the Irish Life business.

In Asia, a return of 10% in 2018 reflects the immaturity of a number of the businesses. Following the strategic review, we expect the returns to improve to around 15%, in fact, well before 2022, recognizing the strength of our core Singapore and China businesses.

Our expense target remains unchanged at GBP 300 million. But we've made some adjustments to the baseline. First, we adjust for the expected divestment of Friends Provident International. Second, we've added in amortization of internally generated intangibles, such as software, to operating expenses. I highlighted this item at the half year. It's an accounting presentation change that we've made to improve earnings quality. Third, we've removed levies and premium taxes. These are directly linked to premium volumes. For example, this will align Canadian premium tax more closely with IPT in the U.K.

Taking this all together, our controllable baseline for expenses is GBP 3.9 billion. So on an equivalent basis, after allowing for our GBP 300 million cost reduction plan and absorbing around GBP 200 million of inflation, that means we're targeting a cost base of GBP 3.6 billion in 2022.

We're making good progress on the cost reduction from a broad base of initiatives. The key actions underpinning GBP 150 million of in-year savings projected for 2020, our lower functional head office overheads, lower investment spend and integration of UK Digital with UK GI.

Let's now turn to IFRS, where we're making some changes. While we haven't set external targets for IFRS op profit or EPS, it's an important metric that helps comparisons of how we're performing. One of the things that was important to me when I took on the CFO role was to improve the clarity of our financial disclosure. As an insurance company, there's going to be some complexity and volatility caused by market movements, claims experience and management actions.

Looking forward, our IFS -- IFRS earnings, sorry, will be close to the cash flow. We've previously announced that Friends Provident International is to be divested. But it has and it will remain in profit until completion. As just mentioned, internal amortization is now included in operating profit and operating expenses. And we said for some time that management actions have been elevated due to longevity releases and would return to more normalized levels at some point.

For 2019, we estimate management actions of GBP 300 million to GBP 400 million. In 2020, these are expected to step down. And in the longer term, our guidance for this item is in the range of GBP 0 to GBP 200 million. Importantly, none of this has any impact on our cash guidance or our debt reduction targets. And looking forward, profits and cash flow will benefit from lower interest expense and now cost savings.

Having covered our targets on return on capital and expenses, let's turn to cash flow and the building blocks of our target, GBP 8.5 billion to GBP 9 billion, for the four years ended 2022.

You can see from the chart that we expect GBP 7.5 billion to GBP 8 billion of cash from the business units. This is more than enough to fund debt interest and central costs and to pay the dividend. The business unit's targets include GBP 0.2 billion of costs related to achieving the expense efficiencies and reflect lower forecast dividends in France.

Moving across to the right, longevity and other factors are expected to contribute GBP 500 million of special dividends in 2019. We've also made further progress on proceeds from divestments. GBP 0.2 billion from Avipop has been transferred from Italy up to group treasury.

Our forecast cash flows are fully supported by capital generation. Our group OCG target is GBP 7.5 billion. And it's off relying for all debt interest and central expenses. You simply add back those 2 items, it's clear that the expected business unit OCG underpins our planned cash remittances from the BUs.

I should note that remittances from our UK Life and savings businesses are expected to be slightly above OCG over the 4-year period. This is due to the strong level of capital generated in previous years and the special remittance in 2019.

As you can see, we pay close to 100% of OCG in general insurance. And as mentioned, in Europe, our cash flow forecast is conservative. And in Asia, we are retaining some capital for growth.

Let's move our focus away now from the targets and towards capital allocation, which is a question I get frequently asked. Maurice has spoken about rationalizing our investment. But we're far from starving our businesses. On the contrary, the cash and capital generation targets I just outlined are net of significant levels of ongoing investment into the business.

Using this investment productively is critical to generating returns on capital over the long term. Our approach brings together 3 elements.

The first is strategy. Our strategy centers on customer experience, investing in the business fundamentals. And we're also investing with a commitment to grow the business. And in fact, when we focused on those priorities, there are notable success stories.

The second is the financial framework, through its capital allocation, decisions are made, which brings together returns, change spend, capital budget and cash.

And the third is execution. More capabilities and external conditions are required to succeed. We know we need clear advantages to beat our competition.

Together with Maurice, myself and our new Chief Operating Officer, Erica Arnold, we'll lead this process. It will be robust and fundamentally aligned to our objective to sustain growth in returns and dividends.

Our economic value-added framework underpins our financial decision making. It ensures we make decisions based on creating value. EVA ties closely to ROE, it's simply own funds generated less the cost of capital for each year. We use EVA, both to make larger strategic decisions, for example, transformation projects or M&A and decisions every day, e.g., on new business pricing or managing our investments.

To avoid J curves, we overlay payback, again, using economic metrics as an additional discipline. As the diagram illustrates, we use EVA and payback together to shift our capital and resources toward the top right. And we've used EVA to support a detailed review of each segment of the group to inform our planning and our performance improvement plans.

What does this mean for new business investment and growth in appetite in practical terms? As you might expect, given the strong returns, increasing our weighting to general insurance with returns of 14% is an attractive prospect.

In his presentation, Colm will take you through his ambition to grow the business profitably, maintaining our momentum in commercial lines and delivering improvement in personal lines in the U.K. and Canada.

In life insurance, we're being selective, using EVA and payback to help drive our strategy. In UK Life, we're allocating a little more capital to grow further in bulk annuities. EVA gives us pricing discipline and helps us optimize asset selection and reinsurance. Returns on BPAs are typically in the low-teens. We're seeking to grow our modern savings, retirement and investment business, which consumes much less capital and makes a very strong contribution.

In Europe, we're actively moving from traditional savings products to more efficient unit links and protection. This will take time. But Patrick Dixneuf and his team are committed to making progress.

In Asia, our strategic review is informed by EVA. EVA captures well the value of new business growth. Within each business, EVA has helped to drive discipline in product mix by avoiding products such as universal life and interest rate mismatches.

Now let me turn away from new business to how we'll invest sensibly in the business improvement. Maurice has committed us to bring down the overall level of investment spend, to increase commercial rigor and to improve customer experience and to ensure accountability for delivering the projected benefits.

Our plans and targets incorporate approximately GBP 1.3 billion of business investment over the next three years. Let me provide some color on our investment in 3 of the main areas.

First is technology. We've been investing for a number of years in modernizing our IT infrastructure. We've migrated to modern data centers and to the cloud. And we've improved customer and end-to-end processes and upgraded our product systems, such as Guidewire in the GI businesses. This revamp will continue in 2020 and beyond. And the business heads will talk about this further.

The second is investing in growth initiatives. This is where we're developing new propositions and enhancing the customer experience and increasing productivity with our distribution partners. Included within this is continued investment in our digital front end and also the hiring of new talent in targeted areas to improve capabilities.

The third area is mandatory spend. In our regulated industry, there are always specific projects requiring funding, in the past, such as GDPR and going forward, IFRS 17.

I've spoken about our focus on returns and growth and how we're allocating capital to achieve our objectives. An important underpin for this is a strong and resilient capital position. So let's spend a moment talking about what we're doing to manage capital and risk and maintain that strength and resilience.

You're all familiar with our group working range of 160% to 180%. Notwithstanding the various fluctuations we've seen in investment markets over recent years, whether from Brexit, low yields or volatile equity markets, our solvency cover ratio has typically been in the range of 190% to 200%. And that's as well as deploying GBP 2.4 billion of cash to reduce hybrid debt and returning capital to shareholders over and above our ordinary dividend.

Resilience is clear in our Q3 numbers. Despite the challenges of negative yields in France. And of course, the payment of our interim dividend, our group capital ratio has increased by 1percentage point from the half year to 195%. And we have GBP 2.2 billion of cash in treasury at the end of October.

But we can't predict the future. But we can provide you with an indication of how the group cover ratio would perform under a severe stress scenario. This scenario is across multiple factors, notably U.K. property and equity, both down 20% and credit spreads at 200 basis points.

In a probability sense, that's a 1 in 15 for equities, 1 in 45 for property and a 1 in 100 for credit, all before diversification. Faced with this severe stress, we estimate our group cover ratio would fall by around 33 points and therefore, just still be inside the working range.

Just as importantly, cash flow would still be sufficient to fund our dividend, albeit we'd probably defer our plans for debt reduction. Standing back, with some uncertainty in the external environment and our debt reduction plan, it's good to have some extra flexibility.

And it's comfortable to be slightly above our preferred range. However, if the ratio was above 200%, for example, for a period of time, we would have scope for additional actions such as further debt reduction or deployments of more capital into the business or via M&A. But that's not a topic for now.

An important part of strengthening our financial position is our plan to bring down debt. I can confirm my intention to reduce debt by GBP 1.5 billion by the end of 2022. This will reduce interest expense by approximately GBP 100 million per year. And in the long term, we expect our interest rate built to fall further as we've refinanced with much lower cost debt.

As a first step, we've just called GBP 210 million of sub debt, which in fact, will be repaid tomorrow. By the end of 2022, we expect to have less than GBP 7.5 billion of total debt, which would bring us below 30% total leverage ratio on both a Solvency II and S&P basis. This is a ratio we will target over the medium to long term. Although there may well be periods where it's higher or lower, depending on business needs or market conditions.

For many years, we've managed down our exposure to interest rates. And we remained strongly capitalized despite historical low yields. However, negative yields are a new challenge, especially in Europe, for a substantial proportion of our savings products carry guarantees.

As Patrick will highlight later today, our back book is relatively well positioned. But the vast majority of our guaranteed savings products providing only a 0% annual guarantee. We can manage the real-world impact in the short run as our investment returns comfortably cover the guaranteed amounts.

However, low rates do create headwinds in local solvency ratios that can weigh on cash remittances. And that is reflected in our revised targets.

For our in-force book, we have established good hedging strategies that mitigate the risk of further yield deterioration. But this does not entirely protect the economic balance sheet. So there remains a sensitivity to downside for yields. An equally important factor is what we're doing on the front book. If yields remain at negative or even low levels, guaranteed product structures in countries like France will remain intensely challenging.

We've been active in switching our mix away from participating and towards unit linked and protection. This will continue. And in fact, we're looking to accelerate it.

While in the current environment, there's naturally a big focus on market risk, it is just as important that we could manage as of insurance risk. Over several years, we've demonstrated that we're very good at pricing, underwriting and claims management, delivering attractive and relatively consistent returns in both the life and general insurance.

We also protect our cash flow and balance sheet through our carefully structured reinsurance programs. In general insurance, we tightly manage our exposure to individual events, retaining GBP 150 million for a major event. And we have protection in place for a series of smaller cats with GBP 170 million retention and a separate program for significant single risks. And it shouldn't be underestimated how important it is that we have reinsured all of our historic exposure in areas such as asbestos, for example.

In life insurance, we use reinsurance extensively in U.K. protection and more recently, in U.K. annuities, to improve capital efficiency and to protect returns in BPAs from longevity experience.

My focus as CFO is to grow the value of the company safely. We've got a strong plan to do that. Our dividend is comfortably covered by capital generation and cash flow, we'll continue to increase the net asset value per share, we'll bring down debt leverage further and maintain a healthy capital and cash surplus.

We start in a strong position. But we can do better by delivering stronger and higher quality underlying returns and growth driven from customer focus, business expansion and management execution. This will require making Aviva simpler and running the company with commercial rigor.

We have the plans and tools to do this. And with the changes I've seen inside the organization in the past six months, I believe we're on the path to realizing our full potential.

Christopher Esson {BIO 16208369 <GO>}

Okay. Ladies and gentlemen, we'll start the Q&A session now please?

Questions And Answers

A - Maurice Ewen Tulloch {BIO 17683736 <GO>}

Give me a second, Chris, just to get everything loaded up here. Or you can dance while I just get my ...

A - Christopher Esson {BIO 16208369 <GO>}

You don't want to see me dance?

A - Maurice Ewen Tulloch {BIO 17683736 <GO>}

No. Fair enough.

A - Christopher Esson {BIO 16208369 <GO>}

Ashik.

Q - Ashik Musaddi {BIO 15847584 <GO>}

Ashik Musaddi from JP Morgan. Just few questions. I mean one of the slide, I saw that you're starting your cash position with GBP 1.6 billion, you're expecting to generate or remit cash flows. And then you have some holding company cost. But net-net, you're retaining about GBP 6 billion that is supposed to be deployed over next four years, which is around GBP 4.5 billion dividend and around GBP 1.5 billion of debt reduction.

So there's not much room -- buffer in place if we believe that GBP 1.6 billion is what you think you should be retaining at the holding company. Credit market is really benign at the moment, probably all-time best. So would you not consider having some buffers in place just to make sure that your debt leverage and the dividend plans are absolutely safe? That would be the first one.

Second one is, I mean, if we go back in past, I mean, the growth has always been a focus in GI, in asset management, life and savings. And that's what we hear today as well. So what has changed? What gives you more confidence that this time, we will be getting that growth, especially, for example, like a couple of numbers I saw in the early presentation? GBP 10 billion flows in Aviva Investors, GBP 10 billion flows in the retirement business. So what gives you more confidence around that? I mean Asia is clearly structural growth. So I wouldn't doubt that too much. But any thoughts on that life and retirement business?

And last one is in your OCG GBP 7.5 billion number, can you give us some guidance as to what you're assuming for SCR change? Are you assuming a release or addition because of growth? Any numbers around that would be great.

A - Maurice Ewen Tulloch {BIO 17683736 <GO>}

Great. Thanks, Ashik. We'll start. Jason will take the first question on cash. I'll then take the growth. And that'll give you then time to get ready for the OCG, which you can take as well so...

A - Jason Michael Windsor {BIO 17967688 <GO>}

Well I'm actually going to start with the OCG one, which is -- that's where it all starts from in terms of the cash flow, is the building block of the future cash flows is the capital generated within the business.

We are seeking to reduce capital deployed hugely in the organization. So the SCR is ticking up but slowly. In 2018, we had a big release from SCR, you might remember, within the OCG. But going forward, it's a more normalized level. The new business strain, which is sort of one way of thinking about it, is not going to change hugely, was around GBP 200 million to GBP 300 million a year looking forward.

The -- your first question around the cash flow targets are all built off the total OCG. So we've got -- that produces the cash remittances at the divisional level that we set out. What I've tried to do is give you the confidence at a BU level where the return's coming from so you can work through the return, the capital that is required and how the remittances flow up. And you can build your own linear model as to where all those cash flows come. And that more than covers the dividend and the debt reduction plan, including in various stress scenarios, which is why I set out the stress play so you could see the strength of the company through different times.

A - Maurice Ewen Tulloch {BIO 17683736 <GO>}

Ashik, let me talk about growth. So first of all, I agree with the underlying sentiment. I think if you take Aviva over the last decade, we've not demonstrated growth. For any business to be viable, you do have to grow your revenues and your customers. And we're setting out some pretty aggressive plans today. And I'm really confident. And let me give you a few examples of why I'm confident.

So I'll start with, you mentioned first, the General Insurance business. Our General Insurance business, actually, since Warsaw, our last sort of major Capital Markets Day has actually grown by 25%. And I realize about 7 or 8 points of that was the inorganic deal with the Royal Bank of Canada. But we have actually demonstrated growth there.

And if I look at that business, we're seeing strong growth in the speed market, both in the U.K., France and Canada. We're starting to see growth in our personalized business, particularly in the Canadian market, where we're seeing hardening prices and better margins. I mean the Quotemehappy story is a great example.

If I move to our new business and our new division in terms of savings, investment and retirement, I mean, what gives me confidence in the GBP 20 billion net flows per annum is you just have to look at what's happening currently in the workplace and those 3.5 million customers, we're also winning new workplace mandates. We've kind of gone from nowhere to somewhere in terms of IFAs and moving up the league table. I think when the final numbers come out this year, we may have the second strongest flows from the IFA market.

I think the underpinning in Aviva Investors and turning around the investment performance, I want to say, about 70% of our funds are now in the top quartile over a 5-year period. And we've seen that translate into decent third-party flows.

If you take our biggest business here in the U.K., our UK Life business, we're still seeing strong demand for our products. And we're actually guiding that our new business, even if flat, would generate increasing cash flows over the next 10 years.

So for me, in creating this team is incredibly important that Aviva was done squeezing the lemon, we've got to be a business that's viable and grow because that ultimately underpins future value down the road. So I am confident in the growth targets.

A - Christopher Esson {BIO 16208369 <GO>}

Andrew Crean, please.

Q - Andrew John Crean {BIO 16513202 <GO>}

It's Andrew Crean. (Autonomous). 2 questions. I'm just coming back to Ashik's question. The slide on the progressive dividend going out to 2022. From what I can see from the slide, the closing cash is about GBP 2 billion. But I think that's before the GBP 1.6 billion investment and the reduction in debt of GBP 1.5 billion. So that doesn't look as though it's developing particularly strongly.

