Q3 2014 Sales and Revenue Call - Interim Management Statement

Company Participants

- Chris Wei
- David Barral
- Euan G. Munro
- John Lister
- Mark Andrew Wilson
- Maurice Tulloch
- Tom Stoddard

Other Participants

- Abid Hussain
- Alan G. Devlin
- Andrew J. Crean
- Andy Hughes
- Ashik Musaddi
- Blair T. Stewart
- Fahad U. Changazi
- Gordon Aitken
- Greig N. Paterson
- Jon M. Hocking
- William H. Elderkin

MANAGEMENT DISCUSSION SECTION

Operator

Good morning and welcome to Aviva Plc Q3 2014 Financial Results. This call is being recorded. I will now hand you over to your call host, Mark Wilson, Aviva's CEO. Please go ahead, sir.

Mark Andrew Wilson {BIO 6409810 <GO>}

Thank you operator. Good morning, everyone and welcome to our Q3 earnings. And I have with me – some of them with me and some of them online. We've got Tom Stoddard, of course as usual, our CFO. We've got a number of the management team of the key businesses, Chris Wei and David Barral and Maurice Tulloch and Euan Munro, of course with Aviva Investors are all with me or online.

I'm sure you've all read our results and had the time to digest them. As I said I don't think there's any bad surprises in them, and anyway from my perspective, I think there's three key messages to take away from today. First, all of our key metrics have improved again. Second, the benefits of our focused composite strategy has clearly been demonstrated, in a period where there was some market volatility and regulatory changes and other things. I think that's been clearly demonstrated. And third, our key franchises in life and general insurance have had a highly satisfactory quarter. And I've been saying for some time, I think our underlying business has always been strong. I think that was sort of getting, maybe starting to help that.

All of this means we're - and you'll recall, I said, I guess maybe two years ago, now, I said that once we get this business to be closer, to be like a Swiss clock. Now I think we are getting closer to that Swiss clock we aimed for. The predictability is certainly getting there. But in my view, this can only really be judged over a much longer time period and certainly, the clock still needs winding up, may be a bit more.

So I want to go through this morning, I'll cover the headline numbers. So general value of new business, that is up 15% in constant currency. Europe and Asia have had a strong nine months, and what probably would surprise quite a few people, the UK Life business returned to growth in the third quarter, up 18%.

Our product mix has improved, and in the nine month stage, 36% of VNB came from protection, 35% from savings, and 20% from annuities. Our combined ratio, our COR is 1 percentage point lower at 95.9%. Of this, the UK COR of 94% was a standout. So UK, our life businesses in the UK did have a very satisfactory quarter together and separately.

Year-to-date, our IFRS NAV per share is up 10% to £2.98. I should point out, this is before the impact of our Spanish bank JV disposal, which should add approximately £0.04p to this figure. This increase in NAV has helped bring down our external leverage ratio to 46.7% from the 30% at the start of the year. And I mean, you can work out the math with how we got there.

But of course, we have indicated before that we are very much focusing now more on the S&P leverage ratio, which we give you both just to show there's nothing happening. But we're focusing very much on the S&P ratio, which is more relevant I think, and that 30% is now very much on the cusp of a AA range.

We've continued to improve efficiency, and this has led to a further reduction in our expenses. It's been a pretty good quarter on expenses. Now, I don't want anyone to get carried away with this information just yet. Quite frankly, we all know our business remains quite inefficient. But there's other headwinds to contain with as well from forex, at the moment of strikes, and those sort of things. So, this is necessary - but clearly, the cost reduction is going well.

Restructuring costs, which I guess is part of that too. Most of the restructuring costs, just about all of them are Solvency II. The restructuring costs outside Solvency II are negligible. I have previously indicated that half year, that you should expect some modest restructuring costs in the second half. We haven't actually seen this yet. We're likely to get some in the fourth quarter at a reasonably modest level.

In terms of cash flow, we are focused on increasing remittances. Cash flow plus growth is very much in the upper most in our mind. And we're focusing on increasing these investments from the business units and reducing the central spend and reducing interest expense. Obviously, we haven't got all the figures to tell you here. But we'll update you on these, all these moving parts at the end of the year, but progress has been entirely adequate.

Over the last month, we have all seen some volatility in the markets and investors and our shareholders often rightly criticize insurers, saying that insurers tend to buy at the top and sell at the bottom of the market. I get that.

Now, I think we've made a lot of progress in managing our balance sheet over the last couple of years and we're trying to manage our balance sheet more effectively. Now as an example of this, it was that during the summer, when markets were very benign and volatility was incredibly low, we bought some quite material hedges. Therefore, October's market falls, when they happen, they had a pretty modest impact on the economic capital and we're sitting now on some quite nice unrealized gains.

Indeed, I think from a balance sheet perspective, if you compare where we were two years ago, Aviva is now in quite a different place. But as I highlighted the half-year, we still have more to do there as well.

So, I want to run you through a couple of the main businesses, franchises, I want to give you a sense of the trading. So, in the UK Life business, VNB grew by 18% in the third quarter as I said. That's, I know it's really kind of feedback, but it seems to surprise quite a few people, but it was due to a pickup in protection. It was due to some pretty solid equity release sales and some reasonable bulk purchase annuity volumes. We just did – just under 50 of those. And those three things together, more than offset the decline in individual annuity volumes.

Now we have seen some of our banking partners. As we highlighted that we thought they would, now we can say they have or some have or we're not finished there yet. The banking partners have started to turn the take back on protection sales. I'm not talking about PPI sales, I'm talking about pure vanilla life insurance protection sales.

Now, despite protection sales being up 10%, it still remains much more to be done in this product line. And quite frankly, I see these results here as still being entirely inadequate with lot more to do there. Annuity VNB in total was 33% lower after nine months, that plays an improvement on the 41% reported at the half year. We see this set out well against everyone else in the market, I'd like to say why, we don't really know. I think it's probably just the strength of the brand, meaning that at the same price point, we will see the good chance of getting annuities of other products in the same price point.

Another highlight I guess was that in the life business in the UK, there was £1.7 billion net unclosed into our platform. This platform, we're growing our market share of the growing market. So, that was a pretty good result.

Speaking of funds, you wouldn't expect me to have a call without mentioning our AIMS (08:05). You all know that Euan launched this, and it performed very well in the quarter following its launch.

It was up 1.96%. This is well ahead of its annual performance target of base rates plus 5%. And we think of those rates pretty well, enrolled at AIMS in the same portfolios with AIMS to deliver equity life returns back, it should be at least in the half volatility. And this has certainly been demonstrated in the quarter of some volatility.

