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# Aviva International Insurance Limited

Registered in England and Wales No. 21487

## Annual Report and Financial Statements 2020

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## Directors and officer

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### Directors

J Buttigieg

R Howe (resigned 29 July 2020)

M Muir (appointed 21 September 2020)

P Mylet

P Needleman (appointed 21 September 2020)

O Thoresen

N Williams

D Wright

### Officer – Company Secretary

Aviva Company Secretarial Services Limited

St Helen's

1 Undershaft

London

EC3P 3DQ

### Independent Auditors

PricewaterhouseCoopers LLP

7 More London Riverside

London

SE1 2RT

### Registered Office

St Helen's

1 Undershaft

London

EC3P 3DQ

### Company Number

Registered in England and Wales no. 21487

### Other Information

Aviva International Insurance Limited ("the Company") is a member of the Association of British Insurers and covered by the Financial Ombudsman Service and is authorised and regulated by the Financial Conduct Authority ("FCA") and the Prudential Regulation Authority ("PRA").

The Company is a member of the Aviva plc group of companies ("the Group").

## Strategic report

The directors present their Strategic report for the Company for the year ended 31 December 2020.

### Review of the Company's business

#### Principal activities

The principal activity of the Company is to act as the onshore reinsurance vehicle for the Aviva plc Group ("the Group").

The Company has quota share reinsurance arrangements with fellow Group subsidiaries as follows:

- Aviva Insurance Limited (AIL) which transacts general and health insurance business, to reinsure 50% of its insurance liabilities;
- Aviva Assurances (FGI) a Group subsidiary incorporated in France which transacts general and health insurance business, to reinsure 50% of its insurance liabilities;
- Aviva Life & Pensions UK Limited (UK L&P) which transacts investment and long term insurance business, to reinsure 30% of the liabilities in its non-profit sub-fund (NPSF); and
- Aviva Insurance Company of Canada, Aviva General Insurance Company, Traders General Insurance Company, Scottish & York Insurance Co Limited, Elite Insurance Company, S&Y Insurance Company and Pilot Insurance Company, being the Group subsidiary companies transacting general insurance business in Canada ("CGI"), to reinsure 25% of their insurance liabilities.

#### Significant events

On 26 June 2020 the Company amended its existing quota share reinsurance treaties with UK L&P, with the amendment backdated to 1 January 2020. The amended reinsurance treaty covers 30% of the existing liabilities and future business written in UK L&P's NPSF.

On 11 March 2020, the World Health Organization declared the outbreak of a strain of novel coronavirus disease, COVID-19, a global pandemic. The prolonged spread of COVID-19 has resulted in an economic downturn in jurisdictions in which the Company operates and the global economy more widely, as well as causing increased volatility and declines in financial markets. The Company has been impacted by the COVID-19 pandemic through its cedants' operations, insurance products and assets holdings as well as ongoing difficult conditions in the global financial markets and the wider macroeconomic environment. The effects of COVID-19 continue to present unprecedented uncertainty that may adversely impact the results of the Company. However, the strength of the Company's capital and liquidity means it is well positioned to manage this crisis.

The Company managed its capital cautiously, taking into account the economic outlook. During 2020 certain actions were taken by the Company's cedants to reduce risk to certain asset classes and protect the Company's capital position. The regulatory capital surplus is £1,707 million at 31 December 2020 (2019: £2,033 million). The movement in the year reflects capital generation from new and existing business, the impact of economics on the balance sheet and the payment of dividends.

Further information on the impact of COVID-19 can be found within note 15(b) and note 24(i).

#### Financial position and performance

The financial position of the Company at 31 December 2020 is shown in the statement of financial position on page 27, with the trading results shown in the income statement on page 25 and the statement of cash flows on page 28.

Gross written premiums were £10,886 million (2019: £10,845 million). During the year the UK L&P reinsurance amendment, described under Significant events above, resulted in the Company receiving a single non-recurring gross written premium of £1,703 million. During 2019, the Company received a single non-recurring premium of £1.137 million following the establishment of new reinsurance arrangements with CGI.

The loss after tax for the year was £(745) million (2019: £951 million profit after tax). The decrease compared to 2019 has been driven by the non-recurring £(1.129) million loss after tax from the UK L&P treaty amendments, where the reinsurance arrangement was priced on an economic basis which makes allowance for items not included within the IFRS valuation. The loss after tax has been offset by underlying profits generated from the life and general insurance treaties, including profits arising from longevity assumption changes (mainly driven by long-term trends, not COVID-19) during the year of £117 million (2019: £293 million).