Then secondly on the strategy, I think the Board, when it originally set out the strategic question, made the point that you had critical mass in the U.K.. But you are subscale in all your other markets. Just wonder, from a strategic point of view, how do you -- how your answer actually deals with the question of being subscale overseas?

A - Jason Michael Windsor {BIO 17967688 <GO>}

Okay. Thanks, Andrew. I can answer the first one quickly. It's net of the GBP 1.3 billion or the GBP 1.6 billion including the cost. That's already before the remittances are paid. So the capital generation, cumulative over four years, is GBP 7.5 billion. That's after that investment's all been paid within the business units. So all of the dividends are post that investment through so that you don't have to pay that again. And that amounts, in that waterfall chart, is available for dividends and debt reduction. Yes.

A - Maurice Ewen Tulloch {BIO 17683736 <GO>}

Andrew, let me talk about the -- switch to your question. I'm sure I'll get other questions that pick up various nuances. In going through this process, I think -- and I committed previously that I'd certainly leave no stone unturned and consider all options. My primary focus is absolutely on running this organization better, getting the basics right. I'd be the first one that say our delivery over the last five years is arguably disappointed on more than one occasion. I believe there's significant upside in Aviva and getting this right, focusing on the fundamentals, whether that's better pricing, whether that's enhanced distribution, whether that's getting the efficiency measures, which is why I sort of set out the cost targets in day 1. I'm setting out today a simpler strategy, a far simpler structure. I believe we've -- to Ashik's question, put forward some pretty attractive growth engines. This is from a business that arguably hasn't grown in the last five years. Fundamentally, I needed to improve the performance of business. I mean I think that's been kind of holding back. I would describe it as good performance but not good enough, particularly in markets where I believe we do have competitive advantages. And we have certainly competitive advantage, as you mentioned, here in the U.K., I think we've got a competitive advantage in our Canadian business. And certainly in parts of Europe, where we play, we're #2 in Poland, certainly. And even in our French business, in the markets and segments that we go after, we're #4. We've gone from #12 to #5 in Italy in three years. And I think if you look at some of the portfolio actions I'm taking in Asia, we were announcing today the exit of Hong Kong. But that was a non-core business. It was never going to make the sort of returns. So I'm getting the capital out of that. I've announced that I'm under strategic review, both in Indonesia and Vietnam. But I'm absolutely staying in Singapore, where we are one of the market leaders. And I believe that our distribution footprint and our partnership with Costco in China gives us a real chance to succeed. So I concur with the undertone of your question. And it's one of the things I'm focused on. I mean frankly, ultimately, it's about delivering stronger cash flows and stronger growth to sustain why investors hold Aviva, which is the dividend.

A - Christopher Esson {BIO 16208369 <GO>}

Johnny Vo, please.

Q - Johnny Vo {BIO 5509843 <GO>}

It's Johnny Vo from Goldman Sachs. Just 3 questions, if I may. Just the first question, Jason. You've provided a stress scenario. In that stress scenario, obviously, your subs would fall to a very low level. So of the central liquidity, how much of the central liquidity would be consumed to reset the subs back to a commercial level? That's the first question.

The second question is in relation to capital allocation. Obviously, UK Life is a low-return business, IS&R is a high-return business. But certainly, quantum of profit and capital generation is much higher in BPA business than it is in IS&R. So how do you make the determination of capital between the 2, despite the return profile?

And the third question is just in regards to the Asian disposal process. Obviously, there was a process. Are you closing the door now on disposal at some point in the future? Or is it completely off the table?

A - Maurice Ewen Tulloch {BIO 17683736 <GO>}

Great. Thanks, Johnny. I'll take the third question. I think Jason will take 1 and 2. I may add some color on the second one. But Jason, why don't you start with...

A - Jason Michael Windsor {BIO 17967688 <GO>}

Sure. So with the stress scenarios trying to show the group under pretty severe stress, it builds on some of the stress test work that we do with the regulators during the course of the year. (Let me say) actually, I saw some estimates in notes. And I thought, actually, let's put out some facts rather than the single stress sensitivities, which I don't think are that illuminating, as you know, single stressors don't ever occur in the market.

The BUs are all capitalized well. We maintain good capitalized. And we don't carry huge amounts of excess capital. Those levels that I set out, obviously depends what exactly happens. But we don't assume and under this scenario, that we would need to recap any of the business units.

And I made that comment that cash flow we could retain under this scenario. That would probably require us to pull down some of the group cash resources and the further debt reduction plan is that we wouldn't have the same dividends and solvency, clearly, in such a scenario. But we could continue to safely operate the group and pay the dividend. And that's really the test that we applied when we were looking at that.

On the capital allocation, we like having a balanced business, we like having a diversified business with different growth opportunities. So we're not beholden to one or the other. We also keep value and cash flow absolutely at the heart of the decision-making.

So the BPA business, myself and predecessors have been asked that question every time we were on this stand. We've continued to build our confidence in it and to get very clear in what the level of return is and how much capital we want to allocate to it. And you can see, we're announcing today, we're kind of closer to GBP 4 billion this year compared to GBP 2.5 billion last.

So we've continued to grow that business and make really good returns on it. And as you say, the quantum of capital deployed is good. We're making low-teens returns. And Andrew will all talk about that a bit more this afternoon about the shape and the attraction within that return. But we're not going to become a BPA business, we want it to be part of what we do, not what we do.

And the savings business is -- we've already got good scale in it. But we can continue to grow that, frankly. And as much as we can, making -- it's really constrained by expense and ability to actually win hearts and minds of distributors and customers. And that's what you (and the Lindsey) and the new initiative will be is to try and expand that business.

A - Maurice Ewen Tulloch {BIO 17683736 <GO>}

Johnny, the thing for me on capital allocation, we've had frameworks in the past. This is more than frameworks, this is about a culture. And it kind of starts with really 2 things. One, about accountability. So anyone at Aviva that asked for capital for a project, guess what, it forms part of their bonus. It's amazing just putting that out there, how they ask change. We've never seen a bad return on investment business case before.

It also is about the commercial rigor. So we have a framework. We had frameworks in the past. This is all about a massive cultural change in terms of capital allocation. It's a scarce commodity. I don't want to starve the business. But I want to make sure we get the right balance.

In terms of the Asian process, as I alluded to in August, we set out a strategic review. I was pretty candid at the time. I know people love to think that's code for sale. I think I said, on several occasions, we may look to do more with joint venture partners. So we may look to invest, we may look to sell.

There was a sale process that was part of that. We did receive numerous expressions of interest. And as it relates to our jewel in the crown there, quite frankly, those were nowhere near the value that would accrete to Aviva in keeping it. So we made a decision, a decision to stay with Singapore. I'm delighted by that, given the circumstances. We've always liked the Chinese business in terms of one of the biggest markets in the world. And we've got a strong footprint. We actually control our management team, which many people don't and probably one of the best partners.

I think what's really important, as right now, sort of clear up things that we're never going to move the needle, quite frankly, things that were actually both using cash and capital. It takes the entire region. And we'll turn it into a net generator of cash. I think people that don't know much about our Singapore business will be pleased when they see (Nish) presentation tomorrow in terms of what he's done strategically in that market and what that sets forth.

And I'm now moving forward to run these businesses better. It's an important part of the group. So that's the conclusion.

A - Christopher Esson {BIO 16208369 <GO>}

Can we have a question from Abid Hussain, please.

Q - Abid Hussain {BIO 20229932 <GO>}

I've got 3 questions, please. Firstly, on the cash proficiencies. Am I right in thinking there's been a downgrade since your June Investor Day on the quantum of the cash remittances? So I think you're targeting GBP 8.5 billion to GBP 9 billion over a 4-year period. But I think you previously said something like GBP 7.9 billion over a 3-year period.

So it feels like, on a like-for-like basis, we're looking at a GBP 1 billion to GBP 1.5 billion downgrade in the remittances. If so, what's driving that? Could you just explain that?

My second question is on the local subs in terms of the capitalizations. How close are you -- how close are the local subs to your risk appetite in terms of solvency ratios?

Then just finally, on your international JVs. How happy are you with the JV partners, in particular, to China and India, given that neither of them are focused on financial services?

A - Maurice Ewen Tulloch {BIO 17683736 <GO>}

Okay. Thanks, Abid...

A - Jason Michael Windsor {BIO 17967688 <GO>}

So kick off on the cash?

A - Maurice Ewen Tulloch {BIO 17683736 <GO>}

Yes. We can kick off on the cash.

A - Jason Michael Windsor {BIO 17967688 <GO>}

We've established a new target for four years based on the new plans, the capital allocation and the strategies that we've set out. The 2 differences from when the comments that were made a few months ago.

One, is that we're paying the approximately GBP 300 million within the business units. I think GBP 200 million actually within the business units to achieve the expense efficiencies.

And two is France. France won't pay dividend in the second half and is unlikely to pay dividend next year, which is a segue into your second question around subsidiary level of capital. It's actually -- we are above risk appetite in each of the subsidiaries. To achieve that in some of the European markets, we've taken actions in both hedging and non-payment of dividends if you like. So we are in a position where we're comfortable from a capital perspective. But we need to improve the business and take further actions before the particularly fast-forward returns to dividend paying.

A - Maurice Ewen Tulloch {BIO 17683736 <GO>}

Local subs and risk appetite, you want to take that?

A - Jason Michael Windsor {BIO 17967688 <GO>}

Well I mentioned France. I think there's nothing to say elsewhere. All of the other businesses are properly capitalized in the way that we're happy with.

A - Maurice Ewen Tulloch {BIO 17683736 <GO>}

I mean let me talk about some of our international partners. We've got a number of partners. And I think we're very fortunate as Aviva. Royal Bank of Canada as one of our GI partners. We just extended that partnership by another four years. It's the #1 brand in the marketplace. And we see strong, from (growth point), having that partnership for years to come.

We've got a great partnership with Santander and ING in Poland. We're seeing strong growth there. Certainly here in the U.K., we partnered with 4 of the big 5 banks. UCI and UBI are strong partners in Italy. And we've seen the benefits there.

I think, on China, COFCO is a phenomenal partner. I mean COFCO is -- credibility is off the charts. It opens up access to so many things in China that other foreign insurers don't have access to. And most importantly, we control the management team.

I think the last one you mentioned was India. We've been, as I think I mentioned last time we spoke, looking to expand our partnership to get additional distribution in that attractive market.

So overall, I think Aviva is blessed with having great partnerships in our international businesses.

A - Christopher Esson {BIO 16208369 <GO>}

Oliver Steel, please.

Q - Oliver George Nigel Steel {BIO 6068696 <GO>}

Oliver Steel, Deutsche Bank. 3 questions. First is, you've separated out the management, as I can see, in the U.K. between IS&R and UK Life. Are you planning to follow that up with the separation of the legal structure and the balance sheet structure? And if so, does that mean that you could, at some stage, sell off part of the U.K. legacy business?

Second question is, can I just dig a little bit deeper into the European Life cash remittance? I mean the question may be redundant in terms of what you said in France. But it seemed to me that I think you paid something like GBP 400 million in the first half of the year from European Life. And you've always said that Poland pays out more than its profits because they have excess capital there. I'm trying to rationalize the numbers. It seems as if you're really cutting back on the non-French projection as well. Perhaps you can just give us a bit more detail on that.

Then the third question is, just so that we can try and work out what's new and what's not new, can you break down the GBP 1.3 billion of investment in the business as to what makes out -- how much of that should we have known already in our existing numbers?

A - Maurice Ewen Tulloch {BIO 17683736 <GO>}

Okay. Let me start, Oliver, with the first question. Jason can take the second. We probably both can chip in on the third.

So our new division in our investment, savings and retirement is fundamentally set around a societal (problem). And as a societal problem is helping people to save, obviously, for their retirement.

The genesis right now is all about the consumer. And when we look at Aviva, we've got effectively -- it's an existing business. It's not a new business. This is us bringing the component or constituent parts together so that Aviva can better serve the needs of customers. And whether that's their first job and those first choices on a DC fund around how they're going to save and ultimately accumulate to us, then talking about protection-type products through the life cycle of one's life or then helping them think about retirement, whether that be an annuity-type product, a modern drawdown or equity release.

So at this point, we're very much running it as a division. Lindsey Rix is the CEO reporting into UN. And the manufacturer of those products both comes from the existing Aviva Investors and the existing UK Life story.

I think it will be important. And you should expect this from us, we report on performance in all 5 divisions. Obviously, we need to get to a baseline in this newest one. And -- but at this point, legal structures remain as is.

European Life?

A - Jason Michael Windsor {BIO 17967688 <GO>}

You had a second question. I've got no appetite for restructuring the business, it wouldn't achieve very much and probably be inefficient.

And the UK Life legacy question. I think this is sort of similarly -- again, we look at the way we deploy capital and the back book, particularly in the U.K., we talked about this at the half year all the time. And we make sure that we understand where the returns are, the capital deployed. It is efficient that we manage it well. But we constantly review different options.

The European Life subsidiaries. Actually, Poland pays dividend in the first half. So there was -- I talked at the half year about phasing. There was actually quite a lot of capital came out of the European businesses in H1, which won't be repeated in H2. Partly planned, partly because of what's happened to the interest rates. So that's the position there.

The other businesses, Ireland has only really set up as a separate subsidiary in March, sort of finding its feet. But we've got good levels of capital. And as I said, needs to improve its performance.

Italy is doing fine. We paid up the GBP 200 million from the Avipop proceeds last month. And Poland continues to perform well.

A - Maurice Ewen Tulloch {BIO 17683736 <GO>}

Very well. Let me talk about the GBP 1.3 billion because it's actually -- it kind of builds on the question from Johnny. We were on a run rate of certainly around GBP 600 million a year. And if you looked how that was allocated. And I think Jason kind of alluded to it without numbers, it went really across 3 buckets. So sort of growth, fix and mandatory.

If I step back, there was far too much in fix. A lot of stuff was probably being classified as mandatory when it wasn't. But the broader conclusion, there wasn't nearly enough in growth.

So first of all, there's an emphasis to move into, certainly, into the growth bucket. I think the other thing, which comes to the rigor and the accountability. So the accountability is quite simple. If you're asking for CapEx, then it's going to form part of your bonus. That is a non-negotiable. Somehow, it was funny that you're held account for OpEx but not CapEx. So that's changed. But I think the other important thing. And this is around the allocation, actually who gets what, that goes back to the framework. That goes back to Jason's EVA chart. If you're going to compete for a scarcity, which capital is, then we need to sort of see what's the returns. We also need to know what's your track record of delivery. We've had many a pipe dream, right? I'm actually pretty thrifty at my heart. So there's not a single project that Jason and I probably won't scrutinize over about GBP 1 million.

So we're going to expect delivery.

A - Christopher Esson {BIO 16208369 <GO>}

Can you pass it to Blair Stewart, please?

Q - Blair Thomson Stewart {BIO 4191309 <GO>}

It's Blair Stewart from BOA. Oliver has asked 2 of my questions. He must have been looking over my shoulder.

I've got a couple left though. The Solvency II ROE, you talked, Jason, about that being own funds generated divided by own funds. When you say own funds generated, does that take account of movements in the SCR? And what's to stop you from just writing a lot of BPAs that generate a lot of own funds by (absorb)the SCR -- clarify that, please. And secondly, what levels of cash can we expect from the Asian businesses, please?

And I guess the third -- really an observation -- the -- to your own point, Maurice, these businesses have disappoint. And they haven't grown over the last few years. And aside from just a bit more clarity and focus and a different management team of the same businesses, what's actually going to change here? Is this just going to be another false set of promises? With all due respect.

A - Maurice Ewen Tulloch {BIO 17683736 <GO>}

Yes. No, fair enough. Thanks, Blair. Jason, why don't you take the Solvency ROE question. Maybe we can both talk about aging cash. And then I'll just talk about what's going to be different.

A - Jason Michael Windsor {BIO 17967688 <GO>}

Yes. Of course, I mean we've set up a suite of targets. So they all hang together. The Solvency II ROE, I suppose we could -- and a -- just inflate it. But we'd run out of capital. So our OCG would fall and our cash flow would fall. So it would be a very short-term strategy to inflate it. And it wouldn't work. And the way that we use EVA, that is embedded through the business that stops us making those mistakes. And we continue to produce good capital and good cash flow return. It's not one or the other, it's both. And that's how we manage the subsidiaries and the group overall.

In terms of cash from Asia, are you talking about divestment proceeds rather than dividends?

Q - Blair Thomson Stewart {BIO 4191309 <GO>}

(Dividends).

A - Jason Michael Windsor {BIO 17967688 <GO>}

Dividends. So yes, looking forward, we see Singapore paid a dividend in 2019, slightly outsized normal continues to pay, I think, a run rate might be around GBP 30 million to GBP 50 million over the period. And China is sort of -- is a healthy single-digit sum each year. But we'd expect that to grow over the period. So it's contributing. And it demonstrates they are both slightly more mature businesses than Indonesia, Vietnam and the others.

