S1 2021 Earnings Call

Company Participants

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

Other Participants

- Andrew John Crean, Analyst
- Blair Stewart
- Colm Kelly
- Dom O'Mahony
- Fahad Changazi
- Farooq Hanif
- Greg Patterson
- Larissa Van Deventer, Analyst
- Louise Miles
- Ming Zhu
- Oliver Steel
- Steven Haywood, Analyst

Presentation

Operator

Welcome to Aviva plc's Half Year 2021 Results Call for analyst and investors.

I will now hand it over to CEO, Amanda Blanc. Please go ahead.

Amanda Blanc {BIO 19138679 <GO>}

Thanks, Nicole, and good morning everyone. I hope you're all well and thank you for joining Jason and me for our 2021 interim results presentation. We will start this morning by providing an update on the progress we are making towards our strategic priorities. And then as usual, Jason will take you through the detail of the results of the first half before we open the lines for Q&A.

So let's get started by turning to Slide 5. Since I was appointed CEO just over one year ago, I have solely focused on creating value for our shareholders, our customers and our people. At the heart of our strategy is the strong belief that Aviva has the potential to win in our chosen markets. We have leading positions, the number one brand in insurance, genuine ESG credentials and the financial strength and capabilities to serve all of our customers' needs. This is unique.

Our strategy required us to focus Aviva's portfolio, transform the performance of our core business and to improve our financial strength. We are convinced that delivering our strategy will create value and we are highly committed to its success. I am therefore pleased to report that we have been working at pace with conviction and are making good progress on all fronts.

In terms of focusing the portfolio, that work is now largely complete. In less than 12 months, we have realized significant value for our shareholders announcing the sales of eight businesses potential proceeds of GBP7.5 billion. We've completed the sales of Aviva Vita in Italy and AvivaSA in Turkey. And we expect to complete the remaining disposals by the end of 2021 with all regulatory approval processes currently proceeding to plan.

Our success in focusing the portfolio is enabling us to improve our financial strength. Again, you will have observed we have accomplished a great deal in the past year and our balance sheet today is extremely robust. Capital surplus of GBP12 billion. Solvency II cover ratio of 203%. Centre liquidity of GBP2.8 billion and debt leverage of 26%, well below our target of operating at sub 30% following the GBP1.9 billion of debt reduction in the first half.

Today, we are announcing an interim dividend of 7.35p per share, an increase of 5% reflecting our confidence in the strength of the business and the underlying cash flow. From the moment we embarked on our refocusing strategy, I've been very clear it is our intention to deliver a substantial return of capital to shareholders following the completion of the disposals and I meant it. Today, we are kicking off that return of capital with the immediate commencement of up to GBP750 million share buyback and announcing we intend to return a total of at least GBP4 billion by the half year 2022. This is subject, of course, to completion of the disposals, regulatory approval for the capital distribution and market conditions. We are moving on this ahead of expectations based on our assessment of the strength of our liquidity and capital position and because we don't believe it's right for us to sit on excess cash and capital unnecessarily.

Turning to Slide 6. Our go-forward strategy is now solely focused on transforming the performance of Aviva and realizing the full potential of our core businesses. In this respect, I'm pleased to report we have delivered an encouraging first half performance with cash remittances up significantly to GBP1.1 billion. Controllable costs down 2%, operating profit up 17% to GBP725 million, and I now have the senior team in place with everyone sharply focused on execution. We're making good progress in the areas we are targeting to grow notably in General Insurance and Savings and Retirement.

Turning to Slide 7. Let me provide some more color on this. In March, I outlined the areas we are targeting for growth and we've seen some encouraging signs of progress in the first half. Individual savings net flows of GBP2.8 billion including record inflows for Aviva. We remain number one in workplace savings with assets under management of 10% to

GBP89 billion and net flows up 8%. Protection and Health profits have return to growth up 32% year-on-year.

In General Insurance we have delivered our highest topline in a decade, largely driven by UK commercial lines, which is up 16% year-on-year. And in Bulk Purchase Annuities, we have traded with discipline in a subdued market during the first half. The outlook for the second half is good. We have recent GBP3.7 billion of new business July year-to-date and are happy with the strength of our pipeline. I'm pleased to see the benefits of our diversified group coming to the fore yet again. Last year, a strong BPA performance negated the COVID impacts on General Insurance; and in the first half of this year, General Insurance, Protection and Health have rebounded helping negate the subdued BPA market. As we look forward, our strong BPA pipeline will serve as well as we face into the personal lines soft market through the seeing the benefit of a composite in action.

Turning to Slide 8. Alongside delivering top line growth, we continue to focus on reducing controllable expenses, which are down 2% year-on-year. We remain on track to deliver our intended GBP300 million of savings in 2022 which is after absorbing growth and approximately GBP200 million of inflation. Furthermore, we are focused on delivering top quartile efficiency across all of our businesses. As the right hand side of this slide demonstrates, our cost reductions are structural driving digitalization in our operations, which has a double impact of achieving cost reduction and improving customer outcomes.

For example, in UK motor 65% of claims are now processed digitally. This has enabled us to reduce headcount and deliver indemnity savings with the average digitally processed claim being closed out for GBP106 less than one handled offline. Furthermore, 91% of vehicles are now directed into our own repair network, the second largest in the UK and all this is resulting in better customer service and satisfaction. We've also achieved a material reduction of 30% in our office space since the beginning of the year. This has reduced our cost by GBP20 million as we seek to work more efficiently and flexibly in the new operating models post-COVID. We see opportunities to go through the year and we believe we can both reduce our costs and improve employee engagement without any detrimental productivity.

Turning to Slide 9. We continue to power up our brand, extending our number one position by 5 percentage points to 16% ahead of our nearest competitor. Both consumer awareness and consideration are considerably following the launch of our new campaign in April. It is gratifying that 87% of retail GI customers and our marketing commissions for Aviva by the price comparison websites reflecting high levels of trust in the brand. Customer numbers are also rising in key areas at 3% in workplace to 3.9 million and up 9% in retail General Insurance to 3.5 million today. And customers continue to increasingly interact to this digitally. MyAviva mobile log-ins are up 50% year-on-year and MyPension app usage is up 58% over the same period. Overall, we are making good progress, but we are going step by step and it will take time to realize the performance that we believe the business is capable of.

Turning to slide 10, Aviva is the clear leader in UK financial services on ESG. We are the major -- first major insurer globally to commit to the Net Zero by 2040. We have launched a climate-focused partnership with the World Wildlife Fund, share action rated Aviva investors number 2 overall for voting practice. We are a key member of [ph]defense and we've also been rated in the top 5% of insurers globally by Sustainalytics. This focus is resonating very positively with customers. It is early days but the flows into Aviva Investors ESG funds in the first half of 2021 are doubled those for the whole of 2020 at GBP324 million. Our market leading Real Assets team play a critical role for society with GBP43 billion of assets under management invested across infrastructure and real estate. And we are going further having committed to investing GBP10 billion in UK infrastructure and real estate by 2023 as we seek to support the broader economy and UK government initiatives. In the first half of 2021, we have invested GBP1.4 billion across a number of key projects.

Turning to Slide 11. In November, I outlined the priorities for deployment of excess capital. First, debt reduction. Second, shareholder returns. And third, targeted investment to accelerate growth. Today, we are providing further detail around how we are deploying the GBP7.5 billion of proceeds generated from disposals.

First debt reduction. We have delivered GBP1.9 billion of debt reduction during the first half of 2021 and we'll utilize an additional GBP1 billion to maintain our leverage ratio below 30%. A further GBP700 million will be used to reduce the internal loan following the sales of France and Poland.