COVID-19 impacts on the Company's results are limited, with business interruption losses ceded to the Company offset by the favourable impact of reduced economic activity in other personal lines and taking into account higher profit-contingent commissions payable to distributors by the Company's cedants. Results also include the offsetting non-economic COVID-19 impacts on the long-term insurance contract liabilities with an increase attributable to mortality mostly offset by a decrease attributable to longevity experience.

The Company paid dividends totalling £515 million to its parent company during the year (2019: £190 million).

The Company's net assets have decreased by £1,260 million (2019: increased by £761 million) in line with the loss after tax and dividend payments described in this section.

#### Section 172 (1) Statement

The directors report here on how they have discharged their duties under Section 172 (1) of the Companies Act 2006.

The Board is responsible for monitoring and upholding the culture, values, standards, ethics and reputation of the Company to ensure that the Company's obligations to its shareholder and to its stakeholders are met. It monitors adherence to the Aviva Group business standards and compliance with local corporate governance requirements and is committed to acting if the Company should fail to act in the manner we expect of it.

For each matter which comes before the Board, stakeholders who may be affected are identified and their interests are carefully considered as part of the Board's decision making process.

The Board is also focused on the wider social context within which the business operates, including those issues related to climate change which are of fundamental importance to the planet's well-being.

## Strategic report (continued)

### Our culture

The Company is part of the wider Aviva Group, which is the provider of vital financial services to millions of customers. Companies within the Aviva Group seek to earn customers' trust by acting with integrity and responsibility at all times. The Company looks to build relationships with all its stakeholders based on openness and continuing dialogue.

The Company's culture is shaped, in conjunction with its ultimate shareholder Aviva plc, by clearly defined values to help ensure the Company does the right thing. The Company values diversity and inclusivity in its workforce and beyond. The Company seeks to act in a manner consistent with the broader commitment that the Aviva Group makes to each ultimate external customer and stakeholders; that is 'with you today, for a better tomorrow.' Throughout the Company's business, the Board is proud that our people live by our core value of caring for our customers, for each other and for the communities we serve.

### Key strategic decisions in 2020

The Company's core strategic purpose is to promote capital efficiency and realise the benefits of group diversification of risk through lower solo capital requirements in the ceding entities. The Board considers the long-term impact of corporate actions and decisions on our shareholder. During 2020 the Board considered the following:

#### (i) Final Dividend

The directors do not recommend a final dividend on the Company's ordinary shares for the year ended 31 December 2020.

#### (ii) Interim Dividends

During the year, the directors approved dividends of £515 million taking into account the current and future outlook for distributable reserves, capital surplus and liquidity, and the level of protection provided to cedants and their policyholders by the capital surplus of the Company.

#### (iii) 3-year Strategy

The directors reviewed and approved the 3-year strategic plan and determined the level of expected future dividends that were consistent with the need to maintain sufficient financial security for cedants and their policyholders.

#### (iv) Treaty Development

In line with our agreed strategy, on 26 June 2020, the directors approved amendments to the quota share agreements with UK L&P, backdated to 1 January 2020. The amended reinsurance treaty covers 30% of the existing liabilities and future business written in UK L&P's NPSF, enhancing both capital efficiency and dividend capacity within the Group.

### Stakeholder Engagement

#### (i) Employees

- The Company has no employees. All UK employees engaged in the activities of the Company are employed by a subsidiary undertaking of Aviva plc, Aviva Employment Services Limited. Disclosures relating to employees may be found in the annual report and financial statements of Aviva Employment Services Limited. The Company is recharged with the cost of the staff provided by Aviva Employment Services Limited.

#### (ii) Customers

- The Company does not have any direct external customers, but it does have quota share reinsurance arrangements with several of the Aviva Group subsidiary insurance companies who themselves have external customers.
- The Company considers the impact of its actions on its cedants and their external customers when making decisions.
- The Company receives updates on its cedants that include information on their interactions with external policyholders.

#### (iii) Suppliers

- The majority of the Company's suppliers are internal to the Aviva Group, with the supplier related activity managed in line with the Aviva Group Procurement & Outsourcing Business Standard. This ensures that supply risk is managed appropriately including in relation to customer outcomes, data security, corporate responsibility, financial, operational, contractual, and brand damage caused by inadequate oversight or supplier failure.
- An important part of the Company's culture is the promotion of high legal, ethical and environmental and employee related standards within its business and also among its suppliers. Before working with any new suppliers, they are provided with the Aviva Group's Supplier Code of Behaviour, and interaction with them is guided by the Group's Business Code of Ethics.
- The Board reviews the actions the Group has taken to prevent modern slavery and associated practices in any part of our supply chain and approves the Group's Modern Slavery Act statement each year.
- In the UK, the Company's ultimate parent, Aviva plc, is a signatory of the Prompt Payment Code which sets standards for high payment practices. The Aviva Group is a Living Wage employer in the UK, and the Company's supplier contracts include a commitment to pay their eligible employees not less than the Living Wage in respect of work provided to the Company at its premises in the UK.
- The Company's directors are closely involved in the management of the Company's most critical or important suppliers and regularly review reports on their performance.

