

# With-Profits Customer News – 28 February 2020

## Aviva announces end of year with-profits bonus rates

In January 2020, we revised our with-profits bonus rates. This announcement provides information about our main with-profits sub-funds. We've also provided some examples of how the revised bonus rates have affected the value of policies.

### 2019 Overview

In 2019 stock markets performed well, with many equity markets hitting all-time highs. This was largely due to declining interest rates globally as this helped keep borrowing costs low. Perceived moderation in geo-political risk was a material factor impacting market sentiment during 2019, this boosted investor confidence towards the end of the year following some resolution of the trade conflict between the US and China.

UK government bonds (gilts) and UK corporate bonds performed well, despite subdued economic conditions and uncertainty over the effects of Brexit.

The FTSE\*100 Share index, a commonly used indicator of the performance of UK shares, showed a total return of 17.3%<sup>1</sup>. UK corporate bonds returned 9.2%<sup>2</sup> and UK government bonds (gilts) returned 6.9%<sup>3</sup>. Against this backdrop, our with-profits sub-funds have earned returns ranging from 8.7% to 13.0%<sup>4</sup> before tax.

Most customers with policies maturing after 1st January will see increases in their pay-out value, following this review. Some customers will see falls in pay-out due to the effects of smoothing, however their investment continues to provide steady growth over the long-term.

In addition, there will be some modest reductions in regular bonus rates in 2020. The changes are designed to ensure fair outcomes for customers over the lifetime of their policy and reflect our expectations of lower growth for the sub-funds going forward, following falls in interest rates in 2019.

1. Source: FE Analytics. (FTSE 100 Total Return Index)
2. Source: FE Analytics. (Markit iBoxx Sterling Non-Gilts TR Index)
3. Source: FE Analytics. (FTSE Actuaries UK Conventional Gilts All Stocks TR index).
4. The range above includes the investment returns of the WL With-Profits Sub-Fund for which bonus rates are reviewed each year in April and October.

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## Key information about our main Aviva Life & Pensions UK Limited With-Profits Sub-Funds

### Old and New With-Profits Sub-Funds (includes ex CGU, CGNU, Commercial Union and General Accident policies)

- **Fund investment return** – in 2019, the Sub-Funds had a return of 11.4% before tax.
- **Target asset mix** – for shares and property are around 72% of the assets backing policy benefits.

### With-Profits Sub-Fund (includes ex Norwich Union policies)

- **Fund investment return** – in 2019, the Sub-Fund had a return of 12.1% before tax.
- **Target asset mix** – for shares and property are around 70% of the assets backing policy benefits.

### FLAS With-Profits Sub-Fund (including ex Sun Life Assurance Society policies)

- **Fund investment return** – in 2019, the Sub-Fund had a return of 11.1% before tax.
- **Target asset mix** – for shares and property are around 49% of the assets backing policy benefits.

### FLC With-Profits Sub-Funds (includes ex AXA Sun Life and AXA Equity and Law Life Assurance Society policies)

- **Fund investment return** – in 2019, the Sub-Funds had a return of 12.2% before tax.
- **Target asset mix** – for shares and property are around 62% of the assets backing policy benefits.

### FP With-Profits Sub-Fund (includes ex Friends Provident policies)

- **Fund investment return** – in 2019, the Sub-Fund had a return of:
  - 11.1% for policies written before 9 July 2001 (pre-demutualisation) before tax.
  - 13.0% for policies written after 8 July 2001 (post demutualisation) before tax.
- **Target asset mix** – for shares and property are around:
  - 45% of the Sub-Fund's investments for pre-demutualisation policies.
  - 55% of the Sub-Fund's investments for post demutualisation policies.

**No market value reductions** currently apply on policies invested in any of our Sub-Funds.

### Which Sub-Fund is my policy invested in?

The '[With-Profits Fund Guides](#)' section on our website can help you to work out which with-profits sub-fund your policy is invested in. You can also find information about the assets our sub-funds invest in.

### Which type of fund is my policy invested in?

You can tell if your policy is 'unitised' or 'conventional' from your annual statement. If it shows units and unit prices then you have a unitised policy; otherwise you have a conventional policy.

## Impact of the declaration

Our with-profits sub-funds continue to deliver long term growth for customers. In addition, the distribution of excess assets from many of the sub funds, continues to play an important role in uplifting maturity values. Some examples of policy pay-outs for our main Aviva Life & Pensions UK Limited With-Profits Sub-Funds are shown in the tables below.