Second, as promised, delivering a substantial return of capital to shareholders. We intend to return at least GBP4 billion to shareholders by the half year 2022 subject to the deals completing and obtaining regulatory approvals for the capital distribution. As part of this, I am today announcing that the Board has authorized a GBP750 million share buyback which will commence immediately

And thirdly, we will invest in our business to accelerate growth. This will be both organically and potentially through strategic bolt-on acquisitions where we identify opportunities to accelerate our progress and that will be accretive to our financial performance.

Turning to slide 12. We are making good progress towards our strategic priorities. We remain on track to fulfill our key financial commitments and we will deliver attractive value creation for our shareholders through the return of capital in the short term and delivery of a transformed performance over time. I'm very encouraged by the direction of travel, but we still got lots to do. We are all keen to execute our plan as fast as possible so that we can deliver the results that we believe Aviva is capable of. Our shareholders deserve nothing less.

Let me now hand over to Jason who will take you through the interim financial results in more detail.

Jason Windsor {BIO 17967688 <GO>}

Thanks, Amanda, and good morning, everybody. I'm going to spend a few minutes to take you through what has been another extremely busy six months. Trading has been very good, setting us up well as we move into the second half of 2021 and beyond.

Whilst there is plenty of work to do to transform our performance, we're making good progress in the key areas. Cash remittances of GBP1.1 billion from continuing operations is very strong and operating profit is up 17% to GBP725 million benefiting from the breadth of our business and our diverse earnings mix. As you know, we made decisive progress focusing the portfolio and the remaining transactions are progressing well. We now expect all to complete by the end of the year, paving the way for the substantial return of capital in 2022. After reducing debt by GBP1.9 billion and the leverage ratio by 5 points to 26%, our Solvency II position and the sense of liquidity remained strong providing significant flexibility.

I'll come back to the capital return later. I'll try first cover our financial results beginning with cash remittances interim dividend. Increasing and sustaining cash flow to support our growing dividend as fundamentals for our strategy. In the first half, we had very strong remittances of GBP1.1 billion, up from GBP0.1 billion in the first half last year. 2021 in total, we expect annual cash remittances to grow strongly compared to the GBP1.4 billion in 2020 with continued growth in 2022 toward our 2023 ambition of GBP1.8 trillion. We remain very much on track to achieve our three-year target of over GBP5 billion of cash remittances in '21 to '23.

This confidence has allowed us to increase the interim dividend by 5% in line with the policy we announced last November. As you know, we aim to grow the dividend per share sustainably by low to mid-single digits per annum.

Now, just a quick word on the Group metrics. Very strong cash remittances of GBP1.3 billion, own funds generation of GBP710 million and Group operating profit of GBP1.1 billion, 8% lower, which mainly reflects the absence of profit from FPI in Singapore. The sales of which we sold last year. The IFRS loss GBP198 million was driven by negative investment variances largely from higher interest rates as well as the anticipated loss on the disposal of France. We expect to be more than offset by the profit on disposal of Poland in the second half.

I'll now focus the presentation on the continuing operations. First, by metrics. I've broadly covered the big increase in cash and own funds generation was up by 49% mainly from the GI businesses. Operating profit increased by 17% with very strong performance in General Insurance, as well as growth from Aviva Investors. Cost of 2% lower in the half and we're looking for cumulative savings of over GBP225 million in 2021 prior to 2018. Implementation costs to deliver the savings in the second half are expected to be significantly higher compared to the first half as we remain on track to achieve our GBP300 million cost saving target in 2022.

Let's now look at the performance of each of the businesses starting with the UK & Ireland Life at an operating profit was 34% lower of GBP545 million. At Trading level, replaced with the growth in Protection and Health and in Savings and Retirement, we've made good progress in the lumpy BPA market and I will go through those segments in a moment. First, toward the management actions and other and on Heritage. Reduction in management actions and other from GBP69 million in the first half of '20 to negative GBP38 million is largely driven by an increase in the provision for legacy customer remediation. And as a reminder, we review our longevity, another major assumption changes in the second half. We expect the full-year profit from management actions and other to be in the north of GBP200 million range.

The half-year reduction in Heritage affects an unusually high comparative in the first half last year but profit over the year was heavily weighted towards the first half. In 2021, we expect a similar level of profit from Heritage in the second half as in the first which we mean profit for the full year in line with around 10% expected run off profile. As a reminder, Heritage had profit of GBP321 million in 2020.

I'll now cover in more detail the segments of UK Life where we are confident we can drive quality long-term growth segments we already have leading positions and capabilities. Starting with the Nancy's net release, which was a relatively quiet six months for the BPA market. Pleasingly, sales of equity release were up 43% reflecting easing of lockdown restrictions and the introduction of virtual valuations sales of individual annuities remain steady. Volumes of Bulks were GBP1.6 billion compared to GBP3.1 billion last year. I'm pleased (Technical difficulty) deal we announced in July and we're on track to have a good 2021.

(Inaudible) IFRS margins were impacted by a higher proportion of assets being temporarily invested in gilts as most spreads made investments in corporate bonds unattractive while investments in a liquid assets are typically weighted towards the second half of the year. I think these assets will improve full year margins similar to the pattern we saw last year. BPA (inaudible) release remain attractive in growing markets where we can capitalize on our strong position to deliver long-term growth.

Growth in Savings and Retirement benefited from higher average assets, which rose 19% driven by market movements and net inflows of GBP5.2 billion in the half. AUM is a fast growing segment reached GBP141 billion at the end of June. We had record net inflows in workplace of GBP2.7 billion in the first half and the platform at some of the largest net inflows of any advice platform in the market. Reported operating profit in Savings and Retirement was flat GBP73 million. This is largely a result of revenue recognition in 2021 is on an actual fee basis aligning our basis of revenue recognition with wider industry practice and eliminating below the line items. On a comparable basis, revenue for S&R could have risen by 13% with operating profit up 30% demonstrating the positive operational leverage, which will become more evident in future years.

Moving on to another of our leading franchises, Protection and Health. We're the number 2 in the group and individual protection market and number 3 in health. Sales were largely in line with the first half of last year but we saw an improvement in mix, driving up VNB by 12%. Group protection volumes were down reflecting a strong first half last year while individual protection sales increased 1%, despite small was a pleasing return to growth. Margins in VNB were higher as the gradual opening of the economy eased and the impact of lockdown restrictions on this line of business.

Our new five-year partnership with [ph]Carlos provides us with the opportunity to build further on this growth. We also saw a shift in Health to higher margin consumer and SME propositions which performed well following the launch of our Expert Select products in Q1.

Operating profit increased by 32% to GBP107 million helped by the business mix shift as well as improved claims experience.

Let's now turn to General Insurance business. Of course, GI was most directly impacted by COVID-19 last year and has benefited from lower claims frequency and more benign weather in the first half of 2021. So it is perhaps unsurprising that we've seen such a strong improvement in performance with operating profit increasing sharply to GBP420 million. However, our GI business has also performed strongly in its own right with an improvement in the underlying operating performance it's more than offset lower investment return as a result of lower rates derisking undertaken last year. GI performance benefited from strong growth in premiums to 6%, a 5% reduction in controllable costs with a combined ratio of 91.6%. We continue to see excellent opportunities for growth in commercial lines. In Personal lines there is some headwinds with softer rate environment in motor combined with increased claims frequency. Also, while weather conditions were benign in the first half of the year, we've experienced some adverse weather in July including floods in the UK and wildfires in Canada. Nevertheless, we still expect the group combined ratio to be below 94% for the full year.