A - Maurice Ewen Tulloch {BIO 17683736 <GO>}

I mean I think the other important thing in -- on Asia. If you look forward 3 to six months. And we have pruned our presence to the 2 core markets, we also have to then rethink about our operating model and our support mechanisms in the region. So those will be accretive. Listen, I think the -- it's -- and absolutely, the right question to ask on why is it different? Why should one believe in Aviva? It's kind of why I took this job because quite frankly, I recognize the disappointment. One sense, at worst case, had been a bit of a value trap for 10 years. And certainly, over the last number of years, just when you get momentum, there tends to be a bit of a surprise. I'm focused on absolutely changing that. And I'm starting by simplifying the company, establishing these 5 new divisions, each with targets and goals. And some of these are, I think, quite challenging, quite aggressive targets. We're providing investors with extra detail and additional confidence on our dividend sustainability. I actually think that the world that we live in, that may twist and turn in the next little while, the kind of yield that we're offering is attractive, both the institutional and retail investors. We have 500,000 of them. We're guiding for GBP 8.5 billion to GBP 9 billion and being prudent. Jason's being transparent on what we're assuming out of Europe. Now this allows Aviva to grow. I think the GBP 1.3 billion will underpin growth. It will also underpin the kind of investment that we need to make. And we're also going to -- we're guiding that we're going to reduce our debt.

And my ambition and make no mistakes, is to grow the organization. I have a simpler company, I have clear targets. I have a new management team. They're not all here yet. Frankly, you're never going to see any one of us not speak with honest candor, we're going to be far more transparent both in signaling our actions and how we measure ourselves against them. There will be no nonsense. There'll be no false promises. And there certainly won't be any gambles on crazy ideas. I think it will take a little bit of time. But getting back to the basics and running this place better, we'll pay dividends. There's nothing wrong with being a conglomerate. There's a lot wrong with having businesses that don't perform.

So I'm going to run the place better. I think, for our investors, it's all about attractive dividend, that's paramount. And unfortunately, I start with a company that's in a good position with a strong cover ratio and strong liquidity to face whatever may come in the next 6 to 12 months.

Q - Colm Kelly {BIO 19140684 <GO>}

Colm. Colm Kelly, UBS. Firstly, on the return on equity target of 12% by 2022, the business achieved that in full year '18, albeit supported by one-off management actions. If we run forward with the guidance for management actions. And if we allow for the interest cost reduction and also the other cost reductions that are targeted, we probably won't be far away from that 12% return on equity, again, by 2022. So is that a conservative target?

Or are the targets at business unit level and the improvements you expect fully incorporated into that 12% return on equity target? That's the first question.

The second question is really on business mix. So what's very clear based on your targeted return on capital is that general insurance, non-life is a very attractive area to recycle capital into and one way of enhancing book value growth. Given the dividend and the debt reduction target and also the GBP 1.3 billion flagged for reinvestment, is there additional flexibility available to pursue opportunities to accelerate a shift into non-life or a better balance between life and the non-life business?

A - Maurice Ewen Tulloch {BIO 17683736 <GO>}

Great. Thanks, Colm. I could hear you. I couldn't see you. Where are you? Oh, you're over there. Great. Nice to see you. Listen, why don't you take the ROE. And I'll take the business mix question.

A - Jason Michael Windsor {BIO 17967688 <GO>}

Yes. You're right. I mean it's slightly awkward to be announcing a target slightly lower than your historic number. But there is a significant contribution from management actions in that number from mainly longevity. And we'll see that again in 2019. So as I said in the script, we would -- we will have a higher quality number going forward. My guidance is around 1% of the return will be in management actions and other going forward. So that's a materially lower sum than we've seen in '17, '18 and '19. In fact, around other business units being pushed to deliver better return, absolutely.

We'll go through that this afternoon, each part has cut a demanding, achievable plan but demanding plan, which is a contribution from margin improvement, from cost efficiency, from capital allocation across the piece. And we're going to continue to be demanding. And if by 2022, we're hitting the straps maybe before that, then we'll think about whether that's the right target.

A - Maurice Ewen Tulloch {BIO 17683736 <GO>}

Common business mix, I mean, I'm not coming out of a specific percentage target. I think what I have said and take those as directional things. As I said, we're -- I believe we're underweight in general insurance, vis-Ã -vis what our natural market share should be. There's a reason we've set up our investment savings and retirement division. We think there's a tremendous societal and consumer need. And we think Aviva certainly could win. So that's certainly 2 businesses that, frankly, we're going to want to grow. We also very much like the protection business.

Specifically, if the right opportunities come about. And I'm talking about organic opportunities, we, of course, have additional flexibility to make investments in partnerships or support growth. I think the other thing that's actually key, our U.K. Life business is an amazing business. I think I've described it as a cash flow machine. And I think when you see Angela's presentation this afternoon, one of the things that actually people often mistake is the new business strain is actually quite efficient there. And we need that to generate the replacement cash flows. If the other part of your question was the inorganic, I'd be quite honest on that. I think myself and the team is going to take some time to earn enough stripes before we ever consider anything like that. So we've got some tremendous opportunities right in front of us. And we're going to execute against those.

A - Christopher Esson {BIO 16208369 <GO>}

Dominic O'Mahony, please.

Q - Dominic Alexander O'Mahony

Dominic O'Mahony, Exane BNP Paribas. I'll stick to cash and capital questions for now if that's all right. So firstly, on management actions, 1.1 of the 7.5 OCG over the period is going to come from management actions. And I get that all of that is nailed on from, presumably, longevity releases in H2 '19. But going beyond that, I mean, we've all seen the CMI data, if anything, CMI '19 looks a bit worse, or it looks like it might be a bit worse than CMI '18. Why do we think the GBP 200 million a year is a reasonable number? (And going forwards), where does that come from, given that longevity may not be a major driver going forwards?

Secondly, in terms of cash management, we still have a relatively large internal loan, which I think probably funds half or a bit more of the cash balance at the center. What is your approach to that? Does that number have to come down over time, or actually, are you happy where it is? What's the governing philosophy around that? Then finally, just on the heritage life book, you've given disclosure on the capital generation from life and the in-force.

I'm just curious to know how much of the OCG of the planning period comes from that heritage life book in the U.K.?

A - Maurice Ewen Tulloch {BIO 17683736 <GO>}

Dom, I think you've basically hit a home run for the CFO, albeit, I could probably answer some of them. But I'm going to hand them over to you, Jason, on the CMI tables.

A - Jason Michael Windsor {BIO 17967688 <GO>}

Thank you. I'll start -- I'll go in reverse order. On the heritage side, we've got further disclosure we're going to make this afternoon in Angela's presentation about the capital contribution. But heritage does -- it's not that dissimilar to the IFRS amounts. So I think it's GBP 300 million pretax and then as it runs off. So the scope of that heritage is book, certainly is -- was -- is being disclosed today, is around that level.

The internal loan, we -- I think it's about GBP 1.25 billion now. So down dramatically from GBP 6 billion in 2012 when it was first established. It's a very comfortable amount within the subsidiary. We do keep a close eye on it. Having said that, to make sure that the liquidity within the sub is appropriate and is well managed. And it's in the context of that. We are paying it down slowly. And that's the plan, that it will be -- it will go in sort of 20-year time horizon. But there's no plans to accelerate that at present. As it relates to management actions, the age-old question, I guess, as to how much can we do with the balance sheet? I mean if you look backwards under any circumstances and take out longevity and at the level that I'm pointing to has been achieved across the board. The size of the balance sheet, we've got about GBP 25 billion of capital in the balance sheet. And they're all opportunities to do that. We good at managing capital and risk within the organization. And it comes from that. It comes from just being good at managing the business and finding those opportunities, pushing yourself every year to find something.

Then experience tells me that, that level is achievable.

A - Christopher Esson {BIO 16208369 <GO>}

Jon Hocking, please.

Q - Jonathan Michael Hocking

Jon Hocking, Morgan Stanley. I've got 3 questions on GI, if I may. The GI targets, the expense ratio reduction that you've got penciled in, is that purely because of the top line ambition? Or is there actually specific expense initiatives going on in GI? That's the first question. Secondly, what rates have you baked in to the top line, is it going to be a 20% growth, have you got any sort of rate acceleration in that number? And just finally, by geography, can you give us some idea of where some of that top line growth is like to come from?

A - Maurice Ewen Tulloch {BIO 17683736 <GO>}

Sure. Thanks, John. I'll take a step, I think I'd be pretty close. But I've got -- we may want to get the mic for Colm on some of the specific geographies. I think, firstly, on the expense targets. So we started off with, certainly, our general insurance business, which is about 30% of the group, having a reasonable allocation of the GBP 300 million net of inflation. So there's a part of that. I think we also, as we indicated, we moved the digital business in, which was at about GBP 100 million of costs associated with it, certainly some incredibly valuable componentry, componentry that we want to take out -- all of Aviva customers, not just our direct customers. But I did flag at that time that it wasn't as efficient as it should be. So there's part of that. Those are probably the 2 big drivers. I'm sure Colm and the team are also looking to drive efficiency. The one thing that's noted on my slide. And he'll pick up this afternoon, in personal lines, this is now commoditized insurance. And if you're not efficient, you're not in the game.

I mean our expense ratio and Quotemehappy is at 5%. Our expense ratio, I believe, in our personal lines business outside of that is 13%. And that 8 points translates into huge savings to customers. There's a reason we've gone from 0 to 1.4 million customers. Listen, rather than me give probably plus or minus 10% on rate momentum in both Canada, the U.K. and France, I think Colm, you've now got the mic. So why don't you tackle that.

A - Colm J. Holmes {BIO 18456463 <GO>}

And you're absolutely correct, by the way, on the numbers, it's 13% is the cost base in personal lines. And the short answer is it's absolutely about cutting expense. So this is not about grow the top line to improve ratios. So we're taking 2 points out based on where it is today. And we have the initiatives in place already. So that actually -- and I've given away some of what you're going to hear this afternoon. That equates to about a 20% reduction in the expense base of our personal lines business by removing duplication and overlap within the business and automating our activities.

It also includes an SME. And I'll talk this afternoon about some of the initiatives we put in place to take a low-level renewal and underwriting of small commercial business. So these are absolute expense targets that actually do contribute to GBP 300 million. And so the 2% is actually a prudent number. And it's not based on top line growth. With regards to rate, I mean, we don't look at underwriting performance on the basis of just (add) rate. So I tend to talk about rate as a per man solution to an underwriting problem. Because what we need to look at is the mix of the business, the matter indemnity spend we have. And yes, we need to match rate with inflation. So inflation, which we've known in the U.K. and motor and home, has been running ahead of what expectations are in the market. The rate we're actually applying is above the rate of inflation that was needed because the margin on our business has been dwindling over the last couple of years. So there is additional rate going in above inflation. But it's not a rate story, it's a mix optimization story. It's an indemnity story. It's an expense reduction story. And it's a channel choice story from Aviva as to where we actually going to look to generate our new business from.

A - Christopher Esson {BIO 16208369 <GO>}

Thanks, Colm.

Q - Unidentified Participant

I'm Tom (inaudible) from Barclays. Just a couple of questions from me, well, 3 actually. On the stress test side that you gave us, can you give some more detail on the downgrade assumption that goes into that credits? What kind of proportion of book, fallen angels, that kind of thing? Or is it a rerun of a prior stresstest.com bubble, for example, on bulks, is GBP 4 billion going to be the new kind of run rate? And if so, what's changed in your ability to produce direct investments because from memory, you had about GBP 2 billion in 2017. And that wasn't perfectly matched after you did them. Then the last one on -- I think you mentioned Singapore and China as your crown jewel. Historically, people would have thought that was Canada. And I wonder if now it's Singapore and China?

A - Maurice Ewen Tulloch {BIO 17683736 <GO>}

Let me take the third one first. The context was our crown jewels in the Asian region. And they're great businesses. But yes, I wasn't sorting them up quite there. Albeit, I think they're fabulous business. Jason, why don't you take the first -- we probably can both take the second (boring) yourself with the stress test scenario.

A - Jason Michael Windsor {BIO 17967688 <GO>}

There is a downgrade assumption in it. Let me check it over lunch. And I'll catch you and tell you exactly what it is. But I think it's about 20% of the bonds get downgraded by a whole category. But I'll come back on that one if I may. I think on bulks -- I was in the U.K. Life business, as you all know, for the last 3.5 years. What we were doing was backing both the new business but also re-risking the back book. When we bought Friends Life, it had about GBP 13 billion of very conservatively invested annuities. And it was mainly in gilts and corporate bonds.

So our excess origination was being applied to the back book, we don't quite finish that. But we were a long way down that path now to move to a more optimized balance sheet overall. It's a long way of saying that our origination capability within the real asset world can easily support GBP 4 billion of production based on our asset allocation choices and more. So GBP 4 billion roughly where we'll hit this year. We might be able to push that up a little bit further as we seek to grow the business in due course.

A - Maurice Ewen Tulloch {BIO 17683736 <GO>}

I think the important point. And you may have seen it come out about a month ago. Obviously, we did the first tranche on our own pension plan. And that was 1.5 or 1.7. 1.7. That's obviously a decision that trustees make. But that is a fairly large block.

So I think one should expect that there's a sustainable flow. I think you'll also see this afternoon in WellSuite, we've guided previously, Angela will give criteria on how we think about hurdle rates with respect to IRR and also how we think about the cash flow signature in terms of cash actually coming back from BPA-type transaction. So stay tuned, you're going to get more of that this afternoon.

A - Christopher Esson {BIO 16208369 <GO>}

Any final questions?

A - Maurice Ewen Tulloch {BIO 17683736 <GO>}

Yes, Andrew.

A - Christopher Esson {BIO 16208369 <GO>}

Andrew?

Q - Andrew John Crean {BIO 16513202 <GO>}

A quick one. You gave, I think, your ambition on UK Life in the savings and investment business to be a 9.5% return on capital. Presumably, the savings in the investment business is actually a very capital-light business. So what's the return on capital target for the UK Life? And is that actually above your cost of capital hurdle? Because I suspect it's probably at 7% or 8%.

A - Jason Michael Windsor {BIO 17967688 <GO>}

I mean we kept it together because they actually -- it is all run together. Currently, Aviva Investors within that, you're right, has a materially higher return on capital as you might expect for an asset management business. We've not established a separate target. The returns within UK Life, of course, are 2 components. There's the return on new business, where we're hitting kind of low teens on average across the board. That doesn't always manifest itself in return on capital in any particular year. But across the board, that's the level of return that we've got.

On the back book, that's a significant part of that return. Angela will go through how that capital generation turns into cash flow during the course of the period. But we do hit. And we are making a healthy return on capital within that. But it could be better and if we can seek to do -- take actions, expense efficiency or other actions to improve that in due course.

A - Christopher Esson {BIO 16208369 <GO>}

Okay. Thanks very much, everyone. We'll take a break there. We will have a lunch break now. And we'll open the doors and look to be starting again around 1:15 p.m. Thank you.

(Break)

+++presentation

Good afternoon. These afternoon sessions are going to have presentations from each of the 5 business unit leaders. We'll kick this off with our new division: investments, Savings and Retirement. So I'll ask Euan Munro to come to the stage.

A - Euan George Munro {BIO 2307409 <GO>}

Thanks, Chris. I'm actually quite impressed. We were almost running a book on how many would leave at the interval. And most of you have turned up. So thank you for doing so.

Good afternoon. I'm delighted to be announcing the creation of a new Aviva business segment called investments, Savings and Retirement, which I'm excited to lead. This business has been formed from 2 parts of the wider Aviva Group: the global asset management business, Aviva Investors and the U.K. savings and retirement business that resides within UK Life. Our workplace and adviser business already serve over 3.5 million customers and combining that reach with Aviva Investors' investment strengths, we believe, gives us an enviable position. Together, they can propel Aviva to a leadership position in U.K. savings and retirement. And that's exactly what we're going to do.

Our goal is to lead this market by size, by proposition quality and by client experience. By 2022, we are targeting net flow into our platforms in U.K. savings and retirement of GBP 10 billion and net flow of GBP 10 billion from third parties into Aviva Investors. So 10 and 10, hopefully, suitably memorable. I'm confident of meeting these objectives. And when we do, the new structure will become a really relevant capital-light growth engine for Aviva.

Aviva has built a modern savings platform business in the U.K., which benefits from wide distribution reach. Our workplace savings business holds full possession. Our adviser platform's in the top 10 from, really, nowhere five years ago. And we have outsized positive net flows. So our ranking is improving rapidly.

In our savings and retirement proposition to U.K. customers, we have an ability that pure-play asset managers cannot match. We have access to the U.K. insurance balance sheet.

