

With-Profits End of year bonus update



12 January 2010

Performance

We are pleased to say Aviva's with-profits funds continue to protect investors against the full impact of the difficult investment market conditions, despite turbulence in equity, fixed interest and commercial property markets over the past 18 months.

- Solid long-term returns for with-profits investors - consistently outperforming average savings account.
- A special bonus worth an estimated total of £596m has been added to eligible policies in 2009.
- reattribution payments, with £450 million being paid to about one million customers.
- An estimated £587m added to with-profit policies through regular bonuses in 2009.
- Approximately, 57,000 with-profit bond customers are eligible for a policy guarantee this year and in line with Aviva's continued commitment to with-profits, Aviva has launched a With-Profit Guaranteed Fund.
- 21,900 customers have benefited from an addition to their maturing mortgage endowment in 2009 through the 6% promise.

Fund performance

Over the past five years, a customer who invested in the main Aviva With-Profit Fund through an investment bond would have seen a return of 23.9%, equivalent to 4.4% per annum (net of basic rate tax). An average savings account would have returned 13.8%, or 2.6% per annum.

The above figures are the returns of an investment bond invested in the main Aviva With-Profit Fund. Other data sourced from Lipper Hindsight based on an investment return at 1 January 2010. The average savings account used is the Moneyfacts Average up to 90 days' notice, with a £10,000 minimum investment. Early exit charges and any market value reductions have been included.

Special bonus and reattribution update

Special Bonus - 2010 sees the addition of Aviva's third and final special bonus payment to eligible customers' policies. The final special bonus brings the total added to eligible policies over three years to 10.7%.

Reattribution - Over 90% of customers have received payments, with the rest being sent in the first few months of this year. In total, £450 million will be sent to customers with most customers receiving between £214 and £1,230.

Regular bonus rates

- Regular bonus rates for unitised policies have been maintained. This means the new business rate for bonds is 2.75%, which compares favourably with current savings rates.
- For new pensions the regular bonus rate remains at 3.25%.
- For offshore bonds, rates are held at 3.5% (Sterling) and 3.25% (Euro/Dollar).
- We only review our with-profit income rates on 1 January each year. This year, in line with the changes already made to unitised with-profit regular bonus rates in mid-2009, new business with-profit income rates have reduced from 3.25% to 2.50%.
- Regular bonus rates for conventional policies, including endowments, are also maintained at previous levels, with the exception of ex-CGNU policies which are reduced by 0.5%. This change is required to bring the guarantees on these policies into line with the actual long term performance of the fund.

Final Bonus Rates

- For unitised life and pension policies, final bonus rates are up slightly and some market value reductions have been adjusted so that overall payouts have either slightly increased or remained the same.
- For conventional life and pensions (including endowments), some final bonus rates have reduced and some have increased.

For more information on the impact of today's changes on customer payouts please refer to the news release.

Valuable Guarantees

In 2010, approximately 57,000 of Aviva with-profits customers are eligible for a guarantee, and more than 50,000 of these customers will be able to take advantage of a 'No Market Value Reduction' guarantee.

Aviva will write to you before your guarantee dates to bring these valuable guarantees to your attention. Aviva currently offers a carry-forward facility that allows you to take forward the value of any 'No Market Value Reduction' guarantee applying on your anniversary, to offset any potential future Market Value Reduction.

In November 2009 Aviva launched a With-Profit Guaranteed Fund, offering new customers an opportunity to benefit from the potential growth of the With-Profit Fund, with the reassurance that their initial investment is guaranteed at any time after five years.

Market Value Reductions (MVRs) Reduced

Market Value Reductions (MVRs) were reduced in October 2009 from an average of 10% to 8%. MVRs ensure that those policyholders leaving or wishing to take money out of the fund do not take more than their fair share of the fund at the expense of those policyholders who remain.

Further information

More information can be found on the with-profits bonus announcement 2010.

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