So let's look at these dynamics in more detail starting first with the UK. Overall, the UK business performed strongly delivering its highest half year premiums for a decade with growth of 8%. Commercial lines is continuing to move ahead of pace with double-digit top line growth. The business has benefited from both rate hardening and high retention levels, consolidating our number one position in the market. The combined ratio in underwriting result improved significantly, reflecting improved underlying performance and a significant adverse impact of COVID-19 in H1 '20.

In personal lines, sales were stable and our market share increased a good results in a difficult market with weaker rates. We delivered 5% growth in direct and aggregated business with a successful launch of the Aviva brand on the major price comparison websites. New partnership deals entered into recently have also supported growth in Home however we continue to be impacted by disruption to some of our distribution partners by very low demand for travel insurance. Personal lines combined ratio improved to 94.2% by better underlying performance as well as frequency benefits in motor and benign weather.

Let's now turn to Canada. Hopefully, we were able to see from our first in focus session in July that Canada is a high quality business with strong group synergies diversifying risk in capital.

Canada is performing strongly. Overall, premiums grew by 5% including 2% growth in personal lines which benefited from modest growth in policy count. Combined operating ratio remained strong with an underlying improvement to 88.7%, a bit lower yet still positive contribution from prior year weather.

As I mentioned earlier, we've seen some adverse weather since the start of July and we expect claims frequency to increase in Canada as it reopens after the lockdowns. So we expect core to rise in the second half of the year. Commercial lines continue to see excellent top line growth with rate hardening in new business wins. Improvement in core was partly driven by this rate hardening as well as COVID related business interruption claims and counterbalance impacting the prior period.

Moving now to Aviva Investors which representing on a continuing basis as is excluding its French and Polish operations. Overall, the business had a much better start in the year compared to the top of 2020 with operating profit more than doubled to GBP19 million driven by revenue growth top by origination fees and higher asset levels and customers control. Trust fell by 2% contributing to an 8-point reduction in the cost to income ratio. While this is pleasing to see, we know we have much more to do to improve efficiency. It is also good to see improved investment performance with 74% of AUM now above benchmark at one year.

Net inflows were positive by improved flows from across the group with the pipeline of business that is strong and diverse. This includes our expanding climate transition fund range aimed at the DC market demonstrating the strategic important role that Aviva Investors plays with (inaudible) for the group supporting growth in Savings and Retirement and Annuities and enhancing Aviva's already strong ESG credentials. In summary, Aviva Investors made a good start to refocus the business and we have clear plans to drive efficiency and capitalize on opportunities for profitable growth.

As promised, I'll now come back to capital and shareholder returns. As you know, we've agreed to sell eight businesses for a total of GBP7.5 billion which is down to GBP2 billion of cash received so far mainly from Singapore and the proceeds used to reduce debt. Putting together what we've done so far and what we've announced today, we will utilize all of the divestment proceeds by deploying in excess of GBP7.5 billion of cash to return at least GBP4 billion of capital to shareholders to reduce debt by GBP3 billion and to repay GBP0.7 billion of the internal loan. To reiterate, that's the deployment of all of the divestment proceeds. We have achieved very good outcomes from the divestments and by returning capital to shareholders as soon as possible with pricing significant value.

On Slide 26. You can see that our capital position remains strong with the Solvency II cover ratio increasing by 1% to 203% despite the payment of GBP550 million final dividend and a GBP1.5 billion reduction in debt capital. Our capital position increased from operating capital generation in the period and rising interest rates with some offsetting items including the estimated impact of the transition from LIBOR to SONIA and the unwind of equity hedges.

Since liquidity is also strong with the movement since December, reflecting the final dividend payment, the full cash impact to the reduction of debt GBP2 billion, as well as strong cash remittances. On a pro forma basis, the remaining disposals would increase the cover ratio by 46% and centre liquidity by GBP5.6 billion generating significant excess capital. If we simply pro forma an illustrative GBP5 billion equity plus debt capital return, we remain financially very strong with leverage in our target range of below 30%. Looking forward, we will continue to have significant financial flexibility, low leverage, strong ratings and our new capital position shows the benefit of the Group strategy of around GBP2 billion of diversification benefits.

Our intention to return at least GBP4 billion to shareholders is starting straight away with the share buyback program of up to GBP750 million, which will likely run for six months or so. At the full year results in March, we expect to provide you with the details of the remaining capital return. Of course, this will be contingent on the completion of the remaining divestments, the receipt of regulatory and shareholder approvals and market conditions. At this stage, I can say that our preference is for method of capital return that would result in a reduction in the share count. For example, a special dividend and concurrent share consolidation. We will take further soundings from shareholders on this.

On the debt side, a decisive actions to reduce leverage have taken -- have created some headroom for the return of capital to shareholders. We expect to use a portion of the proceeds to reduce debt by further GBP1 over time to ensure that leverage ratio remains below 30%. In total, debt reduction will lead to annualized cash interest savings around GBP170 million. The approach to further debt reduction is yet to be determined, but given our financial strength, we would be comfortable if our leverage temporarily exceeded 30% before we took additional action of debt. Furthermore, as previously indicated, we will reduce the size of the internal loan by GBP0.7 billion following the completion of the disposals of France, and Poland expected later this year.

Finally, before I hand back to Amanda, I'll make a few wrap up comments on the outlook. First, on our principal financial target. We are well on track to go cash remittances amidst our greater than GBP5 billion three-year target. We're also on track to achieve our GBP300 million cost reduction target of 2022 against the 2018 baseline. As a reminder, we will deliver these savings solely from continuing operations while at the same time absorbing the impact of growth in the business and from inflation which alone, we estimate to be around GBP200 million over the period 2018 to 2022. Beyond that absolute target, we remain focused on achieving top quartile efficiency.

In General Insurance, we expect continued premium growth and despite adverse weather in July and some rating headwinds in motor and improved combined ratio of below 94% in 2021. Savings and Retirement continues to attract very strong flows into workplace and adviser platform while Aviva Investors has a good and diverse pipeline of new business and is taking action to improve efficiency. There was also a good progress in BPAs net release with 3.7 of BPA secured year-to-date and a good future pipeline. We also expect an improvement in margins although not at 2020 levels given the lower asset spreads today.

In summary, we're confident that the trading performance in the first half sets us up to make further progress in the second half. The business is focused, has clear targets and the new CEOs are all in place. We're focused on transforming the performance of Aviva.

Now, back to Amanda.

Amanda Blanc {BIO 19138679 <GO>}

Thanks, Jason. So turning to Slide 30. Let me recap, one year in as a CEO of Aviva, I am delighted with the amount that we have achieved in the midst of pandemic that is still ongoing, but I am restless to deliver more unrealized Aviva's full potential for our customers and our shareholders.

The breadth of our Group is providing substantial financial, operating and capital diversification benefits for our shareholders evidenced by these encouraging half year results. This is a business that is in increasingly good shape, but there is a lot more to do and we are focused on accelerating delivery.

Thank you very much for listening. I'll now pass back to the operator and we'll open the lines to take your questions.

Questions And Answers

Operator

(Operator instructions) Your first question comes from the line of Louise Miles at Morgan Stanley. Please go ahead, your line is open.

Q - Louise Miles {BIO 20765435 <GO>}

Hi, good morning, Amanda and Jason. Thanks for taking my questions. Just three from me, please. So on Slide 26, you talked about the pro forma solvency ratio of 195%. I'm just wondering and I know the 30% leverage ratio here will probably become the binding constraint. But are you still aiming to pay down by 180% level. Are you happier to have a bit of a buffer just in case of any market or operational uncertainty? And then also on the leverage ratio at 28% on that slide as well pro forma, I mean, do you want to maintain that going forward? I know that there are few (inaudible) that could be redeemed in 2023. I'm just wondering if we're going to refinance this launch.

