S1 2020 Earnings Call

Company Participants

- Amanda Blanc, Chief Executive Officer
- Jason Windsor, Chief Financial Officer

Other Participants

- Abid Hussain, Analyst
- Andrew Crean, Analyst
- Ashik Musaddi, Analyst
- Blair Stewart, Analyst
- Colm Kelly, Analyst
- Dominic O'Mahony, Analyst
- Fahad Changazi, Analyst
- Gordon Aitken, Analyst
- Greig Paterson, Analyst
- James Shuck, Analyst
- Jonathan Hocking, Analyst
- Oliver Steel, Analyst

Presentation

Operator

Good morning, and welcome to Aviva plc's Half Year 2020 Financial Results Briefing.

I would now hand you over to your call host, Amanda Blanc, CEO of Aviva Plc.

Amanda Blanc {BIO 19138679 <GO>}

Thanks, Nicole; and good morning, everyone. Thank you for joining us and welcome to our conference call to take you through our interim results.

This is obviously the first occasion that I have had the opportunity to speak to you, so I will make some introductory remarks, and then I'll ask Jason to take you through the results.

The slides are available on our website and our intention is not to go through each slides.

Let me start by saying that I have become Chief Executive of Aviva at an extraordinary time. The COVID crisis has been a tragedy for so many and Aviva's response has been spot on, whether that would be the smooth running of our business, the GBP43 million we have donated to support charities and communities; or how our people have looked after our customers. I couldn't have asked for more and am incredibly proud of the hard work of all our people. I think it is important to recognize this, first and foremost.

Now, if I may, I would like to turn to strategy. When I was appointed Chief Executive just four weeks ago, I said I would work at pace to assess our strategic opportunities and the actions that we should take across our portfolio. That is exactly what I have been doing and, today, I would like to give you a clear statement of my priorities and our future direction of travel.

Let me start by saying that Aviva have enormous potential. We have fantastic franchises, market leading capabilities, trusted long-term relationships with both customers and distributors, and, above all, we have great people. However, it is already abundantly clear to me that to unlock this potential, meaningful change is required. That is the challenge and that is exactly what I intend to deliver.

To achieve this, I have three priorities. First, we will focus the portfolio. We will concentrate Aviva around our strongest businesses in the UK, Ireland and Canada with the aim of being the UK's leading insurer. We are a top three player in each of these market with attractive earnings growth and return potential. We have a strong powerful brand. We deliver incredible customer service and, in my view, have a clear path to win. Across these market, we will invest for growth.

In our international businesses in Europe and Asia, our approach will be to manage for long-term shareholder value. We will be selective about where we participate and we will allocate capital with discipline. If we see attractive opportunities to be market leader, generate strong returns, deliver robust cash flows to the center and ultimately win, we will invest.

But let me be clear, if we cannot meet our strategic objectives, we will take decisive action and we will withdraw capital. Ultimately, there may be better owners for these businesses than Aviva in the longer term.

My second priority will be to transform performance. As I said, Aviva has fantastic businesses and I really mean that. I've been a competitor of Aviva for a large part of my career, and I can tell you that Aviva has a formidable market position in terms of our brand, customers, distribution and capabilities in digital and data science, we benchmark extremely well in these areas.

For example, in our life and GI businesses, TNPS is running in the 40s and 50s across a number of categories. These are outstanding scores in anyone's book. Once more, they have been increasing during the COVID lockdown, thanks to the great work of our people under exceptional circumstances, of which I'm immensely proud.

Helping our customers during difficult times, it's the reason Aviva exist and it is what we do best. These scores should tell you that we have a strong foundation in terms of our customer relationships and that's a great base on which we can build.

If we consider digital, obviously you may think that Aviva has spoken a little less about digital over the last couple of years. I get that. But the reality is that digital is a critical part of our future, whether is it insurance or any other sector, customer expectations are changing and those firms that can offer convenience online, offer true value, and have trust with their customers, those companies will win a disproportionate market share. That has been true for some time, but it's even more true post-COVID.

What's interesting is, when you stick back the layers, Aviva has a really great story here. We've been quietly building up registrations and digital interactions. As a result, logging for nearly at threefold over two years. Over half of our direct motor and home claims have submitted online and digital is embedded in our distributor relationships. We are succeeding at helping customers to access information and transact faster. That gives us a positive baseline for customer experience and of course efficiency.

Make no mistake though, we are not the finished article and there is a lot that must be done to bring it all together. But again the foundations are there and we have a real point of differentiation in the breadth of our product, distribution and the customer bases.

So if we have the inherent strengths, and I really think we do, why haven't we converted them into performance and investor support? The truth is, and that's the honest, we haven't been as good as we needed to be after execution and that is what will change.

So how are we going to do this? Because we all know talking is the easy bit. We will bring a new intensity to how we approach performance management and competitiveness. It is virtually impossible to compete and win If you are in the top quartile on efficiency, customer experience, pricing and risk management. And that is where we need to be. Getting there will require some fundamental changes in how we operate. I'm really focused on this and there'll be more detail on this in our future presentation.

Turning to my third priority, financial strengths. Not only financial strength, but also our financial resilience and sustainability.

In recent years, we've maintained solid capital ratios and strong central liquidity, despite the external volatility. We are reporting a solid set of half year results today with capital surplus of GBP12 billion and operating profit of GBP1.2 billion. The impact of COVID on general insurance claims, net of reinsurance, was GBP165 million in line with the number we gave at our Q1 updates in May. Our balance sheet risk have significantly reduced, a priority given the changing macro environment. And we've made progress in reducing debt leverage, and I'm committed to taking this further.

The actions we intend to take to focus the portfolio will give us greater financial flexibility. This will allow us to further enhance our financial resilience and capital sustainability and will give us optionality either to invest in our businesses or to return capital to our shareholders.

Financial strength and active capital management are key priorities for Jason and I. And they would be at the heart of our strategy going forward. And that brings me to the topic of dividends. We understand the importance of dividends to our shareholders. With that in mind, the Board has declared a second interim dividend in respect of the 2019 fiscal year of GBP0.06 per share. This is consistent with our solid financial position and our resilient results, but also the Board's cautious stance towards the macro risks as the economy slowly emerges from the current crisis.

More fundamentally, the Board has decided to take the opportunity to review our longer-term dividend policy in light of our strategic priorities, the future shape of the group, and our ongoing commitment to debt reduction. We will provide an update to shareholders on all dividend matters, including the 2019 final dividend in the fourth quarter.

Before I hand you over to Jason, who will take you through the highlights of the half year results, I would like to reiterate my three priorities. Firstly, we will focus on portfolio, investing for growth across the UK, Ireland and Canada with the aim of being the UK's leading insurer. Across international, we will manage for long-term shareholder value and ultimately there may be better owners to these businesses than Aviva in the longer term. Secondly, we will transform performance. And, finally, financial strength will be the key underpin.