#### (iv) Communities

- Recognising climate change presents risk and opportunities for customers, communities and business, the Group is signed up to the United Nations Net Zero Asset Owner Alliance commitment. As part of the Group, the Company is committed to the Group's long-term strategy to reach net zero by 2040, and to support achieving this target the Group has defined climate risk preferences and operating risk limits. The Board approved the adoption of the new climate risk preferences in September 2020, with the Company's approved 2021-2023 Plan taking the new climate risk preferences into consideration. Details on the Group's commitment around tackling the Climate Crisis can be found in the Corporate Responsibility section of the Aviva plc Annual Report and Accounts 2020.

#### (v) Shareholders

- Our ultimate shareholder is Aviva plc and there is ongoing communication and engagement with the Aviva plc Board. Any matters requiring escalation are escalated by the Board, Audit Committee and Risk Committee through their Chairmen to its parent. Additionally, members of the Aviva plc Board can attend Board meetings by invitation.

**Strategic report (continued)**

## (vi) Regulators

- The Company has a programme of regular meetings between Board members (including non-executive directors), the Company's senior management and the PRA. The Company routinely provides copies of Board, Risk and Audit Committee papers to the PRA and also responds to requests for information when required, maintaining constructive and open relationships with the UK regulator.

**Future outlook**

Strategies for the Group as a whole are determined by the Board of Aviva plc and these are shown in the Group 2020 Annual report and accounts. The Company will work with the Group to support the implementation of these strategies.

The strategic direction of the Company is set by the directors of the Company. The directors consider that the Company's principal activities will continue unchanged for the foreseeable future.

The Company aims to promote capital efficiency and realise the benefits of group diversification of risk through lower solo capital requirements in the ceding entities. The Company continues to explore opportunities to increase the amount of business ceded to it and to provide capital benefits to the Group.

On 23 February 2021, Aviva plc announced it had approved the sale of its entire shareholding in Aviva France to Aéma Groupe. The transaction is subject to consultation and customary closing conditions, including regulatory approval, and is expected to complete in the second half of 2021. As a result of this announcement, the Company's quota share reinsurance arrangement with Aviva Assurances is likely to be terminated at a future date.

**Principal risks and uncertainties**

A description of the principal risks and uncertainties facing the Company and the Company's risk management policies are set out in note 24 to the financial statements.

Risk factors beyond the Company's control that could cause actual results to differ materially from those estimated include, but are not limited to:

- Market risk, the risk of loss or adverse change in the financial situation (including the value of assets, liabilities and income) resulting, directly or indirectly, from fluctuations in the level or the volatility of market variables, such as interest rates, foreign exchange rates, equity, property and commodity prices;
- Credit risk, the risk of adverse financial impact resulting from fluctuations in credit quality of third parties including default, rating transition and credit spread movements;
- Life insurance risk, including mortality risk, morbidity risk, longevity risk, persistency risk, expense risk (including commissions) and policyholder behaviour risk around take-up of insurance guarantees and options;
- General insurance risk, including fluctuations in the timing, frequency and severity of claims and claims settlements relative to expectations when pricing and reserving;
- Coronavirus: During the year, the Company has been impacted by the COVID-19 pandemic through its operations, insurance products and asset holdings as well as ongoing difficult conditions in the global financial markets and the economy generally. The impact of COVID-19 on the Company is experienced through its principal risks of general and life insurance risk, market risk and credit risk; further details are provided in note 24 Risk Management.
- The UK-EU Future Relationship Agreement came into effect on 1 January 2021, ending the Brexit transition period, for which the Company was fully prepared. It provides scope for managed policy divergence or maintaining alignment, if the UK chooses. The agreement will have evolving consequences in 2021 and beyond on future financial services and data regulation, UK-EU data transfers, EU market access and the UK economy which will require careful monitoring.

**Key performance indicators**

The directors consider that the Company's key performance indicators ("KPIs") that communicate the financial performance are as follows:

- Capital Surplus
- Profit for the year before tax

A summary of the KPIs is set out below:

Measure	2020	2019
	£m	£m
<b>Capital Metrics</b>		
Capital surplus	1,707	2,033
<b>Financial Performance Metrics</b>		
(Loss)/profit for the year before tax	(962)	1,174

The year on year movement in Profit for the year is discussed in the Financial position and performance section of this report.

By order of the Board on 1 April 2021



For and on behalf of Aviva Company Secretarial Services Limited  
Company Secretary

## Directors' report

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The directors submit their annual report and the audited financial statements for the Company for the year ended 31 December 2020.