And then finally, and if so can cash remittance from the discontinued operations in the first half, should we be expecting anything else from those divisions in the second half as well? Thanks.

A - Amanda Blanc {BIO 19138679 <GO>}

Okay. Thanks, Louise. I'll take up the first question maybe Jason can pick up the second two of those. So in terms of the pro forma solvency ratio, I guess the upper limit from what you're saying there and I sort of understand where you're coming from on that question, so as I said before, we are making good progress with the disposals. We are all on track to complete them before the year-end but we have to complete the deals. We have to collect the liquidity, we have to obtain the regulatory and shareholder approvals of the distribution and so a capital return is a future event. What we wanted to do today was to set the floor by saying at least GBP4 billion. But we're very conscious, of course, that we need to go through the next few months. So I'm really pleased that we have been able to communicate early what substantial means. And our working range on the solvency years between 160% and 180%. So we are not changing that working range, but I think what we've tried to show you today is that we're going to be actively managing the capital, but we want to just keep the communication going with you as much as possible over this -- over this period. And I think the GBP750 million buyback starting today shows that when we have excess capital, we're ready to start and to make progress and we're committing to a timeline of half year 2022 to be able to deliver the rest of the return. So I'm not going to really say any more than that on the limit today.

Jason, on the other two points.

A - Jason Windsor {BIO 17967688 <GO>}

Sure. On leverage, we don't -- have got a clear target of below 30%. We've driven it down to 26% in the first half. That gives us some opportunity to do the share buyback so that this leverage goes back up. We are not under pressure on the debt side at all. As we look forward, we've got capacity to return significant capital. We do need to take that by a GBP1 billion or so as I've indicated and we'll find ways to do that in you mentioned '23. We've obviously got some redemptions of course in 2022 as well. So if you take the two years in the round, we've got some time. And as I said in my remarks, we don't need to be below 30% every moment if we got the cash at hand and we able to manage leverage and we will do so dynamically across the period.

I think on the discontinued operations, no, we're not expecting a lot of cash from them in the second half. I think we are expecting those divestments to complete.

Q - Louise Miles {BIO 20765435 <GO>}

That's great, thanks.

Operator

Thank you. Your next question comes from the line of Blair Stewart at Bank of America. Please go ahead, your line is now open.

Q - Blair Stewart {BIO 4191309 <GO>}

Thanks very much. Good morning. A couple of questions from me. Given your preference to return that level of capital and reduce the share counts where you're talking about 25% reduction, will the Board review the dividend policy? I think can round numbers your dividend cost is GBP800 odd million. I was going to go down to about GBP600 odd million against your net net cash of GBP1.3 billion. So dividend policy it doesn't seem to make a great deal of sense given all of that. I realize we want to get -- I don't want to get ahead of ourselves but is that something the Board will consider over time? Thank you.

And secondly, you've made some reasonably cautious comments around P&C pricing in UK Retail. What are you doing about that? It seems you're suggesting that you do expect softer profits going forward. But are you starting to raise your prices or attempted to raise your prices to try and combat that? Thank you.

A - Amanda Blanc {BIO 19138679 <GO>}

Sure. Thanks, Blair. I can pick up both of those points. So firstly on the dividend policy. I think even as you said yourself, it is premature for any discussion on amending our policy at this point. This is actually the first time that we've increased the dividend since we announced the new dividend policy in November and 5% is in line with that policy of growing dividends to share at low to mid single digits.

But as we said, we're sort of encouraged by the progress we're making on transforming the performance and we're confident about the underlying cash generation of the business. So I'm sure it's a topic that we will come back to. But for now we think that is premature. On the pricing, then, yes, of course, we are responding from -- on pricing according to the market conditions. I mean, I don't relied on that of course. We've also got the FCA pricing practices which review -- which will be -- which needs to be implemented by January. So there is a lot of work going on looking at the current conditions that are ongoing. I mean, the return of more vehicles to the roads, but maybe slightly different driving patterns alongside reviewing all of our models to make sure that we're in good shape for January.

Q - Blair Stewart {BIO 4191309 <GO>}

Superb. Thank you.

Operator

Thank you. And your next question comes from the line of Fahad Changazi at Mediobanca. Please go ahead, your line is open.

Q - Fahad Changazi {BIO 20210952 <GO>}

Hi, good morning. Could you comment on what is your outlook for the market premiums for Bulk Annuities for this year. And a quick comment on how pricing has developed. You mentioned that corporate spreads are a bit more sensible now than they were at H1. And also in terms of GI very strong performance in underwriting, could you give some color on investment income and yield improvement from H1. And finally, if I could ask a quirky question, do you still have those conservative house price inflation assumptions in Solvency II? Thank you.

A - Amanda Blanc {BIO 19138679 <GO>}

Thank you, Fahad. That sounds like three brilliant questions for Jason.

A - Jason Windsor {BIO 17967688 <GO>}

So I think on the market for bulks, I think we'd probably see this year at the low end of our range of GBP30 billion to GBP50 billion we normally think about. Obviously, we don't know who see the pipeline building in the clients of first half, but from what we're seeing out, we probably would see that low end of the range and we think we're tracking similar to level of market share that we had last year.

On the question investment income on GI, no, on both. Okay, so on GI, we did derisk sharply last year. We are too invested in cash bluntly in the GI business. We are going to do something about that as we go through this year. We've started to work through that. So our investment return is lower. This year we are in the process of reinvesting that thoughtfully, particularly in the UK. I'm talking about during the next -- during the coming months.

In the HP assumptions where we brought them up of the vents. So I guess we perhaps were more conservative this time last year when we first announced them to Q1 last year. We still have quite prudent forecasts in there, but we're not quite as -- we've undone the sort of the Brexit and the COVID related uncertainty. So we're still forecasting probably prices on a short-term basis to be lower than the long-term trend.

Q - Fahad Changazi {BIO 20210952 <GO>}

Okay. And sorry, just on the pricing in bulk annuities now.

A - Jason Windsor {BIO 17967688 <GO>}

On the pricing, we are seeing -- it's a competitive market within the volumes we have seen recent competition. We have also lost a lot of business that we've bid on. So we can see the discipline that we insist on. Through our business, we have not wavered from as we've been trading. The returns are lower than last year just as asset spreads have come in, but on the liability side, we need to be very disciplined.

Q - Fahad Changazi {BIO 20210952 <GO>}

Thank you.

Operator

Thank you. And your next question comes from the line of Andrew Crean at Autonomous. Please go ahead, your line is open.

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

Good morning, everyone. Three questions again. The strategic investments made GBP55 million seems a lot. Is that a normal run rate? Can you just tell us your plans for -- particularly for the Singapore holding going forward? Secondly, is there any -- I should know this probably, but is there any further internal loan around or any plans to repay more on the internal loan if it's around. And then finally, on the savings and retirement business, could you give us some sense of the profitability of the different elements between the platform, the workplace and the IPP, please. Thank you.

A - Amanda Blanc {BIO 19138679 <GO>}

Okay. Thanks, Andrew. So just on the strategic investments, I'll let Jason answer the question on the run rate. On Singapore, obviously, we have a share -- its share in the business which was only announced last September and we see that those businesses are performing. They gave us a good opportunity and interesting market and so nothing more to say really on that at this point on timelines for that.

Jason, on the run rate.