Jason, over to you.

Jason Windsor {BIO 17967688 <GO>}

Thanks, Amanda; and good morning everybody. As Amanda said, we provided you with the slide pack on the website and I won't walk through each slide on the call, but I will make some page number references.

At the backdrop of COVID-19 in the first half, our results demonstrate the strength and resilience of our business and financial position. As Amanda just commented, financial resilience is a priority for us going forward. You'll also see that COVID has impacted our performance in terms of increased insurance claims, reduced customer activity levels, capital market volatility and the meaningful contribution to support the community.

But as a company we've responded very well and delivered improved underlying returns. Our customer teams didn't miss a beat. We took decisive action to maintain service levels, continuing to support our customers when they needed us most. We have not had to furlough any Aviva employees and we've been able to support colleagues needing to balance work and childcare.

Starting on Page 10 of the slide pack, the result highlights include return on equity of 7.1% with underlying return improving 8.3% before the GI impact of COVID. Operating capital generation increased 14% for GBP890 million, benefiting from significant derisking actions.

Operating profit of GBP1.2 billion is down 12% and Solvency II NAV is GBP4.16 per share and GBP0.07 relative to year-end.

Excluding the general insurance COVID-19 impact, our headline results is solid. Group operating profit would have been broadly consistent with half year '19 with positive trends in BPA, Savings and Retirement of Canada offset by higher weather costs and lower profitability in Europe and Aviva Investors.

Given that significance, my commentary will first focus on general insurance claims effects. In IFRS, we estimate net general insurance claims of GBP165 million from COVID-19, which is in line with the number we gave you on May 21. The estimated business interruption, another COVID-19 claims, is primarily in IBNR. It's still early days. The net figure of GBP165 million includes just over GBP200 million of favorable claims experienced in the first half, owing to the reduction in economic activity. That includes Netherlands for similar effect in the second half. It also has a GBP34 million alone for prior-year inflation, owing to expected supply chain disruption.

On Slide 11 of the pack, for OCG, the impact from GI claims is GBP258 million. This is higher than IFRS, because it includes an SCR allowance for uncertainty. As a result, underlying OCG pre-COVID from GI was just shy of GBP800 million, which is up 17% on the prior year. But this shows that we've increased capital generation and underlying returns, despite the disruption. But there is much more still to be done to create sustainable and resilient business.

Turning to the balance sheet. Our solvency cover ratio increased in the second quarter and was 194% at 30 June. Solvency II surplus at GBP12 billion, which is GBP0.6 billion lower compared with the year-end figure. Positive operating capital generation was offset by GBP1.56 billion of market impacts, primarily related to lower interest rates and credit spread widening.

In February and March, we took significant actions to reduce our risk and investment portfolios by hedging equities, credit and interest rates. As a result of these actions, we significantly increased resilience to market risks, which you can see in this morning's disclosure. We've enhanced our disclosure by providing you with the movement on surplus as well as the ratio.

Since liquidity at the end of July was GBP2.5 billion, this benefited from the completion of the FPIL sale in July, which added GBP0.2 billion.

Remittances from subsidiaries we shall see down in the first half at GBP150 million. We did not see to remit significant cash from the BUs in the first half, given our desire to maintain strength in the subsidiaries, life of the economic market and pandemic uncertainty and also regulatory guidance. We expect remittances to increase significantly in the second half. But given the first half volatility and prevailing uncertainty, we expect full-year 2020 to be well below the underlying level in 2019, plus approximately GBP100 million more in proceeds from announced divestments.

Focusing now on the investment portfolio on Slide 15, which I know is topical. Overall, our portfolio is performing well and it has remained resilient in the first phase of the credit downfall. In terms of corporate credit, we've had no defaults and our observed rating migration remains low. Only 0.2% of the shareholder portfolio has been downgraded below investment grade, 4% of our corporate bonds rated A or above have been downgraded to a lower rating letter. This is up only slightly on the 3% we reported to you in our May update.

Our commercial mortgage portfolio has also remained resilient but by solid collateral, although we expect the peak economic stress for borrowers to come.

The LTV of the portfolio has increased slightly to 59%. Loan interest cover remains good at 2.8 times and the portfolio continue to perform and just 1% of loans in arrears. LTV is above 100%, but just under 5% of the portfolio and our long-term commercial property price assumption with a 15% fall over five years. This assumption is an average, which has not been applied uniformly across the portfolio.

As you might expect, in certain areas, by retail, where the pressure is more intense, we've allowed for much larger declines. And it's worth reminding you we have a GBP3.8 billion IFRS default reserve across the UK annuities book.

Switching gears and looking at performance and trading on Slide 16. At the group-wide, our first half sales volumes across life and general insurance overall were broadly flat. In the context of the disruption we've seen, that's a solid result. We've been very deliberate in how we've approached new business strategy across the group. As outlined last year, actively allocating capital was an important part of our strategy. We've announced today that we will take this further at the strategic level. But from a trading perspective, we're making choices about where we are prioritizing and you can see the areas where we are investing for growth and also managing for long-term value.

Looking at some of the individual highlights. In UK Life, BPA volumes were GBP3.1 billion, an increase of 2.5 times versus the first half of 2019 and approximately 80% of our volumes in the whole of 2019. This helps us to achieve a net doubling of VNB in UK Life.

In the first half, we had good market conditions for BPA pricing and we were at the higher volume at an attractive margin. BPA demand remains strong. COVID-19 is not preventing deals from being completed. We expect BPA volumes to continue to grow in the second half, but more slowly than in the first half.

In Savings and Retirement, our workplace and retail platforms continue to show good momentum. Net fund flows increased 28% to positive GBP4.2 billion with good growth in net flows across workplace and retail savings. Looking at the sequential trends, we saw a slight reduction in net flows in the second quarter, which was mainly driven by lower volumes onto the retail platform. However, activity levels improved over the course of Q2. We're seeing continued strong support from our IFA partners.

Aviva Investors profitability was pressured by lower revenues from lower asset values and reduced origination fees. Encouragingly, the third-party franchise make good gains with positive net flows of GBP1.3 billion in the first half, building on the strong finish to 2019.

In Europe and Asia, new business sales reduced 23%, owing to a combination of COVID-19 disruption and our actions to reduce sales and risk profit products in the face of ultra-low interest rates. The continued focus on mix helped to increase our new business margin to 4.2%, up from 3.9% in the prior year. Our own sales networks were able to adapt well to support customers and write new business. For example, by using digital tools and video calls. However, our bank distribution partners were constrained by much lower footfall given the lockdown measures. As Amanda mentioned, we will continue to be selective in allocating capital to new business in Europe.

