

30 July 2008

### **AVIVA ANNOUNCES £1BN REATTRIBUTION OFFER**

- **Cash payments of at least £400 and average of £1,000 for eligible policyholders**
- **Offer fair to policyholders and shareholders and fully endorsed by Policyholder Advocate**
- **Individual choice for policyholders – payments likely summer 2009**
- **Payment is in addition to previously announced special distribution**

Aviva today announces that it intends to offer a cash payment averaging £1,000 to one million policyholders in two of Norwich Union Life's with-profits funds.

In a process known as reattribution, policyholders in the CGNU Life and CULAC funds will be able to choose whether to receive a cash payment now in return for giving up their right to receive any possible future payouts from the funds' inherited estates\* - or to stay as they are, in the knowledge that sizeable distributions are unlikely, especially in the next few years.

Mark Hodges, chief executive of Norwich Union Life, said: "This is a great offer. We believe that it represents good value for 99% of policyholders and almost all of the cash payments will be tax-free. Most importantly, we recognise that policyholders have a choice and everyone will be entirely free to make their own decision on whether or not to accept the offer."

The cash payments will not depend upon a majority vote. All policyholders, regardless of whether they accept the cash offer, will continue to receive their normal bonuses and the payment will have no impact on the security or performance of their investment.

The payouts will come from Aviva's shareholder funds, not the inherited estate or the with-profits funds. This means that the inherited estate will remain in the with-profits

funds, until it's no longer needed, to protect policyholders by making sure that the funds stay financially strong.

Later this year policyholders who are entitled to the payout will receive a letter from Norwich Union telling them the value of their individual payout. Each payment will depend on the size of the policy and how long it has left to run. Around 700,000 people can expect to receive between £400 and £1,000 if they accept the offer. A further 220,000 will receive between £1,000 and £3,500.

Earlier this year Aviva announced that £2.1 billion of the inherited estate would be given to policyholders in the form of a special distribution. The combination of today's offer and the special distribution means that an equivalent of around 70% of the value of the inherited estate would be released to policyholders, if all policyholders voted to accept their payout.

The offer has been negotiated with an independent Policyholder Advocate, Clare Spottiswoode, who represents the interests of policyholders. She said: "I'm delighted that we have a deal that is in the interests of the vast majority of policyholders. There is a substantial amount of cash available for them and this offer also provides a fair return to shareholders. This deal is good in all respects."

Mark Hodges added: "We're able to make this offer without compromising the excellent strength of our with-profits funds. Having led the industry on this issue and after more than 18 months of complex negotiations, we're very pleased to have agreed an offer that is fair to both our policyholders and our shareholders. Our policyholders can be confident that Clare and her team have acted with tremendous conviction and have represented their interests with great tenacity."

The offer will only be made following a review by the Financial Services Authority (FSA), and will be subject to board and High Court approvals. The FSA has already carried out an initial review, and has concluded that the offer is fair and should be put to policyholders.

Eligible policyholders do not need to take any action now and will receive a voting pack by the end of the year explaining the process in more detail. Further information is available from: <https://www.life.norwich-union.com/fundtransfer/announce/home.do> or the Policyholder Advocate's website: <http://www.policyholderadvocate.org/>

Further analysis of the financial effects of the reattribution for Aviva and its shareholders are available in today's interim results announcement, which is available on the group's website at [www.aviva.com](http://www.aviva.com).

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\* The 'inherited estate' is part of the with-profits fund. Generally, it's the part of the fund, over and above the part required to meet realistic liabilities, that the insurance company nevertheless retains for commercial reasons - for example, to ensure it has a strong capital base or to fund future growth plans. The inherited estate provides working capital for the with-profits fund in the longer term and supports its operation. In most with-profits funds, the inherited estate has built up over many years.

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### Notes to editors:

- **There will be a telephone conference call today for personal finance and trade media at 1330hrs BST, hosted by Mark Hodges and Clare Spottiswoode. To join the call dial +44 (0)20 7162 0125 and quote "Aviva" and "Mark Hodges".**
- A vodcast of Mark Hodges talking about the reattribution offer can be downloaded from the Aviva website at [www.aviva.com/reattribution](http://www.aviva.com/reattribution). A vodcast of Clare Spottiswoode is available at <http://www.policyholderadvocate.org/video-interview>.
- Shareholders will also benefit from the reattribution because it will allow Aviva to enhance the capital efficiency of its business. For example, after reattribution, Norwich Union will also be able to use the inherited estate to support the writing of other types of life business. Reattribution will therefore provide cost-effective access to capital to support Norwich Union's business growth.
- The value created for shareholders by the reattribution will be highly dependent upon the performance of equity and property markets, and which policyholders take part in the offer. Based on Aviva's estimates of what might happen, this reattribution is expected to generate a one-off embedded value profit to Aviva of £225 million and an internal rate of return of 11.5%.

- Norwich Union has already written to policyholders to confirm the eligibility of individual policies for the reattribution. Full details are available at: <https://www.life.norwich-union.com/fundtransfer/announce/amEligiblePage.do>
- In summary, a policy is only eligible for the payment if:
  - It was an in-force policy invested in the CGNU Life or CULAC with-profits funds on 21 November 2006 (the date the Policyholder Advocate was appointed); **and**
  - It is still in force on the day the potential reattribution takes place (currently expected to be summer 2009 at the earliest)
  - It matured or terminated according to the terms of the contract between 21 November 2006 and the reattribution date.
- The combined value of the CGNU Life and CULAC inherited estate was £2.1 billion at 30 June 2008.
- For the majority of eligible policyholders the only realistic prospect of a payment beyond what they can expect under the normal terms and conditions of their policy (namely annual and terminal bonus allocations) is the proposed reattribution offer.
- Norwich Union and Aviva will take into account a number of factors (including financial and practical considerations) before finally deciding to make the offer to eligible policyholders. Once the voting process is concluded the reattribution and associated fund transfer will require the approval of the High Court and final confirmation by the boards of Aviva and the relevant Norwich Union Life companies.
- Indicative timetable:
  - Early Autumn 2008 – policyholder update mailing
  - Autumn 2008 – initial court hearing
  - Winter 2008/ Spring 2009 – policyholder election period
  - Spring 2009 – High Court hearing
  - Summer 2009 – Payments to policyholders
- The reattribution is being carried out in the context of a transfer of the CGNU and CULAC funds into Norwich Union Life and Pensions Limited.
- The Aviva media centre at [www.aviva.com/media](http://www.aviva.com/media) includes images, company and product information and a news release archive.
- For broadcast-standard video, please visit [www.thenewsmarket.com/aviva](http://www.thenewsmarket.com/aviva).