This means U.K. savings and retirement can offer standout propositions, including elements of equity release and utilization and fund smoothing.

In Aviva Investors, we now have well-resourced and well-regarded asset management capabilities. We're delivering strong performance across most asset classes, including growth areas such as real assets and ESG. I believe it to be the match of any other fund manager when it comes to fund solutions.

So we have all of the necessary investment and distribution capability and the technology platform necessary to deliver a fantastic customer experience. And this is what we believe will propel us to become the U.K.'s leading savings and retirement solution provider as well as being a successful global asset manager.

We've actually been building to this point for about five years. The U.K. savings and retirement business has invested in modern, scalable technology and use their digital expertise to improve engagement. And crucially, we've also added an advisory capability of our own.

And I am personally proud of how we've transformed Aviva Investors. The new leadership team has built out risk and compliance, real assets, multi-assets, distribution and, most recently, equity management. We've improved long-term investment performance. And this year, we'll be back on track growing third-party assets under management.

We've already capitalized on the symbiotic relationship between UK Life and Aviva Investors. Angela's business needs real assets. And we have built an origination engine to provide them. It's been so successful, it's now one of our leading sources of third-party assets.

However, I want to be clear, we have punched below our weight in delivering our own products on our own platforms. And under the new structure, I'm determined that this is going to change. Put simply, we're going to get paid not just for the platform but for the solutions. And this will deliver a better experience for our customers and better margins for Aviva.

The central insight behind the U.K. savings and retirement proposition is that we are uniquely positioned to help customers from accumulation through to retirement. And this is a journey that's shown on my slide here. In the U.K., the top 1% own almost 25% of the financial assets. And the most wealthy are already very well served by advisers. And we, in turn, serve those advisers. And they're served by platforms that are rich in investment content. But the needs of the 99%, if you like, are not well met. Many are unadvised. And they're expected to navigate this complex journey alone. We think that's bad for society and individuals. And it's a space that Aviva will fill.

So my vision is that we'll be the wealth manager to those of ordinary means, the wealth manager to the 99%. And these households need different things. We know them. We understand them. Our brand resonates with them. For example, few of the most wealthy will need to tap into the equity in their homes in order to navigate retirement. But many of the 99% will have to do that. And we can help with that. The 99% will need access to rich and diversified fund solutions as well that won't let them down when quantitative easing and low interest rates end. And we can help with that. And with so much responsibility for retirement planning lying with the individual, they need the tools to make the right decisions. And guess what, we can help with that, too.

So from the moment our customers auto-enroll in their first pension to the moment they need to start thinking about their inheritance and how much they're going to leave behind, my commitment is Aviva will be with them every step of that journey.

So how are we going to build a high-quality, sizable and profitable savings and investment business? Well first, we're going to do it -- and this is fairly obvious. But we're going to do it by growing the assets under administration on the savings platform business, something we were doing really well for a while. Second, we're going to do it by continuing to grow assets under management in the asset management business. And third, as a unified business, we're going to maximize the overlap between the 2 and create a financial home for the mass market in the U.K.

I'm now going to explore in more detail these 3 different routes to growth. Firstly, in the U.K. savings and retirement. This business is led by Lindsey Rix, an outstanding executive who's passionate about delivering the best customer experience. And she is sitting there on the front row beside Patrick. And I'm sure under her leadership, we will continue to grow. But first, let's be clear about the size of the opportunity that we have today. In workplace, we serve, as I've said, 3.5 million customers. We're trusted by 26,000 pension schemes. 5,000 of them have over 250 employers -- employees. We hold the #1 position in the U.K. This is a distribution powerhouse with huge potential to sell higher value propositions.

Turning to advisers. We are top 2. But we are #2 in net flow. So we're improving rapidly. And this has been achieved without any great savings and investment emphasis in our marketing messaging. And this is going to change.

We actually also offer a unique mix of componentry to help us win. For example, we are #1 in individual annuities and #2 in equity release. And we've got exceptional tNPS scores: 53.7, 71.6, respectively, for those 2 areas. We already have 200,000 equity release customers. And this is a growing market, 30% over the last five years. And it supports this key need to release equity from their homes and in many cases, an essential part of the retirement journey. Similarly, while the individual annuity market's been flat in recent years, we believe that the ability to provide a guaranteed level of income both continue to form an important part of retirement planning.

Now we have all of the pieces in one place, you'll see us push the message that Aviva is a true investments, Savings and Retirement brand. But our customers won't just hear about how good we are, they'll experience it. For example, we've just recently launched a product to assist customers with pension tracing consolidation. One of the problems is pension funds are scattered around, that people can't get a sensible picture. We can help them do that. You can expect to hear more about hybrid propositions forged between

Aviva Investors and UK Life, such as the new Smooth Managed Fund. With greater brand awareness and better proposition, we can expand our market share at better margins in this growing market.

Turning to Aviva Investors. What we're announcing today will provide a push to Aviva Investors' ambitions as a global asset management business. From an essentially captive business five years ago, we've made significant progress. The business now has fresh leadership, a world-class risk and control environment, strong distribution, deep asset class capabilities. And ESG is fully integrated into our investment processes. As many of you know, ESG has gone from a nice-to-have to a deal breaker. And I'm proud, when it comes to sustainability, we are at the head of the pack. Just last week, ShareAction recognized us as a top-3 manager for our record -- our long-term record and voting on environmental issues.

And crucially, our performance is back on track, with 70% of our funds beating benchmark over five years. We're attracting the recognition of the gatekeepers to our industry. We now have over 50 positive consultant ratings compared to pretty much 0 five years ago. As many of you will know, these ratings lead to asset flow. And we're seeing this turn sharply in the second half.

The real asset business, a result of our collaboration with UK Life, has been critical in helping us diversify away from the AIMS range of funds. We now have a very diverse book of third-party business and an even more diverse pipeline, real assets and U.S. credit being our standout growth engines at the moment.

Of course, Aviva Investors is founded on running assets for other Aviva Group companies. This will remain a critically important part of my business. This year, for example, we've had exciting success designing and distributing ESG funds with Patrick's team in Aviva France. However, in recent years, we have experienced asset runoff from the mature part of UK Life. What I'm announcing today will reverse its flow as we win new assets from the new savings front book.

Here, I've set out my key priorities of activity and my priorities for the business. In the corporate market, we will continue to grow both our institutional third-party asset management business and the workplace pension business, however though, with deeper integration between the 2 because we will be positioning our own fund solutions with U.K. corporates. We'll be outspoken advocates of high-quality active asset management and ESG. And we'll be much more proposition-led and less administration-led in our messaging.

We've recently, for example, launched the Stewardship lifestyle strategy, an ESG solution to our workplace platform as one of our default options. We know that this is an area where most employers are keen to show their workforce that they're taking environmental issues more seriously. Where we're confident around customer benefits, we will promote our own solutions with more conviction. As far as customer acquisition is concerned, we'll have the group brand marketing support positioning Aviva as the savings, investment and retirement provider, with sustainability at the heart of our values.

The workplace pension business as well as being attractive in its own right gives us access to individual savers by the millions. This is an important route to introduce these retail customers to the broader Aviva offer. Not having to sign them up one by one is a great advantage for us against challenger asset managers for whom customer acquisition is proving to be a very long and very expensive slog.

So should we be measured? Our plans for this business are ambitious: 10 and 10. We expect flows on the platform and third-party flows of Aviva Investors to be GBP 10 billion or more by 2022. It's worth noting that we have substantially completed their capability build of Aviva Investors, which from now on has considerable operational leverage as we grow assets. This year, we incurred a full year of costs associated with the last of our capability building projects. We built out our equity team. And this weighed on us in a year when our perimeter changed, we sold our real estate business last year, we saw a drop in origination fees on account of lesser bulk annuity writing and of course, lower performance fees and some outflows on account of previously weak investment performance.

However, third-party asset growth has turned around in the second half of this year on the back of our rapid performance improvement. In fact, the annualized rate of net third-party asset growth in the second half could be around GBP 5 billion, which would make that chart look considerably better. And it makes me bullish about achieving the target by 2022. In the U.K. savings and retirement business, the investments we are making to improve our customer experience and the propositions we offer -- that we offer them, it means that we are confident about hitting this objective too. And this spring, we'll set out profit targets for this new business segment. But you should expect to see margin improvement as we grow the assets.

So to complete the vision, investments, Savings and Retirement will operate as a capital-light and efficient growth business. We'll promote our high-quality solutions to our 26,000 pension plans and 3.5 million customers under advisers. We believe the external environment is conducive. We believe Aviva has the capabilities to make this work. And crucially, we already have momentum.

As we implement our plans, Aviva will become the leading provider of mass market savings and retirement solutions in the U.K. and the owner of a strong international asset management brand, serving third parties and global Aviva insurance businesses. I think it's an exciting future. I hope you agree.

I'm going to pass on to Angela now, who's going to secure the dividend.

A - Angela Darlington {BIO 19117558 <GO>}

Thanks, Euan. And hello, everyone. I'm Angela Darlington, the CEO of our UK Life business. I've worked for Aviva for 18 years, many of those in the UK Life business. And more recently, I was the group CRO before moving back to UK Life in April this year.

UK Life is a fantastic business which I'm incredibly proud to be leading. Importantly, it has a central role to play in Aviva's success. My clear objective for this business is to deliver dependable growth in long-term cash flows. Achieving these means having clear targets for our people and a clear customer purpose. We are experts on what we do. But we're absolutely at our best when we combine that expertise with empathy. And I think that's what sets us apart.

It's one thing saying it. I want to show an example of what it means for our customers. This is what a customer who had a severe cancer diagnosis and swift treatment as a result of having a health policy said about us: "I was told that although my kind of cancer is not curable, at least I was now in remission. The consultants are pleased with my progress and tell me that my positive attitude has helped my recovery so far. I tell them that having Aviva to back me up has been and is continuing to be a great boost to my morale. Of course, there's the cost via my monthly payment to you. On the face of it, it's a lot. But the benefit of having a policy with Aviva is proving to be a lifesaver, quite literally. One other thing, each time I go to the hospital and confirm that I still have my policy with Aviva, the receptionist invariably tells me that I'm lucky that my claim is dealt with so calmly and efficiently by you. So I sing your praises and will continue to do so as long as you and I are in this beneficial partnership. Thank you, Aviva, from the bottom of my heart."

That is us at our best. That's why I do what I do, is why our people do what they do. And that's why our customers have been giving us great Net Promoter Scores and why we've been recognized with so many awards.

So what are my key messages today? We have leading scale across the UK Life with an enviable customer base of over 7 million, good brand recognition, strong core product franchises and an excellent distribution footprint. Importantly, I'm also convinced that we have the skills and capabilities to continue to win in these markets. And whilst we undoubtedly already have some strong positions in some mature parts of the market, we also have excellent growth engines in annuities and equity release. And we haven't optimized them yet. So there is good room for value creation through careful capital allocation in addition to minimizing complexity in our heritage book.

Our target is clear: to maintain a Solvency II return on capital of 9.5%. As Jason said earlier, the BU target return figures are unlevered and therefore, lower than the group targets. We will also provide the vast majority of the U.K. cash remittances to group at GBP 4.25 billion to GBP 4.75 billion over 2019 to 2022 in addition to the GBP 500 million special dividend in 2019. This is a business which has the capacity to deliver dependable growth and long-term cash flows.

So what exactly is UK Life? UK Life is the traditional life insurance business of Aviva. We have top-3 franchises in individual protection, group protection and health, a disciplined and growing bulk purchase annuity business, manufacturing for our individual annuity and equity release businesses and a substantial heritage business with over 2 million customers. You can see from these charts that we are a strong contributor to the group.

In the past two years, we've contributed heavily to OCG and group center cash with GBP 1.8 billion of OCG and GBP 2.2 billion in cash remittances to center. And in 2018, we contributed very nearly half of the group's operating profit.

But that's all in the past. And Maurice said this morning, "Today is about what we will deliver." So I want to share with you a future projection before going on to talk about the fantastic Aviva franchises which support our growth ambitions.

This slide shows our expected trajectory in OCG from 2018 to 2028. The projection is taking a prudent view of our 10-year outlook. New business but every year is assumed to be the same as our 2019 outlook and is UK Life only, excluding any capital generation from the investments, savings and retirement business. We are, of course, aiming to beat 2019's new business going forward. This is simply a useful illustration. The graph does show the level of OCG coming down markedly this year from the historically high levels over the last few years, where one-offs and significant releases in areas such as longevity were dominant. But this is not a surprise. We all knew it was coming. And it's in our plans.

We are now entering a more normal period for the business. We have a lower base. But we also have a clear, solid plan for growth. I'll take you through the component parts of this projection step by step. Let's start with our existing business. As you can see, there's quite a stock of value here, totaling GBP 5 billion over the next 10 years. The OCG runs off at 6% per annum over this period. But you can see that remains value in the book even 10 years from now. This projection is based on our current assumptions. But we have plans to improve these, particularly our retention levels. We've also built in planned expense reductions as they are necessary to ensure a slow, steady runoff of this book managed efficiently.

So how will we fill in the gap as this business declines with new business? In this graph, we're assuming GBP 100 million per annum capital usage for new business. This simply assumes that we'll write similar business to that we're on target to write in 2019. I should say that we are not constrained to this GBP 100 million of capital usage. It has been a product of our careful risk selection and capital efficiency in 2019. In future, if we can source additional business which meets our required financial returns, we would be quite content to invest more capital, provided it doesn't lead to an unbalanced portfolio.

Over time, that new business starts to generate sufficient OCG to more than compensate for the runoff of the back book. Fundamentally, this capital generation is a function of the discipline we are applying and will continue to apply when we're allocating our capital. In particular, for the annuity business, which is where most of the capital is being invested, we are achieving a payback of 4 to six years and unlevered returns in the low teens.

And finally, we've added an allowance for one-offs and management actions, which Jason referred to earlier. (From) this extensive time frame, it's hard for me to say exactly what they will be. But we are already working some into our business. Also, it's worth noting that if you exclude the Friends Part VII and longevity impacts, we brought through GBP 200 million of management actions in 2017 and 2018.

So as you can see, we have a clear path for delivering OCG growth. And it's my belief that this sample projection is cautious. There is exciting opportunity in this business. And I'm confident we have even better performance than is in the bag to come. And we'll do this all while generating cost savings.

We've embedded our share of the GBP 300 million cost-saving target into our projections, which brings the unit cost down from its 2018 level of 43 basis points to a target of 40 basis points. These expense savings have to come from a variety of areas. A decent part comes from reducing the amount of change spend, which we are already well underway with, with our planned change spend for 2020 already down by GBP 20 million compared to 2019. Longer term, savings will be achieved from a combination of the closure of long-standing projects and the benefits from efficiency improvements generated by the investments we've made over the last few years.

Moving on to our balance sheet. Jason has spoken earlier about the sensitivities of our balance sheet to market risks. You can see from the annuity cash flow matching profile that we have a well-matched portfolio. And so I do not expect interest rate movements to be a material concern for the UK Life business.

We share this information about our portfolio regularly. But you can see that our credit portfolio remains well diversified. 88% of our corporate bond portfolio is investment grade, 99% if you include our internally rated assets. And we have maintained our discipline on our mortgage and equity release books. For example, our commercial mortgage portfolio, the average LTVs are 56%. And interest service cover is 2.75x. And our interest service cover is more than -- is twice what it was as we entered the financial crisis in 2008.

In addition to maintaining asset quality, we've put up provisions for the risk of property market falls in case of Brexit, amounting to GBP 400 million. This is equivalent to an immediate fall in property prices of 12% to 14%.

So overall, we're comfortable with where our investment portfolio sits. But we're not complacent. And just as you would expect, we actively keep an eye on any risks emerging in the credit market.

I thought it would also be good to provide some more color on another key area, longevity. Like many of our peers, the U.K. Life results have benefited materially in recent years from longevity. In the last two years, we've seen around 700 million releases each year. The figure is likely to be smaller this year but will nonetheless be a significant contribution to the GBP 300 million to (GBP) 400 million management actions, which Jason mentioned earlier. However, more significant this year is the noticeable change in the trend in longevity. We saw far fewer debts over the last winter than we have for many a winter, which you can see from the uptick in the blue line on the chart on the right. Of course, our business is impacted by more than one year as we bring actual longevity experience into our basis over several years. If you look at the chart again, our reserving sits between the solid line and the dotted line. So we will see a significant release this year but based on this year's experience, we are signaling an expectation of lower releases to come from 2020.

Coming back to our businesses. My confidence in delivering growth comes from our great product franchises. Firstly, our individual annuity and equity release businesses. We are already operating in this space from a position of strength. Euan talked about how we expect both of these products to be important for our customers in their retirement and how we will further strengthen our market position. I would just say that as a manufacturer of these products, we will focus on maintaining high-quality, credit and longevity management. And increasingly, allocating capital and our structuring expertise very actively across these lines of business and/or purchase annuities.