In general insurance, net written premiums were broadly flat. We saw continued momentum in commercial lines with growth of 8% and 11% in the UK and Canada, respectively. Personal lines premium saw a bigger impact in COVID-19, particularly in the UK where volumes in the intermediary channels were disrupted by lockdowns. The combined ratio in GI increased 3 percentage points to 99.8%. Excluding the 3.6% impact from COVID, COR likely compared to the prior year, despite meaningfully higher weather costs.

Turning to expenses on Slide 18. We've made further progress reducing controllable costs by GBP54 million. We remain on track to meet our target of GBP300 million reduction by 2022. In the first half, staff costs were lower from actions taken in 2019 and we've reduced our contracted headcount by more than 50%. While this provided incremental savings, we had to increase spending in IT to support remote working and we also contributed GBP43 million to various community support schemes.

At our full year results, we outlined our expectation that 2020 P&L savings will be GBP150 million, which, as a reminder, is on top of absorbing inflation. Based on the first half trend, we are on track to beat that estimate. We are looking for opportunities to further accelerate our delivery.

In conclusion, despite the challenges and disruption of COVID-19, we delivered solid trends in trading profitability and resilient capital. The outlook remains uncertain. We take some encouragement from the lower number of reported cases, but as recent reports make clear we are likely to be living with COVID related restrictions for some time to come. Together with the withdrawal of government support, this will prevent continuing challenges and delayed any return to normal levels of movement and economic activity. This makes it inherently difficult to make definitive outlook statements. Broadly, we expect volume levels for the remainder of 2020 to be around the level in Q2.

Aviva has been deliberately cautious and forward-looking at recent years. We're continuing to take to a disciplined approach to managing our market and trading risks. This puts us in a good position to continue to protect and grow value for shareholders and to embark on our strategic transformation and tremendous leadership.

Amanda Blanc {BIO 19138679 <GO>}

Thanks, Jason. So, in summary, Aviva is embarking on decisive change that I am confident will unlock significant value in the business. Focusing on where we have strategic advantages and scale will give us a clear direction. This focus combined with transforming our performance and a strong and resilient financial position will put us in the right position to win and to win for the long term.

I do not intend to disrupt the organization with another lengthy strategic review over Capital Markets Day. That is not what is required here. I've only been in the seat for a month, but I'm already confident that we have many of the ingredients to make Aviva a winner. It is my intention to update the market as we made tangible progress in delivering on the priorities I have signaled today. I do, of course, look forward to meeting with many of you virtually or in person in the coming weeks and months and sharing our progress with you.

But, in the meantime, thank you for listening. And, with that, I'll pass back to the operator and we will open the lines for questions.

Questions And Answers

Operator

Thank you. (Operator Instructions) And your first question comes from the line of Jon Hocking at Morgan Stanley. Please go ahead. Your line is open.

Q - Jonathan Hocking

Good morning, everybody. I've got three questions, please. Firstly, Amanda, you spoke about things you'd like to improve operationally in the UK business in particular. Can you give us some color in terms of where you see the capability gaps? And how those might some vary by line of business.

Secondly, on the UK business, do you have any thoughts at this stage in terms of where you'd like to take the business mix?

And then, finally, on the dividends, given the guidance from the various regulatory bodies in Europe, do you think it's possible to get a dividend from France and Italy in the second half of the year? Thank you.

A - Amanda Blanc {BIO 19138679 <GO>}

Okay. Thanks, Jon. I'll pick up the first two of those questions and hand to Jason on the third. In terms of improving operationally in the UK business and the capability gaps. So I think as far as the UK business is concerned, we already have a sort of market-leading position. And the dilemma, I guess, is why does it not turn into a market-leading performance. And so what we absolutely need to focus on in terms of the performance of that business is how the investments that we have committed to making -- yes, I think, Jason in the Capital Markets Day last November said that it was going to be GBP1.3 billion over the period. Yes.

How is that investment going to transform into performance? And so what we need to be, I guess, laser light is the various areas of performance improvement that are required. So how do we get a better return on capital in some of the business areas that are currently underperforming. How do we look at what we need to do on expense efficiency? So we have a quartile in terms of all of our markets at the moment in all of our segments. We've already started some of that work and we would -- we believe that there is room to take that further in terms of our customer experience. We've got great NPS scores, but there will be more we can do to make the customer experience smoother; pricing, risk management, the list is long, but I think these are all topics. I have 32 years in insurance and we all have a lot of experience around the room. I think we know where to look.

Well, what this is about? It's about execution, right? It's about making sure that we actually deliver what we say we're going to do and that GBP1.3 billion, the benefits, flow from that. And that's about rigor and execution, and I believe that that is where we should focus.

And as far as the UK business mix is concerned, look, if I look at the UK and we're number one in life, we're number one in GI, we sort of got 25% share in workplace market, we are number two in protection, I think that we are in good shape. We have a good market position. We have a diversified business and there are huge benefits in that diversification of our business as I'm sure you know. So I think the business mix looks good. We will be looking for more growth in terms of the GI business. We know that. But we also know that there are opportunities in the Savings and Retirement business to see that business grow and we've already demonstrated in BPA, I think, the solid growths in the last six months. So maybe, Jason, I hand over to you.

A - Jason Windsor {BIO 17967688 <GO>}

So the regulatory guidance is evolving and we've seen various statements from multi-national agencies and local supervisory agencies. We didn't have -- you mentioned France and Italy, I think, we didn't have anything penciled in for 2020. I think, as I said, for France Life we've been seeking to rebuild capital and reset the plans there and Italy is not a significant dividend for us in any event. Having said that, there are not strict prohibitions. We continue to get payments back on internal loans and the like. So we've got an expectation, as I said in the prepared remarks, of significantly higher remittances in the second half, but less so from some of the international subs.

Q - Jonathan Hocking

Okay. Excellent. Thank you.

Operator

Your next question comes from the line of James Shuck of Citi. Please go ahead. Your line is open.

A - Amanda Blanc {BIO 19138679 <GO>}

Hi, James. You might be on mute.

Q - James Shuck {BIO 3680082 <GO>}

I am indeed on the mute. Apologies for that. Thank you.

A - Amanda Blanc {BIO 19138679 <GO>}

The most used expression in the lockdown, you might be on the mute.

Q - James Shuck {BIO 3680082 <GO>}

The things we learned through lockdown. Yeah. I had two questions. So the reduction in market risk on Solvency II ratio. So big changes there. I guess I'm keen to understand to what extent that is temporary tactical decision and/or permanent, another implications on the earnings front, because obviously you are increasing hedging costs and the asset allocation is changing?

And, secondly, on the international operations. You're not explicitly saying disposals, but you are saying that that might be better ones in the longer term. Are there any impediments to sale? I know a bunch of the operations, but sell through bancassurance agreements or through IFA networks. We might have a change of control situation that might cause problem.

And perhaps you could just update whether there's been any expressions of interest up to this point? There's been very strategic reviews going on for sometimes, so we just good to gauge the interest, if there is any? Thank you.