Now, interest in this has been very strong from institutional investors and distributors. It's a key focus of Euan Munro and the Aviva Investors Team. But I need to remind you, this turnaround will take time. So far, so good, but it will take some time.

Some of our other turnaround businesses, I guess, are in danger of losing the turnaround status although we're not going to let him off that tag just yet. Italy, for example, has made some good progress in the year as we said when we thought they would. It's made some very good progress in this restructuring. VNB is up 68%, so a meaningful £41 million.

Those markets of Turkey, Poland and Asia continue to do what they're supposed to do, and that's grow. And in the first nine months of the year, these three businesses they grew 25% and made up 24% of the Group VNB, and that's up from 21% a year ago and in a period where the group's VNB is actually growing quite acceptably, up 15%. So, that's a good trend.

Moving forward to General Insurance. Our underwriting performance has improved with a combined ratio of 95.9%. That's mostly due to the UK business, which had another good quarter with the COR of 94.1%. This is the lowest reported UK COR over the past eight years, and it's quite frankly due to some good predictive analytics as we bought that (10:05) heavy way. Some expense management, and very modest reserve releases. I see some commentators say, we've had benign weather and that is indeed true in the last couple of quarters. Of course in the first quarter, that wasn't true, where we had the floods.

Our Canadian COR has deteriorated to 96.8%. That with a bad weather, as you know, we had a few large fire losses in the year. While in Europe, hailstorms and floods in France pushed the COR up a little bit to 99.8%. So those two results would be disappointing. Obviously, they're overshadowed by the results in the UK, but maybe that just shows a good divestiture in the group.

Moving to other developments, over the period of rounding our our team, we've had Chris Wei started this month as our Global Life Insurance head. We've got our Chief Digital Officer, Andrew Brem, joining us in December. We had our Chief Data Scientist, Mr. Adam Kornick. He joined us recently as well. So we're at the stage now I think where our team sets out well on paper. But as you and my colleagues here and I are well aware, it is only the results, not the CVs that count. And our results don't count over the quarter, they count over years.

And I guess in summary, my opinion, Aviva is starting to deliver some consistency in results and improvement in results each quarter, certainly. Quite simply, we need to keep doing what we're doing. We need to keep ticking off the issues that we've been ticking off. We need to keep the organization very grounded and focused on the issues, more than the successes, and we need to continue the transformation.

So, on that note, I will open up operator for some Q&A, and I have myself and my colleagues, if we haven't got enough time, maybe we can assure my colleagues and IR will be able to answer any questions that we don't get to today.

Q&A

Operator

Thank you, Mr. Wilson. We will now take our first question from Jon Hocking at Morgan Stanley. Please go ahead. One moment, please. Please go ahead sir, your line is open.

Q - Jon M. Hocking {BIO 2163183 <GO>}

Good morning, everybody. I've got three questions, please. On the general insurance front, I wonder if you could give us some color in terms of what you're seeing in terms of the top-line margin ablation over the last quarter and maybe into October?

Second on bulks, could you split out from the volume how much was bulk annuity in 3Q and what you're seeing on pricing there? Because I think you've mentioned one large scheme, you also seem to mention a lot of smaller schemes there, if you're seeing any difference in pricing over the course of the year?

And then finally, I wonder if you could just make a comment on DBS given the comments that are made in the press? Thank you.

A - Mark Andrew Wilson {BIO 6409810 <GO>}

Okay. I'll pass the first GI question over to Maurice if I may, and you can give some color, Maurice.

A - Maurice Tulloch {BIO 17683736 <GO>}

Yeah, sure. Morning, Jon. If we can, a few trends. Let me first talk a bit of our rates. So, on the motor book, we've seen rates stabilize to probably up very slightly. At this point, there's no major talent in the market for that to move significantly. So in terms of our business, we have started to see growth tick over in the last couple of months. Our whole margins have improved. Somehow they were dampened in Q1 with the storms that Mark alluded to.

In our Commercial business, we continue to pick our spots, so we're seeing decent margin in commercial. And broadly across the piece, we're seeing good fundamental movements. But it is about adhering to our basics of underwriting pricing. We're continuing to get more efficient on our expenses as well. And as Mark alluded to on the reserves, they've been very modest in terms of some margin.

A - Mark Andrew Wilson {BIO 6409810 <GO>}

Just on, just adding to that a little bit, Jon, on the – in terms of our GI volumes. Outside the UK, you've seen growth in Canada and France, and Italy of about 5% to 6%. Obviously, some of that, that's taken away by exchange rates, by currency, and the FX movements.

In the UK, we said we're looking more at packaging, and we thought we'd get to some growth in the last couple of months that we have. Now, a couple of months doesn't make a change, yet. But it's been the first time for many years you've seen that in the Aviva business. And we've got some exceptionally low costs. So we can play with that next a bit, and I think we see it continue in that line.

In terms of the points on annuities, we haven't spread it out at the quarter. We don't hit the quarter between bulk. We've written about – this is 47 David?

A - David Barral {BIO 17035123 <GO>}

(15:13).

A - Mark Andrew Wilson {BIO 6409810 <GO>}

...versus 17 last year. You'll recall at the half year, I said that I thought the bulk annuities, margins were going to come in. That, we have seen that, and we have seen that with the competition.

We are finding if we match the price, we pick up far more in our fair market share. I can't tell you why. But we're being very disciplined on price. I know, Tom you've turned down more on the last months than you have accepted, for example, right?

A - Tom Stoddard {BIO 15071280 <GO>}

Yes. I think the sweet spot for us is the schemes of under £50 million. There was a larger one earlier in the quarter that came across my desk for approval and I approved. There was another one, a large one that came across my desk about two weeks ago, and we thought the margins there just were not attractive based on what we thought it would take to win, so we pulled back on that. And it turned out, it actually went at far more aggressive pricing than what we were looking at. So some of our competitors are going further than we are.

A - Mark Andrew Wilson {BIO 6409810 <GO>}

So, I mean, annuities in the life business as a whole was at 20%. I think that's life's sort of mix for VNB. I'm always unhappy, but I can't be too unhappy, I guess, it was 18% VNB growth in the UK Life business and 15% across the board, despite the impact of FX. So, I think that's okay.

On DBS, DBS and I think they mustn't – the bankers in Asia mustn't have anything on at the moment clearly, because there seems to be an enormous amount of talk about DBS. Where is that relationship up to? Two years ago, we had a very poor relationship. Now, I'd say we have an excellent relationship. I mean all of us, and Tom, and I and our board is actively involved in that business.