So let me move on to BPA. We built our franchise in BPA in a disciplined fashion. And we've been doing this very successfully. We are a scale player in this market already, having executed over 500 transactions since entering the market in 2006. And we continue to show financial discipline in the transactions that we complete. To be clear, we do not want our book to be dominated by BPA business. So we've been growing while trading within capital, credit and longevity limits across the book. And our objective for the next few years is to carry on in a similar vein. As you would have seen, we completed a GBP 1.7 billion deal with the Aviva Staff Pension Scheme last month. This is likely to be the first of a series of transactions with a total liability to be transferred of around GBP 15 billion. This will form the bedrock of our BPA volumes over the next few years. But we also plan to maintain a healthy flow of open market deals. Our BPA team operates with a clear capital budget and IRR and payback thresholds. Within these limits, we believe that we can build our BPA business year-on-year, with risk and reward being carefully managed through a variety of funding and reinsurance programs and utilizing our excellent asset origination capability where we have a track record of over 20 years in both commercial mortgages and equity relief -- release. And I have absolutely no doubt that we have the team in place to go from strength to strength in the BPA market.

Moving on to our protection and health businesses. These are important and profitable Aviva businesses with great franchises. We are #2 in individual protection, third in health and #2 in group protection, although we're #1 writer of new group protection business if you want to take score on that metric.

Let me tell you more about these businesses. Individual protection is a highly competitive market. But we have some clear strengths. A track record of product innovation, the widest distribution footprint in the market and strong IFA relationships. Great customer tNPS scores of plus 53, an impressive data and analytics capability. For example, we've used Aviva's quantum data analytics faculty to develop machine learning tools to use in our underwriting processes. These are helping us to speed up customer outcomes and manage both costs and reinsurance spend. But we know that to keep winning in protection, we must continue to focus on detailed trading discipline and continually developing our products and proposition set. Earlier this year, we had seen our market share fall away a little amid intense competition. But we responded well, looking in detail our pricing and service and using agile systems development to create new propositions. As a result, we've started to recover our market share. And we're seeing good results in H2.

Our health business is a very attractive business with a great reputation and a strong tNPS score at plus 45. We're incredibly proud of having one health insurance provider of the year for the 10th year on the trot in 2019, an amazing achievement. However, this is a sector with significant competition from the top 2 players. So we have to be clever in how we run this business. For example, we have a partnership with Vitality, which enables us to use our combined scale in negotiating agreements with hospital groups. Increasingly, our focus is on bringing the group protection and health businesses together for our corporate clients. To help them improve the well-being of their employees. Simply put, better health care leads to better productivity. And I'm really happy with how that's going. Adding to the next year-end's market-leading workplace pensions business. And you have a compelling holistic proposition to help companies support their employees' financial, physical and mental wellbeing.

And last but not least, our heritage business. This is a large back book with over 2 million customers and GBP 93 billion assets under management. It provides a strong underpin to our capital and cash generation. Although the OCG is running off at 15% per annum. My main aim for this business is to build trust and advocacy in order to improve retention, either within current products or within our new savings and retirement business. Again, we've been using our quantum data analytics to focus on having the right interactions with our customers at the right time. To date, we've seen a double-digit reduction in lapse rate following increased customer engagement.

So let me sum up. We know where our strengths lie. We know where we want to grow. And importantly, we know how we are going to get there. In the near term, we have clear targets, which I'm happy to be held accountable for because I'm confident we will deliver an unlevered Solvency II return on capital of 9.5%, a special dividend in 2019 of GBP 500 million. And the vast majority of the U.K. cash remittances of GBP 4.25 billion to GBP 4.75 billion. To get there, we'll require a clear plan and financial discipline in execution. We have both. Ultimately, our growth is all about delivering our expertise with empathy. Thanks for your attention. And I will now hand over to Colm to talk about GI.

A - Colm J. Holmes {BIO 18456463 <GO>}

Thank you, Angela. I won't take it personally.

So good afternoon, everybody. Just to introduce myself, my name is Colm Holmes, the CEO of Aviva's General Insurance business. Some of you may remember me from prior roles, CEO of our Canadian business and prior to that as MD of our U.K. General Insurance business and CFO of our General Insurance business at Aviva. It's a pleasure to be here today, my first time at our Capital Markets Day speaking, to talk to you about the ambition for Aviva's global GI business. Our strategy, our key goals and how we're actually going to deliver them. Aviva GI is a GBP 9 billion portfolio that generated a core of 96% at the half year in '19. This has grown by 25% since we last spoke to you, which is at our Capital Markets Day in 2016. Recognized for our market-leading capability in digitization, innovation, service and distribution, Aviva possesses all the attributes and capabilities necessary to continue and improve on this growth and performance in the future.

Aviva has invested heavily over the past five years in digital technology, product and proposition development and the distribution advantage of the composite. These are some of the foundations upon which we are going to deliver sustainable, profitable growth in the coming years. But we also know we have work to do. We need to deal with our complexity and cost base. We need to leverage our strengths. And we need to be more focused if we were to realize the enormous potential of this business. I want to show you today the unravel strengths we have but also where we need to be better. This is a self-help story that will deliver expense reductions, higher retention, growth, improved profitability and a simpler business that can deliver that growth year-on-year without generating greater P&L volatility.

So today, we're announcing new targets for GI. These are to grow premium by 20% to GBP 10.8 billion by 2022, delivered days had a reduced COR of between 93% and 95% whilst delivering a 2% reduction in our expenses. So who are we today? Aviva participates at scale in 2 global markets: the U.K. and Canada. But we also have an attractive European business across France, Ireland, Italy and Poland. These markets help us to diversify and balance our portfolio so that today, the U.K. represents less than half of our global GI premium. In Europe, where we choose to play, we are material. In France, we have the fourth-largest tied agents network and the second biggest player in the direct market and are #4 in the agricultural sector. In Ireland, we are the #2 player with a 15% market share. Our performance since our last Capital Markets Day and our ambition for the future is based on the core set of strengths at Aviva, that our own match in the market, difficult to replicate and form the basis on which we will continue to drive profitable growth.

So what is the secret sauce that has allowed us to deliver consistently good results year-on-year and will be the platform from which we will accelerate growth going forward? But for a start, a key component has been a continuous focus on fundamentals. Just picking out a couple of these. In pricing, we introduced an ask-it-never approach to underwriting, which utilizes thousands of data points to reduce customer questions from over 100 to just 5. We have launched a simple digital online underwriting tool at Barclays this month. And this is a great blueprint for the future of integrating insurance into the banking digital ecosystems. We are continuing to expand into other markets with successful pilots in France and Canada underway. These programs, whilst in their infancy, are showing great signs of delivering on our growth. And we will accelerate this work in '20 and 2021. Our investment in indemnity management has enabled customers to start and complete their claim online, which 44% of our customers now choose to do.

More than 1/3 of our repairs now go through Aviva-owned garages, helping over 33,000 customers annually and delivering a 15% reduction in indemnity spend. I could keep going at this and tell you about our underwriting analytics tools, machine learning pricing and risk engineering initiatives. But suffice it to say that it is this focus on the fundamentals that will drive our growth, profit and mix optimization strategy going forward. But these technical advantages are not the limit of Aviva strengths. Our breadth of distribution and regional underwriting capability are clear differentiators in our core markets. Others have tried to replicate this with minimal success. Furthermore, the Aviva brand has become synonymous with relationship and service. Today, our tNPS of plus 60 for U.K. homes claims is the market leader. And Canada has the fastest-growing NPS in the group. Our broker trust score stands at 89% and 92% in personal and commercial lines, respectively. And for six years in succession, we've been voted the insurance company of the year by our broker partners. But that's consistency. And at Aviva, we put the customer at the very center of everything we do. At Aviva, customer-centric is not a heading, it's a culture. Our quality of service has driven our successes in winning long-term relationships with 4 of the 5 U.K.'s largest banks to provide their insurance needs.

I do want to quickly talk about P&L volatility as Aviva operates in a very narrow range of P&L volatility compared to our peers. It is our exposure management, line-sized focus, reinsurance program and disciplined underwriting that has allowed us to deliver a consistent, profitable growth year-on-year in a very narrow range of COR. Our market share of losses for the last 10 weather events in the U.K., including the Beast from the East, were 20% lower than our premium market share. This low volatility drives down the cost of our reinsurance. Coupled with the transactions we completed in 2000 and 2015 to remove our exposures to pre-2000 U.S. and pre-2010 U.K. legacy risks of asbestos, pollution and abuse, this gives predictability to our results. This is what allows us, our reinsurers, partners and investors to trust in our performance and in our strategy to deliver consistent profitable growth in the future. We do not have a boom-bust underwriting strategy. And we -- we'll be implementing on. Sustainable generation of operating capital and cash flows will be the key metric by which we develop our risk and exposure strategy.

Before I talk about the strategy for our key markets, I want to be clear on what our strategic priorities are. These are leading fundamentals, speed and simplicity and focused execution. This slide actually speaks for itself. We will be the best in the market at fundamentals. We will focus on speed of execution. And we will simplify our business. Where we choose to play, we will do so in a deliberate way. Financial discipline and all decisions will be a core requirement. We will hold each other to account. And there will be no excuses. The operating model that we announced in September will drive this with clear P&L accountabilities for all products and channels and only underwriting where we believe we will win. Every P&L and sub-P&L will have an owner with authority to execute. Pushing accountability down will speed up decision-making and ensure those closest to the business actually make the decisions. As well as targeting growth of 20%, we are also aiming to increase our underwriting margin by moving our targeted COR to 93% to 95% across the GI portfolio. We will drive an improvement in loss ratio through an emphasis on retention, business mix and management of indemnity spend.

We will continue to work towards a shift in business to channels where acquisition costs are lower. And we can build a relationship with our customers. Let me be clear, our targets are high margin, sustainable, profitable growth, not premium. Our work on removing duplication and overlap, simplifying the business in terms of product and IT estate and automating activities such as claims settlement and low value, high-volume underwriting will help us deliver our 2% targeted reduction in operating expense. If this feels a bit like back to basics, it's because it is.

I now want to give you some more detail on our strategic growth plans for the U.K. and Canada. And Patrick Dixneuf will go into more detail on Europe when he presents.

I'm going to start with our U.K. personal lines business. We have made significant investments in developing the necessary tools to be the #1 player in the U.K. market. However, we have not been delivering on our potential. But what we have shown is that when we focus, we can deliver. As you have heard from Maurice, one of our big success stories has been the performance of our aggregator brand Quote Me Happy. We launched QMH, along with our general accident brand on the aggregator side in 2011. Recognizing the need for a simple product delivered from a low cost environment, we built this business outside of our traditional personal lines business. As a result, as you've heard, our aggregator business runs at a cost base of 5% compared to the 13% in our traditional business, has acquired an excess of 1.4 million customers and delivered a 3-year average core of 97%. With 3 quarters of new business in motor. And 60% in home going by aggregators, it's critical that we win in this channel. And we will be targeting this channel with new propositions in 2020.

MyAviva and Aviva Plus have been rightly recognized and applauded as leading the industry for simplifying customer journeys and contributing towards a fairer market for customers. Aviva Plus has become our fastest-growing product launch ever. This will continue to be a priority in 2020 and beyond as we use the Aviva service and loyalty program to drive higher retention. We have commenced a program to reduce our personalized products at -- from circa 400 today to 40 by 2022. This focus on simplification is the basis on which we will drive a 20% reduction in our personalized cost base. Our growth targets to buy in areas where we want to grow materially, such as direct and the aggregators and where we will be more tempered, such as the broker channel. We will be deliberate and disciplined where we choose to participate and just as disciplined in excellent products and markets where we cannot see a clear route to success.

Turning to commercial. Our commercial U.K. business has been a key growth segment for us over the last 2 to three years, growing in the high single digits every year. So that today, we arrived GBP 1.6 billion of net written premium. We are already #1 player in the U.K. SME market and have a clear target and strategy to achieve a market share of 15% across our entire commercial portfolio. To deliver on this vision, we have combined our commercial business under single leadership. The benefit this brings is that we can bring together the underwriting specialization, industry segment expertise and COR customer risk management, together with our digitally advanced regional underwriting and distribution capabilities of our SME business. At SME, our automation of renewals up to 5000 has delivered a 1% higher rate than manual renewals and improved retention by 2% to 3%. We're on target to deliver a straight-through process for 50,000 policies and remove almost 68,000 hours of non-value processes in 2020.

Our corporate business has been a key engine of growth. The story here is, again, of where we focus, we win. In 2017, we rebranded the GCS, Global Corporate and Specialty, brought in proven senior leadership and moved away from siloed product line underwriting to customer and sector underwriting. We have since grown this business from 2016 to 2018 by 22% and 23% in the U.K. and Canada, respectively.

Profit has increased threefold, in part, driven by a clear strategy to drive retention, which has increased to 89%. Today, we are the largest underwriter of property owners in the U.K.. And in Canada, our surety business is the market leader. But this is just a start. We expect to continue with double-digit growth over our planned period. We also see opportunities for growth in markets such as micro insurance, a GBP 1 billion market today but one that's growing quickly and where our digital capability positions us well to be the dominant player. Markets that are underinsured, such as specialty risk in SME and markets where Aviva has not previously had sufficient clarity of focus, such as the GBP 4 billion mid-market commercial segment. Our dominant distribution position in the broker channel, service quality and underwriting and leadership capability will deliver this growth ambition and what are high-margin, high-retention segments.

Having spent the previous 18 months as the CEO of Canadian business, I'd like to give you an update on where we are with the turnaround program that was commenced in 2018. But by June of this year, we had delivered a 7% improvement year-on-year in COR, with significantly more rate to be earned in 2020 and beyond and the foundations in place to transform this business. We delivered this by exiting poor performing segments of our business, changing a number of our senior leaders, improving our pricing capabilities and investing in a clear focus on customer service whilst restructuring to ensure we had definitive end-to-end P&L accountability. In short, we got back to the discipline of underwriting. Our intent is to complete the turnaround whilst focusing on diversifying our business by product, channel and geography.

We have key initiatives underway with our partner, RBC, the most recognized financial services brand in Canada and a partnership that we extended this year by an additional five years so that it now runs to 2036. We also focus on continuing the growth in our GCS and SME businesses by concentrating on non-realty lines and adjacent markets, such as mid-market. In personal lines, our successful growth of leisure and lifestyle with a mid-90s COR will be a key initiative over the plan period as well as developing our direct and aggregator channel distribution.

So as you've heard, our strategy for growth is simple, clear and focused. We have defined where we want to maintain, grow and improve in each of our major markets. We already possess strong positions in many areas, including small commercial in the U.K. and personal retail in Canada and Ireland. We will work hard to build on our success in those markets, to deliver on our growth aspirations, we need to ensure we have clear accountability, pace and financial discipline. We are targeting growth areas where we already possess the tools to not only win but to lead in these markets. Where we need to improve, we have definitive strategies for how this will be delivered. We will be disciplined and ensure that where we cannot deliver sustainable profitable growth, we will exit those businesses.

So to conclude, I want to leave you with my 3 key priorities for Aviva's GI business. Number one, disciplined and focused growth. An ambition to not only maintain and strengthen our positions where we already lead the market but a clear strategy for growth in markets where we are underway, deliver 20% growth in GI premium and cash remittance of between GBP 2 billion and GBP 2.5 billion over the plan period. Two, low volatility, delivering higher returns, we will invest in insurance fundamentals to deliver reduced target COR of 93% to 95%, delivering a Solvency II return on capital of an excess of 14%. And three, increase profitability by driving out cost. Through the execution of simplicity and speed, we will cut our expense ratio by 2percentage points. We need to be lean if we're going to win. Thank you for listening. And I'm going to pass over to Patrick Dixneuf.

FINAL

Bloomberg Transcript

A - Patrick Dixneuf {BIO 3722915 <GO>}

Good afternoon, ladies and gentlemen. It's my privilege to present our strategy for the European businesses. In support of Aviva, that is often less discussed, less well understood. But it's worth (inaudible), we deliver 1/3 of the group operating profit and are an important part of the wider Aviva story. I'm Patrick Dixneuf. I joined Aviva in 2011. I run the Italian business for five years. And the French business since November 2016 before Maurice asked me to take on the open role in May this year. I'm now accountable for the full portfolio, including France, Poland and Lithuania, Italy, Ireland and Turkey. For clarity, as far as GI is concerned, Colm has oversight for the GI across the Aviva Group. However, as the European CEO, I will continue to be responsible for the operational delivery in the European markets with local regulatory responsibility.