### New With-Profits Sub-Fund (includes ex CGU, CGNU, Commercial Union and General Accident policies)

Product (term)	Investment details (started on)	Total investment	Pay-out value <sup>1</sup> in January 2020 (Annual return)	Surrender value <sup>2</sup> in January 2019	Change in pay-out value over last year <sup>3</sup>
Conventional Endowment (25 Year)	£50 per month from 1 January 1995 (based on male, non smoker, age 29)	£15,000	<b>£24,887 (3.8%)</b>	£23,014	+£1,273 (5.5%)
Unitised Pension (20 years)	£200 per month from 1 January 2000 (based on male, policy maturing at age 65)	£48,000	<b>£92,935 (6.2%)</b>	£85,539	+£4,996 (5.8%)
Unitised Bond (15 years)	£10,000 single premium (1 January 2005)	£10,000	<b>£21,240 (5.1%)</b>	£20,222	+£1,018 (5.0%)
Unitised Bond (10 years)	£10,000 single premium (1 January 2010)	£10,000	<b>£15,915 (5.1%)</b>	£15,145	+£770 (5.1%)
Unitised Bond (5 years)	£10,000 single premium (1 January 2015)	£10,000	<b>£12,627 (4.8%)</b>	£12,058	+£569 (4.7%)

Although not shown, policies invested in the smaller Old With-Profits Sub-Fund are currently benefitting from an uplift as a result of a distribution of the excess assets in the Sub-Fund. This means Old With-Profits Sub-Fund sample pay-out values are higher than shown in the highlighted column.

### With-Profits Sub-Fund (includes ex Norwich Union policies)

As there have been no new with-profits bonds invested in this Sub-Fund since October 2000, the table below does not include with-profits bond pay-out values. The pay-out values shown for this Sub-Fund include an uplift as a result of a distribution of the excess assets in the Sub-Fund.

Product (term)	Investment details (started on)	Total investment	Pay-out value <sup>1</sup> in January 2020 (Annual return)	Surrender value <sup>2</sup> in July 2019	Change in pay-out value over last year <sup>3</sup>
Conventional Endowment (25 Year)	£50 per month from 1 January 1995 (based on male, non smoker, age 29)	£15,000	<b>£26,390 (4.2%)</b>	£24,830	+£960 (3.9%)
Unitised Pension (20 years)	£200 per month from 1 January 2000 (based on male, policy maturing at age 65)	£48,000	<b>£91,379 (6.0%)</b>	£82,046	+£6,933 (8.4%)

- All of the pay-out examples are samples only and they do not necessarily represent any individual policy. Past performance is not a reliable indicator of future performance. The bond and endowment values are after charges and tax. The pension values are after charges and before tax. The Annual Return figures shown are the average return earned per year over the term specified.
- The surrender value for the same sample policy one year ago.
- The change in pay-out value is designed to illustrate the performance of the policy over last year, so excludes any premiums paid in to the policy between January 2019 and 2020.

Please note: Ex CGU, CGNU, Commercial Union, General Accident and Norwich Union mortgage endowment customers may also benefit from a Mortgage Endowment Promise if their policy is held to the end of the term.

Source: Aviva.

### FLAS With-Profits Sub-Fund (includes ex Sun Life Assurance Society policies)

As there has been very little with-profits pensions business invested in this Sub-Fund since 1998 or with-profits bonds since 2002, the table below does not include pay-out values for those products. Pay-out values for this Sub-Fund are currently benefitting from a substantial uplift as a result of a distribution of the excess assets in the Sub-Fund.

Product (term)	Investment details (started on)	Total investment	Pay-out value <sup>1</sup> in January 2020 (Annual return)	Surrender value <sup>2</sup> in January 2019	Change in pay-out value over last year <sup>3</sup>
Conventional Endowment (25 Year)	£50 per month from 1 January 1995 (based on male, non smoker, age 29)	£15,000	<b>£32,230 (5.6%)</b>	£30,377	+£1,253 (4.1%)

### FLC With-Profits Sub-Funds (includes ex AXA Sun Life policies)

The pay-out values shown for these Sub-Funds are currently benefitting from a substantial uplift as a result of a distribution of the excess assets in the Sub-Fund.