The sales have improved a lot, and it's clear to say our partner is very happy with us at the moment. I expect that our involvement comes up for renewal at the end of next year, to be clear. We are the incumbents, and so clearly, we're in the box seat. They're happy with us, and the incumbent has an advantage.

So what do I think on it? For start, it's only about 20% of our VNB in Singapore. So would we like to keep it? Of course, we would. They're a great partner to have. Is it absolutely necessary with 20% of our business in Singapore? No, but we definitely want it.

So what we're going to do, we're going to be incredibly disciplined if we can get it at a price, and clearly we're in the box seat, if we can get it at a price that makes sense to us and that doesn't compromise our investment pieces of cash flow and growth. If we can do that, I'll be delighted to get it and we'll try to. If we can't get it on terms like that, well, then we'd walk away. And we will be incredibly pragmatic and disciplined, that's always as my approach.

So, I think though great partner. If we can get them they would, and I would think they would probably think the same way about us given where it's going at the moment.

Q - Jon M. Hocking {BIO 2163183 <GO>}

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

Operator

Thank you. We will now take our next question from Blair Stewart of Bank of America. Please go ahead. Your line is open.

Q - Blair T. Stewart {BIO 4191309 <GO>}

Thank you very much. Good morning, everyone. I've got two questions actually. The first one is just a general question on where we are in the evolution of the life mix of business. We've clearly seen some shifts, but are we where we need to be there and in particular, which countries still need to change?

And secondly, more specifically on the UK, I noticed some of the comments you just made, but on the annuity side, I see that the volumes overall are flat for the nine months, but the value of new business is down 33% which implies a significant margin decline, maybe just square that circle for me, please. Thank you.

A - Mark Andrew Wilson {BIO 6409810 <GO>}

Okay. I'll start with the second one, then I'll hand over to Tom and others on the life mix there. What you've seen because that's quite right, what you've seen is annuity margins have definitely declined over the year now. That was one of the reasons in the first quarter why we pulled back. So my view on capital, we allocate capitals to the cells that makes sense. And so we have capital constraints on that business. And we say, well, we'll take capital off of you because the margins aren't going to.

So we have seen margins compress this year just to be clear in that business and we said it at the half year. I think bulks are probably compressed a bit in the second half of the year is what we're seeing as well, which is why we're being very disciplined.

I don't necessarily see that changing either way. I mean, the issue with annuities though, if rates go up, then it takes 100 basis points. Annuities all of a sudden become much more affected to the customer and you get some decent margin as well. So we will keep managing that, and we manage that month by month. Do you want to talk about (20:18).

A - Operator

(20:21).

A - Tom Stoddard {BIO 15071280 <GO>}

All right. Sorry, were you asking about the mixer or the life business mix?

Q - Blair T. Stewart {BIO 4191309 <GO>}

The life business mix.

A - Mark Andrew Wilson {BIO 6409810 <GO>}

Mix.

A - Tom Stoddard {BIO 15071280 <GO>}

Sure. So I'll start with that and then, Mark, maybe Chris Wei, if they want to weigh in on that as well. I'd say, we look at all of our markets separately, so it's a different question in France versus the UK versus Asia. We're trying to emphasize being the true customer composite. So we're looking at sort of cross-selling work around the business.

I'd say that we're probably at the margin favoring more protection than investment-oriented business around the group. But overall, I think that mix will change more on a market specific basis than in terms of sort of overall macro.

A - Mark Andrew Wilson {BIO 6409810 <GO>}

And just a bit to add and then I'll turn over to Chris for a couple of comments. What you've seen in the actual results from the quarter, so you've seen some very good - well you've actually seen close and overall mix across the whole group. So you've seen Italy has stopped selling as high guarantee value destroying products. We could only do that after we restructure that business and you're giving some clear benefits out of that.

Under Solvency II as well, Solvency II takes away a competitive disadvantage in heading that market, and France frankly. So in France and Italy, you will see us be able to compete more effectively as Edelman moves closer to the basis that we're being on.

And so maybe, that's been helping us a bit, but what you've seen is that a deliberate product choice away from high guarantees to unit length and protection. In the UK, you have seen the deliberate choice to more pure protection products and equity release. And in Asia, you've seen the same thing with packaging products and putting more protection in it.

Chris, do you want to pass a comment on that?

A - Chris Wei {BIO 17014406 <GO>}

Good morning, everyone. Not too much more to add to that except that if I look at the opportunity after having, been here a month, I think it's fantastic. And the group now has a combination of all the components to leverage analytics, segmentation, your efficient lead generation and prioritization. We applied decent sales management discipline, good distributor management, streamlined underwriting and fulfillment. I think there's really excellent upside on shifting the product mix further towards protection which is capital efficient, which is cash flow generative. So, I'm excited about what's ahead.

Q - Blair T. Stewart {BIO 4191309 <GO>}

That's great. Thank you.

A - Mark Andrew Wilson {BIO 6409810 <GO>}

Thanks, Blair.

Operator

Thank you. We will now take our next question from Ashik Musaddi from JPMorgan. Please go ahead. Your line is open.

Q - Ashik Musaddi {BIO 15847584 <GO>}

Yeah. Hi. Thank you and good morning, everyone. Just a couple of questions. First of all, you mentioned about 10% growth in protection and you're not happy with it. So, what sort of growth should we expect, i.e., are you looking to grab market share on that or is it just a market growth which you are trying to grab basically? So that's the first one.

Secondly, again, you mentioned that turnaround business, Italy, Spain, are really doing very well, but you still think there are further more triggers for the higher earnings. So, can we get a bit more color with respect to the earnings outlook for these market, especially on the IFRS basis and not just VNB, say two years, three years view or even more than that? Any color on that will be great. Thank you.

A - Mark Andrew Wilson {BIO 6409810 <GO>}

Okay. Thanks, Ashik. And I can answer that, well, obviously without getting into trouble on the forecast and deductions. But, yes, at 10% growth, I am not happy with the protection side. Fundamentally just because I think the size of the price, as Chris was talking about, is just so large.

So, whether we're taking market share to spending in market growth depends on the market. I think it's not too difficult for us if we got market share in the UK. What we're seeing at the moment is the banks – and remember, we've got a lot of the large banks as our partners. And we've seen the banks turn on the distribution again for the first time since, I guess, since PPI started or really I mean, it's for quite some time and people are putting people in their branches, specific protection people.

I did sort of try and subtly signal this at the half year, and we're seeing that. I still think it's inadequate because some of the banks turned on. We've got some of our advisors out in the rise as well. The key here is about packaging the right things up for the customers and looking between life insurance and general insurance and packaging them up.

