

Please note that these details have been taken verbatim from the Aviva announcement of the pre-retribution distribution of inherited estate, dated 5 February 2008. This pdf has been created by the Office of the Policyholder Advocate on 12 February 2008.

How the special bonus will work for policyholders:

1. Qualification for the special bonus

- All with-profits policyholders of the CGNU Life Assurance Limited (CGNU Life) and Commercial Union Life Assurance Company (CULAC) with-profits funds whose policies were in force on 1 January 2008, other than those with a stakeholder pension or a Provident Mutual policy.
- Qualification for the special bonus is different to the eligibility for the proposed reattribution, which is a one-off event. The special bonus is in line with the process of declaring bonuses each year and so qualification follows those principles and has had the approval of the With-Profits Committee.
- New policies issued after 1 January 2008 and premium increases to existing policies will not qualify.

2. Details of the phasing of the bonus payments

- The bonus will be used to enhance policy values by around 10% in total, in three instalments.
- To qualify for the second and third instalments, policies will need to be in force at 1 January 2009 and 1 January 2010 respectively.
- Each instalment will be of a similar amount related to policy value and will take account of the performance of assets backing policyholder benefits (asset shares) in the meantime.
- The instalments are a recognition of on-going loyalty from invested policyholders.

3. Payout amounts

- The amount a policyholder will receive will vary significantly based on the underlying value (asset share) of the policy.
- A typical with-profit bond would see a total special bonus added of £4,500 (based on a £30,000 investment in 2001).
- A 25 year endowment policy taken out in 1985 with a £50 monthly premium would see a total special bonus added of £3,735.

4. With-Profits Committee and the approval process

- The distribution and terms of the special bonus have been approved by the new With-Profits Committee which has a majority of independent members under the independent chairmanship of Sir Nicholas Montagu.
- The other independent members of the With-Profits Committee are Harriet

Maunsel and John Hylands.

5. Mortgage endowments

- The special bonus does not change the terms of the mortgage promise.

6. Norwich Union Life & Pensions (NUL&P) & Provident Mutual policyholders

- These policyholders (including Provident Mutual policyholders who chose to switch investment into the CGNU Life fund) do not qualify for this special bonus.
- Most NUL&P policyholders benefited from free shares at the time of the demutualisation in 1997.

What the special bonus means for shareholders

- Shareholders receive £230 million from this distribution, equivalent to 10% of the total amount distributed. Shareholders will receive the funds in three tranches of additional capital over the next three years.

- This is consistent with the normal bonus process for a 90/10 fund.

Change of investment strategy for supporting guarantees

- The assets backing guarantees have been “de-risked”. This has meant the replacement of shares and property with high investment-grade corporate bonds

and government securities. The result is lower overall investment risk for the funds, leading to a reduction in capital required.

- The reduction in capital required means that there is now an excess surplus over

and above that which is deemed necessary for the security of the CGNU Life and

CULAC with-profits funds. It is as a result of this excess surplus that this special

bonus is being made.

- The special bonus reduces the level of surplus to within the risk appetite of the

funds, at the same time as safeguarding their security.

Difference between a special bonus distribution and reattribution

- The special bonus is the way that a 90/10 special distribution is made to policyholders and shareholders.

- A reattribution is a different type of transaction to a distribution as it is a negotiated

deal between shareholders and policyholders.

- In a reattribution, policyholders can choose whether to accept a payment now in

return for giving up their contingent interests in any possible further future special

distributions. A cash payment is made from shareholders to policyholders from

shareholders' funds, so the with-profits funds are unaffected.

- In a reattribution, the inherited estate is retained in the business and continues its

important role of providing security and investment flexibility for the fund until it is

no longer required for these purposes.

- In a special distribution, a policyholder benefits from the dispersal of surplus assets between policyholders and shareholders on a 90/10 basis. The distribution

is made from the funds and so are no longer available to support them.

- The possibility of such further distributions in the near to medium term is substantially reduced following the special distribution announcement today.

Aviva plc

- Aviva is the leading provider of life and pensions to Europe with substantial positions

in other markets around the world, making it the world's fifth largest insurance group

based on gross worldwide premiums at 31 December 2006.

- Aviva's principal business activities are long-term savings, fund management and

general insurance, with worldwide total sales of £41.5 billion and assets under management of £364 billion at 31 December 2006.