A - Jason Windsor {BIO 17967688 <GO>}

Sure. Singapore had a very strong first half. They launched new products and have done really well. We brought them in strategic investments at this time. It's split roughly 50/50 between China and Singapore segment and doesn't make much. So that's I guess China is sort of on trend and I think Singapore has had a very strong first half. I actually don't know what the outlook is in second half although I would expect them to continue to do -- to trade very well.

On the internal loan, it would be down if we reduce it to GBP0.5 billion. So it's GBP1.2 billion today, GBP0.7 billion off GBP10.5 million. We've got no plans to reduce it further. There is no need to. It's obviously becomes a very small amount relative to net size of ARR and relative to the group.

On the S&R side, the workplace is significantly profitable. The adviser platform is still just finding -- is profitable, but is at the lower end of and is on a sharp increase in profitability across the recent IPP as you point out is a smaller -- very small contribution but it's still got a positive contribution to the actual purpose of the segment.

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

Thank you.

A - Amanda Blanc {BIO 19138679 <GO>}

Thanks, Andrew.

Operator

Thank you. And your 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>}

Hi. Good morning. So your first question is, it really goes back to Louise's question about what -- actually, not so much of that. The first question is really about the timing of the next strong showed the GBP4billion beyond the GBP750 million. You say that it relates to receiving the cash, getting regulatory approval and all of the rest of it. But is it possible that all of those things could actually come through before the full-year results and if so, would you consider actually sort of enacting something some extra capital return for the full year results.

Second question is on the UK of assumption J&J's as an exceptionals. That was a negative figure in the first half. And I know you've guided to full year return to positive numbers, but can you just take us through what actually generated the negative number in the first half and how one-off that should be.

And then the final question is on your target of top quartile efficiency. Where do you think you are on a sort of one to two-year view on that? Should we be expecting several operational improvements to be announced in order to reach that target?

A - Amanda Blanc {BIO 19138679 <GO>}

Thanks, Oliver. I'll pick up the part of your question and Jason can pick up the second part. So on the timing, we've said obviously that the timing will be by the half year 2022. So, there is obviously a sequencing here which needs to take place firstly completing the deals, which we've said we are on track to do by the end of this year. And then collecting the liquidity and then very importantly obtaining the regulatory and the shareholder approval for the distribution of capital. So that will take some time. I mean, hopefully, you don't feel that in any way we sort of sitting on our hands and doing nothing here. We have actually accelerated the timing of the GBP750 million buyback sort of commencing today to show that we're sort of keen to get on with the job in hand. But I think no more to say really on the timing there because we will be reliant on regulatory and shareholder approval.

Jason, on on the (Technical Difficulty).

Q - Oliver Steel {BIO 6068696 <GO>}

On the latter very quickly, the shareholder approval mean an AGM?

A - Amanda Blanc {BIO 19138679 <GO>}

Yes.

A - Jason Windsor {BIO 17967688 <GO>}

Yeah. Given the size of what we -- I mean, we're not knowing exactly what we'll do, but given the size, we think we'll trip into AGM approval (inaudible). Okay. On other, as I said in my comment, it's almost entirely due to increased product governance provisions and they -- we do our products evidence costs every year. Actually last year, we released some of that provision. So there was a swing which actually came through.

That was it. We always have small product ones is slightly bigger, the one in the first half. So I wouldn't expect this level to recur. And as you say, the guidance taking into account all of the things that we put through the other line we do expect that to be positive for the full year in the north of 200 range recognizing it's not always easy to forecast that one.

A - Amanda Blanc {BIO 19138679 <GO>}

Okay. Could you repeat the question on quartile? I missed that, sorry.

Q - Oliver Steel {BIO 6068696 <GO>}

So, yes, you still got a top quartile target for efficiency. And I'm just wondering what sort of glide path is to achieving top quartile whether they need to be further restructuring on to savings due to deliver that.

A - Amanda Blanc {BIO 19138679 <GO>}

Yeah. Okay, thank you for repeating that. Sorry, I missed that. So, yeah, the boot pass to the GBP300 million to be achieved by the end of 2022 does take us quite away towards that route towards at the quartile and the focus is absolutely at the team -- at the moment in each individual business line around benchmarking themselves against their competitors and the key competitors in the market to ensure that we achieve that glide path. And so there will be more work to do after we've achieved the GBP300 million. We're not -- we're not announcing more of that, what financially that would mean today. But that's how our target in many respects will be dynamic, it will continue to move as the market moves. And we would expect the business, I think restructuring is a big word, but to be constantly looking at insufficiency and constantly looking at what needs to do to keep ahead of the game and to make sure that we are -- we're doing all that we can to deliver for our customers, because that is what they expect and our inefficiency obviously passes on to them.

So there is no -- we're not sitting back on our hands. If we get to this GBP300 million, I can reassure you, we won't be putting our feet up and saying our job here is done. It will be something that will be constant. But the GBP300 million does get us a long way then.

Q - Oliver Steel {BIO 6068696 <GO>}

Thank you.

Operator

Thank you. And your next question comes from the line of Colm Kelly at UBS. Please go ahead, your line is open.

Q - Colm Kelly {BIO 19140684 <GO>}

Yeah, thanks very much for taking my questions. Just one on -- you've discussed around accelerating growth and returns earnings capital generation sustainably and with predictability but -- and you're making really good progress around [ph]Carlson and a number of other areas, which we can see. But when I tried to put it altogether and see what's meaning for the aggregate numbers, it's not so easy and one way that you put forward in the past to do so is the Solvency II return on equity. But when I look at the picture on that, it's a little different to what we've seen in the past of the Solvency II return on equity of 8%. Although better year-on-year, it's still well below what it was target to be for the past for the business and also the mix of capital and how it's allocated doesn't seem to have changed much versus the past, which makes it a lot clear to me how to generate structural growth in earnings, returns and capital generation.

So when we're looking at that framework, that 8% return on Solvency II return on equity, where is that expected to get to by the end of the planned period? And secondly is the mix of capital allocated to the business is going to shift to the higher return in segment or is it going to remain the same and that's the first question.

Second one just on cash remittances. The target thereof is very strong. When we think of let's say the GBP1.8 billion of cash remittances for 2023, it's always been said in the past for the business and capital generation will be the driver of cash flow and dividends. Is the capital generation for the core business is targeted to be as a similar level by 2023 or is there going to be a disconnect between those two metrics going forward?

And then just lastly, maybe just some wording on strategic bolt-on M&A as one of the angles for investing for growth in the pack and just wondering if you can maybe provide a little bit more color on that please. Thank you.

A - Amanda Blanc {BIO 19138679 <GO>}

Yeah, okay. So I'll ask Jason to pick up the ROE question and second, I'll pick up the points on cash remittances, which I think is a straightforward. Yes, we are confident about that. And on the strategic bolt-on M&A, I think our focus is absolutely on transforming the performance of the business.

We've spoken about where we believe the growth opportunities are and where the efficiency will come through and we've giving you some proof points on that today and we'll continue to do that as we go over the -- over the coming periods. And it's largely going to be an organic strategy. But we will be thoughtful about where the M&A could enhance our capabilities or accelerate our development, and there are definitely some areas where that could be the case. But to just give reassurance to everybody, there will be a very high bar for that, any M&A investment, and anything we do have to fit within the strategy and enhance value for our shareholders.

