

# With-profits

## Questions and Answers

### 2019 End of year Bonus Update

#### These Q&As relate to the following with-profits sub-funds:

- Old and New With-Profits Sub-Funds (includes ex-CGU, CGNU, Commercial Union and General Accident policies)
- With-Profits Sub-Fund (includes ex-Norwich Union policies)
- Provident Mutual Sub-Fund
- Stakeholder With-Profits Sub-Fund
- FLAS With-Profits Sub-Fund (includes ex-Sun Life Assurance Society policies).
- FLC With-Profits Sub-Funds (includes ex-AXA Sun Life and AXA Equity and Law Life Assurance Society policies)
- FP With-Profits Sub-Fund (includes ex-Friends Provident policies)
- FPLAL With-Profits Sub-Fund.

#### When are the new rates effective from?

The new rates are effective from 1 January 2020 for all sub-funds except for the FLC With-Profits Sub-Funds which are effective from 6 January 2020.

#### What's changed for unitised life and pension business?

##### Regular Bonus Rates

This table shows some of the regular bonus rates for 2020. If you'd like regular bonus rates for products not listed, these are available by using the contact information provided on page 4.

Product:	Rates 2018	Rates 2019
Bonds - Old & New WPSF – explicitly charged	3.00%	2.75%
Pensions - Old & New WPSF – explicitly charged	3.75%	3.50%
Stakeholder Pensions - Old & New WPSF	3.50%	3.25%
FLAS WPSF - Pensions (With-Profits Pensions regular premium accumulation)	4.25%	4.25%
FLAS WPSF - Bonds (Life Contracts)	4.50%	4.00%
FLC WPSF - Pensions (FLAS style: With-Profits Pensions regular accumulation)	4.25%	4.00%
FLC WPSF - Bonds (Investment & Flexible bonds; Fund 55)	3.75%	3.50%
FP WPSF - Pensions (Main Series 21, 22 & 24)	2.25%	2.25%
FP WPSF - Bonds (Investment Portfolio Bond – Main Series 14)	2.25%	2.25%

*Note: For the Old & New With-Profits Sub-Funds, the bonus rates are before management charges.*

## What's changed for conventional life, pension and annuity business?

### Final bonus rates

- The table below shows the average changes in maturity values resulting from the bonus rates declared on 1 and 6 January 2020.

Business	Life	Pensions
Ex-CGNU	4.4%	4.7%
Ex-NU	3.8%	4.5%
Ex-CU	4.3%	3.6%
Ex-JV	3.3%	N/A
Ex-FLAS	1.8%	1.4%
Ex-FLC	1.9%	3.0%
Ex-FP	3.0%	2.6%

### Market Value Reductions

- There are **currently** no market value reductions on any Aviva Life & Pensions business.

### With-Profit Income bonus rates

- Regular bonus rates for implicitly charged policies remain unchanged. For explicitly charged policies, they have gone down by -0.25%.
- Additional bonus rates are mixed. Where they have changed, some additional bonus rates may have increased by up to +0.5% and some have decreased by up to -0.5%. This, combined with changes in regular bonus rates, leads to total bonus rate changes ranging between +0.5% and -0.5%.

### Regular bonus rates

- Compound regular bonus rates for conventional life business have been changed for ex-CGNU, ex-CU, ex-NU and PM policies. For PM both the bonus on sum assured and bonus on bonus have been reduced; for the remainder the bonus on sum assured has been increased and bonus on bonus has been reduced.
- For ex Friends Life with-profits sub-funds most regular bonus rates for life business have increased or remain unchanged. The exceptions are FLAS Main Series compound bonus and FPLAL where regular bonus rates have reduced.
- Regular bonus rates for conventional pensions business are unchanged with the exception of some PM pensions business and some FLAS and FLC business.

### Final Bonus rates

- The table below shows the average changes in maturity values resulting from the bonus rates declared on 1 and 6 January 2020.

