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With-profits final bonus rate changes – May 2020

Questions and Answers

AVIVA

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
- WL With-Profits Sub-Fund
- Secure Growth Fund

Following an unprecedented period in investment markets, we've announced **final bonus rate** changes for our with-profits policies. We're committed to a strategy of prudent fund management which aims to look after the interests of all our with-profits customers. The decision to change final bonuses outside of the usual rate change cycle has been made to ensure fair outcomes for customers over the lifetime of their policy.

The changes have been introduced following approval from the Aviva With-Profits Committee and the Board.

When do the new final bonus rates apply?

The new final bonus rates have been introduced across different systems between 1 April and 6 May.

What's changed for unitised life and pension business?

Final bonus rates

The changes to final bonus rates will reduce policy pay-outs in most cases by 5% or by 7.5% - some lifestyled business is unchanged. Lifestyling is a feature on certain policies in the WL and FLC New and Old With-Profits Sub-Funds which begins to move funds towards fixed interest assets, as a policy approaches normal retirement or maturity date

Regular Bonus Rates

Regular bonus rates remain unchanged from those announced at the end of 2019. The table below shows some of the regular bonus rates for 2020.

Product	Rates 2020
Bonds - Old & New WPSF – explicitly charged	2.75%
Pensions - Old & New WPSF – explicitly charged	3.50%
Stakeholder Pensions - Old & New WPSF	3.25%
FLAS WPSF - Pensions (With-Profits Pensions RP accumulation)	4.25%
FLAS WPSF - Bonds (Life Contracts)	4.00%
FLC WPSF - Pensions (FLAS[1] style: With-Profits Pensions RP accumulation)	4.00%
FLC WPSF - Bonds (Investment & Flexible bonds; Fund 55)	3.50%
FP WPSF - Pensions (Main Series 21,22 & 24)	2.25%
FP WPSF - Bonds (Investment Portfolio Bond – Main Series 14)	2.25%
WL WPSF - Pensions (Unity)	2.25%

[1]FLAS style is used to describe the fund series applicable to a range of UWP Pensions products invested in the FLC With-Profits Sub-Fund which were sold by "Friends Life Company - formerly AXA Sun Life".

If you'd like regular bonus rates for products not listed, these are available by using the contact information provided below.

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

With-Profit Income bonus rates
There are no changes to with-profit income bonus rates.

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

Final bonus rates
The changes to final bonus rates will reduce policy pay-outs in most cases by 5% or by 7.5%. Annuity bonus rates are unchanged.

Regular bonus rates
Regular bonus rates remain unchanged from those announced at the end of 2019.

Annuity bonus rates
Annuity bonus rates remain unchanged from those announced at the end of 2019.

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 Winthertur, 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**, using the online valuation service or by calling our Adviser Helpdesk on 0800 015 5064.

Have you advised 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.

Future bonus reviews

The next change in bonus rates is expected to be on 1st July, in line with the normal timetable. While we do not expect a further 'out of cycle' change, such a change is always possible in exceptional circumstances to protect the interests of customers.

Mortgage Endowment Promise applicable to the following 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

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.

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 figures.

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
A	Target amount of policy	£50,000	£50,000
B	Maximum amount payable under our promise[2]	£5,000	£5,000
C	Actual value at maturity	£42,000	£48,000
D	Payment under our promise	£5,000	£2,000
E	Total maturity pay-out (C+D)	£47,000	£50,000

[2]We show the maximum promise payment applicable to your policy in your maturity letter.

Who does the promise cover?

Those who showed a shortfall based on the 6% mid-rate projection as at 31 December 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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