On the accelerating growth before I hand over to Jason just on the ROE metric, I think we should have confidence in what we've seen in the operating performance today. We give you the record sales in savings and retirement and we know that there has been huge investments in that platform, which now should allow us to put volume into that and grow -- and grow the profit. We've seen General Insurance really good positive movement than the commercial lines business and also in the retail business where we're growing the retail customers. That's a really important part of our customer proposition. There is good momentum on BPA. I mean, we definitely shouldn't get spooked by the first quarter. This is a long-term -- long-term business and we've got very good capability here and the good opportunity to make long-term good returns. And so I think we're very confident about that. And we're seeing our customer numbers improving workplace as well. So I think that there is opportunity to accelerate the growth and sometimes the ROE metric is not -- is the right metric by which to measure that. And it's something that we need to be very thoughtful of but, Jason, (Multiple Speakers) about that?

A - Jason Windsor {BIO 17967688 <GO>}

Sure. Okay. We we still need to continue to drive up that return as a combination of things including a different balance sheet, different business mix, moving capital from low returning to high returning, cost reduction and other business improvement initiatives. I would say the previous target was set with a very different strategy, different balance sheet pre-COVID, and a different CEO.

So we've moved -- we moved a long way forward. I mean, said all that, we don't want to drive up those returns and certainly get it back into double-digit territory as soon as possible and then take it up from there. That will take us a bit of time to work through as we do seek to grow the value of the organization, which is very much growth in the end funds per share which obviously that metric does measure.

On your question around capital generation on remittances. I mean, absolutely sustainable capital generation is crucial to sustaining those remittances. That's what the plans are built on. So across the board and the things I've just touched on will help drive our capital generation, and that will lead to remittances into the subs and the Group is pretty healthy capitalized. So we've got good visibility on those remittances and the capital generation is keeping up with that and we are going to seek to improve it over the coming years.

Q - Colm Kelly {BIO 19140684 <GO>}

Okay. No, that's good. And so with that -- with that GBP1.8 billion remittances for 2023, we should see the capital generation either up at that or in excess of that level, is that correct?

A - Jason Windsor {BIO 17967688 <GO>}

Yeah, just remember the point is when we talk about Group OCG just as a reminder, we lock off that cost and central costs. So, yes, so GBP500 million cash cost of that. So GBP1.8 billion of remittances would be covered by, give or take, GBP1.3 billion of Group OCG.

Q - Colm Kelly {BIO 19140684 <GO>}

Okay. Thank you.

Operator

Thank you. And your next question comes from the line of Ming Zhu at Panmure Gordon. Please go ahead, your line is now open.

Q - Ming Zhu {BIO 17001429 <GO>}

Hi, good morning. Thank you for taking my questions. Just three questions, please. First is I'm just trying to get the number right. You got just over GBP7.5 billion sales proceeds. And if I get back of this (Technical Difficulty) that gives me GBP3.8 billion. How does that tie back to your over at least GBP4 billion capital return. Does that mean some of that would come from your centre liquidity?

And that leads to my second question which is (Technical Difficulty). If I'm looking at your centre liquidity figure, the GBP2.7 billion pro forma and your Solvency II percentage of

195% which is above the top end of your target range. Is that (Technical Difficulty) easily return and GBP1 billion once everything is completed.

And then my third question is your Aviva Investors business. You've made improvement on your cost-income ratio. Is there a target on the cost-income ratio as well as Aviva Investors as a whole? Thank you.

A - Amanda Blanc {BIO 19138679 <GO>}

Okay, so I'll pick up the Aviva Investors question. We struggled to hear the very start of your first question, Ming, but I think Jason is -- I think Jason has got about. If we may need to ask you to repeat your first question and we got the second question.

So on Aviva Investors, the -- on the cost to income ratio. I think what we've seen is the bulk has made really, really good progress in the first six months of the year. We've seen a positive trajectory and we've also seen good fund performances as Jason was outlining on an improvement in the operating profit. But Mark has exactly the same target as every other one of the business lines, which is to get to the upper quartile. So we're not -- we're not going to give you a list of all of those upper quartile aspirations are, but Mark's job will be done when he achieves the upper quartile and he's very, very focused on that. And Aviva Investors plays a very, very important part in the group in terms of it's propositions for savings and retirement and CSG fundamental. So I think that we are very encouraged by the progress that has been made so far on that.

I think your second question was about returning the headroom above the 180. I think there will be many times that we been -- we'll be asked this question today and people looking at Jason's Slide 26, and I think I'm just going to bring you back to we said that there would be three priorities for the excess capital back in November. The first was the debt reduction, which we have achieved, the GBP1.9 billion and we've also been clear that we will reduce it by another GBP1.7 billion, including the internal loan. Secondly that we'll deliver a substantial change in the shareholders and the intention is that at least GBP4 billion will be returned by the half year 2022. And third is around investment to accelerate growth and we are formulating our plans and the business is looking and what we need to do to accelerate the opportunity to do that. But I think at one point in time, the pro forma obviously will show this headroom and when it comes to capital insolvency, there's also many moving parts and other factors, which need to be taken into account, and our commitment is always to manage the capital actively for the benefit of the shareholders but we need to take it one step at a time.

Jason, did you get a first question?

A - Jason Windsor {BIO 17967688 <GO>}

Sure. So, thanks. Sorry, I was trying to work out the 3.8 figure that you mentioned, I think that's the -- if you're adding the external and internal debt I think we get 3.7. I think that the key part on this is that we've got proceeds from a disposals. We did sell a couple of smaller things as well. So it's slightly over the GBP7.5 billion and we are deploying all of that cash into equity debt and internal debt return. I mean, that's were just the key message I wanted to give everybody that everything that we got in, we are disbursing back half to the various holders of the debt and equity securities.

Obviously, the core balance sheet underneath that, as you point out, is still strong relative to our risk appetite and will -- that positions as well for any number of things as we look forward -- further forward.

Q - Ming Zhu {BIO 17001429 <GO>}

Sorry, could I just have a follow-up on that, please? I think -- how much do you need to incur (Technical Difficulty) full year. That was a guidance. I think the upper end was about GBP0.3 billion. I mean, is that still the case going forward?

A - Jason Windsor {BIO 17967688 <GO>}

I'm not sure we can remember that 0.3 -- the context of the GBP0.3 billion (inaudible). I think our investment in the P&L every year is at least GBP300 million maybe GBP400 million in growth and we are thoughtful and we've said all along going back and it's the last November when we first talked about this that we had an appetite to invest wisely in the business and if we find further efficiencies or find other growth avenues, potential bolt-ons. We've got a very high bar for that investment. We've got a shareholder orientation and hopefully we're demonstrating all the return hurdles on that are high, but this is an organization that if we can find opportunities we will do so.

Q - Ming Zhu {BIO 17001429 <GO>}

Thank you.

Operator

Thank you. And your next question comes from the line of Dom O'Mahony at Exane BNP Paribas. Please go ahead. Your lines is open.

Q - Dom O'Mahony

Hi, folks. Thank you for taking my questions. Three from me if that's okay. Can I just come back to this point about capital generation. If I look at your operating capital generation disclosure, I think the core (inaudible) in debt with a full one and half of which is about (inaudible). So an underlying number about GBP700 million something. If you can get to the GBP1.8 billion and if you're going to deliver, let's say GBP200 million of other each year, but I think that implies an underlying of sort of GBP1.6 billion capital generation. Is that what you're expecting to get by 2023 or sort of getting the run rate so that underlying top end to about GBP1.6 billion because that would obviously require quite a big improvement from where we are at the moment with fund raised at about GBP1.4 billion. Is that sort of first question.

Second question, just again on the return of equity piece. Jason, I heard you loud and clear on the fact that target is up to date. I think in the past you've said in particular UK Life is stretching to get to those targets because of the nature of that business. I noticed you've been really pressing the accelerator on bulk annuities. It's really great new business volumes. In light of what you've said about UK Life being a bit harder to get to the target, you might have gotten that but that's the annuities and not a great place to be growing. Is that right or (inaudible) something?