In the emerging markets, it's a bit of both. Clearly, we are picking up market share in the emerging markets. In Asia, for example, we're picking up market share. But the market is growing as well. And in our markets much closer to home, where we have a leadership position, partly we're riding on the back of a rising tide, I guess, but we're trying to do the same sort of things.

And digital is playing a part in this, product packaging is planning part of this. We've got to increase our cross-sell ratio. And the best place to focus on that is protection because it's got low capital and a high cash flow. So I know people are saying that 10% is good externally. We don't think it's good at all, at 10% growth on that. We think it's a long way to go, but it's helpful. I'd rather it's up and down, I guess.

On the turnaround markets, well, I think it's mixed. They all paid the dividend last year, great. They all have had progress this year in VNB, great. But we've got to look at it bit more detail than that. So I'd say, the star would be Italy because it was the most complex and the results are meaningful and the team has done well.

And probably, bluntly, maybe a couple of years earlier than even I've anticipated which doesn't often happen. So that's acceptable. They then just need to keep doing what they're doing and build some scale and they need to build out their product range in some areas.

Spain has done a good job. I mean they've shrunk a bit obviously in Spain with the sale of the agreement that we did recently at 25 times earnings. And now, working through this strategy now to determine what they do with their business and how they grow it effectively.

Ireland's made some good progress, more mixed. There's been some headwinds Ireland with changes in health reform and stuff like that. We're very focused on getting capital out of Ireland as well and branching that business out of the UK and lending it more as a branch. And they've made some good progress, but there's still a lot more heavy lifting to do in that Irish business. They have reduced expenses a lot as well, but there's a lot of heavy lifting.

And Aviva Investors is the other turnaround story. Well, results have been good on the portfolios, but that's always been good. I'm delighted with the team that Euan's put together. We have the right people on the paddock. But frankly, what we need now from that business is some really decent fund flows out of that business. And Euan is spending, just about all those time working on that side of the business. So I mean, that's I guess, a rundown of the turnaround businesses where they're at.

Q - Ashik Musaddi {BIO 15847584 <GO>}

Yeah, that's very clear. Yeah, thanks a lot for this.

A - Mark Andrew Wilson {BIO 6409810 <GO>}

All right, thanks Ashik.

Operator

Thank you. We will now take our next question from Gordon Aitken at RBC. Please go ahead your line is open.

Q - Gordon Aitken {BIO 3846728 <GO>}

Good morning. Thanks. Three questions, please. First on annuities – on bulk annuities, you mentioned you were being selective and just if you could remind us what your hurdle rate is here and what percentage of capital requirement you assume on those?

Second question on pensions in the UK, the PVNBP, I noticed is the lowest of the last five quarters and I thought it might have improved given your post budget also enrolment, DB to DC, so if you can tell us what's happening there?

And finally, the OCG is unchanged, again in fact you've been talking about cost reduction going well, new business contributions obviously up in the third quarter and some of that will come through – the profits will come through in the current period. Can you just square those two and maybe talk a bit about the shape of the cash that's coming off the bank book? Thank you.

A - Mark Andrew Wilson {BIO 6409810 <GO>}

Okay. And I'll get my colleagues to talk about that as well. If I can just start and I'll hand over both to David and to Tom. Auto enrollment, as we've said before, the bulk of auto enrollment actually hits us next year rather than this year, just because we're sort of the midsized players. And as you know, it gets phased in over time, so the large corporates which we don't have are the ones that come on so far. And I'll get back to talk – actually, talk about that, first if you can, David.

A - David Barral {BIO 17035123 <GO>}

I mean the pensions overall is quite shift towards platform now. So the likes of £1.6 billion net flow year-to-date, which is obviously a quite significant and quite substantial increase, 70% up in terms of drawdown sales now post-budget compared to pre-budget which is obviously from a small base. But that continues to grow. But mainly we're talking as a platform story and quite strong inflow actually.

A - Mark Andrew Wilson {BIO 6409810 <GO>}

Yeah, I mean the £1.7 billion I think that make us second in the market actually. And that is if my information is accurate. On the OCG, Tom will comment on that and hurdle that. OCG, and we're putting it out because frankly, you guys want us and need it, and we get that. We've actually sort of gave an indication that it was going to be consistent for the half year, and it is. I have also said that every month that goes past closer to Solvency II it gets less relevant, but of course there's a (30:32) that's measured as an economic capital measure. So, it's helpful that take it with a bit of a – use it as to give indications rather than being particularly accurate under a Solvency II basis, I'll say that much. Tom, you want to talk about that and the hurdle rate?

A - Tom Stoddard {BIO 15071280 <GO>}

Sure. On OCG, I mean, I think if you just think big picture, what's going on there, we've had less favorable results in our Canadian operation because of weather, which is a drag. We've had more favorable results in our UK Life business, so there's a positive. But I think, Mark's exactly right. As you think about our real excess cash flow and dividend capacity we're really looking much more towards long-term economic capital as we think about that. So, OCG is becoming a less relevant measure.

In terms of annuity pricing hurdle rates, what I'd say there is we actually looking at a matrix of factors. It's not sort of a single number. So we're looking at the quality of the business and looking at a variety of sensitivities when we're making decisions there. So we wouldn't disclose a single hurdle rate.

A - Mark Andrew Wilson {BIO 6409810 <GO>}

(31:39) a little bit sensitive as well if I'm disclosing that to our competitors we're now pricing.

Q - Gordon Aitken {BIO 3846728 <GO>}

Okay. Thank you. And just on, if I can follow up. I mean, the cash generation is obviously the key number for all insurance companies at the moment. I mean, can you comment on just direction of, if you're on a Solvency I basis, it's flat and that's not relevant, or it would be on a Solvency II basis?

A - Mark Andrew Wilson {BIO 6409810 <GO>}

Well, I think the actual focus because remember, with Aviva, the problem is never been capital, capital cash isn't the issue. It's cash flow to the group that's the issue because that impacts the ability to pay dividends.

So what we're really looking at, whether it's a ratio of earnings to what we put from the other £2 billion of operating earnings we had last time, what ratio of that is put up to the group or back to OCG. I mean, you can use either one. It doesn't even matter. In effect, ratio we've got to get up over the next couple of years is our key focus. And I've been very clear on that. That ratio to the group is important.

And all I'm saying today, because you have to wait until the end of the year to see how that's going, unfortunately. But all I'm saying today is progress has been, I think I've called it entirely adequate, which I know doesn't help you a whole lot, but you'll see that at the full year.

