

Aviva Life & Pensions UK Limited Stakeholder With-Profits Sub-Fund



Summary of changes to the Principles and Practices of Financial Management (PPFM)

Introduction and Background

This document summarises changes made to the Stakeholder With-Profits Sub-Fund PPFM in recent years.

The PPFM was first published on 29 April 2004 and has subsequently been amended on a number of occasions. The Aviva website now displays the latest version of the PPFM.

1. Changes effective from 1/1/2019

The PPFM was amended 1/1/2019. A number of practices were amended following an internal review.

(a) General changes

Where possible we have standardised wording and removed any Practices that are no longer applicable. They have not been described here as they make no material change to the PPFM.

(b) Practices 2.2 & 2.6

We have made some changes to the way we apply smoothing of payouts to better achieve the way smoothing is described in the Principles.

(c) Practices 3.2

We have clarified the approach to reviewing investment strategy and how it is described within the PPFM.

2. Changes effective from 1/1/2018

(a) General changes

The PPFM was amended from 1/1/2018. The changes have not been described here as they were minor corrections or clarifications to wording and make no material change to the PPFM.

3. Changes at 1/10/2017

The PPFM was amended with effect from 1/10/2017. Most of the changes were as a result of the transfer of the policies of Friends Life Limited and Friends Life and Pensions Limited into Aviva Life & Pensions UK Limited, known as the Scheme.

(a) General changes

As a result of the transfer, some general changes were made throughout the document, as follows:

- 'Fund' was changed to 'Sub-Fund' in line with the formal Stakeholder With-Profits Sub-Fund name.
- The transfer was made through a Court scheme, and unless historic reference to the existing Scheme (known as the Demutualisation Scheme) is needed, we now refer in the PPFM to the new Scheme under which the Sub-Fund is managed, and any paragraph references were updated to refer to the relevant section of the new Scheme.

(b) Introduction

The previous introduction in section 1 was replaced by a new introduction that is common to all PPFM documents for Aviva Life & Pensions UK Limited. This provides a brief overview of the Company, an explanation of PPFM documents and their governance and some general information on with-profits policies.

(c) Practices 3.2

We have added further explanation of stock lending activity. The section outlines that we may lend some assets to selected financial institutions to generate extra income for the Sub-Fund. This would always be subject to a number of controls including obtaining security from each borrower.

(d) Practices 4.2

Following the transfer, the Company now guarantees the repayment of some loan instruments issued by Friends Life Holdings plc and Aviva plc. The PPFM sets out the actions the Company will take to mitigate this risk.

(e) Practices 7.2

We changed the Practices that describe how we assess the maximum level of new business that the Sub-Fund will write.

(f) Glossary

The glossary has been updated to reflect the changes described above.

(g) Appendices

We have added appendices to show the new sub-fund structure within Aviva Life & Pensions UK Limited and to summarise the company history including that of the Stakeholder With-Profits Sub-Fund. We have also added an appendix that shows the original issuing companies for all the with-profits sub-funds in Aviva Life & Pensions UK Limited.

4. Changes effective from 1/1/2016

The PPFM was amended 1/1/2016. Following changes made by our regulators to the way we reserve for business (commonly known as the Solvency II regime) we have changed the way the PPFM describes this. These regulatory changes have not been described here, as they make no material change to the PPFM.

(a) Glossary

We have standardised the wording of some of the definitions to improve clarity and removed any definitions which are no longer relevant.

(b) Appendix B

We have updated the structure chart to reflect the new Solvency II regime and removed the dormant companies so as to avoid any potential confusion for customers who may have originally invested in these companies.

5. Changes effective from 1/1/2015

The PPFM was amended 1/1/2015. One practice was amended as a result of an internal review.

(a) Section 3.2

The changes reflect the new with-profit investment strategy and also remove duplication regarding property investment. In addition the wording regarding the permitted uses for derivatives has been amended to reflect the investment management agreement.

(b) Glossary

We have updated the definition of the equity backing ratio (EBR).

(c) Appendix B

We have updated the structure chart to include the Irish With-Profits Fund following the transfer of the Irish with-profits business on 1 January 2015.

6. Changes effective from 1/1/2014

The PPFM was amended 1/1/2014. A number of practices were amended as a result of an internal review and there was a minor amendment to the wording of one principle. As this was a correction of a principle rather than an actual change as to how we manage the business, we are not required by our regulator to notify policyholders in advance.

(a) Section 1, Section 2 & Glossary

The Financial Services Authority was replaced by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA) under the Financial Services Act 2013. There are a number of references to the FSA within the PPFM and these have been changed to reflect the change to our regulator. We have included definitions of the FCA, PRA and COBS.

(b) Section 2.8

We have removed some of the wording which related to the initial introduction of market value reductions. Once market value reductions have been removed, should they need to be re-introduced we would do so following the trigger process outlined in the PPFM.

(c) Section 3 Introduction

There is no requirement to provide credit ratings for corporate bonds so the wording in the PPFM referring to this has been removed and the information sheets have been updated.

(d) Section 3.1 & 3.2 Principle & Practice

The PPFM makes reference to the Group derivative policy which no longer exists. The wording has therefore been corrected to reflect this. In addition, the position regarding the governance for the approval of the use of derivatives has been clarified.