A - Amanda Blanc {BIO 19138679 <GO>}

Okay. Thank you, James. I'll pick up your second question, and I'll pass over to Jason on the first. On the international operations and impediments to say, look, I think we're not saying today that these businesses are disposals, right. So what we're saying is that they're great businesses, they are excellent people, they serve their customers really well. And if we see opportunities to expand on that to generate better returns or sustainable cash flows, we are willing to invest. But if we can't, we do need to be decisive and withdraw capital. And there may be better owners for the businesses in the longer term to just repeat, I guess, what I've already said. And you wouldn't expect me to comment on expressions of interest and I'm not going to do that. And as I said, I'm not saying that these businesses are disposals.

In terms of impediments for sale and, clearly, we do have strong JV relationships in some of these markets and we will work through all of that. Jason?

A - Jason Windsor {BIO 17967688 <GO>}

Sure. I mean, it vary slightly than what we've done. But I would say we have a very clear economic value framework for asset allocation, where I talked about this at Capital

Markets Day, where we use the return on economic capital to really drive and define all of our decisions and that's embedded in the way that we've been thinking about our balance sheet in the first half. So we're not thinking about risk per se. Capital is not short in and of itself, but we want to make sure that our exposure to market risks is aligned with the level of return that we can get.

So on an economic basis, the return is slightly enhanced. In fact there is a small impact on IFRS as I've talked about before. France was sort of double-digit figure for buying interest rate swaptions and the interest rates is a risk that isn't really rewarded. So we trying to make sure that we take them off the table. I don't think there's any significant change to the reward on the equity and credit side and we've been quite thoughtful about how to bring that through, mention what we've got in a well-diversified portfolio that the margin we've been reducing risk, but with wider spreads there to return on an economic basis has been maintained.

Q - James Shuck {BIO 3680082 <GO>}

Okay. That's great. Thank you very much.

Operator

Your next question comes from the line of Greig Paterson, KBW. Please go ahead. Your line is open.

Q - Greig Paterson

Good morning, everyone. Can you hear me?

A - Amanda Blanc {BIO 19138679 <GO>}

Yes. We can hear you.

A - Jason Windsor {BIO 17967688 <GO>}

Good morning, Greig.

A - Amanda Blanc {BIO 19138679 <GO>}

Good testing.

Q - Greig Paterson

Hope all are safe and everything. Three questions, please. Just in terms of your internal mixes, reinsurance mixes, I wonder if you could give us an idea that if those were removed, how much that would impact the Solvency II ratio?

And the second question is, you mentioned investing in your focus markets. I was wondering if you would consider -- when I said -- marginal material deals acquisitions in the UK, Ireland and Canada?

And the third sort of questions/observation, I note that in the verbiage on the UK Life there was very little reference to assumption changes/management, actions/optimization in the annuity, was that because it's now embedded in the underlying, so you're not calling out separately or it was low this time? And if so, what was the reason? Yeah. Thank you.

A - Amanda Blanc {BIO 19138679 <GO>}

Okay. Thank you. I will pick up the second question and Jason will pick up the first and the third. On the investments in the focus markets, so obviously today is not a day to talk about acquisition activity, today we're talking about how we want to invest in those businesses to become market leading performers in the areas that we're in. We already have actually strong market share positions in all of those markets. So I feel very, very comfortable about that, but also I'm comfortable that we have some headroom to continue to grow in those markets. Jason?

A - Jason Windsor {BIO 17967688 <GO>}

Yeah. On the mix to the first order question, the first order answer to your question is zero. The mixes does not enhance the solvency and by -- we get diversification, it's about where we see the capital, whether we get it in the group or in the subs and that's fundamental question. There is a second order subtle point around risk margin there, of course we won't get into it, but that's a small, very small figure.

On terms of UK Life, the -- on the OCG basis, there was slightly more than on an IFRS basis that came through where we've had some annuity optimization and activity, the sort of answer I gave to James a moment ago, we thought hard about how to manage credit risk in particular as we back the new annuities. But there is no significant one-offs, I would say, and we certainly haven't changed assumptions and that will be -- we will come to in the second half.

Q - Greig Paterson

So, Jason, are you saying that if you remove the mix, your diversification credit on the SCR won't change at all?

A - Jason Windsor {BIO 17967688 <GO>}

Correct.

Q - Greig Paterson

All right. Thank you. Cheers.

Operator

Your next question comes from the line of Ashik Musaddi at JP Morgan. Please go ahead. Your line is open.

Q - Ashik Musaddi {BIO 15847584 <GO>}

Yeah. Thank you, and good morning, Amanda; good morning, Jason.

A - Amanda Blanc {BIO 19138679 <GO>}

Good morning.

A - Jason Windsor {BIO 17967688 <GO>}

Good morning.

Q - Ashik Musaddi {BIO 15847584 <GO>}

Just a couple of questions I have is the, first of all, when -- I think you did mention about the Europe and Asia, that it's not bad businesses, it is just that you are looking for opportunities, but I mean, what sort of metric shall we look at to decide whether you're delivering on these businesses or not, whether you want to keep this businesses or not. What sort of metrics would you focus on, would it be cash, operating profit, OCG? What will make you decide that these are the businesses you need to keep and these are the businesses that you don't need to keep? So that could be the first one.

Second thing is, can we get some sense on local solvency ratios to understand how the remittances are going to look like for second half of this year and how comfortable you are on the full year remittance for next year? Because clearly, I mean remittances is very important and given that you are planning that you haven't taken out any remittance in first half, it will be good to get some color on how we should think about like second half and next year?

And just last one is, sorry, going back to the dividend topic, I mean you mentioned that there will be -- there has been a first interim, second interim and there will be a final dividend. But any color on what should it be based on, should it be based on IFRS earnings, should it be based on Solvency II capital generation, what metrics do we need to focus on or should it be based on remittance basis? So any thoughts on that would be very helpful. Thank you.

A - Amanda Blanc {BIO 19138679 <GO>}

Okay. Thank you. I'll take the second -- sorry, the first and the third question, and Jason will take the second.

So on Europe and Asia and the metrics that we will use. So look -- obviously we will look at this across the range of metrics. I think probably all of the above in terms of the ones that you mentioned, Ashik, in your point. We will look at the returns of those businesses, we will look at the sustainability of the cash flows to the center, we will look at the return on capital, but also we will look at our rights to win and our position within those markets to see whether or not we actually have the capability to be able to win there recognizing quite rightly, as you said, that they are good businesses and they are good people in them and they deliver well for their customers. But it might be that, as we said very clearly, there might be better owners in the longer term. But this is part of a sort of a thorough look that we will take at each of these businesses.

Your point around the dividends and I think we were clear that what we said on the dividends is that we would come back to all dividend questions in Q4. We felt it was important to be sort of transparent at this point. But what we will base that dividend policy on will be the strategic priorities, the (technical difficulty) the portfolio, the ongoing commitment to debt reduction, and the desire for resilient and a sustainable dividends. And we felt that as we were making a meaningful change to the strategy, that it was important that we should also review the dividend. Jason?

