

With-Profits Customer News – 30 July 2019

Aviva announces mid-year with-profits bonus rates

In July 2019, 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 the first five months of 2019, stock markets made gains but it was still an eventful time for investors. The main factor boosting growth was the lack of interest rate increases in the US and UK. On the other hand, tensions between the US and China over trade tariffs increased fears about the outlook for the global economy causing equity markets to fall from mid-May.

The FTSE* 100 share index, a commonly used indicator of the performance of UK shares, showed a total return of 8.8%¹. UK corporate bonds returned 5%² and UK government bonds (gilts) returned 4.6%³. Against this backdrop, our with-profits sub-funds have earned returns ranging from 4.8% to 6.4% before tax over the first five months of 2019.

Despite the recent positive returns, looking back at 2018 the investment conditions were poor, resulting in negative returns on our with-profits sub-funds, particularly in the final quarter. As a result, some customers with policies maturing after 1st July 2019 may notice a fall in their pay-out value. Other customers may see an increase or little change. This is because the losses incurred at the end of 2018 are still being smoothed in. The changes are in line with our with-profits smoothing process and our expectations for the sub-funds going forward.

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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).

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** – for the first five months of 2019, the Sub-Funds had a return of 6.4% 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** – for the first five months of 2019, the Sub-Fund had a return of 6.4% 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** – for the first five months of 2019, the Sub-Fund had a return of 5.6% 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** – for the first five months of 2019, the Sub-Funds had a return of 6.1% 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** – for the first five months of 2019, the Sub-Fund had a return of:
 - 5.0% for policies written before 9 July 2001 (pre-demutualisation) before tax.
 - 5.8% 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.

Regular bonus rates for all Sub-Funds are unchanged from those declared at the end of year 2018 review.

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

Although the impacts of the latest bonus rate changes are mixed, our with-profits sub-funds continue to deliver long term growth for customers. 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 ¹ in July 2019 (Annual return)	Surrender value ² in July 2018	Change in pay-out value over last year ³
Conventional Endowment (25 Year)	£50 per month from 1 July 1994 (based on male, non smoker, age 29)	£15,000	£24,700 (3.8%)	£22,788	+£1,312 (5.7%)
Unitised Pension (20 years)	£200 per month from 1 July 1999 (based on male, policy maturing at age 65)	£48,000	£89,183 (5.8%)	£83,199	+£3,583 (4.3%)
Unitised Bond (15 years)	£10,000 single premium (1 July 2004)	£10,000	£21,770 (5.3%)	£21,201	+£569 (2.7%)
Unitised Bond (10 years)	£10,000 single premium (1 July 2009)	£10,000	£17,332 (5.7%)	£16,881	+£451 (2.7%)
Unitised Bond (5 years)	£10,000 single premium (1 July 2014)	£10,000	£12,731 (5.0%)	£12,391	+£340 (2.7%)

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 ¹ in July 2019 (Annual return)	Surrender value ² in July 2018	Change in pay-out value over last year ³
Conventional Endowment (25 Year)	£50 per month from 1 July 1994 (based on male, non smoker, age 29)	£15,000	£27,137 (4.4%)	£24,503	+£2,034 (8.3%)
Unitised Pension (20 years)	£200 per month from 1 July 1999 (based on male, policy maturing at age 65)	£48,000	£88,183 (5.7%)	£80,878	+£4,905 (6.1%)

1. 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.
2. The surrender value for the same sample policy one year ago.
3. 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 July 2018 and 2019. Source: Aviva.

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.

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

As there was very little with-profits pensions business invested in this Sub-Fund in 1999 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 ¹ in July 2019 (Annual return)	Surrender value ² in July 2018	Change in pay-out value over last year ³
Conventional Endowment (25 Year)	£50 per month from 1 July 1994 (based on male, non smoker, age 29)	£15,000	£37,149 (6.6%)	£32,703	+£3,847 (4.8%)

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 ¹ in July 2019 (Annual return)	Surrender value ² in July 2018	Change in pay-out value over last year ³
Unitised Endowment (25 Year)	£50 per month from 1 July 1994 (based on male, non smoker, age 29)	£15,000	£35,042 (6.2%)	£31,889	+£2,533 (8.0%)
Unitised Pension (20 years)	£200 per month from 1 July 1999 (based on male, policy maturing at age 65)	£48,000	£130,242 (9.1%)	£116,264	+£11,578 (10.0%)
Unitised Bond (15 years)	£10,000 single premium (7 July 2004)	£10,000	£30,466 (7.7%)	£28,006	+£2,460 (8.8%)

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 ¹ in July 2019 (Annual return)	Surrender value ² in July 2018	Change in pay-out value over last year ³
Conventional Endowment (25 Year)	£50 per month from 1 July 1994 (based on male, non smoker, age 29)	£15,000	£28,697 (4.8%)	£26,084	+£2,013 (7.7%)
Unitised Pension (20 years)	£200 per month from 1 July 1999 (based on male, policy maturing at age 65)	£48,000	£95,370 (6.4%)	£86,863	+£6,107 (7.0%)
Unitised Bond (15 years)	£10,000 single premium (1 July 2004)	£10,000	£21,757 (5.3%)	£21,156	+£601 (3.0%)

- 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 July 2018 and 2019. Source: Aviva.

Other news for with-profits customers

Closure of the With-Profits Sub-Fund (ex Norwich Union policies)

On 30 June 2019, the Aviva Life & Pensions With-Profits Sub-Fund was closed to new business. It's important to note that closing the fund to new business does not reflect on the performance of the fund, and we'll continue to actively manage the fund in line with its objectives. Existing customers' policy terms and conditions remain unchanged and policies invested in the sub-fund will continue to work in the same way as they do now. The change is expected to have little or no impact on existing policies.

The Old and New With-Profits Sub-Funds and the Stakeholder With-Profits Sub-Fund remain open for new Bond and Pensions business.

Announcement for customers invested in the Provident Mutual Sub-Fund

From 1 July 2019, following improvements in the financial position of the Provident Mutual (PM) Sub-Fund over the last few years, the fund now has additional surplus available which can be shared with eligible policies. A policy is eligible for the Provident Mutual distribution if it was invested in the PM Sub-Fund before 1 July 2019, any new increments made to policies after this date are not eligible.

How is the additional surplus distributed? For life and pension policies, we plan to add an extra bonus when money is taken out of the fund. The extra bonus will increase policy benefits by up to 10%, but this increase is not guaranteed. We have set the extra bonus at a level we expect to maintain and even hope to increase over time. However, this can't be guaranteed. In some circumstances, we may need to reduce or even stop it, to protect policyholders. This will depend on the level of additional surplus in the sub-fund. Some products may receive lower levels of uplift as, for those products, the uplift is guaranteed. Customers do not need to take any action. We'll work out the amount of extra bonus, at the point you take money out of the fund.

A summary of our other estate distributions is available [here](#).

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.

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Aviva Life & Pensions UK Limited.

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