### Directors

The names of the current directors of the Company are shown on page 3.

Details of Board appointments and resignations during the year are shown below:

R W A Howe resigned as a director of the Company on 29 July 2020

P Needleman was appointed as a director of the Company on 21 September 2020

M Muir was appointed as a director of the Company on 21 September 2020

### Company Secretary

The name of the current company secretary of the Company is shown on page 3.

### Dividends

Interim ordinary dividends of £515 million on the Company's ordinary shares were declared and settled during 2020 (2019: £190 million). The directors do not recommend a final dividend on the Company's ordinary shares for the year ended 31 December 2020.

### Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic report, which includes a section describing the principal risks and uncertainties. In addition, the financial statements include notes on, the Company's capital structure (note 23); management of its risks including market, credit and liquidity risk (note 24); and derivative financial instruments (note 25).

The Company and its ultimate holding company, Aviva plc, have considerable financial resources together with a diversified business model, with a spread of businesses and geographical reach. The directors believe that the Company is well placed to manage its business risks successfully.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for a period of at least twelve months from the date of approval of the financial statements. For this reason, they continue to adopt, and to consider appropriate, the going concern basis in preparing the financial statements.

### Important events since the financial year end

There have been no significant post balance sheet events subsequent to 31 December 2020.

### Future outlook

Likely future developments in the business of the Company are discussed within the Strategic report starting on page 4.

### Stakeholder Engagement

Our statements summarising our employee engagement, and our engagement with suppliers, customers and our other stakeholders are included in our Strategic report starting on page 4.

### Statement of Corporate Governance Arrangements

For the year ended 31 December 2020, the Company has applied the Wates Corporate Governance Principles for Large Private Companies (the "Principles"). We set out below how the Principles have been applied during 2020.

#### Principle 1 - Purpose and leadership

The Company is part of the Aviva Group. Following the appointment of Amanda Blanc as Group CEO of Aviva plc in July 2020, the Group embarked on a strategic review aimed at optimising its organisational structure. The Group's purpose continues to be 'with you today, for a better tomorrow' and we include customers, employees and our other stakeholders in this. The Group has set out three strategic priorities which will enable the business to fulfil this purpose:

- Focus the portfolio;
- Transform performance; and
- Financial strength.

The Company supports the Group's purposes with its strategic purpose to optimise capital and improve the flow of cash within the global Aviva Group. Over the year, our Board has considered the capital levels required to appropriately protect the ultimate customer when making risk appetite and dividend decisions and, through the approval of an amended quota share agreement with UK L&P and investigation of potential future treaty developments, balancing the level of risks accepted from its cedants.

The Board monitors the culture of the Company, which is aligned to that of its ultimate shareholder Aviva plc, and raises any concerns during meetings. The Board is able to express its views on the culture of the organisation through the annual Board Effectiveness Reviews. Culture information has been added to the Board's annual planner to ensure the Board has the opportunity to review culture metrics.

#### Principle 2 - Board Composition

The Company's Board has a separate Independent Non-Executive Chair and Chief Executive Officer to ensure that the balance of responsibilities, accountabilities and decision making across the Company is effectively maintained. The directors have equal voting rights when making decisions, except the Chair, who has a casting vote. All directors have access to the advice and services of the Company Secretary.

The Board has a skills matrix in place to ensure the composition of the Board contains the appropriate combination of skills, backgrounds, experience and knowledge to understand and guide the business. The skills matrix is a key tool in any Board recruitment process to ensure the most suitable candidates are put forward for appointment to fill any gaps identified and to maintain a focus on succession planning to ensure the composition of the Board remains appropriate.

## Directors' report (continued)

The Board is comprised of Independent Non Executive directors, a Non-Executive director and Executive directors. The Board is responsible for organising and directing the affairs of the Company in a manner that is most likely to promote the success of the Company for its shareholders as a whole and in a way that is consistent with its Articles of Association, applicable regulatory requirements and current corporate governance practice.

The Board undertook a formal effectiveness review of its performance, facilitated by Lintstock in 2020 and it has scheduled the next independent review for mid-2021. The results were produced by Lintstock and presented to the Board at its meeting on 22nd September 2020 and an action plan was agreed, with the actions tracked by the Company Secretary.

### Principle 3 - Director Responsibilities

The Company operates in accordance with the Aviva Governance Framework, as approved by Aviva plc. The Aviva Governance Framework articulates the interrelation between our purpose, culture, values; its reporting and escalation structures and their alignment with legal and regulatory duties and its risk management framework. The core elements are the legal and regulatory flow of accountability and decision making and the Company's frameworks, policies and standards and the checks and balances through the operation of the Company's 2nd and 3rd lines of defence which ensure effective Board oversight.