A - Jason Windsor {BIO 17967688 <GO>}

Sure. I mean I'll just add on that one. We talked about capital generation and obviously it's the long-term and we're after the return on capital and as we think about in the long term clearly we need to turn those returns into cash. So we're trying to manage those two as the primary metrics, certainly be fed into our thinking as we would doing it for some time.

On the sub solvency ratio, actually all in pretty good shape, having had pretty bumpy first half to be clear. But I talked at the year-end results about the significantly improved solvency position in France. I think I said that results, it was up 50 points or so in the second half and there is no real change. And from that probably backed up a little bit in July with the falling rates. UK, the big UK subsidiary is down very small single-digit from the position at year-end. We've worked hard in Solvency. There is an impact in the GI business as you might imagine pretty much. If you took the COVID-19 loss on OCG basis, the spread across the GI subsidiaries and you're probably looking about 10 points in those two subs. That's probably the biggest impact that I could guide with you.

Q - Ashik Musaddi {BIO 15847584 <GO>}

That's very good. I mean I just have one follow up. Would you be able to comment on the timeframe that we need to look for Europe and Asia? Like, you are going to give them one year, two-year or I mean any thoughts on that or is it still too early to give clarity on that? Thanks.

A - Amanda Blanc {BIO 19138679 <GO>}

No, I mean, I think, I've been only four weeks in the seat and what we've outlined today is our framework for how I'm doing the portfolio and we not -- we won't discuss the timeframe today.

Q - Ashik Musaddi {BIO 15847584 <GO>}

That's very clear. Thank you.

Operator

Your next question comes from the line of Blair Stewart of Bank of America. Please go ahead. Your line is open.

Q - Blair Stewart {BIO 4191309 <GO>}

Thank you very much. Just coming off mute there, almost forgot. A couple of questions. Firstly on the dividend, I wonder what's the significance of the GBP0.06 that you've declared today as second and from that it takes us to GBP0.155 dividend payment for full year '19. Is there any significance at all in that number?

Then just related to the dividend demand that you talked about being in a position in Q4 to set a dividend strategy with a view to or having a view on the strategic footprint of the group, but you also mentioned these strategic decisions will be taken over time. I think you mentioned long term a few times in your comments. So I'm just trying to marry that up. How can you be in a position to make a decision in Q4, given that your dividend choices will depend on your strategic footprint of the group?

And my final question just really thinking about possible dissynergies from shrinking the footprint of the group. Jason, perhaps you can remind us of the internal debt that remains and where that sits, that might be one issue and there might be others as well that you might care to mention at this stage? Thank you very much.

A - Amanda Blanc {BIO 19138679 <GO>}

Okay. Thank you, Blair. So in terms of why only GBP0.06? What we said in May, obviously, was that we would come back in Q4 on all dividend matters. But as we discussed this at a Board, we felt that it was important that we would pay something at this point to recognize the importance of dividend to our shareholders and particularly in this difficult economic environment, but obviously we have to balance that with prudence. We felt it was -- fairly it was right to pay something, but we will come back on all other matters in Q4.

As you said about the strategic footprint, I think again to go back to something I said earlier on the dividend policy. The strategic footprint will be one part of the dividend policy as well; our strategic priorities, the ongoing commitment to debt reduction, the desire for a resilient and a sustainable dividend, so I think all of these things will be taken in the round when we consider that policy.

But, Jason, on the dissynergies?

A - Jason Windsor {BIO 17967688 <GO>}

Sure. I didn't quite -- I'll answer the specific question, Blair. On the internal debt, there's only one upstream loan that's from the GI business of the group that is GBP7 billion, dramatically reduced as part of the restructuring that we embarked on. And I remember it well in 2013 when it was at GBP6 billion. So that has been fundamentally restructured over the past seven years. I mean, otherwise, I don't see anything specific on other dissynergies that you had in mind?

Q - Blair Stewart {BIO 4191309 <GO>}

So there is no other internal debt from group into the European subsidiaries, et cetera, that's what I was thinking about?

A - Jason Windsor {BIO 17967688 <GO>}

I mean, there is downstream loans, maybe you'd expect that in the form -- and that's just normal in a normal corporate finance. There is nothing else that you need to be aware of.

Q - Blair Stewart {BIO 4191309 <GO>}

Okay, great. Sorry, Amanda, I forgot to just ask one question. Just on the deleveraging, you've mentioned few times, the group's clearly got some deleveraging targets out there. Just wondered if you -- if it's still stand or if you want to do more than that?

A - Amanda Blanc {BIO 19138679 <GO>}

As I said, yes, we are committed to further debt reduction in the financial targets that we have in place and still stand. We have GBP2.2 billion of maturities over the next two years, so we believe there will be ample opportunity to reduce our debt.

Q - Blair Stewart {BIO 4191309 <GO>}

Thank you.

Operator

Your next question comes from the line of Fahad Changazi at Mediobanca. Please go ahead. Your line is now open.

Q - Fahad Changazi {BIO 15216120 <GO>}

Oh, hello. Good morning. Just two questions operationally, please, if I may. So, as you said, there has been a strong performance in the bulk annuities in H1, given the attractive pricing and the growth rate will moderate in H2. But has pricing come off now or can we expect similar volumes in H2 versus H1, or will they be lower? And I suppose, given your comments on being a leader in the UK, are -- will BPAs be a strategic focus, where we can see Aviva increasing its market share?

And one more on Canada, strong combined ratio, a little help from reserve releases, but in large part, the turnaround was to be driven by rates and given COVID considerations, can you still put through more rates or will you get your target core when the full impact the ratio already put through comes through? Thank you.

A - Amanda Blanc {BIO 19138679 <GO>}

Okay. Thanks, Fahad. I'll pick up the question on the -- on BPAs and the leader in the UK, and then Jason will pick up the other two points. So I think we do see the BPA market as attractive for Aviva. We are number three in that market. It's the large, it's a compelling market and clearly there is a structural growth opportunity there as companies seek to derisk that pension liabilities. And I think combine that with the skills and capabilities that we have in that area and we do see that as a continued growth area. Jason, in terms of the other two points?

A - Jason Windsor {BIO 17967688 <GO>}

Sure. So in BPA, growth in the first half was strong. I think last year we wrote just over GBP4 billion, in the first half last year we wrote GBP1 billion, so you won't see that level of growth and its a 2.5 times as I said in the second half, because we wrote GBP3 billion in the second half last year. But the GBP4 billion gives you a sense of -- and we will clearly be higher than that. We've got GBP1 billion scheme, where we are preferred provider on in July. So we're already at last year's volume. So in the second half, we can be a bit more selective. I think we will continue and allocate capital very carefully in BPA and we felt, as I said a moment ago, we got really clear economic metrics driving all new business pricing, but particularly in BPA given its scale. We're very clear the level of returns that we can make and we will continue to be very watchful of that as we look forward, both in terms of the price and the amount of capital that we allocate to. And you will see in the numbers, the strain in the first half was actually really very attractive and that's obviously a direct corollary of the pricing.