Product (term)	Investment details (started on)	Total investment	Pay-out value <sup>1</sup> in January 2020 (Annual return)	Surrender value <sup>2</sup> in January 2019	Change in pay-out value over last year <sup>3</sup>
Unitised Endowment (25 Year)	£50 per month from 1 January 1995 (based on male, non smoker, age 29)	£15,000	<b>£34,952 (6.2%)</b>	£31,629	+£2,723 (8.6%)
Unitised Pension (20 years)	£200 per month from 1 January 2000 (based on male, policy maturing at age 65)	£48,000	<b>£111,914 (7.8%)</b>	£109,160	+£354 (0.3%)

### FP With-Profits Sub-Fund (includes ex Friends Provident policies)

The pay-out values shown for this Sub-Fund are currently benefitting from an uplift as a result of a distribution of the excess assets in the Sub-Fund.

Product (term)	Investment details (started on)	Total investment	Pay-out value <sup>1</sup> in January 2020 (Annual return)	Surrender value <sup>2</sup> in January 2019	Change in pay-out value over last year <sup>3</sup>
Conventional Endowment (25 Year)	£50 per month from 1 January 1995 (based on male, non smoker, age 29)	£15,000	<b>£28,841 (4.9%)</b>	£25,695	+£2,546 (9.9%)
Unitised Pension (20 years)	£200 per month from 1 January 2000 (based on male, policy maturing at age 65)	£48,000	<b>£99,790 (6.8%)</b>	£89,069	+£8,321 (9.3%)
Unitised Bond (15 years)	£10,000 single premium (1 January 2005)	£10,000	<b>£21,379 (5.2%)</b>	£20,267	+£1,112 (5.5%)

- All of the above examples are samples only and they do not necessarily represent any individual policy. Past performance is not a reliable indicator of future performance. The bond and endowment values are after charges and tax. The pension values are after charges and before tax. The Annual Return figures shown are the average return earned per year over the term specified.
- The surrender value for the same sample policy one year ago.
- The change in pay-out value is designed to illustrate the performance of the policy over last year, so excludes any premiums paid in to the policy between January 2019 and 2020. Source: Aviva.

## With-Profits Governance

The With-Profits Committee has considered the bonus proposals and assessed them against the Principles and Practices of Financial Management (PPFM) published by Aviva. The Committee supported the bonus rate recommendations made by the company and the other changes outlined above.

## How With-Profits policies work

- A with-profits policy differs from a unit linked policy in that it is not totally reliant on the current value of the underlying assets. Some types of with-profits policies offer guarantees that provide a cushion against falling investment markets in certain circumstances. In addition, except when bonus rates are changed, the pay-out from a with-profits policy does not vary greatly on a day-to-day basis, as might be the case for a unit linked policy.
- Some with-profits policies give further protection by providing an element of life assurance cover.
- Please note that as bonus rates are regularly reviewed they may change at any time.
- Future bonuses cannot be guaranteed.
- Further details as to how bonus rates are applied can be found in our '[With-Profits Fund Guides](#)'.
- Market value reductions may be applied at any time, particularly following a large or sustained fall in the stock market.
- Please refer to your policy literature and Terms and Conditions for details of the plan/policy's aims, commitment, its charges and any risks associated with it.
- You can find some more general information about our other Sub-Funds below:

[Aviva Life & Pensions UK Limited Provident Mutual Sub-Fund](#)

[Aviva Life & Pensions UK Limited Stakeholder With-Profits Sub-Fund](#)

[Aviva Life & Pensions UK Limited FPLAL With-Profits Sub-Fund](#)

[Aviva Life & Pensions UK Limited Secure Growth Fund](#)

[Aviva Life & Pensions UK Limited WL With-Profits Sub-Fund](#)

## More about Aviva

- Aviva Group acquired the Friends Life Group in 2015. The transfer of Friends Life business to Aviva Life & Pensions UK Limited was completed on 1 October 2017.
- Our online portal will help you manage your Aviva policies in one secure and easy-to-use place at a time that suits you. Login or register now [here](#).

**Quicker. Easier.  
Online.**



**MyAviva**

You can view your policy information at MyAviva. Login or register now at [aviva.co.uk/myaviva](https://www.aviva.co.uk/myaviva)

Most customers can register, but we're continually adding more types of policy to MyAviva, so don't worry if you can't see yours.

### Aviva Life & Pensions UK Limited.

Registered in England No. 3253947. Aviva, Wellington Row, York, YO90 1WR. (Regulator Firm Reference Number 185896).

Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

[aviva.co.uk](https://www.aviva.co.uk)

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