Within the Aviva Group, accountability is formally delegated by the Board to the CEO and by the CEO to their direct reports. The CEO delegations are referenced in the Board's Terms of Reference. Accountability rests with these individuals and the Board. These accountabilities are aligned with the Senior Managers Certification Regime ("SMCR") responsibilities. The roles and responsibilities are clearly documented in the Management Responsibility Maps which form part of our Governance Framework and which are submitted to the PRA and FCA on a quarterly basis. The Company also adheres to the Subsidiary Governance Principles which are a set of internal governance principles that companies within the Aviva Group are required to adhere to.

The Board held 14 meetings this year, plus an additional day of strategic planning. The Board's key areas of focus in 2020 were on business performance updates (financial and capital), updates from cedant businesses, governance, regulatory matters and future strategic objectives linked to the Company's Strategy.

The Board has established an Audit Committee and a Risk Committee. The Terms of Reference for these committees are aligned to those of Aviva plc and approved annually by the Company's Board. The committees also undertake annual effectiveness reviews. The results are discussed by the committee and an action plan is agreed, with the actions tracked by the Company Secretary.

The Audit Committee is responsible for reviewing the effectiveness of the Company's systems and controls and receives regular updates on the work of the internal audit function and from the external auditors. The Company also receives reports from the CFO at each Committee meeting. Financial reporting for the Company is currently externally audited by PricewaterhouseCoopers LLP ("PwC") on an annual basis.

The Risk Committee is responsible for oversight of risk, reviewing the Company's risk appetite and risk profile, reviewing the effectiveness of the Company's risk management framework, reviewing the methodology used in determining the Company's capital requirements, stress testing, ensuring due diligence appraisals are carried out on strategic or significant transactions, and monitoring the Company's regulatory activities, as appropriate.

### Principle 4 - Opportunity and Risk

The role of the Board is to promote the long-term sustainable success of the Company, generating value for its shareholder within a framework of prudent and effective controls, which enable risks to be assessed and managed.

The Company operates a risk management framework that forms an integral part of the management and Board processes and decision making framework, aligned to the Group's risk management framework. The key elements of the risk management framework comprise risk appetite; risk governance, including risk policies and business standards, risk oversight committees and roles and responsibilities; and the processes the Company uses to identify, measure, manage, monitor and report risks, including the use of risk models and stress and scenario testing.

The Company's position against its risk appetites and tolerances is monitored and reported to the Board on a regular basis.

The Risk Committee assists the Board in its oversight of risk by undertaking the following:

- Review and make recommendations around the Company's risk appetite and risk profile in relation to capital and liquidity;
- Review the effectiveness of the Company's risk management framework;
- Review the methodology used in determining the Company's capital requirements;
- Review the scenarios and stress tests proposed by Management;
- Ensure due diligence appraisals are carried out on strategic and significant transactions;
- Promote a risk awareness culture for the Company;
- Consider the Company's exposure to the financial risks from Climate change; and
- Oversee the reputation of the Company

The oversight of risk and risk management is further supported by management's Asset and Liability Committee ("ALCO") which focuses on insurance and financial risk, and Operational Risk Committee ("ORC") which focuses on operational and reputational risks.

The Company's Risk Committee works and liaises as necessary with the Audit Committee and Board, performing other duties and responsibilities that are delegated to it by the Board and escalating matters to the Board and/or the Aviva plc Risk Committee as appropriate.

### Principle 5 - Remuneration

The Company has no employees. All UK employees are employed by a subsidiary undertaking of Aviva plc, Aviva Employment Services Limited. As part of the Aviva Group, these staff enjoy the benefit of the Aviva Group policies and benefits made available to them.

Under the Aviva Group Reward Governance Framework, the Company's remuneration policy operates in accordance with the Global Remuneration Policy as approved by the Aviva plc Remuneration Committee, which applies to all employees in entities within the Aviva Group. Independent Non Executive director fees are also set by Aviva plc and reviewed annually. Details of directors' remuneration is included on page 30.

The Aviva Group reports on the pay ratio of the Group CEO to UK employees, and details of this can be found in the Directors' Remuneration Report in the Aviva plc Annual report and accounts which is available at [www.aviva.com/investors/reports](http://www.aviva.com/investors/reports). Aviva plc also reports in our gender pay gap, and on the steps we are taking in relation to this which can be found at [www.aviva.com/gpgp](http://www.aviva.com/gpgp)



## Directors' report (continued)

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### Political donations

The Company did not make any political donations during the year (2019: £ nil).

### Supplier payment policy

The directors are responsible for ensuring that the Company is compliant with the Prompt Payment of Accounts Act 1997, as amended by the European Communities (Late Payment in Commercial Transactions) Regulations 2002. It is the policy of the Company to pay for goods and services on presentation of an invoice by the supplier. Statements from suppliers showing amounts outstanding in excess of 30 days are immediately investigated and resolved as soon as possible.