In terms of Canada, I think it's unlikely that personal lines rate rises will be going through any further. I think we did have significant filings across that, there was very large claims inflation in '17 and '18. I think we sort of up with events, if you like. There will be some pressure from politicians. There are always is in Canada to back out some of that rate increase. But the underlying performance in Canada is really strong across the board. The work that the guys have done in the last couple of years to turn that business around is excellent. It's a good platform always to continue to grow.

Q - Fahad Changazi {BIO 15216120 <GO>}

Okay. Thanks very much.

Operator

Our next is from the line of Colm Kelly with UBS. Please go ahead. Your line is open.

Q - Colm Kelly {BIO 19140684 <GO>}

Hi, thanks; and good morning, everyone. And just a question on the review of the dividend policy. So I know previous management were quite quick to reassure regarding the dividend policy and the sustainability driven by the strong financials, as well as those strong financials remain on show at half year despite volatility and derisking has been enhanced. So has anything specifically changed on these financials or your view of them to require the review of the dividend policy? That's the first question.

Secondly on the strategy and thanks a lot for providing the update on that today. Is there anything you can say regarding your expectations for the mix, the business mix between life, P&C and asset management that you would like to achieve over the medium term?

And then, thirdly, a question on the return on capital for the group, as you know, it currently benefits a lot from diversification in its capital base, which is a core part of the return on capital that the group generates. With the update in the strategy for the international business, are you confident that if those businesses are not part of the group over the medium term and it wouldn't adversely impact on that diversification benefits to the extent that it would then create a drag on the return on capital, which is a core metric for the group? Thank you.

A - Amanda Blanc {BIO 19138679 <GO>}

Thanks, Colm. So in terms, obviously, of your first question around the dividend policy and there is a strong set of results. Obviously, I think if you just take, I guess, a step back, what we've said today I think strategically is that there is a meaningful change to the focus of the group and therefore with meaningful change, we believe it's also important that we should review the dividend. So in the danger of repeating myself, but I will, if that's okay, that will be set around the strategic priorities, the future shape of the group's portfolio, the commitment to debt reduction and the desire for the dividend to be resilient and sustainable. So that's the context upon which we will review the dividend policy.

So as for strategy and the expectations around the balance between life, P&C and asset management. I mean, we have more work to do clearly in that area and we -- and today I'm not going to be talking to you about specific numbers. All I would say is that if I think -- if I look at the way that customers look at insurers, they do not look at us as individual business lines and, therefore, I think it's really important that. We have a good diversification of products across those lines and so we can really enhance the strength of the Aviva brand out to our customer base and that's really what we will be looking to do.

We already have very strong positions in many of our life product lines, GI product lines. Again, I feel really boring if I know I'm repeating the same points, but i think it's really important to stress. What we're saying is, we need to turn that -- those leading market positions into leading market performance.

Jason, on the return on capital diversification question?

A - Jason Windsor {BIO 17967688 <GO>}

Sure. Diversification comes in many forms within the group, within the big legal entities, we have strong diversification by designs and we have multiple products, the UK-based obviously between annuities and protection, but it's very different types of savings and annuities. So that actual level of -- that is real value in having a mix product within both the life and the core non-life subsidiaries. As you think about diversification between entities, the predominant diversification benefit comes between the UK Life business, which is our biggest business by quite a margin and the general insurance businesses in the UK and Canada, but that's where we see the majority of it. There is clearly some internationally. But then it tends to be slightly less, because that does correlate more with the market risks that we have in the UK.

Q - Colm Kelly {BIO 19140684 <GO>}

Okay. Thanks a lot. Appreciate that.

A - Amanda Blanc {BIO 19138679 <GO>}

Thank you, Colm.

Operator

Next comes from the line of Andrew Crean at Autonomous. Please go ahead. Your line is open.

Q - Andrew Crean {BIO 16513202 <GO>}

Good morning, everyone.

A - Amanda Blanc {BIO 19138679 <GO>}

Good morning, Andrew.

Q - Andrew Crean {BIO 16513202 <GO>}

A couple of three questions. Firstly, if you focus on UK, Ireland and Canada, UK Life is 80% of that and in November last year, slide was presented saying that the cash generation from UK Life would be flat over the next decade. Does that not set the scene for the potential growth rate of the overall business in the long term, unless you can accelerate UK Life?

The second question was a little bit of mean question, but we have had a number of Chief Executives here at Aviva who've talked about being better and more efficient and trying harder with greater focus and more operational efficiency. Could you give us a little bit more detail below the line as to how you will be delivering these things different from what was going on before? And whether you will be doing so with a different number of lieutenants driving your businesses, or with the same people?

And then, finally, on the debt reduction, are we to assume that you will leave it all now until the last year in 2022 or will you look in 2021, you've got some debt redemptions, I think, in next year? Thank you.

A - Amanda Blanc {BIO 19138679 <GO>}

Okay. Thank you, Andrew. So maybe I should start with your main question first, which was the second one. So, look, I think, as I think I said and I think as you said earlier this week, talking is the easy big, right? And so we know that. We know that we have to improve the performance and -- but you also appreciate that we've always -- we also have to lay out our plans to you guys and what will be different? Well, firstly, I think what will be different is the context in which we set the strategy.

We set the strategy that we will be clearly focused on the markets where we believe we can win and where we believe we can't win, we will manage for the long-term shareholder value. So that in itself creates an extra element of discipline and focus within the organization, which means that when we have GBP1.3 billion to invest, we are very, very clear about where that investment goes.

Now, the investment is one thing, but how we actually then deliver that is another. And that will be around -- the week of around -- these things may sound a sort of obvious, but execution is better than strategy. I have always, always said that. And the vigor and discipline with which we follow through on where we've invested something, how we achieve the benefits that we said it would, whether it's an efficiency benefit or whether it's around the financial and the balance sheet. These are all areas where we will be monitoring closely in making sure that we deliver on that.

As 32 years experienced in working in insurance, the last sort of 15 as a CEO, I sort of know, I think, what good looks like and I'm very focused on performance management and you have to judge me by my actions. I don't expect that to happen today. Progress needs to be made and we will come back to when we make progress, and we'll talk less and act more. But all I can say today is, I am confident with what I have seen so far here that we have the capability to be able to deliver what we say we're going to do. But as I say, you have to judge us by our actions, not by our words.