Thank you.

Operator

Thank you. We will now take our next question from Abid Hussain. Please go ahead. Your line is open.

Q - Abid Hussain {BIO 17127644 <GO>}

Hi. Good morning, all. Just a couple of questions, please. The first one is around the back books. Do you have any more clarities in the Capital Markets Day, on (33:21) you're willing to undertake on the various back books across the group? That's question one. And then question two, just briefly if you could just talk about the Crédit du Nord relationship in France?

A - Mark Andrew Wilson {BIO 6409810 <GO>}

Sure. Yeah, I can – the first one, not going to add too much because it's the full year, just suffice to say, we're still working on it. And the size of the prize is large, but that's always maybe, say, at this stage, we will update that in the full year.

On the Crédit du Nord, I mean, that's an interesting one and as such, it's a good relationship, we get on well with them. But of course, the parent company of that has their own captive, and this does come up next year, late next year. So I would anticipate – I'd probably said – I would anticipate that that's got a captive that would make sense for them to bring it on.

We're a little bit ambivalent about it either way because if they bring it in, they have to pass a whole lot of money under the contract. And if they don't bring it in internally, and they leave it as the JV that it is there, well, we're happy with that as a distribution out in France. So, we're a little bit ambivalent about each way and we're talking to them. And I really think that's a question to them to determine, and either way is okay for us.

Q - Abid Hussain {BIO 17127644 <GO>}

Okay. That makes sense.

Operator

Thank you. We will now take our next question from Andy Hughes at Exane BNP Paribas. Please go ahead. Your line is open.

Q - Andy Hughes {BIO 15036395 <GO>}

Hi, guys. A couple of questions, if I could. Could you comment on the press story about selling the UK legacy GI business, and what the implications of that would be, and why you might be considering it at the current time since what you'd optimized the capital position after putting the reinsurance mix are in place. So, I was kind of a bit surprised that you may be considering such a thing.

And going back to Gordon's question about the operational cash generation. I completely agree with your comments by the way. I don't see it as a valid cash metric. But what it does kind of guide me to is the IFRS earnings generation of these businesses.

And if I look at the UK and GI, UK and all the GI business, the operational cash generation is flat year-on-year. And UK Life is a £100 million better, but it's had a £100 million one-off in H1 as you outlined. So basically what I'm trying to say is ex the reduction and restructuring costs, where is the earnings growth in the group really in terms of what we should be expecting over the next few years because that's what I struggle with the most.

I mean, are we seeing going back to the other question about bulk annuities, clearly, credit spreads are much lower now. So what are you earning on the assets to back these book annuities in terms of yield because that will have an impact on your earnings dynamics. Thank you.

A - Mark Andrew Wilson {BIO 6409810 <GO>}

Okay. Thanks, Andy. I mean, a lot of the questions. I'm not going to answer that because they're full year questions, but I'll answer as much as I can, and Tom will answer some of that. So, the press story on the legacy, what I would say is we will look at any part of the bulk if it improves our cash flow thesis, and it's got to improve at long-term or short-term.

The legacy book has a long-term tail. You could do stuff in there. We've looked at it before, and said no, if you get in the right place, I'll sell it - sell anything for the right price. If it was good for shareholders, we'd do it, but we wouldn't pass - I wouldn't read too much into the press story. We often test the market for parts of the business. So I wouldn't read too much into that. That's just people trying to get us to sell us. You want to pass the comment?

A - Tom Stoddard {BIO 15071280 <GO>}

Yes. I'd say that if we could do something smart around that book of business, we're open up to ideas. The capital there diversifies relatively well against other capital. I'd say that this actually doesn't really tie into the reinsurance mix. So, that's sort of irrelevant to this. But if we could come up with something interesting relative to where we are that effectively creates value for the group, we'd consider that. So we're open-minded to ideas if there's a better way to invest in the assets, et cetera, but there's nothing imminent there right now.

A - Mark Andrew Wilson {BIO 6409810 <GO>}

Yeah. And look at that as – we'll test the market from time to time as we do in a lot of things. Yes. I mean, I'll give you another example on that last. Clearly on the year, we sold off a bulk of non-performing loans in the commercial mortgage space, and we've got a price that was higher than book value, and it really worked well. And we've put the basic probably do it better than we could. So, I guess doing some tactical stuff like that makes sense.

You want to comment on OCG too?

A - Tom Stoddard {BIO 15071280 <GO>}

In terms of OCG, again, I'd come back, Mark, to the investment thesis of cash flow and growth. And as you were saying earlier, the issue in the group is not so much earnings as it is our cash flow efficiency. And so, that's really where the effort is right now. I'd say we're still a turnaround story, so more work remains to be done, but we would expect improving cash flows and then growth thereafter to follow.

Q - Andy Hughes {BIO 15036395 <GO>}

Sorry. I just want to clarify on that point. I'm looking at the flat OCG and sort of – I see that as close to being IFRS in terms of where IFRS is moving over the period especially for the GI business. Is that a valid thing to do or is there some reason why I should look at OCG and say, flat OCG for the UK GI doesn't mean flat earnings?

A - Mark Andrew Wilson {BIO 6409810 <GO>}

I mean, if you have a look at it, OCG excludes a whole lot of things, doesn't it? So, you got to look at it as a group-wide basis. So, you've got central costs in there, for example. You've got interest costs in there. And so we've got quite a big amount in the center. So I wouldn't be making that assumption, no. I'm not going to give you any detail today because that's – I'll do that half year and full year, but I wouldn't make that assumption.

It does include from the businesses some of that for sure. And you've got a better noise in there with the FX and other things. But it doesn't include quite a few things as well. The best - and we'll give you - it's a useful mix just to put in the model. But I wouldn't be making the assumption that it's profit because it's not.

Okay. Thank you.

Operator

Thank you. We will now take our next question from Fahad Changazi from Nomura. Please go ahead, sir. Your line is open.

Q - Fahad U. Changazi {BIO 15216120 <GO>}

Hi. Good morning. Thank you. Thank you for all the commentary around annuities and protection, or for useful information. If I could just get an extra bit, just try to find out where UK VNB is going. And apology, I missed your comment about the individual annuities. But at the Q2 stage, you had the volumes down mid-30%. Has that accelerated now to the expected 50% decline? And perhaps, you could just tie it all up for us and give us some guidance on how you expect UK VNB to end the year in terms of percent of decline?