### Financial instruments

The Company uses financial instruments to manage certain types of risks, including to those relating to credit, foreign currency exchange, cash flow, liquidity, interest rates, and equity and property prices. Details of the objectives and management of these instruments are contained in note 24 on risk management.

### Employees

The Company has no employees.

### Disclosure of information to the Auditors

In accordance with section 418 of the Companies Act 2006, the directors in office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's External Auditors, PricewaterhouseCoopers LLP, is unaware and each director has taken all steps that ought to have been taken as a director in order to make themselves aware of any relevant audit information and to establish that PricewaterhouseCoopers LLP is aware of that information.

### Independent auditors

It is the intention of the directors to reappoint the Auditors, PricewaterhouseCoopers LLP, under the deemed appointment rules of section 487 of the Companies Act 2006.

### Qualifying indemnity provisions

In 2004, Aviva plc, the Company's ultimate parent, granted an indemnity to the directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 1985, which continue to apply in relation to any provision made before 1 October 2007. This indemnity is a "qualifying third party indemnity" for the purposes of section 309A to section 309C of the Companies Act 1985. These qualifying third party indemnity provisions remain in force as at the date of approving the directors' report by virtue of paragraph 15, Schedule 3 of The Companies Act 2006 (Commencement No. 3, Consequential Amendments, Transitional Provisions and Savings) Order 2007.

The directors also have the benefit of the indemnity provision contained in the Company's articles of association, subject to the conditions set out in the Companies Act 2006. This is a "qualifying third party indemnity" provision as defined by section 234 of the Companies Act 2006.

### Statement of directors' responsibilities

The directors are responsible for preparing the strategic report, directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make reasonable and prudent judgements and accounting estimates;
- state whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board on 1 April 2021



For and on behalf of Aviva Company Secretarial Services Limited  
Company Secretary

## Independent auditors' report to the members of Aviva International Insurance Limited

### Report on the audit of the financial statements

#### Opinion

In our opinion, Aviva International Insurance Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006

We have audited the financial statements, included within the Annual Report and Financial Statements 2020 ("the Annual Report"), which comprise: the statement of financial position as at 31 December 2020; the Income statement, the Statement of cash flows and the Statement of changes in equity for the year then ended; the accounting policies; and the notes to the financial statements.

Our opinion is consistent with our reporting to the Audit Committee.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided

Other than those disclosed in note 6, we have provided no non-audit services to the company in the period under audit.

#### Our audit approach

##### Overview

In addition to forming this opinion, in this report we have also provided information on how we approached the audit, how it has changed from the previous year and details of the significant discussions that we had with the Audit Committee.

COVID-19 has meant that substantially all of our interactions were undertaken virtually, including those between engagement teams, with our cedant audit teams and All board members, management and staff.

#### Audit scope

- The Company has reinsurance arrangements with Aviva Life and Pensions UK Limited ("UK L&P"), Aviva Insurance Limited ("AIL"), Aviva Assurances ("FGL") and Aviva Insurance Company of Canada, Aviva General Insurance Company, Traders General Insurance Company, Scottish & York Insurance Co. Limited, Elite Insurance Company, S&Y Insurance Company and Pilot Insurance Company (together "CGI"). The Company's financial reporting includes transactions and balances derived from financial information from these companies, and we have made use of those companies' auditors to provide evidence over these transactions and balances.
- Based on the output of our risk assessment, full scope audit procedures were performed over UK Life & Pensions ("UK L&P") and Aviva Insurance Limited ("AIL"), which have the most significant impacts on the financial statements of the Company.
- For FGL and CGI, we identified specific account balances which were considered to be significant in size or audit risk at the financial statement line item level in relation to the Company and scoped our audit to include detailed testing of those account balances.

#### Key audit matters

- Valuation of life insurance contract liabilities
  - Annuitant mortality assumptions
  - Credit default assumptions for illiquid assets
  - Expense assumptions
- Valuation of hard to value investments
- Valuation of general insurance liabilities
- Risk of error arising from the implementation of a new bulk purchase annuity ("BPA") actuarial model
- Impact of COVID-19

#### Materiality

- Overall materiality: £174m (2019: £158m) based on 0.25% of total assets.
- Performance materiality: £130m.