Today, my aim is to provide a detailed overview of our European businesses and the direction I'm taking to deliver sustainable growth. So to my key messages. First, in Europe, we are focused where we can win and have an excellent operational track record. Second, we are actively managing through the low interest rate environment by keeping a relentless focus on insurance fundamentals, continuing to drive operating efficiency and leveraging expertise and technology from across the group. Third, consistent with the market environment, we are changing the business mix away from guaranteed savings towards index-linked products. This strategy will deliver higher cash remittances and ensure Aviva Europe will continue to make a significant contribution to group profit, OCG and cash. You can see our financial ambitions at the bottom of this slide. We'll deliver a return on capital of 9.5% in the Life business. We will deliver around GBP 1 billion in cash and maintain a mid-90s combined ratio alongside significant GI volume growth.

Over the next 20 minutes, I'll talk you through where we are today and how we will achieve our strategic ambition. I'm proud to say, the European business has a strong track record of delivery and growth. First, as you can see, revenues have grown. On the GI side, premiums have grown at a 6% CAGR driven by commercial lines in France and Ireland, offset by necessary underwriting actions on motor in both Poland and Italy. On the Life side, PVNBP has grown across all markets at an 18% CAGR with exceptionally strong growth in Italy due to the success of our hybrid savings product. But it's not just about a story of top line growth, operating profit has delivered 11% CAGR since 2016. And we also grown OCG at 8%. Here, we benefited from both underlying growth and some good decision-making, notably in France, where we agreed to use the DVA in 2017 and the transfer of our pension business to FRPS vehicle in 2018. I must be clear, going forward, we expect less one-offs and increased pressure on OCG due to the low interest rate environment. Our strategy will be to manage this impact so we continue to fulfill our strategic priorities.

Moving to France. This is Aviva's second biggest market after the U.K. We have 2.9 million customers, giving us solid positions in Life and GI. We are the #4 traditional insurer and crucially, the leader in the distribution channels we choose to compete in. France also delivers nearly GBP 510 million in operating profit and is an important contributor to group's OCG. Our ambition is to continue to grow the business whilst optimizing our mix towards a more capital-light portfolio. We aim to increase market share through further investments in distribution and develop market-leading propositions to serve customer needs. Aviva France has a strong position in distribution. We have an excellent long-standing relationship with AFER, the #1 savings association. We also own a substantial proportion of our distribution through well-known and sizable agent, broker and IFA networks.

Finally, I would just highlight the opportunities we have in France. Today, the business has a strong traditional savings base with GBP 69 billion of reserves. But what about pensions? President Macron's government has introduced significant law changes to stimulate the pension sector, also known as the PACTE law. This will open a notable opportunity for Aviva, which I'm excited about and will address in more detail later.

In Italy, we have significantly grown our Life market share, supported by the success of our hybrid products, growing from #7 three years ago to #5 today. On the GI side, we are focused on fixing our motor book and have a small GI market share. However, that is an opportunity for us to grow, leveraging group expertise and using our strong distribution. Aviva strategic partnerships with 2 large banks in Italy, UniCredit and UBI Banca. Both of these arrangements come up for renewal in the next two years. And we are working closely with our partners on how we will take these relationships forward. That said, we have a broad customer reach with over half of our new business coming from non-captive channels, mainly IFAs and agents. We have also been investing heavily in digital to support our new GI ambition in the SME sector. A big area of focus in Italy has been our highly successful hybrid products. It provides customers with a combination of attractive yields versus the market, 3.5% in 2018, stable performance and some protection riders. For Aviva, this means we can continue to fulfill customer demand while controlling our exposure to with-profits and Italian government bonds and providing a strong risk-adjusted return. This hybrid product is a blueprint for how we run the life business in Europe in the coming years.

In Poland, we have a very strong life business, #2 in the market, second only to PZU, a state-owned company. In GI, we are smaller than we would like to be but of a highly efficient business with outstanding sub-90% COR. We have already started to build out our broker distribution and develop new specialty products, putting us in a great place to grow in SME general insurance. Our main aim is to continue winning in the large markets and distribution is key to this.

We have the biggest tied agent network in Poland, with more than 1,800 agents. We're highly digital, with 400,000 customers actively using the MyAviva platform. Santander is also a key partner for us and a growth driver for our Polish business. We have had great success selling protection products linked to lending. This success will continue as we further penetrate Santander's growing customer base. When assessing Poland, though, it's important to understand the key market trend. The Polish Life market has declined over the last few years, shrinking at a minus 8% CAGR since 2012. This is because insurers pulled back from single premium investment products and move towards protection. Although Aviva was impacted by this, our flagship unit-linked savings and protection product helped us beat the market and maintain our #2 spot while at the same time, increasing efficiency.

In Ireland, we have a strong position. We are #2 in GI. And with the successful integration of Friends First, we are #4 in Life. We also have a great brand in Ireland and are the most trusted financial services company helped by our sponsorship of the national football and rugby stadium. When you get to taxi in Dublin, you can simply say, take me to the Aviva. That fantastic level of brand recognition supports our distribution with both intermediaries and our direct business. Of course, a key focus for us has been the integration of Friends First. I'm pleased to report today, it is now substantially complete. And now our focus is on realizing further efficiency benefits while launching new products, combining accumulation and protection features.

In Turkey, our partnership with Sabanci continues to be successful. And I strongly believe that Turkey remains an attractive place to do business. It will have its ups and downs as do all emerging markets. But we have an exceptionally strong partner and some excellent products. We are #1 in the market for copper and pensions and #3 private auto-enrollment provider. We have seen a significant uptick in the customer numbers currently, 2.4 million. And our focus on digital solutions will support the ongoing growth.

Now one of the questions I am most frequently asked is how do we manage low rates? It's a fair question. And for me, a strategic priority. Why? Because in Europe, many savings products offer guaranties. That, of course, puts pressure on our returns under current market conditions. But there are 4 factors, which gives us confidence: first, all new with-profit contracts are at a 0% minimum guarantee. And we are only selling them in France and in Italy; second, looking at our Europe in force book, guaranties represents about 64% of our reserves, however, the average guarantee is less than 1% on average and is reducing fast; third, our risk profit business has a substantial buffer between guaranties and phone yields, 200 bps in France and almost 300 bps in Italy; finally, we have also protected our balance sheet with hedging actions, optimized asset mix and continue to review our ALM strategy on an ongoing basis. So we are not complacent about savings. Neither are we complacent about the life more generally. But we are committed to shift our business mix, this is the single best action for managing our balance sheet and is a strategic choice about how we will grow in Europe. We have been shifting our new life business mix from with-profit to capital-light, unit-linked and protection for several years. And in 2018, over half of the Europe -- Aviva Europe's Life PVNBP was capital light. The current market conditions mean we needed to accelerate this. And we are. In France, we have introduced targeted marketing campaigns and scoring of clients with a know-your-customer analysis, together with mix capping for our distributors who must deliver more than 30% unit-linked sales. I have mandated close monitoring and scoring of each network's performance and corrective actions if necessary. We will also further develop our unit-linked product offering, including structured and real asset funds at lower market volatility. In April, in cooperations with (Euan) asset management team, we were very proud to launch Aviva Solutions Durables, the most comprehensive ESG life insurance offering in France.

In Italy, we will leverage our successful hybrid products with new business automatically switching to unit-linked over time in order to support our target mix.

Coming back to France, we also have a significant opportunity to achieve our mix ambitions by leveraging the PACTE law. So I'll now address that. The so-called PACTE law will allow us to build on our savings and retirement business in France because it will ensure French consumers have much more attractive pension products to choose from.

French pension system assets are projected to grow by EUR 100 billion, i.e., 50% between 2018 and 2022. Aviva has all the ingredients required for success, we have a strong distribution, a #4 position in the individual pension market that gives us the brand recognition to leverage and also grow in the corporate field. We were the first company to set up an FRPS entity to manage pensions more efficiently and launched our first PACTE product, compliant product in October. Finally, we have the opportunity to leverage U.K. expertise to enable a more direct relationship with the customer where digital facilitate cross-selling.

To give you a flavor of the opportunity. We sold more than 1,000 of our new PACTE product during the first week of sale. Our ambition is to continue this promising start and outperform the market. The other half of our ambition to shift our product mix is to substantially grow our general insurance business in Europe. We have a leading position in Ireland. But although we have grown premiums and maintain a strong combined ratio, we are underweight in France, Italy and Poland. The key growth opportunity across Europe is in the SME space, where the market is still underpenetrated. And also businesses are underserved by the big traditional GI insurers and Aviva as a COR strength, leveraging of our U.K. and global experience. We are ready to grow with new products to serve SMEs, including Aviva Plus in Italy and crucially, ongoing investments in our distribution to control and own more of it.

An interesting difference with the U.K. market is that personal lines are not as much of a commodity in Europe. So we also have ambitions to grow in that space. What really excites me is that I know we can differentiate ourselves in our European market, thanks to the world-class technical skills in pricing and claims management, Colm and his global GI team can give us. Another key driver of our performance in recent years has been our consistency in managing expenses. We have contained cost growth and improved unit costs while continuing to invest in the business. Our cost income ratio has constantly reduced. And I am committed it will continue to do so. We will deliver our share of Maurice's GBP 300 million commitment, with more being targeted from our less efficient markets. This applies particularly in Ireland, where we will leverage the full benefits of the Friends First -- sorry, integration. Despite the material reduction in operating expenses, we will continue to invest in the business, improving our IT estate, investing in product and distribution and growing our brand.

To recap. There are 5 things I would like you to take away today about Aviva Europe. We have an excellent track record and (will) continue to make a significant contribution to the group. We have taken decisive actions on both new business and the in-force book to manage through the negative interest rate environment in France as well as interest rate volatility in Italy. We will grow our market share of investment, pension, protection and GI to materially shift our business mix. We will continue to invest in our distribution, increasing control and ownership. And finally, we will continue to improve operating efficiency across Europe. Personally, I'm excited and inspired by the challenge and committed to deliver for our customers, our staff and our investors.

Ladies and gentlemen, many thanks. And I will hand over to Nish to present our business in Singapore.

A - Nishit Piyush Majmudar {BIO 17438686 <GO>}

Good afternoon. I'm a newcomer to this forum. So quick introduction. I've been very fortunate to work in 5 countries: India, England, Singapore, Philippines and Thailand. I moved to Singapore in 1995. And I worked with Watson Wyatt, Monetary Authority of Singapore. Yes, don't hold that against me. Might have an actuary, too. I'm delighted to have this opportunity to present Singapore. In 2019, we won many awards: the United Nations Award for diversity and inclusion, the most progressive employment practices, the (World Cross) transformation champion, distinguished trend of the Red Cross. And 2 weeks ago, we were the only company in the financial services industry who was recognized in the top 10 great places to work. Today, I will focus on the financial performance of Singapore.

At the end of 2015, we lost a major bank assurance partner, DBS, that contributed more than 60% of our individual sales. Since then, we have been the second fastest-growing insurer among the top 6 insurers in terms of sales as well as VNB, a value of new business. Whilst profit margins aren't officially published, we are fairly certain that our profit margin is the highest in the industry.

Our success is underpinned by leadership in the fast-growing FX channel, leadership in the profitable group employee benefit space and the most comprehensive product range, especially in the profitable protection sector. We will grow our business and contribute cash to the group. We have paid slightly less than GBP 50 million as dividend this year. Over the period 2016 to 2018, our value of new business grew by 26%. And this year, Singapore will contribute about 15% of the total value of new business of the Aviva group.

In 2015, after we lost the bancassurance partner, we did an extensive study of developed markets like U.K., Australia and the U.S. to understand as to how those markets are actually evolving. The findings were that the exclusive channels were losing steam and independent/multi-product providers were dominating the market as that fit the needs of all the stakeholders, customers, distributors, shareholders and regulators better.

In Singapore, 80% of sales are through exclusive distribution channels. We saw a huge opportunity in adopting an FA-led strategy, where our advisers offered life and general insurance products of multiple insurers. Such a strategy would put us ahead of all our competitors as we were convinced that the top insurers in Singapore could not replicate this strategy in the short run because of the channel conflicts and the uncompetitive products.

Another factor in favor of our FA-led strategy was that the FA channel had momentum and was the fastest-growing channel but was only 20% of the market. The upside was significant. We simplified our strategy into 3 bullet points. Let me explain each of these.

40 of 40. The FA share was 20% of the total market. If you could get that to 40 and get 40% of that, you would get 16% market share. JAWS is simply growing the top line twice or faster -- twice or more than the expenses. In terms of mindset, we had to move from exclusive mindset to an excellence mindset. You see, to win in the FA channel, nothing but

the best would do, products, service and underwriting standards, to make sure that all advisers sold for us. The pursuit for growth in Singapore is fully supported by the stable political environment, world-class regulator, high per capita income and low penetration rates compared to some other Asian markets. The huge protection gap offers us a great opportunity to continue the sales of our profitable protection products.

As I said earlier, our strategy is very differentiated from the market. As a result, we have grown much faster than the industry. And our market share has more than doubled since Quarter One of 2016. Our focus on the FA channel is obvious from the numbers on the slide. This puts us in a great space as the tied agency model is slowing and banks are experiencing significantly lower footfalls.

In addition to adopting a differentiated strategy, one of our key priorities was to focus on profits and not on scale. 50% of our products are protection products. This is by far the highest proportion of protection products in the industry. And hence, we have the highest margin in the industry. This level of profitability enables us to have short payback periods of five years on our investments. I would like to highlight that Singapore has generated all the growth over the last 3, four years without any capital injection from the Aviva group.

The FA channel is the fastest-growing channel in Singapore. We own 2 FA firms where advisers sell life insurance products of multiple insurers. The advisers also sell general insurance products as well as mutual funds. Our adviser numbers are growing 3 to 4x faster than tied agency companies. And we believe this is set to continue as advisers are more productive than those in tied agencies and are able to serve customer needs better. Our success stories are (striding) fast.

The employee benefit segment is like most other countries. The group term is very profitable. And the group health is at best breakeven. We are leaders in the profitable group to our market with 30% market share. We are the trusted insurer of the government. We look after the Ministry of Defense, Ministry of Home Affairs and all the public officers working in Singapore. Overall. So group term plus health, we are #2 and significantly ahead of the rest. This scale is important because it enables us to price our products competitively.

The affinity channel is probably our biggest success story. We have a salaried sales force that acts as a gateway to converting a massive base of MINDEF and employee benefit customers, which we believe is in excess of 1 million customers to individual customers. They primarily sell protection products. They sell about 13 policies per month, which I believe is almost unheard of. This channel could completely disrupt the banca channel in the future. As just like banks, we are able to provide advisers with leads but a much superior compensation model than the banks.

Our product margins in 2015 were 54% as we relied -- then relied very heavily on bancassurance. We have successfully repositioned ourselves and have an industry-leading margin of 115%. As I said earlier, protection products are very profitable. Whilst we are a top 6 player overall, we are a top 3 player in the protection space. We have the most comprehensive range of protection products in Singapore. We cover term, disability, critical illness, medical and long-term care. We are very well positioned to meet the huge protection gap in Singapore and sustain our profitability in the future.

There are a few key takeaway messages. Singapore has grown VNB at 26% in the last three years without any capital injection. We are very well positioned to deliver sustained growth through our differentiated strategy in FA, huge pool of circa 1 million employee benefit customers where we have a very good record of cross-selling through the affinity channel. Our product range is profitable and comprehensive enough to create great customer outcomes. We have paid circa GBP 50 million this year and are committed to increasing dividends over the planned period.

I will end my whirlwind tour of the Singapore business here. Thank you for listening.

+++qanda

A - Christopher Esson {BIO 16208369 <GO>}

Thanks very much, Nish. If I could invite all of the leadership team to come up. And we'll do the final session of Q&A, please.

We're all set. Johnny Vo, please.

Q - Johnny Vo {BIO 5509843 <GO>}

Johnny Vo from Goldman Sachs. Just 3 questions. I guess the first question for Euan. There is a bit of a war out there in terms of the space that you're putting together in terms of your business. And the war is really on the restricted advice market. What is your view with regard to that and where you're positioned with your restricted advice sales force? And is there any intention to grow that? That's the first question.

Second question just in regards to Angela. I remember you saying your MA spread -- you told us what your MA spread was in your book. And I remember it's about 20% to 25% lower than the leading player in the market. So how much further can you push the MA spread without pushing up capital requirements?

And the third question is in regards to Patrick. You said the bancassurance relationship with UniCredit and UBI are up. Can you remind us of the terms of that? If it is not renewed, are they required to pay you the embedded value? I seem to remember. But how much would that be?

A - Maurice Ewen Tulloch {BIO 17683736 <GO>}

Euan, will have a go on the order that (you asked).