And I do have a second part, which is a bit wishy-washy. There was an interview recently by Steve Webb, and he said that he was looking at allowing those who have already purchased annuity to be given the opportunity to unwind it in return for a capital fund. Now, I know it is all conjecture, but Steve Webb was making a lot of comments before the budget. And any thoughts you could give around this would be very useful. Thank you.

A - Mark Andrew Wilson {BIO 6409810 <GO>}

Okay. I thought maybe I can start on Mr. Webb's. I think there's a fair bit of political posturing going on and latest things in the market. That would be a very good call politically to do in the market. I think we're a long way away from that yet, frankly. And I have some (41:31) to say anymore on this, but we're a long way from that.

Annuities, and I'll pass now to David, I mean we haven't seen dramatic changes from half year in those volumes. And you see that's basically flat. We've seen margins decrease in that and obviously, that's been more than offset by protection and equity released in bulk. So you've seen that actually be pretty flat. So no, we haven't changed a lot.

And I get asked by the media this morning, well, why are we doing better than others on it? And I wish we could say, the only thing I could say is just probably the brand, when people don't have to buy it, they do tend to grab a taste of the big brands. And one of the legacies I've got left was a really strong brand. So maybe that's the reason.

Do you want to add to that?

A - David Barral {BIO 17035123 <GO>}

Only I mean, in terms of mix, external sales are significantly more down than internal as you would expect and we said that was the case of the half year as well. I think it's still difficult to call. I mean it's kind of leveled out about the moment. We plan at our own 50% enterprise reduction mark. It's not quite there yet. But I - the people are postponing of the sessions before the rules come in next year. So we've actually seen people putting off the decision, not necessarily not buying an annuity yet. So it still clearly can bounce back (42:55) to the market.

A - Mark Andrew Wilson {BIO 6409810 <GO>}

So I mean, the guidance that well, I had given just for clarity so you can understand that was that we thought it would be down £100 million in VNB, because at the end of the year. Now, obviously, at the ninth month mark, we're down 30%, so we're doing better than that.

I'm not going to change the number that we put out there, because we think the margins are going to continue to tighten. So I'm not going to change it at this stage, even though I accept that we're doing a bit better than what maybe we said we would, so maybe a bit better than the market. But let's see. I think this is still very much moving. And you guys are probably in as almost as good a position as us to guess where it's going to end up.

Q - Fahad U. Changazi {BIO 15216120 <GO>}

Thank you very much.

Operator

Thank you. We will now take our next question from William Elderkin at Goldman Sachs. Please go ahead. Your line is open.

Q - William H. Elderkin {BIO 3349136 <GO>}

Hello. Thank you. Good morning, everyone. Just three short follow-ups really. Firstly, can you give a sense of where you think overall UK market rather than your own protection sales can go over the next couple of years?

Secondly, I think in your speech at the start of the call, you mentioned a split of the UK VNB by product. Can you just repeat what you said, because I didn't get it down properly?

And thirdly, I'd be very interested in any additional color you can provide in terms of Solvency II details, calibrations, UK regulatory interpretation thereof.

A - Mark Andrew Wilson {BIO 6409810 <GO>}

Okay, UK protection outlook. One that I'm certain is the UK is under-insured. What happened is people got scared of when they had PPI and so banks stopped selling. I would expect overall the market will grow in protection over the next few years. And I'd expect us to grow our market share in that growing market primarily because the distribution is going to come back and we've got a good chunk of it and our brand as well and digital, too. So I think you're going to see an upward trend on that. Also Solvency II also pushes you towards that as well.

In terms of the breakdown of VNB, so protection was up 10%, annuities is down 33%. In terms of the breakdown of mix, protection was 36% of total VNB, annuities was 20% and savings was, if my memory's right, 35%. After the call, we can give you as much as you want from Colm and his team, and they can take you through it in a lot more detail, if you wish. On the calibrations, go ahead, John.

A - John Lister {BIO 15438517 <GO>}

Yeah. On Solvency II, I'd just say generally that we've got very active dialogue going on with PRA working teams at multiple levels. We'll be going for partial internal model approval next year. But we've got a very active dialogue going on now, so we wouldn't expect surprises at the end of that. However, there still is a lot of uncertainty around exactly where we'll land. Again, we're pretty comfortable with our economic capital and we think that the process is going well. But there is quite an awful lot of work to be done from here.

A - Mark Andrew Wilson {BIO 6409810 <GO>}

What I can say is that ICA Plus is, obviously, much closer to the Solvency II than most other regimes. So the regulator is well aware of that. So we're not starting from a baseline like most other countries are.

Q - William H. Elderkin {BIO 3349136 <GO>}

Thank you.

Operator

Thank you. We will now take our next question from Greig Paterson of KBW. Please go ahead. Your line is open.

Q - Greig N. Paterson {BIO 6587493 <GO>}

Good morning, gentlemen.

A - Mark Andrew Wilson {BIO 6409810 <GO>}

Good morning, Greig.

Q - Greig N. Paterson {BIO 6587493 <GO>}

Yeah. Four quick questions. One is this internal reinsurance that went on in the third quarter with the life book. Could you just tell us what it was and just tell us the IGD eco cap, OCG impacts, and there was apparently some positive impacts, what was going on there? That's question one.

Second question is the OCG, in my calculations, dropped from £510 million in the second quarter down over £100 million. Why was that? Is it less management action being booked in the third quarter than the second quarter?

And then in terms of AIMS targeted fund, I see Aviva investment sales, this is for the quarter, discrete quarter only, up 8% year-on-year. I mean that sort of implies that the initial sales of this product haven't been shooting the lights. I don't know if you just want to talk about that.

And then just finally, the value of new business at the half year, you hadn't capitalized a lot of your benefits in the run rate and expenses that you had seen over the half year. I was wondering where we are in the third quarter in terms of how much of the cost saving benefits have been capitalized into the margin?

A - Mark Andrew Wilson {BIO 6409810 <GO>}

Okay. That's quite a few questions. I'll take some of them quickly. Just on VNB, no, we haven't changed any assumptions. We like to make sure that we have this in place for quite some time before we change our assumption. So the VNB is simply through higher volume and a better product mix. Now, there's nothing material of assumption changes through the period at all, just firstly.

I'm going to take your questions in reverse order. AIMS, (48:35) launched a few months, you wouldn't expect quite, I thought I (48:37) was tough, but you wouldn't expect to get all the institutional sales and things (48:44) and products got a technical of three months. What we have is an extra first three months technical. Euan, do you want to start to comment?