## Independent auditors' report to the members of Aviva International Insurance Limited (continued)

### Designing the audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

#### How we determined materiality and assessed the risks of material misstatement

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined in the Auditors' responsibilities for the audit of the financial statements section, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of the UK and European regulatory principles, such as those governed by the Prudential Regulation Authority ("PRA") and the Financial Conduct Authority ("FCA"), and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to management bias in accounting estimates and judgemental areas of the financial statements as shown in our key audit matters. The engagement team shared this risk assessment with the other auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the engagement team included:

- Discussions with the Board, management, internal audit, senior management involved in the Risk and Compliance functions and the Company's legal function, including consideration of known or suspected instance of non-compliance with laws and regulation and fraud;
- Assessment of matters reported on the Company's whistleblowing helpline and fraud register and the results of management's investigation of such matters;
- Reading key correspondence with the PRA and FCA in relation to compliance with laws and regulations;
- Reviewing relevant meeting minutes, including those of the Board, Risk Committee and Audit Committee;
- Attendance at Audit Committees;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations or posted by senior management;
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing of areas identified as having an increased risk; and
- Testing transactions entered into outside of the Company's normal course of business.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

### Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Risk of error arising from the implementation of a new BPA actuarial model is a new key audit matter this year. Otherwise, the key audit matters below are consistent with last year.

## Independent auditors' report to the members of Aviva International Insurance Limited (continued)

Key audit matter	How our audit addressed the key audit matter
<p>The Directors' valuation of life insurance contract liabilities for the settlement of future claims, involves complex and subjective judgements about future events, both internal and external to the business, for which small changes in assumptions can result in material impacts to the valuation of these liabilities. This has been compounded by the uncertainty arising from COVID 19 and the impact this could have on various actuarial assumptions.</p> <p>Refer to accounting policy I (page 20) and Notes 14 and 15 (pages 36 and 39), respectively.</p>	<p>The work to address the valuation of the life insurance contract liabilities included the following procedures:</p> <ul style="list-style-type: none"> <li>• We understood and evaluated the process and controls in place to determine the insurance contract liabilities;</li> <li>• We tested the design and operating effectiveness of controls in place over insurance contract liabilities, including those covering the approval of assumptions and completeness and accuracy of data used;</li> <li>• Using our actuarial specialist team members we applied industry knowledge and experience and compared the methodology, models and assumptions used against recognised actuarial practices. This included consideration of the reasonableness of assumptions against actual historical experience and the appropriateness of any judgements applied;</li> <li>• We tested the key judgements over the preparation of the liabilities, including manually calculated components focussing on the consistency in treatment and methodology period on-period and with reference to recognised actuarial practice;</li> <li>• We used the results of an independent PwC annual benchmarking survey of assumptions to further challenge the assumption setting process by comparing certain assumptions used relative to the Company's industry peers; and</li> <li>• We assessed the disclosures in the financial statements.</li> </ul> <p>As part of our consideration of the entire set of assumptions, we focused particularly on annuitant mortality, credit default for illiquid assets and expense assumptions given their significance to the Company's result and the level of judgement involved. These aspects of our work have been considered in more detail below.</p> <p><i>Based on the work performed and the evidence obtained, we consider the methodology and assumptions used to value the life insurance contract liabilities to be appropriate.</i></p>
<p>Annuitant mortality assumptions used to value life insurance contract liabilities require a high degree of judgement due to the number of factors which may influence mortality experience. The differing factors which affect the assumptions are underlying mortality experience (in the portfolio), industry and management views on the future rate of mortality improvements and external factors arising from developments in the annuity market.</p> <p>There are two material components to the annuitant mortality assumptions:</p> <ul style="list-style-type: none"> <li>• Mortality base assumption: this component is typically less subjective as it is derived using the external Continuous Mortality Investigation (CMI) tables for individual annuities and Club Vita 3 (CV3) tables for BPA, adjusted for internal experience. However, judgement is required in choosing the appropriate table and fitting internal experience to this table.</li> <li>• Rate of mortality improvements: this component is more subjective given the uncertainty over how life expectancy will change in the future and the lack of available data to support judgements made in respect of this.</li> </ul> <p>Management have adopted the most recent CMI 2019 model and dataset in setting this assumption with specific parameters for the long term rate of improvement and tapering at older ages and adjustments to reflect the profile of their portfolio. This reflects their views on the rate of mortality improvement.</p> <p>In addition, a margin of prudence is applied to these assumptions.</p> <p>Refer to accounting policy I (page 20) and Notes 14 and 15 (pages 36 and 39) respectively.</p>	<p>In respect of the annuitant mortality assumptions we performed the following:</p> <ul style="list-style-type: none"> <li>• We tested the methodology used by management to derive the assumptions with reference to relevant rules and actuarial guidance and by applying our industry knowledge and experience. This included evaluating management's choice of, and fitting to, the CMI and CV3 base tables and the adoption of the CMI 2019 model dataset and parameters for improvements and the margin for prudence;</li> <li>• We assessed the results of the experience investigations carried out by management for the annuity business to determine whether they provided support for the assumptions used;</li> <li>• We compared the mortality assumptions selected by management against those used by their peers;</li> <li>• We considered alternative assumptions that could be used in the CMI 2019 model and used externally published information to validate the choice management made;</li> <li>• We assessed the disclosure of the annuitant mortality assumptions and the associated financial impact from changes in these assumptions, arising in the period; and</li> <li>• We assessed the combined short-term COVID-19 insurance allowance for annuitant mortality and assurance mortality/morbidity assumptions, considering experience data over the year and the potential future scenarios modelled by management.</li> </ul> <p><i>Based on the work performed and the evidence obtained, we consider the assumptions used for annuitant mortality to be appropriate.</i></p>