In terms of the UK Life being a significant part of that business, of course it is. But also the cash generation that comes from the back book, the cash flow, is a very, very important part of how we invest and how we can grow the other areas of the business. We are seeing good growth in areas -- in these areas around workplace. We've seen fund closing US [ph] area over the last period and we've seen good growth in coms [ph] area around commercial lines, the BPA growth is good. So what we have to look at is, what are the insurance company of the future going to look like, where is the growth of the insurance company of the future down going to look like, and we have to align ourselves to that. So recognizing, I guess, we are in a good position and we have a strong back book and cash flow coming through from that to help us to do that.

Jason, on the debt reduction?

A - Jason Windsor {BIO 17967688 <GO>}

Sure. I mean, just on the cash flow, just to expand a little bit, if I may. The UK Life as we presented it back in November was excluding the Savings and Retirement and Aviva Investors business. So what we were trying to say is that we know there were certain return part of about 20% of that book is that what we call heritages and runoff, but within that we can grow and sustain that cash flow and that is the bedrock of the dividend paying capability of the organization and it's a very stable cash flow, stock of cash flows within UK Life.

On top of that is the growth potential in the investment and savings business. As you can see today, we've made a good headway, continuing to grow there. We did really well in workplace and retail savings and that's starting to hit the bottom line. And we've got real operational leverage within those two segments. They are starting to really take hold. But

I'm pretty confident about the outlook that we can have in terms of dividends and profit growth within S&R.

In terms of debt reduction, look, we made some headway, but not as much yet on the GBP1.5 billion reduction. The leverage ratio is 32%, right? So, our core metric that we managed to get below the 30%, that was the GBP1.5 billion that we scaled previously, but values held up well. We do have some redemptions in 2021, as you mentioned, I think in a reasonably significant and significant again in 2022. So we've got some flexibility. I think at this stage, we remain committed to that lower leverage as we've mentioned, I think, twice on the front page of the press release. So we are committed to that. The timing of which I think we will be reviewing again when we think about strategy and dividends, but we're certainly hoping to make progress in 2021.

Q - Andrew Crean {BIO 16513202 <GO>}

Okay. Thanks.

Operator

Next comes from the line of Gordon Aitken, RBC. Please go ahead. Your line is open.

Q - Gordon Aitken {BIO 3846728 <GO>}

Good morning. Thanks. And first question is on disposals. It's very difficult to dispose of businesses when you can't meet people face to face, unless, of course, already have relationships with potential buyers. So are there regions or countries where these relationships are -- already exist, so that COVID won't be too much of a barrier?

And second question is on the proceeds you might get. I mean you've talked about the options of investing in businesses or returning capital to shareholders, just on the former, are you talking about acquisitions or are you talking about, say, writing more new business.

And then finally on bulk annuities. Can you share the view of your predecessors have had that the large end of the market is not as attractive as the smaller end? Thanks.

A - Amanda Blanc {BIO 19138679 <GO>}

Okay. Thank you, Gordon. And so, again, just to restate, we haven't spoken about disposals today. What we've said is this is the way that I'm viewing the portfolio and we need to look at the businesses in the international area and ensure that they are delivering the right returns for us and whether that would be around cash, around the return on capital, those are all the areas that we will look at.

And the fact that we can't meet people face to face, I don't think there is not that sense of urgency, I've said longer-term shareholder value. And -- but in many respects, the world have adapted brilliantly, hasn't it, and to this new way of working and I think if we just said six months ago that we would be working in the way that we are working today, remotely, I think we've been pretty successful of that.

On the proceeds, again, just to be clear, today is not the day to talk about acquisitions. Investment in the business, investing for growth that will be centered around the businesses that we've said in our -- in the UK, Ireland and Canada. And those businesses already have a significant amount of investment certified for them. What we need to do, and I'm very boring, I know I'm going to say again, is make sure that the money that we're investing is delivering the benefit that we expect and that is where we will be focused.

In terms of the footprint on BPA --

A - Jason Windsor {BIO 17967688 <GO>}

BPA, sure, I think we've been spreading our wings slowly over the last three or four years. We continue represent, as I said earlier, a big scheme already in July, which is a GBP1 billion just around, we did a big scheme earlier in the year of approximately GBP1 billion. We wrote a big scheme last year. I think we still prefer and it will be bit around that level or smaller. It just easier from a balance sheet management perspective on the assets and the reinsurance and the like, where we have, as I said, so to spread our wings and starting to get more comfortable with the way that we can risk manage those particular transactions.

Q - Gordon Aitken {BIO 3846728 <GO>}

Thank you.

Operator

Next question comes from the line of Dom O'Mahony at Exane BNP Paribas. Please go ahead. Your line is open.

Q - Dominic O'Mahony

Hello, folks, and thank you for taking the questions. And firstly, Amanda, congratulations on the new job.

A - Amanda Blanc {BIO 19138679 <GO>}

Thank you.

Q - Dominic O'Mahony

So two questions. I guess, first is, on the perimeter, you've been very, very clear about the focus being on UK, Ireland and Canada, the business is being managed for sort of manage the value. There was some discussion in the investment community about whether Aviva is the right holder the heritage book in the UK, whether that might be -- it's been a bit to supporting that? Should we be reading the focus on the geography as a sort of a statement adaption not a priority or that's really not a likely outcome?

And then second question and sort of hobble around the dividend and looking forward for Q4 update. But everything you've said in terms of financials suggests that the financials of the business with the current perimeter are not preventing you from maintaining the dividend at the level it was, say, last year. I just wanted to confirm, in particular, relatively recently you gave us some targets for cash and capital generation, but assuming that the perimeter doesn't change, is there any reason for those cash and capital targets to be lower than you previously talked? Thank you.

A - Amanda Blanc {BIO 19138679 <GO>}

Okay. Thank you. So on the perimeter and your question around heritage and what we do with that. So I think, firstly, let's make the statement, we're committed to being the UK driven insurer, therefore we're committed to being composite. And the UK back book generate, as Jason, I think, just alluded to, a significant amount of cash flow and we believe that it is important to our financial strength and balance sheet resilience. And so that hopefully clarifies that point, but just to reinforce our commitment to the composite.

As far as the targets are concerned, I think, we're saying today quite clearly that we're not announcing any changes to the targets today. But as Jason outlined, COVID-19 has made achieving some of those targets a little more difficult. But the dividend policy review will be set in the context of the meaningful change that we have spoken about today on the -- what way we look at the portfolio, the strategic priorities of the group, our commitment to debt reduction. I know I'm repeating myself, but I'm (multiple speakers)

A - Jason Windsor {BIO 17967688 <GO>}

(multiple speakers) no one has changed my targets or any of the other management teams.

A - Amanda Blanc {BIO 19138679 <GO>}

Absolutely.

A - Jason Windsor {BIO 17967688 <GO>}

We are after them, right, and we've got no room to maneuver. As I said at the Q1 call, that is going to be harder to achieve, that's of life, we're going to take that and try down this to make sure that we got there.

Q - Dominic O'Mahony

Very clear. Thank you so much.