A - Euan G. Munro {BIO 2307409 <GO>}

Yeah, just to reinforce the point, there's natural phases you have to go through with institutional business. You got to get a bit of a track record, and usually about three years, but I'm hoping that – my own personal history of filling these kind of teams together and the quality of the team that I've got will accelerate that. So you've got to get a track record. Then, you've got to get the consultants then to look at your process. And I'm glad to say, we've had all the major consultants in, and they're thinking about how they're going to recommend the strategy to their clients.

Then, you got to get invited to their duty (49:26) parades and present, and then when you're in the business several months later, it comes in. So these things don't happen overnight. But I think what I'm delighted about is the quality of the proposition. And clearly, the last few months have been a great test. So since then, the September, we've seen an annual size move in the markets that occurred in a few days. So AIMS has done about 0.2% since the end of September, and the equity market over that period will be down about 6%. So it does demonstrate the validity of the investment process, and I think in the longer term, it leads to sales.

A - Mark Andrew Wilson {BIO 6409810 <GO>}

Hey, Greig, if I can say, the amount of institutional interest that I'm aware of, not many are involved in the fringes, I'm comfortable, we'll say that much today. So OCG, I don't know what the numbers you mean now, but essentially flat from the quarter. I'll get – Tom will follow up in OCG afterwards, but essentially flat, it is not down, so just to be clear. Tom, on the internal reinsurance, we did expect this question. So...

A - Tom Stoddard {BIO 15071280 <GO>}

Yeah. Well, let me take that as an opportunity to talk about IGD as well and relative to economic capital, and you'll note that there was a decline in IGD from the half year, I think, in part because of dividends and market movements. But if you compare the economic capital move which was much less versus the IGD, there are sort of two technical factors to note there. One is that, some of our hedging on an economic capital basis benefited our economic capital, but that doesn't flow over to IGD. Again, that just gives you a sense as to how we're running the company. And then secondly, within our UK Life business, we've put in an additional 10% quota share between two of our subsidiaries to support UK Annuity. For IGD, that technically doesn't count. So that was a drag on IGD there. But overall, on our economic capital, it doesn't really affect us. So some of that is changes in the numbers, but doesn't really change our capital position.

Q - Greig N. Paterson {BIO 6587493 <GO>}

Does that reinsurance contract that you did won in the first half, did you do a second one in the third quarter?

A - Tom Stoddard {BIO 15071280 <GO>}

Yes. We just implemented one here in September.

Q - Greig N. Paterson {BIO 6587493 <GO>}

And it's the same transaction, just – you did 10, and you've done another 10 now.

A - Tom Stoddard {BIO 15071280 <GO>}

Yes. It's a very similar, if not identical transaction.

Q - Greig N. Paterson {BIO 6587493 <GO>}

And then the management actions in the third quarter, OCG versus the second quarter?

A - Mark Andrew Wilson {BIO 6409810 <GO>}

No. We...

A - Tom Stoddard {BIO 15071280 <GO>}

Yeah. I don't think we're disclosing management actions here around profitability here in the third quarter.

A - Mark Andrew Wilson {BIO 6409810 <GO>}

I don't want to give any guidance on profitability, I prefer to have - give you that information at the half and full. Well, something I would say on IGD just to touch more of those that each month that goes past IGD becomes less relevant for obvious reasons. So of course, you have to comply with it. But luckily, if it's a choice between IGD or economic capital/Solvency II, that's pretty obvious which one wins, as long as we comply with it.

Q - Greig N. Paterson {BIO 6587493 <GO>}

In terms of some of this reinsurance contract, in the first half of the year, the OCG you disclosed, you removed the effects of the reinsurance contract. That was worth £100 million. Must I also assume that in the third quarter on the OCG, you also removed the effects seeing how it's just another leg of the same transaction?

A - Tom Stoddard {BIO 15071280 <GO>}

Yeah. The OCG impact wasn't from this internal arrangement. So again, we'll give you a fuller explanation at the full year.

Q - Greig N. Paterson {BIO 6587493 <GO>}

So I'm saying, did you do the same thing as you did in the first half, as you did in the third quarter in terms of accounting, pure accounting?

A - Tom Stoddard {BIO 15071280 <GO>}

We answered the question.

A - Mark Andrew Wilson {BIO 6409810 <GO>}

Yeah. I mean, we can't give any more information without showing...

Q - Greig N. Paterson {BIO 6587493 <GO>}

Well, I was just trying to ascertain whether it's a better result or worse, I mean there's whole bunch of moving parts here which makes the accounting treatment might be different, so it's quite difficult.

A - Mark Andrew Wilson {BIO 6409810 <GO>}

So in terms of quality, the OCG result was flat, if I can help you there. So it's not better worse, it's flat, which is always on an OCG perspective, it's always what we anticipate it will do during the year.

Q - Greig N. Paterson {BIO 6587493 <GO>}

All right.

A - Mark Andrew Wilson {BIO 6409810 <GO>}

The binding constraint here at the moment for us is we're moving economic capital, it's not OCG. And this is our problem. We've claimed the market to look at OCG over a few years, and that it is a pillar 1 basis. So I look at OCG like IGD. So both of them are on a different basis, and we're getting now very close to being on economic capital basis. So both can lose developments in what we're managing towards, and what we're managing towards is cash flow plus growth, and given the cash up for business and be able to increase dividends.

Q - Greig N. Paterson {BIO 6587493 <GO>}

All right. Thank you.

Operator

Thank you. We will now take our next question from Andrew Crean of Autonomous. Please go ahead. Your line is open.

A - Mark Andrew Wilson {BIO 6409810 <GO>}

Good morning, Andrew.

Q - Andrew J. Crean {BIO 16513202 <GO>}

Good morning. Good morning. A couple of questions. Firstly on the platform, I mean, impressive levels of flow, but the scale of the platform is still small relative to others. Could you give us a sense as to what level size of platform assets you need to make that profitable? And then the second question is on the combined ratios of your overseas P&Cs businesses based in Canada and Europe, where I think combined ratios deteriorated by about 1.5 points in both areas. I mean, you're talking about weather and large losses, can you enumerate that? And particularly, in Canada, which had some quite severe weather in 2013, I'd be very surprised if things were worse on that front as opposed to an underlying deterioration?

A - Mark Andrew Wilson {BIO 6409810 <GO>}

Okay. Thanks to the questions. I mean you've got exactly right on the platform. You've got to get scale to make it work. Now we need to probably double it. We come to about £8 billion to start making some decent money on it. But we appear to be going pretty well when you have £1.7 billion in inflows, and the key thing to measure on these platforms always once you get the scale, and we're getting closer to that each month, is net fund close obviously. And our net fund close are very, very positive.