Business	Life	Pensions
Ex-CGNU	1.0%	-2.3%
Ex-NU	3.6%	0.0%
Ex-CU	2.1%	1.0%
Ex-JV	3.5%	-3.7%
Ex-FLAS	-1.0%	2.7%
Ex-FLC	-0.9%	1.6%
Ex-FP	2.4%	4.3%
Ex-FPLAL	4.3%	4.8%

### Annuity Bonus Rates

- Regular bonus rates for the Aviva Life & Pension UK Limited With-Profits Sub-Fund and the Aviva Life & Pensions UK Limited Old & New With-Profits Sub-Funds are unchanged.
- Additional bonus rates have mainly increased. The impact on income levels varies by commencement date and the level of anticipated bonus selected at outset.

## Mortgage Endowment Promise for our main Aviva Existing With-Profits Sub-Funds:

- Aviva Life & Pensions UK Limited Old and New With-Profits Sub-Funds
- Aviva Life & Pensions UK Limited With-Profits Sub-Fund
- Aviva Life & Pensions UK Limited Provident Mutual Sub-Fund

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### What is the impact of this announcement on the mortgage endowment promise?

Our commitment to the mortgage endowment promise is unchanged. We have put aside capital to meet future anticipated promise payments. This is on our realistic reporting basis based on stochastic projections of future outcomes.

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### How does the 'promise' work?

In 2000, we provided illustrations for all with-profit mortgage endowment policyholders showing what they might get back at the end of the policy term. These illustrations used actual investment returns to 31 December 1999 and assumed returns from then on of 4%, 6% and 8%. If the projected payment from a policy at the 6% assumed rate was below the target amount to repay the mortgage, that customer may benefit from our Promise.

Our Promise was to cover any actual shortfall at the maturity of these policies up to a maximum of the 31 December 1999 projected shortfall at the 6% assumed return. The maximum amount is shown in the regular review letters sent to customers.

If a policy qualifies for a promise payment the review letters and the maturity letter (sent 8 weeks before the maturity date) will show the maximum amount we will add to the policy. The promise is subject to a number of conditions which are set out in our regular update letters to customers. These included:

- Your client has paid all the premiums on their policy at the time of maturity.
- Your client hasn't materially changed their policy since we announced the promise. (For example, by reducing their premium or fully or partially cashing in bonuses.)
- Your client hasn't sold their policy through the second-hand endowment market.
- Your client's policy has been continually invested 100% in the With-Profit Fund since we announced our promise.

Here are two examples of how the promise might apply when your client's policy matures:

**Example 1:** If the maturity value is lower than projected in December 1999, we'll pay the maximum amount under the promise, which will reduce the shortfall from the target figure.

**Example 2:** If the maturity value is higher than projected in December 1999, we'll make a payment under the promise to increase your maturity payment up to the target amount. However, the amount we pay will be lower than the maximum promise amount.

		Example 1	Example 2
<b>A</b>	Target amount of policy	£50,000	£50,000
<b>B</b>	Maximum amount payable under our promise*	£5,000	£5,000
<b>C</b>	Actual value at maturity	£42,000	£48,000
<b>D</b>	Payment under our promise	£5,000	£2,000
<b>E</b>	Total maturity payout (C+D)	£47,000	£50,000

\* We show the maximum promise payment applicable to your policy in your maturity letter.

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### Who does the 'promise' cover?

Those who showed a shortfall based on the 6% mid-rate projection as at 31/12/1999 may benefit from the 'promise' providing they were fully invested in with-profits and had not already sold their policy on the second-hand endowment market.

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## Where can I get detailed bonus rate information?

Our with-profits bonus rates can be obtained using the contact details below.

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## What impact do the rate changes have on the value of clients' policies?

If your client's policy was purchased through Friends Life, Friends Provident, AXA or Wintherthur, you can call our **dedicated team**

Otherwise, you can view the impact of this latest change on your client's policy by visiting [aviva.co.uk/adviser](https://www.aviva.co.uk/adviser), using the online valuation service or by calling our Adviser Helpdesk on **0800 015 5064**.

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## Have you informed clients of the change to rates?

The change to rates will be reflected in the client's annual statement, where the information will be specific to their policy.

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