A - Euan George Munro {BIO 2307409 <GO>}

I'll deal with the first. I think the -- we've got a relatively small, restricted -- just about 100 advisers in the restricted advice. And so just to put things in context, most of the flow that we see comes through either IFAs, who are obviously unrestricted in the advice they give or in the workplace is often an employee benefit consultant that's involved in an initial process. What we do expect to happen, though, is particularly at workplace is that as maybe individuals leave an employer. But they've gotten used to the my pension facility and so on that we provided them with, (there) they have the potential to become direct customers, many of them will have sums of money that are lower than we'd typically attract an IFA's attention. And -- but they may have some critical decisions to make around consolidating the pension or planning. And so we're using our advisers to -- making it clear that they are tied advisers to get involved in some of those conversations. And it's proving quite fruitful. So I think we just have to see how our fairly small adviser population plays into the bigger vision. But I'd say, it's very much an important part -- potential of the future but not of the here and now where we've got a relatively small team.

A - Angela Darlington {BIO 19117558 <GO>}

And I think on the MA spread, we did talk about it the half year. I think I would just say that we are very comfortable with how our portfolio plays out and the economics of our business. I think we have plenty of capital to play with in this business to write the business that we are planning to write in the market. It doesn't act as a constraint on our plans.

A - Maurice Ewen Tulloch {BIO 17683736 <GO>}

Patrick, on the Italian bancassurance sales?

A - Patrick Dixneuf {BIO 3722915 <GO>}

Yes. We don't disclose the detailed closes of our arrangements. But I can tell you that the shareholders' interest are well protected. But maybe I can add some words about the renewals of our banking arrangements. First of all, thanks to the shift of distribution that (Nacho) and the team have done in Italy, none of this 2 bancassurance arrangements are critical to franchise. As I was saying, more than half of the PVNBP's gone through IFS or nonbank dependent channels. Then the choice of renewing or not renewing is not only on the bank side. It's also on our side. And that's why we are closely working with the banks today. Basically, our choice will be made on economic value and the willingness or the capability of each of the banks to be our partner in the mix journey we are on.

A - Christopher Esson {BIO 16208369 <GO>}

Ashik, please.

Q - Ashik Musaddi {BIO 15847584 <GO>}

Ashik Musaddi from JPMorgan. Just a couple of questions, one for Euan. In terms of flows, I mean, it's very clear GBP 10 billion plus GBP 10 billion, GBP 20 billion flows. That's around, say, 12% of opening assets if I look on the current year external third party as well as the savings assets. So is it fair to say that 12% of opening assets will translate into 12% earnings? Or there is margin pressure because on the cost side, you mentioned that all the headwinds that you're expecting to build the team is now more or less done. So is it fair to say that 12% flows will translate into at least 10% earnings? Or do you expect some margin pressure as well? That's the first one.

And second is for Angela. Around the strain, I mean, I think you mentioned about GBP 100 million long-term strain. Is that just for annuities? Or is it annuities negative and offset by positive protection? Because if it's just for annuities, then, say, GBP 100 million for GBP 4 billion looks a bit low, 2%, given that these are high-yielding assets. So that's why the second one.

A - Euan George Munro {BIO 2307409 <GO>}

Right. I'll deal with the flow question first. I think there's 2 elements here. So the flows coming into Aviva Investors, I think it's important to note that, over the last few years, Aviva Investors has been building capability. And so even though we've substantially grown the revenue we get from third-party business, we've been reinvesting that and building out credit teams, (inaudible) distribution teams, real assets, et cetera. That is now finished. We've now got -- so we're complete with capability. So the operational leverage on that business is quite significant. However, it does depend on the type of proposition that we're selling, how much comes through to profit. So I guess -- or probably we're projecting we're going to be building the financial model over the next few months as we sort of work through.

But in terms of current conditions, if we have very, very calm markets, the most immediate opportunity for us to upsell, for example, in an area like workplace into something that might be attractive to customers would be into ESG because without market volatility, people aren't necessarily concerned about the performance of a simple passive solution that they're sitting in. If we have market volatility, that will allow us to bring out some of our more interesting, higher revenue volatility-adjusted-type propositions. And I think the demand for them will come back in a market -- more market volatile environment.

So for Aviva Investors, it very much depends on what we're selling. The minute it's a combination of real assets and U.S. credit. And then, I think, increasingly, it's going to be ESG-type equity strategies over the next little while unless market conditions change materially. In terms -- so I think the answer is it depends. But you can rely on operational leverage being materially better than it has been historically in Aviva Investors.

On the savings platform, we are going to have to invest a little bit further to improve customer experience. And so I think that the extent of which we're going to invest and integrate some of the propositions that Angela manufacturers as we integrate equity release elements and then utilization elements into solutions, there's going to be an investment made to make that happen. So we've got a proper solution. But we'll be working through the financial model. But I think whether it's on Aviva Investors or on the platform, as we grow assets, the margin will be improving.

A - Angela Darlington {BIO 19117558 <GO>}

And on the strain, GBP 100 million is for the whole portfolio. So it's everything that we're expecting to have written by the end of this year. So you're right, you've got a positive on protection and then a strain on annuities.

A - Christopher Esson {BIO 16208369 <GO>}

Dom, please.

Q - Dominic Alexander O'Mahony

Dom O'Mahony, Exane BNP Paribas. Three questions if it's all right. So first on general insurance. I guess this is for both Colm and Patrick. Very clear message on back to basics and very clear on where some of the expense opportunity might be. It surprised me. There must be a bit more than back to basics to get 20% top line growth. And I wonder if you might just be able to crystallize and put very simply to us, does that come from -- how much of that comes from new products or new segments, where in terms of geography it's going to come from and where it is in terms of rate versus volume. I mean there were clearly some potential headwinds on rates if I think about, say, workplace reform in the U.K. So just a little bit of something on that would be very helpful.

Then, Euan, you made a point about capturing a bigger share of the internally -- (online) which internally sourced assets are getting a share of the platform. Can you give us a sense at the moment of what percentage you're capturing and what your ambition might be?

Then just a third question on financial forecast. Sorry to get back to these. But do the capital and cash numbers that we gave assume renewal of the Italian bancassurance deals? And do they or do they not assume a release of the Brexit provision?

A - Colm J. Holmes {BIO 18456463 <GO>}

Yes. With regards to where is the growth going to come from, it's not even across geographies and products. So what I would expect is that -- or our plan is that we'll see growth in personal lines, in the aggregator and direct space, somewhat flat in the -- slightly up in the strat partner space and probably some shrinkage in the personal line space. And in commercial lines, we're looking for growth in SME and corporate. I mean as I've outlined, we've actually been growing in high single digits in SME in the last two years. And we've been growing in GCS in double digits for the last three years in both the U.K. and Canada.

Canada, I would expect next year to be a continued focus on profit and return that business to its target COR. But we expect to see growth in 2021 and 2022, that, that's going to come actually in personal lines and commercial. So I mean that's going to come in OBC as OBC goes back to being the significant growth engine for our business. And that is some new launch in terms of we're launching high net worth leisure and lifestyle products into the OBC channel.

In the U.K., in terms of new channels, new markets, it's more focused on mid-market, micro and the GCS specialty risk classes into SMEs. Specialty risk is very much an underinsured U.K. market in terms of SMEs. So you're really going into an area that's now competitive for where others play. Whereas mid-market, it's a market where we should be strong. But traditionally, we've been strong and small and good and large but have -- just haven't had that focus on mid-market, which we now have a very clear set of targets on. And the growth will come from that.

Then geographically in Europe, I'll let Patrick touch on the European growth areas.

A - Patrick Dixneuf {BIO 3722915 <GO>}

Yes. About the 4 European franchise, in Ireland, I think that the team is technically managing very well a continued soft cycle. So I don't expect lots of growth at least in the next two years. But now if you take both Poland and -- Poland and Italy, they were almost absent from this (free) space. You take the digital solutions that (Nacho) and the team have developed in Italy to directly address the SME customers or the broker network, which Adam is building in Poland, it has started very successfully and a lot of promises there. But it is the same in France despite the overall premium is bigger because it's more than GBP 1 billion in France. We were almost absent from the broker network. We were doing everything either direct or through our tied agents. We've taken the decision two years ago to reopen the broker channel. And we are ahead of our schedule to reach GBP 100 billion -- GBP 100 million, sorry. Billion, no, GBP 100 million premium in SME through the brokers in 2020.

A - Maurice Ewen Tulloch {BIO 17683736 <GO>}

Great. Euan, you want to talk about the internally sourced products?

A - Euan George Munro {BIO 2307409 <GO>}

Yes. So I think it's important to point out that we can only sell more through any platform if we offer high-quality propositions, which is why the improved investment performance and the focus we're going to have on making sure that whatever we offer is advancing the cause of the end customer is important. But these channels typically have intermediaries involved, IFAs or -- and benefit consultants.

On the IFA platform, we're about 20% at the minute. Best in class might be around 40%. And that's where we'd like to be getting to so that we can -- we need to influence IFAs to be promoting our propositions more.

On workplace, it depends what way you look at it. Ostensibly, we're 70% of that platform in a minute. But really, 35% of that 70% goes straight through and is outsourced because it's passive. And so really, the target there, I'd be very happy to get 70% of the flow. But I really want to be advocating more ESG-active-type strategies into that channel.

A - Jason Michael Windsor {BIO 17967688 <GO>}

I'll take the cash flow one.

A - Maurice Ewen Tulloch {BIO 17683736 <GO>}

Yes.

A - Jason Michael Windsor {BIO 17967688 <GO>}

On Italy, the forecasts for remittances out of Europe don't assume any cash in or out obviously. And we could have some net neutral. But there's nothing assumed that are in or out of the joint ventures. And in the U.K., no, we don't assume the Brexit allowance is released.

A - Christopher Esson {BIO 16208369 <GO>}

Jon and then Barrie.

Q - Jonathan Michael Hocking

Jon Hocking, Morgan Stanley. I've got 2 questions, please. In P&C, I can see you've obviously got scale in the U.K., Canada and Ireland. Do you have scale in some of these European markets? You sort of mentioned motor in Italy with a very small share. I can see you can bring skills and knowledge in for the U.K. But did you really have a long-term viable business with those type of market shares in some of those countries? That's the first question.

Then secondly on the U.K., just looking at the workplace pensions business. I'm surprised that the actual assets in that business haven't grown faster given what's happened with markets. What's happening underlying in that business in terms of member flows? Are you seeing scheme adds because -- particularly given we've seen a step-up in long-term (member) contribution rates, would have thought the asset build would have been faster.

A - Maurice Ewen Tulloch {BIO 17683736 <GO>}

Colm, do you want to start with -- or Patrick?

A - Colm J. Holmes {BIO 18456463 <GO>}

Yes, I'll let Patrick kick off. Then I'll answer...

A - Patrick Dixneuf {BIO 3722915 <GO>}

Yes, I would not contradict that, in some cases, scale matters in the GI business. But it all depends on the focus you have. Typically, just to be strong in SME, benefiting from pricing, risk appetite, accumulation tools or claims management, you can be pretty effective in the SME business even where you're not big. What's much more important is the way you reach the distribution. That's why it was underlined in our presentation, typically, that in France, we are the fourth agent network. So we are significant where we choose to operate.

Now it's true that in personal lines, scale is maybe more important than in SME. But that's also where -- even if we consider that there's still some space to gain in Europe because it's less of a commodity but where we are more cautious.

A - Colm J. Holmes {BIO 18456463 <GO>}

The other thing I'd add is that over the last five years, we've made significant investments in our digital capability and at the front end but also in our back-end systems. So right now, we are actually quite a lean IT infrastructure that can be exported along with the investment in products like Aviva Plus. So once we have a small participation right now in countries like France, given the strength of our direct capability and the way the market is growing in that, there is a great opportunity to actually grow much faster than our current position would be across the French market, which has traditionally been agent-driven rather than a direct business. And we're seeing that as well in Canada and again, that capability of Aviva that we're now deploying in Canada. And that's both our QMH capability and our MyAviva, Aviva Plus capability. We expect to see significant growth, albeit off a small starting point but significant growth over the coming years in those.

A - Maurice Ewen Tulloch {BIO 17683736 <GO>}

(Who wants to take) part of the workplace pension?

A - Euan George Munro {BIO 2307409 <GO>}

Yes, just on platform, I mean, I think we've grown from GBP 43 billion. With numbers like this, was GBP 43 billion to GBP 64 billion at the half year, obviously, you can do the math. And the markets have moved in our favor since then. But that's a fair -- it's 15% growth over that timeframe. I don't think we're distressed about that. The adviser platform's grown from GBP 8 billion to GBP 26 billion over the same timeframe. So these are good growth numbers.

We've obviously been working in advice based on improving and stabilizing our platform. We had some issues around that, that slowed things down. But as I mentioned in my presentation, not slowed us down that much because we're back to #2 in terms of net flows. So obviously, anything that's AUM-based took a knock at the end of 2018 and has bounced back. So I think it's a fast-growing business. And we are projecting that we'll continue to grow at a similar pace.

A - Christopher Esson {BIO 16208369 <GO>}

Barrie, please. And then Blair after that.

Q - Barrie James Cornes {BIO 2389115 <GO>}

Barrie Cornes, Panmure Gordon. I've got 3 questions. First of all, a couple for Colm. I've been following the company long enough to remember the dash for growth in GI. So could you just go into a bit more detail as to why you don't think it's going to lead to competition in the SME U.K. commercial market or other areas, please?

The second question is the 95% COR. Is that an underlying COR? We do seem to have large losses, particularly in Canada almost every year, it seems. I just wondered if you'd exclude things such as that.

And thirdly, one for Patrick. The relationship with AFER in France, is that an annual one? Or is it going on for many years? Is it renewable, please?

A - Colm J. Holmes {BIO 18456463 <GO>}

Okay. I mean the first thing I'd say, it's certainly not a rush for growth. And what we've demonstrated over the last three years, even with the OBC acquisition taken out, that our growth has been in the high teens, very high teens. And that's been delivered at a consistent COR. We've also demonstrated that how we manage underwriting risk and exposure means that our volatility is extremely low. Even the tick-up you would have seen in that graph in '18 is actually driven by Canada -- sort of losses in Canada. So yes, Canada was a miss in '17 and '18. We make no excuses about that. I think it's a well-trodden history in terms of PYD and the way the Canadian market works currently, which is it's heavily regulated in terms of price and product too. You will, by definition, get that kind of development. What you typically find is what we had in Canada is you'll then follow it by a very long period of a hard market, which is exactly what we're experiencing right now. And the improvement that you've seen in Canada will continue. The management team there is doing a fantastic job.

With regards to the U.K., the growth is not just growth across the board. So we're not looking to grow in the traditional easy growth areas of commercial, auto and personal auto. So where we're looking to grow is actually in the specialty risk and SME. In our corporate space, which is all around prevention, risk management and relationship management, that's driven that 89% retention that we have and a much heavier focus on retention, which is probably fair, I would say, that we've probably lost a little bit of focus on that over the last few years. We've got to get that back into our business.

So this is not, by any stretch, our wish to grow. This is really clearly defined where this growth's coming from. And where it's coming from is from high-margin, high-retention businesses, predominantly commercial. But in personal lines, we have very clear ambitions around Aviva Plus. We have ambitions around the aggregator space, where with a 7% market share, we believe we can build on that. And we will be looking at new propositions. But it's not about new products. It's not about new ideas. And Euan Munro spoke earlier, it's not about launching new things. It's about we have the investment already made. It's about now leveraging that investment to deliver that growth. And I'm very confident in our ability to deliver that.

A - Maurice Ewen Tulloch {BIO 17683736 <GO>}

Are you talking about the COR?

A - Patrick Dixneuf {BIO 3722915 <GO>}

The COR.

A - Maurice Ewen Tulloch {BIO 17683736 <GO>}

95%, is that what you're...

A - Colm J. Holmes {BIO 18456463 <GO>}

Sorry. Yes. No. The 95% COR, my apologies, yes. The -- that's an -- the 95% is reported COR. And what you would have seen is that we've gone with a range of 93% to 95%. Now traditionally, any general insurance business will have a level of one-offs every year, be it large loss, weather or soft to hard markets. That would drive us down to the bottom of that 93% range and the top of that 95% range. So we price on the basis of that 93% to 95%. But the target COR for reporting is 95%. And that's why we take a very strict view of line size underwriting in our business. So we haven't had a boom-bust approach to underwriting (that diversified). Aviva has been a consistent deliverer. So we're looking to deliver a 95% reported COR across the business and subject to no big weather events obviously.

A - Patrick Dixneuf {BIO 3722915 <GO>}

Coming back to AFER and trying to cut a long story short, what is AFER in some words? It's an association that has open underwritten contract in our books. It's a collective scheme. And each of the AFER members are part of this collective scheme. This cannot be moved. So it's with us forever. So not only the in force. And everybody who would like to become a member will have a contract with us. At some point, what's possible is that the AFER association decides not to promote that contract anymore but to open another one with another company. But it would start greenfield. So there is very -- there's a very low chance that they do this, especially in the current environment.