And the third question, reserve releases in -- I'm sorry, is that additions, I guess, in General Insurance. Three and half in row has been going to going the wrong away, is this really you just putting some prudence in the reserves while sun is shining or is it something else driving the -- driving with volition? Thank you.

A - Amanda Blanc {BIO 19138679 <GO>}

Okay. Thank you. Jason?

A - Jason Windsor {BIO 17967688 <GO>}

The key comes on uncaptured, I said it to previous question. I think the underlying remittances and the plans were all built on capital generation, meeting -- treating the source of those remittances across the period I recognized quite a bit going on in the period. But the business capture if you just take UK I think kind of be reinvested in the first half was GBP840 million. We've had some negative one-offs in that. So if you double that, you get over sort of GBP1.6 billion. I think that's before Group costs. So that gives you a sense actually that's the number to compare to remittances. And then you take the group cost off of that number as I've said a moment ago. So the GBP1.8 billion of remittances needs sort of group OCG of about GBP1.3 billion to sustain that into the future.

The ROE point, yes, UK Life with different interest rates and COVID and all sorts of things has made that more challenging to me that the underlying pricing discipline has not gone away. We make sure we make a healthy return on all BPAs and all the new business that we put on the books. Clearly, the time dimension of that we measure when we brought the new business and we get in it healthy returns on that -- the ROE figure takes everything into account. I mentioned that per year.

We are continuing to find ways to improve, as I said, and that's about costs, about movement of capital out of the old stuff that doesn't make much return at all frankly is a source of cash flow but not source of much return. We can continue to try and drive up the value of the organization in that regard. Annuities, it will be a continuing feature of it and we continue to like the annuity business and it continues to do well for us.

On the GI reserves, no, there's nothing untoward going on now. We've sort of -- I know as you might imagine quite carefully, anything that we've done, we've got one or two specific things that we are aware of that we've added to across the reserves. One or two things in Canada, one or two things in the UK, but there's nothing systemic that I would point to across the GI reserves.

Q - Dom O'Mahony

Sounds great.

A - Amanda Blanc {BIO 19138679 <GO>}

Thanks you.

Operator

Thank you. And your next question comes from the line of Larissa Van Deventer at Barclays. Please go ahead, your line is open.

Q - Larissa Van Deventer {BIO 20764470 <GO>}

Thank you. Good morning. Three quick areas, if I may. The first one on GI. Thank you so much for the capital -- for the Investor Day on Canada. That was really insightful. Could you maybe give us some income to what you believe a long-term sustainable run rate maybe on the combined ratio for the UK and we would appreciate that. There has been a lot of different bulk you talked about competitive pricing and you talked about the GBP2 billion that you secured in July. Can you please give us some color on the long-term view of the market is? Do you expect a full rebound similar to launching levels in the second half? Do you still believe that there is demand after that?

And then last one just to quickly and get back to the revisions. The commercial for the Life products. Are there any other reviews ongoing and/or maybe assume that was once-off and that there should not be further negative management actions in that regard. Thank you.

A - Jason Windsor {BIO 17967688 <GO>}

Okay. So I'll answer the first one come back to you. Just on the BPA market. I think I already answered that and we are expecting a return to growth in the second half over the first half, we think the low-end roughly. Our research sales started GBP50 billion a year and that is sustainable over the next decade. We think this year will slightly lower, probably around GBP30-ish billion. But really, I don't know, but the pipeline has improved, the trading has improved and we are pleased with where we've got to for 2021 thus far.

On the product governance side, it's a one-off. Certainly I'm not aware of anything at all of that magnitude. Clearly, we will be double checking everything else in light of that, but you never say never, but I'm not anticipating anything like the magnitude of that to recur. We're not -- we're not in a position to give you a further guidance on the combined ratio. We've got 94% for the year. Clearly, there is a better than nicely for us, I should say.

The (inaudible) for the UK is a little bit uncertain. I think we are going through pricing practices. That is a an additional uncertainty. On the commercial side, we remain incredibly confident around the growth and the profitability levels on commercial with a bit more uncertainty on the personal side but the business overall will continue to go from strength to strength.

Q - Larissa Van Deventer {BIO 20764470 <GO>}

That is helpful. Thank you.

Operator

Thank you. And there are no further questions, please continue.

A - Amanda Blanc {BIO 19138679 <GO>}

Okay. So we don't think there are any more questions. So, thank you for that...

Operator

Apologies, we do have further question, apologies. We have a further question. We have a question from Farooq Hanif at Credit Suisse. Please go ahead, your line is now open.

Q - Farooq Hanif {BIO 4780978 <GO>}

Thanks for getting me in and congratulations on the delivery, everybody. So firstly on the General Insurance business. Your commercial business now is slightly bigger than your personal lines business. It seems to me that that's going to continue. So in that kind of I guess -- especially given pricing, given that margin expansion that you are still seeing in commercial, how do you see this 93.6% combined ratio? I mean do you think actually there or thereabouts, it's a fairly sustainable level?

Secondly in annuities on the margin and the recognition of margin, to what extent is there a methodological change in the way you are recognizing margins anyway and new business upfront and compared to the actual investment and gaining the spread. So should we really expect to have permanently a slightly lower margin upfront in annuities?

And then lastly just returning to strategic bolt-ons, I mean, my understanding is that what you're really looking at is adding to your capability that you already have and making it better. But would you also consider new business lines in the UK and Canada? Thank you.

A - Amanda Blanc {BIO 19138679 <GO>}

Okay. I'll pick up one and three there, and Jason can pick up the annuities point. So on the GI business and commercial business, yes, you're absolutely spot on that it did overtake the size of the retail business in the last period. And we've been really encouraged by the growth there and and we're not going to give any new targets in terms of the combined operating ratio. But clearly, the hard market -- the hard market, combined with the presence that Aviva has in commercial lines, it's intermediary reposition which is second to none in this market means that there is an ability to be able to be selective and choose quality business and we have been selective about the lines of business that we've underwritten as well.

So we've not -- we've not not written everything. So I think the growth is really encouraging. I think we have a fantastic position with our brokers. Whenever you look at any of the broker service and you know this commercial lines market is 90% something into mediated, Aviva is number 1 and plus our technical disciplines that we've invested heavily in over the last number of years, I do believe that we can continue to grow profitably in what is I think a very -- a very important market for the UK. And I think the same could be said of Canada there, by the way. So I know your question was specifically about U.K but I would say the same thing about Canada.

As far as the bolt-ons are concerned, new lines of business, look, never say never on that and there have been, of course, some new lines of business that we've gone into in commercial lines and something renewables. So we -- and we've been successful at that. So I think that we should -- we should never say never. But I think that where we -- where we really would be thoughtful about are things that are -- that will help us to deliver our strategy to accelerate -- either to accelerate our growth or to make us -- make us more efficient. And they have to be very value enhancing. So maybe new lines, but I think sticking to annuity is normally a good thing. Somebody's doorbell is ringing.

A - Jason Windsor {BIO 17967688 <GO>}

Sorry, that's mine. The kids are on it from school. (Multiple speakers) On annuity margins, no, we will not change our approach at all. It won't be long before I got the joy of talking through the transition from IFRS 4 to IFRS 17 on that side of it which will have a slightly different approach, but we do use actual assets that we back the new business with. I'm not -- I don't quite think everyone does it the same way. So the point I made around backing the new business with more gilts in the first half did drag margins down IFRS and VNB margins then. That's the only thing that I could point to that's different, but there is no change the way that we've been doing it for many periods.