Like we said, we're not divesting now for this business. Part of its coming from cross-sell from annuities, from the change in the regulation. That's one of the reasons that's driving that up. If you want to have a look at our platform, we have a very, very good platform. I mean, it's got quite a few awards recently. The broker community likes it. And so that area is one that is being consistent as well, it's been growing all year at this sort of rate. So we're getting towards probably past where we anticipated last year. We're getting towards a point where we're going to stop making some money out of it, so you're quite right. On COR, Maurice, you want to talk about the others?

A - Maurice Tulloch {BIO 17683736 <GO>}

Yeah, let me make couple of comments. I think specifically, you were asking about Canada. So as we've noted the COR is at 96.8% is about 1.5% worse than what it was at this time last year. I think the interesting thing, and whilst we wouldn't have counted it as a cat, the first quarter weather which we did talk about pretty extensively at the half year, commonly referred to as the polar vortex actually resulted in frequency being up two full points. And certainly that was a huge driver. The other driver was we did have a hail event in Alberta, in Airdrie, Alberta in August. And I think it's also important to note that the result in 2013 was protected by an internal reinsurance vehicle which is not there in 2014.

Q - Andrew J. Crean {BIO 16513202 <GO>}

So to be clear, was weather and large losses in this year 1.6 points worse or more than it was last year, or is there an underlying deterioration in that result and in the European result?

A - Maurice Tulloch {BIO 17683736 <GO>}

There is not an underlying deterioration. It is worse than it was last year.

Q - Andrew J. Crean {BIO 16513202 <GO>}

By 1.6 points.

A - Mark Andrew Wilson {BIO 6409810 <GO>}

Give or take.

A - Maurice Tulloch {BIO 17683736 <GO>}

Give or take, yes.

A - Mark Andrew Wilson {BIO 6409810 <GO>}

Give or take, yeah.

Q - Andrew J. Crean {BIO 16513202 <GO>}

And same in Europe?

A - Maurice Tulloch {BIO 17683736 <GO>}

Europe was impacted by hailstorm in France and floods in the Southern part of France.

Q - Andrew J. Crean {BIO 16513202 <GO>}

Yeah. What I'm trying to get to is whether it's worth – the delta is worth one year...

A - Maurice Tulloch {BIO 17683736 <GO>}

Yes, I think in France and Europe, the delta is definitely worse.

A - Mark Andrew Wilson {BIO 6409810 <GO>}

Yes.

Q - Andrew J. Crean {BIO 16513202 <GO>}

Thank you.

A - Maurice Tulloch {BIO 17683736 <GO>}

Yes. And in France, also if you look at France and Europe, we're just working through now. We don't have the predictive analytics in France and Europe yet. So the next phase of Adam Kornick and his work is we have time to put that in, so we'll put that into the UK. In the past couple of years, we've seen some big benefit from that clearly.

And now, we're going to put that into Europe. I mean, it's still taking us some time. We're not there yet. We quite like those general insurance businesses in Italy, in France and Europe. We've got some skill there, but we don't have the predictive analytics. So we're building off the rest of the group to now (58:48).

Q - Andrew J. Crean {BIO 16513202 <GO>}

Great. Thank you.

Operator

Thank you. We will now take our next question from Alan Devlin from Barclays. Please go ahead. Your line is open.

Q - Alan G. Devlin {BIO 5936254 <GO>}

Hi. Thanks, guys. A couple of questions. Just to follow up on the UK general insurance comment and the motor rates stabilizing, are you saying the motor rates are stabilizing at what you think is a attractive levels, attractive combined ratios from which you're happy to grow from? And then secondly, any concerns on the home market? And then finally on telematics, will telematics for UK motor supersede the predictive analytics or can they work in tandem? Thanks.

A - Mark Andrew Wilson {BIO 6409810 <GO>}

You're popular this morning, Maurice.

A - Maurice Tulloch {BIO 17683736 <GO>}

Yes, I know, thanks and thanks, Devlin. Listen, first on the UK motor rates. So there's numerous sources out there. In the last three weeks, we've seen AA come out, we've seen (59:43) come out, and the ABI just came out a couple of days ago.

So, whilst the range comes down negative 0.5 to about 0.4, it's pretty consistent. We're seeing our book rates are arguably going up about 1% right now. There isn't a major catalyst for those to move demonstrably upwards from that level. As we showed at the Capital Markets Day, we do make strong margins in UK motor on the back of, really, our analytics, our indemnity managements, and our ever improving efficiency basis. So we do like the UK motor market.

I think in the home market, home rates have been softening really since the latter part of 2011. They continue to soften. That's the market that we've made good returns. That's the market that we benefit from very strong partnerships with several banking partners here in the UK. We like the home, I think, more importantly. It's part of our broader strategic anchorage. We will certainly want to cross-sell more in terms of our home customers, our motor customers and also broader into our life and our health and active management businesses.

And I think the last point on – in terms of usage-based insurance or pay-as-you-drive, we've been a leader in that space. We've got a number of initiatives certainly with the Aviva Drive app, which has had hundreds of thousands of downloads. But we're always looking at different angles and different potentials in that market. And there, we do see future of that, the consumer will absolutely demand that sort of choice and that sort of flexibility.

A - Mark Andrew Wilson {BIO 6409810 <GO>}

Part of our future though on the GI side, we know we're still very inefficient. So we can do a lot more on the General Insurance side in terms of our expense ratios and efficiency. We have to put the predictive analytics through the whole lot and the last thing as Mark said is the cross-selling.

We got 12 million customers in the UK and Ireland. And the cross-sell rates are a disgrace and you don't have to make a big uptick in that to make a big difference and the first beneficiary there was really General Insurance. So that's what we're focused on.

I think I'm going to have to – I'm going to have to close it out there. I guess, my summary points are, what are we seeing in the quarter, what are you seeing now? I think Life and General Insurance businesses performed. You've clearly seen the results in that. You have seen all of our key metrics have improved, if I can say that, and you know what our key metrics are. So they've all improved. So that's been a very satisfactory outcome.

And lastly, we are focused on this composite strategy. It makes us unique and makes us particularly unique here in the UK. And I think the quarter's demonstrated that because for the period we've been down, they were more than offset by others including UK Life, which frankly at the half year, probably few would have predicted an 18% increase.

But we've still got plenty of issues to focus on, and we've got a few good points in there, too. And we aim to keep doing what we're doing. So on that note, thank you everyone, and the team will follow up for questions and things you may have.

Operator

That will conclude today's conference call. Thank you for your participation, ladies and gentlemen. You may now disconnect.