Q - Blair Thomson Stewart {BIO 4191309 <GO>}

It's Blair Stewart. I've got 3 questions, I think, yes. So can you come back to the 9.5% return on capital for UK Life and IS&R? Could we -- is it possible to get some degree of split between the various component parts, some very capital weight and some very -- and more capital-heavy components within there? And I think, Angela, you said mid-teens return on capital for some of the new business. Just trying to square that circle, if you can help me there.

For Italy, would you expect any upfront cost of the bancassurance renewals? And what happens if they don't renew? Perhaps you could come back to that one as well. It's been asked already.

And in Singapore, Nish, for the FAs, what proportion of what they're selling is Aviva product versus third party?

A - Maurice Ewen Tulloch {BIO 17683736 <GO>}

Okay. Thanks. So why don't we start with Singapore. And then we'll go to Italian. And then we'll go back to -- Euan's the last. Nish?

A - Nishit Piyush Majmudar {BIO 17438686 <GO>}

So I mean it's a three-pronged FA strategy in that sense. So we have 2 of IFAs. And then we also sell through FAs that we don't own. So the FAs that we don't own, we probably get about 30% -- 30% to 40% of the sales. And there was -- one of the FAs was formed in 2001, PIS, which will sell about 55% for Aviva and 45% for others. Then the Aviva FA was set up only 2.5 years ago, which will sell about 85% for Aviva and 15% for the others because it takes a little bit of time for the FA form to mature before advisers can actually go out. So more than 50% of our advisers are licensed to sell general insurance. They're licensed to sell mutual funds. And this is a process which will happen. So AFA, Aviva FA will look more like PIS. I think in the long run, we'd say probably 60% or 50%, 55% of Aviva. And the rest will be the others.

A - Maurice Ewen Tulloch {BIO 17683736 <GO>}

Okay. Thanks. Patrick, is there anything...

A - Patrick Dixneuf {BIO 3722915 <GO>}

Yes. As I said, we will look at the renewal of the bancassurance arrangements through an economic value lens. And I'm not sure that the question is just about upfront payments or not upfront payment because the total economy of the contract is made of possible upfront payments, the level of the commission. And this is that, that we have to appreciate before knowing whether if the renewal makes sense from a shareholder's point of view.

And to the second part of your question, more than 50% of the PVNBP is now done through IFAs. So for sure, we really like the business we are doing both through UniCredit and through UBI Banca. But none of these bank insurance arrangements are critical for the Italian franchise.

A - Maurice Ewen Tulloch {BIO 17683736 <GO>}

Okay. Jason?

A - Jason Michael Windsor {BIO 17967688 <GO>}

I'll take the first...

Q - Blair Thomson Stewart {BIO 4191309 <GO>}

Can I ask the question again?

A - Maurice Ewen Tulloch {BIO 17683736 <GO>}

Sure, go ahead.

Q - Blair Thomson Stewart {BIO 4191309 <GO>}

What happens to the book (inaudible) business is split...

A - Patrick Dixneuf {BIO 3722915 <GO>}

I was thinking that you were speaking about the franchise, about the book...

Q - Blair Thomson Stewart {BIO 4191309 <GO>}

If your relationships are not renewed, yes, what happens to the book?

A - Patrick Dixneuf {BIO 3722915 <GO>}

In both cases, they are exit close. And as I answered to the first question, I can tell you it's protecting the shareholders' interest. But we are not going to disclose the exit close we might have with these 2 arrangements.

A - Jason Michael Windsor {BIO 17967688 <GO>}

I think, Blair, on the U.K. IS&R split, we didn't split it out for a reason. But we will probably do that in due course. But the guidance I've given is the 1% at a group level, it's not that dissimilar for management actions that is within that segment. And the new business, you can see within both the '18 and the first half results, the contribution to that return from new business than the residual, of course, being the back book plus Aviva Investors. So you can decompose it into those elements.

Q - Blair Thomson Stewart {BIO 4191309 <GO>}

(inaudible) Sorry, the question was just a rough idea of the return on capital from the various product segments within that 9.5%. And I think Angela said that new business was being priced off a mid-teens return on capital. Just trying to square that circle. What's driving that overall 9.5% down if anything? That's what I was getting at.

A - Jason Michael Windsor {BIO 17967688 <GO>}

So the return that Angela mentioned, I mentioned it as well for the businesses, is the lifetime of the product. Obviously, the 9.5% target is within the year. So you don't get the mid-teens return every year. So the shape of the return is different, it depends on the payback and the lifetime of the products so that the ROE targets gives you the annual performance of the business in the way that the capital comes through.

A - Angela Darlington {BIO 19117558 <GO>}

And I guess, I mean, I'm managing it on a portfolio basis. So it does change a bit over time as well as we're less reliant on new business, increasing the discipline, changing mix of the business. So it changes a bit over time.

A - Christopher Esson {BIO 16208369 <GO>}

Andrew?

Q - Andrew John Crean {BIO 16513202 <GO>}

It's Andrew. Could I ask 3 questions? Well on France, the PACTE law, to what degree do you expect that to be substitutional as opposed to additional business? And do you expect unit-linked margins to come down over time?

In Italy, you've made the point that low rates have stopped out the capital returning to group from France. Is that not the case also in Italy? And could you expand a little bit about how your hybrid product works?

And finally, individual personal pensions. Does that go over to Euan? Or does it tick back into the legacy business?

A - Patrick Dixneuf {BIO 3722915 <GO>}

So about France, honestly, it's difficult to get -- to guess whether it is going to cannibalize the existing savings made through traditional assurance vie or if it's going to be new business because this multi-support assurance vie product in France were used both for savings, for transmission to heirs and also to prepare retirements. So certainly, a part of it is going to be cannibalized.

Honestly, I think at the very beginning, it might be an important part, which is going to derive funds from the traditional life insurance, which is not bad for us, neither for the customer because we will be able to invest for longer term with higher yield for the customer and lower capital charge for us. But going forward, with the pension reform that should pass in the coming month, I think that the understanding of the French customer that they will also need to prepare in a more radical way their pension and being supported by tax advantage, you might also have new (money).

But honestly, giving you a share between the 2, now I don't have my crystal ball with me. But the government views about this GBP 100 billion is made of half and half.

About Italy, I think that all the participating life insurance is sensitive to interest rates. Situation in Italy is not exactly the same than in France from my point of view. There are also risks that we are actively managing that (Nacho), together with group finance, is actively managing. But as you see, from a real-world point of view, the gap between the yield and the guarantee in Italy is more comfortable than in Italy. Why? Because the interest rates in Italy are higher. So typically, the risk of low interest rate is less important in Italy. But you got -- and we saw that during the so-called political uncertainty in Italy, that you have a risk because of the spread so not exactly the same risk. But we know that we are a traditional life business that are sensitive to interest rates. And if -- depending on the situation, the measures that we have taken are not the same. But we are actively managing the book.

Q - Andrew John Crean {BIO 16513202 <GO>}

And margins on unit linked, are they sustainable long term?

A - Patrick Dixneuf {BIO 3722915 <GO>}

If you take a very, very long-term view, I think that there will be a consumer pressure on margins. That's why it's also very important that we are able to manage our own efficiency to keep the margin. Now I -- so (how do I say)? As far as I can see in our markets for the time being, it's a movement which is relatively slow.

A - Euan George Munro {BIO 2307409 <GO>}

Yes. And on individual personal pensions, they are part of the U.K. savings and retirement business also under Lindsey. So it's been relatively stable in terms of AUM between GBP 12 billion, GBP 15 billion. So currently, the most recent number, about GBP 13 billion but is a slower moving part. So maybe that was a bit of a slowing down the growth rate because you've got, obviously, workplace and adviser growing rapidly around a business that's stable.

A - Christopher Esson {BIO 16208369 <GO>}

(Tom)?

Q - Unidentified Participant

(Tom Halford). Three for me, please. Just on Italy, just going back, it seems like the policy been in Europe to move towards unit linked. Obviously, hybrid products in Italy have been driving a lot of growth. So what should we be thinking in terms of hybrid versus unit-linked sales going forward? Are you going to replace them? Or are you going to continue writing hybrid? Or are you really shifting across as well?

On U.K. motor, I wondered if you could just give us an indication of what kind of rate you're putting through the book and roughly where you're seeing claims inflation. Then also in the U.K. with the FCA investigation going through on the loyalty penalty, I was just wondering if you could say if you're doing anything there to manage your back book.

A - Patrick Dixneuf {BIO 3722915 <GO>}

Everywhere in Europe, we've just out from, I don't know, 40 years, where the interest rates were above the inflation. So we were above -- we were in a position to serve a yield close to the inflation, to pay for our expenses and to pay for the profits. It's no more the case. So there is a part which is, on one hand, customer education, that they have to understand that they might have safety on one (hand) and performance on the other hand . But it will not be in a single product. And on the second hand, we need a product that allows them to do that mix in a convenient, easy way, which is typically what this hybrid product is providing. Now that it's well in the market, the share between with profit, unit linked, the importance of the protection riders, the automatic switching capability from with profit to unit linked are thing that are -- that might evolve in the future. The idea that it's not only through with profit that you're going to do your savings and get a yield above inflation is now very well installed in Italy and by Aviva Italy thanks to this hybrid product.

A - Colm J. Holmes {BIO 18456463 <GO>}

On new (v) renewal, we welcome the work that the FCA is doing. And we think it's right to focus on fair and transparent pricing in the market. We also welcome the fact that there's recognition that the market is not a hugely profitable market. So this is a redistribution between customer segments.

At Aviva, we've recognized the issue for some time. And we've been doing a number of things. The first is we have a safeguarding approach to underwriting such that new pricing could not be as hugely different to that of what renewals was. And we've been moving towards that for a number of years but with our own underwriting and with our partners.

Secondly, we launched Aviva Plus earlier this year, which specifically looks at and protecting against new v renewal price with a price guarantee and a number of other loyalty programs within that. So we are participating with the FCA. We submitted our ideas or thoughts or views on what they released last week. We've had discussions with them this week. So yes. So we broadly welcome this. And we want to work with the FCA to ensure that we get the right outcome for our customers, which is something that Aviva has been adjudicating for, for some time.

With regards to rate and inflation, net rate on motor for us has been running around 3%. Gross inflation has been running around 7% in motor. In home, it's been running around 8%, gross around 4% net from our perspective. In terms of rate, we have been, this year, rating ahead of inflation because we have seen deterioration in our margin across most of our books due to the previous inflation running hard on rate. So what you've seen in the market is a general hardening in home and somewhat of a mixed bag in motor because we're also anticipating the impact of whiplash reform coming in next year. But broadly, we're rating 1 or 2 points ahead of inflation. And we expect that to continue into 2020, where we expect inflation to come back a small amount but still probably run ahead of where it been traditionally over the last five years.

And again, that's not above the injury inflation. That's nearly all in physical damage where we're seeing that. So above the injury, we've actually seen somewhat of a lessening of the reserves in that particular area.

A - Christopher Esson {BIO 16208369 <GO>}

Yes. We'll have Steven, please.

Q - Steven Haywood {BIO 15743259 <GO>}

Steven Haywood from HSBC. On your previously given targets, how are management incentivized on these? And which target is most linked to your incentivizations? Then just a point of clarification on your remittance target. Is this net of capital injections? Or is this gross?

A - Maurice Ewen Tulloch {BIO 17683736 <GO>}

Let me take the first one, Steven. So we have obviously 2 components. So one is the annual bonus plan. One is the long-term incentive plan. So we have strong alignment with the annual bonus fund. And we're just now actually working with RemCo to create the same strong alignment in the LTIP. I mean fundamentally, I have a belief that we need to get the alignment both to our targets but also for our shareholder expectations. So that is underway.

You want to comment on the second question?

A - Jason Michael Windsor {BIO 17967688 <GO>}

Yes. The remittance targets are the cash flow we expect following new business and investments and any injections within the divisions. I suppose there might be some small capital injections that we do through the group. But it's de minimis in the context of the targets that we put out.

A - Christopher Esson {BIO 16208369 <GO>}

Any more questions? (John). And then we'll finish at the back, please.

Q - Unidentified Participant

Just on the dividend, given we've now got the Solvency II own funds construction for the targets, how is the Board going to think about the dividend growth because we obviously moved from a payout ratio to a progressive dividend policy? Is -- does progressive mean inflation? And if it doesn't mean inflation, what is it actually linked to with this new target suite?

A - Maurice Ewen Tulloch {BIO 17683736 <GO>}

Do you want to take that?

A - Jason Michael Windsor {BIO 17967688 <GO>}

Well sure. I mean the Board will obviously take into account a number of factors, performance, solvency, outlook, as you would expect. From a policy perspective, progressive is maintained or progress the dividend. And that's what we've said when we moved to it. Then in that context, the decision will be made.

Q - Henry Heathfield {BIO 19760919 <GO>}

Henry Heathfield, Morningstar. Just a couple of questions. So the first one for Colm. You mentioned hardening in the market in Canada. Just on the back of the 2017 kind of Marshall report, I was wondering if you thought that maybe there'd be potential for more hardening coming and whether you saw any development of kind of that decisive final claims assessments and reduction of claims assessments.

Then second question for Euan. I think in 2017, you introduced a smooth fund. And I wondered how that's progressing, whether you're putting any further attention on that, whether you might build out that suite, how available it is in the workforce platform and so forth.

A - Colm J. Holmes {BIO 18456463 <GO>}

You might want to hang on to that and pass it to Jason because -- no, pass it behind you to Jason, who's the CEO of the Canadian business. But let me just initially start by talking about where we are with rate in Canada. And I think it's also rate in the corporate market as well. So what we are seeing is that our tailwinds relating to weight. They're not built into our plan right now. But we've seen a hardening, a very significant hardening in commercial property, somewhat less so motor. We're also seeing some of the hardening coming into the U.K., particularly in the casualty lines as well so slightly less so in motor and property. So there is definitely tailwinds as regards rate. In personal lines, I think there's no doubt that you're seeing pretty significant hardening in Canada, much-needed hardening and in the U.K. So home is beginning to harden in the last half -- the last six months. You've seen some hardening of it, not as much as I think is needed. Then motor, there has been a gradual hardening in motor rates.

But I'm going to let Jason just, a, introduce himself as our CEO of Canada and also talk about -- we've done a lot of work with Marshall over the last number of years and what's going on with the Marshall report and reform in Canada.

A - Jason Storah {BIO 20712189 <GO>}

Yes. So just on the -- just to build on the rate, personal term rate, we've had 9%. We're assuming 7% next year. The market is looking at very similar rate increases. SME, we're getting 6.7%. We're assuming the same next year. And again, the market, the noise is saying the same and in GCS. really significant double-digit rate increases. And again, the market and the lack of capacity, particularly in commercial property, is going to prop up those kind of rate increases through 2020.

In terms of the Marshall report. So there was a number of recommendations. The route is nothing has happened with the Marshall report. I would say that the Marshall report is going to be repackaged with the new regulator FSRA. So the old regulator in Ontario, FSCO's been replaced by a new regulator. They are looking at a number of reforms starting with getting all of the companies to be very adequate so that there's capacity in the market. Then they're going to -- they're currently in a process of engaging with stakeholders, including a group from across the industry. And we're actively involved with them around what of the reforms. And the suggestions from David Marshall's report are going to be put forward because a number of them actually weren't practical. They were -- it was a great academic read but not -- and we priced out all of the impact of those reforms but not all of them were very practical. So we're working with the regulator on that.

A - Euan George Munro {BIO 2307409 <GO>}

And just very briefly on the smooth fund. I mean obviously, the smooth fund involves high-quality fund management capability but also into the balance sheet, cost of providing the smoothing. So it's quite an expensive fund to push through the workplace platform, which has got extensive caps. So really, I think the right market for that is the IFAs. And we know that IFAs extensively promote the PruFund, which is the fund with those kind of characteristics. So we know there's a market for it. And I think you can expect that, that will be something that we are actively promoting.

A - Christopher Esson {BIO 16208369 <GO>}

Thanks, everyone. I'd like to invite Maurice to close proceedings. Thank you.

A - Maurice Ewen Tulloch {BIO 17683736 <GO>}

Thanks, Chris. And thanks, everyone. I should start by saying we've had you captive for 5 hours. And I appreciate the time that you've given to be here today as we talk about really what is the new Aviva. And I know for myself and my colleagues, both here on the stage with me and those in the audience, we greatly appreciate it.

What we're building is a simpler, stronger company. We're refocusing on the operating model in the 5 divisions to give you far greater clarity. We've shared lots of targets, which you should hold us to account. And we're going to report on those and update on those every time we connect. We've reiterated capital strength both on our balance sheet but also in the capital generation forecast as we look forward. We've given guidance on our cash flow. And we expect both of those to be key components in enabling a progressive dividend. We've set some pretty important priorities, priorities that are rooted in maximizing returns ultimately for our shareholders. And we're strengthening our leadership.

Thank you very much. Appreciate your time today. Look forward to seeing many of you in the near future.