Q - Farooq Hanif {BIO 4780978 <GO>}

Okay. That's really great. Thank you so much and congratulations.

A - Amanda Blanc {BIO 19138679 <GO>}

Thank you.

Operator

Thank you. And your next question comes from the line of Greg Patterson at KBW. Please go ahead, your line is open.

Q - Greg Patterson {BIO 17872394 <GO>}

Good morning, everybody. Can you hear me?

A - Amanda Blanc {BIO 19138679 <GO>}

We can hear you, Greg, yes. Is it anybody typing going on as well, but we can hear you.

Q - Greg Patterson {BIO 17872394 <GO>}

Yeah, I'll stop typing and on mute. I think three quick questions. One is, Jason, you said that your bulk plans for the year is at the bottom of the range. The bottom of the department, the range was 46. That means practically from August onwards, you are going to practically no bulk annuities were very, very low bulk annuities. Just -- if I understand it correctly.

The second question is on the Indian JV. You mentioned that it doesn't make profit but these comments in the press that the [ph]Burham family wants to sell its 25% stake to you guys in the Indian JV. I was wondering what some sports on that.

And third, I see Phoenix put any -- sorry M&G put an additional provision for it (inaudible) 17 on your equity release products i.e. the effective value test. I was wondering are we going to expect some additional provision from you guys for that standard? Thank you. Cheers.

A - Amanda Blanc {BIO 19138679 <GO>}

Over to you, Jason.

A - Jason Windsor {BIO 17967688 <GO>}

Hey, Greg, morning. Just on the first point. The BPI. I was talking about the markets, our range of the market is 30 billion to 50 billion each year at least the for the next decade. So that's how we see it right now. I mean, maybe I'll come back and be stronger than that, but we're probably at the lower end of that. For our own business, we've seen GBP3.7 billion now have risen as you said, we wrote GBP4 billion in 2019 and GBP6 billion in 2020. And we will still be seeking to grow that business over coming years.

Q - Greg Patterson {BIO 17872394 <GO>}

Sorry to interrupt. What was your -- you mentioned your traditional market share. What do you see is your traditional market share?

A - Jason Windsor {BIO 17967688 <GO>}

I think it's sort of-- it's probably too early to be traditional given how far we've been going on that. I think last year, we were around 20% actually, give or take, last year. So we're probably in the sort of 15% to 20%, I would guess, but given this strong growth, I wouldn't want to -- I'm a hat -- too hard on that too much on that range.

The effective value test, I remember putting anything new. I'm pretty sure we dealt with this two years ago. It's not two and half years ago when this first came out and the PRI first came up with effective early test and we took that through any adjustments at the time. I remember talking about it. So I'll double check that, Greg, for you but I don't think we've got anything else that will need to put through on that one.

On the Indian JV, I think what the comment from the slightly ahead of itself. The FDI rules have changed so we can go up from 49% to 74%. We've made no decision to do that and we have nothing to say on it really.

Q - Greg Patterson {BIO 17872394 <GO>}

Just an order of magnitude from historic deals if you did the 25, what sort of -- you're talking about a couple of GBP100 million top amount of money.

A - Jason Windsor {BIO 17967688 <GO>}

No. Nothing like that.

Q - Greg Patterson {BIO 17872394 <GO>}

(Multiple Speakers)

A - Jason Windsor {BIO 17967688 <GO>}

The businesses as a whole might be worth something like that.

Q - Greg Patterson {BIO 17872394 <GO>}

All right. Thank you very much. Keep safe. Cheers!

A - Amanda Blanc {BIO 19138679 <GO>}

Thank you.

Operator

Thank you. And your next question comes from the line of Fahad Changazi at Mediobanca. Please go ahead, your line is open.

Q - Fahad Changazi {BIO 20210952 <GO>}

Hello. So you have been clear on this, but just to confirm. We've had a peer talking about being conservative given the pandemic. We've got UK banks having management overlays on top of that because of the pandemic. So in terms of your capital return, at the moment, you've set the floor at GBP4 billion and the binding constraints still remain some ratio and the leverage ratio. And at this stage although things can change as we go to next year, you're not looking to add any additional conservatism really as the pandemic, that's correct, right?

A - Amanda Blanc {BIO 19138679 <GO>}

That is correct. And just to reiterate, in the danger of becoming bad deadly about it, we've got to complete the deals, collect the liquidity, you get the regulatory and shareholder approval. But we are committed to that capital return before the half year 2022 and we're working very hard on that. But all of the binding constraints that you mentioned there are absolutely correct, but no additional capital.

Q - Fahad Changazi {BIO 20210952 <GO>}

Thank you very much. Thanks.

Operator

Thank you. And the final question comes from the line of Steven Haywood at HSBC. Please go ahead, your line is open.

Q - Steven Haywood {BIO 15743259 <GO>}

Thank you very much. A few questions to finish off, thank you. Jason, you mentioned that the underlying GI have improved. Can you quantify that somehow excluding whether people are being COVID. Can you potentially give us an underlying combined ratio here?

And then two questions on the overall business. The remaining continued businesses, the JVs, etc, what is the plan to the disposals and has been there any progress here? And then in your continuing operations, UK, Canada and Ireland, what do you think is missing from your portfolio to the teams or your products? What would enhance the businesses? Thank you.

A - Amanda Blanc {BIO 19138679 <GO>}

Okay, thank you. I'll let Jason (Multiple Speakers).

A - Jason Windsor {BIO 17967688 <GO>}

On Slide 21, we've given -- we give this four major business units. The contribution from prior year and whether it's UK, whether is the delta between long-term average, whether realized in six months period. So the underlying 91.1%. So half a percent better in which is better whether with little bit of negative PYD. We've given you that for UK commercial and personal and the various lines and kind of -- I won't read them out but that's sort of the slides. Hopefully, that's what you need on that one.

A - Amanda Blanc {BIO 19138679 <GO>}

Yes, on the (Multiple Speakers).

Q - Steven Haywood {BIO 15743259 <GO>}

In order to remove the COVID on benefit is what give us the proper underlying. Yes. We've shied away from giving that as we really struggled to unpick the difference between the effect on premiums, which is clearly down and the effects of claims, which is up. So we haven't included that. It is positive just to be clear, but we wouldn't put a number and we've struggled to quantify it precisely.

A - Amanda Blanc {BIO 19138679 <GO>}

On your second two questions. The JVs in China, India and Singapore and so they are first of our JVs. And we have retained them as strategic investments. So you'll note we sort of moved the definition from management value to strategic investments, because we believe that they've got the variable opportunities for us and what are attractive and fast growing markets for the core operations in terms of what's missing because of our good market shares and with headroom to grow in those opportunity, we don't actually believe that there are any real missing lines in those businesses as we sit here today. But obviously we're always looking for what the potential capabilities that might be missing within that and that's something that we are continually looking at.

Q - Steven Haywood {BIO 15743259 <GO>}

Okay. Thanks very much.

A - Amanda Blanc {BIO 19138679 <GO>}

Thank you. Okay. So I think we...

Operator

Apologies, that was the final question.

A - Amanda Blanc {BIO 19138679 <GO>}

Okay. So thank you, Nicole. So thanks very much, everyone, for the questions. I really -- we really appreciate that. So just in summary, I guess, one year in this -- as a CEO of Aviva, I am really pleased with what we've achieved, and hopefully, you've seen that demonstrated in what we've shown to you today. Clearly, there's much more to do. We are ready to deliver more and make sure that we do deliver the Aviva's full potential. So thank you very much for listening and I really hope that you all managed to enjoy a good summer break in this wonderful British sunshine. Thank you very much.

Operator

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