

Report Number 23 A

Eligibility for the Reattribution

A summary of Aviva's proposals in connection with the reattribution of the inherited estates of CGNU Life and CULAC with-profits funds

Norwich Union rebranded as Aviva in the UK on 1 June 2009. Where an historical position or events prior to 1 June 2009 are described in this appendix, 'Aviva' and associated naming conventions have been used. Financial information has not been updated and remains as at the time of the report date.

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Appendix by: Aviva UK Life – June 2009

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1.00 Context

This document outlines Aviva's considerations and the rules subsequently agreed with the Policyholder Advocate for eligibility in relation to the reattribution of the with-profits funds of CGNU Life and Commercial Union Life Assurance Company (CULAC), in which eligible policyholders will be offered a payment in exchange for giving up their interests in possible future special distributions from the inherited estates.

In developing these rules, Aviva's key aim has been to treat its customers fairly. In reaching its conclusion Aviva considered three other factors; circumstantial; procedural and legal.

The bases of these criteria have been negotiated with the Policyholder Advocate, Clare Spottiswoode. There has also been consultation with the Independent Expert, Nick Dumbreck, and the Financial Services Authority (FSA).

The information contained within this document informed the booklet "Aviva with-profits reattribution: your guide to eligibility", which was sent to eligible policyholders in December 2007. A sample copy of this leaflet is included in Annexe A to this document.

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2.00 Factors Relevant to Identifying the Appropriate Criteria

Our guiding principle in defining eligibility was to ensure that all Aviva customers are treated fairly and openly.

We have also taken into account:

- rules governing the legal ownership of the policy,
- previous commitments we have made to our customers, and
- the need to be consistent with our own business practices and with comparable changes in the life assurance industry (for example demutualisations).

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3.00 Outline of the Relevant Criteria

3.01 Eligible Policies

The basic criteria for eligibility are:

- 1a, the customer's product must have been in force on the day on which we announced the Policyholder Advocate's formal appointment (21 November 2006 - announcement day), or, in the case of a new product, a customer's application must have been received by Aviva on or before announcement day; and
- 1b, the customer's product must still be in force on the date on which the reattribution is implemented (Effective day - E day).
2. the customer's product must have been invested in the with-profits funds of CGNU Life or CULAC on announcement day and remain so between announcement day and E day;

The leaflet in Annexe A provides specific details of those products which are included and excluded.

3.02 Eligibility Time Boundaries

When deciding the time boundaries we considered that:

1. The date should be consistent with previous precedents, including demutualisations. Normal practice has been to set the cut off date for eligibility at the announcement day;
2. Past Aviva communications informed both customers and shareholders only that we are actively investigating the feasibility of a reattribution;
3. From the announcement day there was a higher chance that the reattribution would be going ahead and therefore more direct communication would be made available to aid decision making;
4. In order to be fair to customers, the date should be clear, unambiguous and non-negotiable;
5. Legally, a customer whose policy has come to an end before the announcement day has finished their contractual relationship with Aviva.

3.03 Effect of Policy Changes on Eligibility

Our guiding principle is that all Aviva customers are treated fairly and openly. With this in mind, as of June 2006, we have been writing to with-profits policyholders (within the CGNU Life and CULAC funds) who are contemplating changes to inform them of the possible implications for eligibility.

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Certain changes made to a customer's policy after the announcement day can affect whether or not it is eligible.

These changes are explained in the leaflet in Annexe A.

3.04 Criteria for Election

Eligibility to elect is dependent upon who legally owns the policy. The criteria conform to pre-existing processes that Aviva uses for its policy claims.

The leaflet in Annexe A provides further information on who can elect.

3.05 Criteria for Receiving a Policyholder Incentive Payment

Eligibility to receive the incentive payment can depend on a number of factors, including:

- who legally owns the policy;
- who are the beneficiaries of the policy;
- any Court orders or legal rules affecting the policy.

The leaflet in Annexe A provides further information on who can receive an incentive payment.

Although in the case of many policies, the Policyholder Incentive Payment (PIP) will be made in the form of cash, for some policies it will be in the form of additional benefit added to the policy. The way in which the PIP will be made for a specific type of policy, and why, will be explained to customers.

3.06 Eligibility Panel

Our conclusions may not have anticipated every permutation in respect of eligibility. As a result, we have established a panel to help consider whether the criteria should be altered in exceptional circumstances.

This panel will include senior members of Aviva and a member of the Policyholder Advocate team and will assess changes in eligibility considerations against the principles of treating customers fairly.

Further details of the Eligibility Panel are given in Annexe B below.

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Annexe A – “Norwich Union with-profits reattribution: your guide to eligibility” leaflet

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Annexe B – Eligibility Panel: Considering Eligibility Policy

Customers may consider that their particular circumstances are such that they are eligible when on the face of the criteria outlined in this paper they are not.

In the interests of treating customers fairly we established an ‘Eligibility Panel’ after the Announcement Date, made up of representatives from the Office of the Policyholder Advocate and Aviva. Its remit is to ensure a balanced review of customer eligibility policy, so that circumstances that do not fall clearly into the eligibility criteria can be reconsidered.

The Eligibility Panel will continue to operate for a reasonable period after the Effective Date of the Reattribution and will then (to the extent that this has not been done prior to the reattribution) formulate appropriate policies for the handling of appeals from policyholders after the effective date.

The Eligibility Panel will focus on the criteria against which eligibility should be assessed rather than individual circumstances.

All Eligibility Panel decisions will be documented, and used as the basis for assessing individual customer eligibility.