Operator

Your next question comes from the line of Abid Hussain at Credit Suisse. Please go ahead. Your line is open.

Q - Abid Hussain {BIO 20229932 <GO>}

Hi. Good morning, all. Thanks for taking my questions.

A - Amanda Blanc {BIO 19138679 <GO>}

Good morning.

Q - Abid Hussain {BIO 20229932 <GO>}

Good morning. I've got two questions remaining, I think. Firstly, just coming back to the remittances, I just wanted to check if there were any minimum capital hurdles that you came up against -- within the local entities that prevented you from taking out the cash? It sounds like, there wasn't. And if that was the case, was it just a case of a soft request from the regulators, so just any more color on that would be helpful?

And on the second question, I'm afraid perhaps coming back to the difficult question that Andrew asked on portfolio exits. I guess the question is really -- if you can remind us, what options have already been looked at on the portfolio exits on the international businesses in the past and what is different in the way that you're approaching these businesses? Also, there was a slight concern. We've been there before. I think that's what some of us are concerned about, especially if you're saying sort of you want to manage these international businesses for long-term value. So it's difficult to kind of decide what side you are landing on this? So you're just landing on the side that you want to dispose of these businesses? Or five years down the line, you still have the same perimeter?

A - Amanda Blanc {BIO 19138679 <GO>}

Okay. Thank you. I'll pick up that and hand to Jason on the remittances. So what we've said -- I'm not going to comment on the previous reviews on portfolios and exits through what we've considered and what we haven't considered and I don't genuinely think that you would expect me to do that anyway and you're concerned about having been here before again and danger of repeating myself, I get that.

But what we've done here, I think and I don't think this has been done before is we've been very clear and we are very transparent and honest about how we view the portfolio going forward. And we very much view the portfolio in terms of the businesses where we will invest for growth, the UK, Ireland and Canada, and the businesses where we will manage for long-term shareholder value. And that does put us -- is different, I think, from the past, because that does put a different lens on how you invest and how you see those businesses and actions that you take on a day-to-day basis and I think that -- you will -- we will come back to you as we have more to say when we make more tangible progress.

Jason, on the remittances?

A - Jason Windsor {BIO 17967688 <GO>}

Sure. We chose somewhat out of discretion not to take dividends in the first half. Clearly there were challenges around the amplitude that the market moves in the early part of the crisis and that just not the right time to be thinking about dividends, we're thinking about many other things around supporting customers and stabilizing the balance sheet. The group has got very strong liquidity and treasury as we continue to announce. So there was no shortage of cash around the place. So that's the overriding concern. Clearly it's been specific as I said a minute ago, the multilateral and national supervisory comments on dividends, particularly out of Europe, the cognizance of those. And as I've said on a couple of these calls, we listened intently to the views of our regulators and we continue to build relationships with them.

A - Amanda Blanc {BIO 19138679 <GO>}

Thank you.

Q - Abid Hussain {BIO 20229932 <GO>}

Thank you.

Operator

Next question comes from the line of Oliver Steel at Deutsche Bank. Please go ahead. Your line is open.

Q - Oliver Steel {BIO 6068696 <GO>}

Good morning, and three questions. We're all very much looking forward to the fourth quarter update, by the way, because most of today's questions haven't really been answered.

And the first is, nine months ago, the Board of Aviva came up with a rather different strategy and I know that was before your time, but you must be very well aware of the -- of how the decision making process has changed during that period. So I'm wondering what is it in the Board's mind that has actually shifted you from the strategy under your predecessor to the new one?

And secondly and at rather more parochial level and any plans to the management actions in the second half or guidance that you want to give on that?\

And then, thirdly, does possible disposals or certainly a sort of lower emphasis on the international operations change the local capital levels that are required in those local operations either for there better or worse?

A - Amanda Blanc {BIO 19138679 <GO>}

Okay. Thank you, Oliver, and apologies if you think we've not been answering certain questions.

And so in terms of the way that the Board saw the strategy nine months ago, as you quite rightly said, I wasn't on the Board nine months ago, so I really can't comment on that. I was actually in -- on the Board since the start of this year and I have been part of the very fulsome and good debates that we've had on strategy and this is the strategy that the Board is fully committed to. We have a new Chair and we have a number of new Board Members and we've had a good debate about the strategy and we are all fully behind and committed to delivering on this strategy and I think we've been clear, we've been very, very clear about what we will focus on and how we will take that -- and how we will update you as we go forward.

Jason, would you like to pick up the two points on management actions and the lower emphasis on capital?

A - Jason Windsor {BIO 17967688 <GO>}

Yeah. On management action, I think from an IFRS perspective, we hit, I think, GBP69 million in the first half -- I'd given guidance in the past, it's about GBP200 million [ph], but I don't think I will go back. It might be up slightly. We're not expecting anything like the level of release that we have in 2019 or 2018, just to be clear. I think I was clear on that back in November. I just reiterate that guidance somewhere in that 0 [ph] to GBP200 million [ph] range as our long-term expectation for IFRS and we said slightly higher for OCG, somewhere up GBP200 million north of run rate there and then there is contribution on the SCR side.

On local capital levels, I mean I honestly don't know. We thought about that a little bit. This is the way that regulators are reacting to COVID-19 in more broadly. We're exiting a Solvency II framework that has actually behaved pretty well. Obviously some refinements many of us talked about, but if we find to that framework, we believe in economic capital, we managed to it and we think -- I think it's worked well for us and I don't see any consequences of the capital management as a consequence of what Amanda said today.

Q - Oliver Steel {BIO 6068696 <GO>}

Yeah. Sorry, just to follow up quickly on that. What I'm asking is, does it -- as a result of your strategic announcement today, does that change the local regulatory? Does that change any need for cash in most local subsidiaries?

Q - Jonathan Hocking

As you said, Oliver, I don't see any indirect consequence on capital in those subs.

Q - Oliver Steel {BIO 6068696 <GO>}

Thank you.

A - Jason Windsor {BIO 17967688 <GO>}

We're just giving a strategic update today. There is no -- there's nothing beyond that and there is nothing beyond that for regulators to react to.

Q - Oliver Steel {BIO 6068696 <GO>}

Thank you.

Operator

And that does conclude the Q&A session. I will hand the call back over to Amanda.

A - Amanda Blanc {BIO 19138679 <GO>}

Okay. Thanks, Nicole, and thanks everyone for joining the call. And as we have I've outlined today, I think we're reporting a solid second half year results. I'm really proud of how people are going above and beyond to support customers during the crisis and I'm going to thank them all for their hard work. I do -- I will say again, look forward to meeting many of you virtually or hopefully in person in the coming weeks and months and sharing our progress with you.

Thank you so much for listening, and I hope you all manage to get a break even if it's a staycation over the summer holidays. Thank you very much.

Operator

That does conclude the conference for today. Thank you for participating. You may all disconnect.