## Independent auditors' report to the members of Aviva International Insurance Limited (continued)

<p>UKL&amp;P manages the funds withheld from AII. These include substantial holdings in illiquid asset classes, such as commercial and equity release mortgages, with significant credit risk.</p> <p>The life insurance contract liabilities are discounted using a rate determined from the yield on the support assets less a prudent allowance for credit default risk.</p> <p>For the illiquid assets supporting the life insurance contract liabilities, management adopts an active approach to setting the associated credit default assumptions. A long term deduction for credit default is made from the current market yields and a supplementary allowance is also held to cover the risk of higher short term default rates along with a margin for prudence.</p> <p>Refer to Accounting policy I (page 20) and Notes 14 and 15. (pages 36 and 39) respectively</p>	<p>In respect of the credit default assumptions, we performed the following:</p> <ul style="list-style-type: none"> <li>• We tested the methodology and credit risk pricing models used by management for commercial and equity release mortgages to derive the assumptions with reference to relevant rules and actuarial guidance, including the adoption of an appropriate prudence margin and by applying our industry knowledge and experience;</li> <li>• We validated significant assumptions used by management by ensuring consistency with the assumptions used for the valuation of the assets, and against market observable data (to the extent available and relevant) and our experience of market practices;</li> <li>• We assessed the disclosure of the credit default assumptions and the associated financial impact from changes in these assumptions, arising in the period; and</li> <li>• We assessed whether a short-term adjustments was required to the credit default assumptions for illiquid assets due to COVID-19, considering experience over the year and the potential future scenarios modelled by management.</li> </ul> <p><i>Based on the work performed and the evidence obtained, we consider the assumptions used for credit default risk on commercial mortgages and equity release mortgages to be appropriate.</i></p>
<p>Future maintenance expenses and expense inflation assumptions are used in the measurement of life insurance contract liabilities. The assumptions reflect the expected future expenses that will be required to maintain the inforce policies at the balance sheet date, including an allowance for project costs and a margin for prudence. The assumptions used require significant judgement.</p> <p>Refer to accounting policy I (page 20) and Notes 14 and 15 (pages 36 and 39) respectively.</p>	<p>In respect of the expense assumptions, we performed the following:</p> <ul style="list-style-type: none"> <li>• We tested the methodology used by management to derive the assumptions with reference to relevant rules and actuarial guidance and by applying our industry knowledge and experience. This included testing the split of expenses between acquisition and maintenance by agreeing a sample to supporting evidence;</li> <li>• We tested that the assumptions appropriately reflect the expected future expenses for maintaining policies in force at the balance sheet date, which includes consideration of the allowance for project costs; and</li> <li>• We assessed the disclosure of the expense assumptions and the associated financial impact from changes in these assumptions, arising in the period.</li> </ul> <p><i>Based on the work performed and the evidence obtained, we consider the expense assumptions to be appropriate.</i></p>
<p>The valuation of the investment portfolio involves judgement and continues to be an area of inherent risk. The risk is not uniform for all investment types and is greatest for the following, where the investments are hard to value because quoted prices are not readily available:</p> <ul style="list-style-type: none"> <li>• Commercial mortgage loans;</li> <li>• Equity release mortgage loans; and</li> <li>• Infrastructure loans.</li> </ul> <p>Refer to accounting policy L (page 22), and Notes 10, 24 and 26 (pages 34, 45 and 52) respectively.</p>	<p>We assessed the Directors' approach to valuation of hard to value investments by performing the following procedures:</p> <ul style="list-style-type: none"> <li>• We tested data inputs used in the valuation models to underlying documentation on a sample basis;</li> <li>• We evaluated the methodology and assumptions used by management, including yield curves, discounted cash flows, property growth rates, longevity and liquidity premiums as relevant to each asset class;</li> <li>• We tested the operation of data integrity and change management controls for the valuation models;</li> <li>• Using our valuation experts, we performed independent valuations for a sample of infrastructure loans; and</li> <li>• We assessed the disclosures in the financial statements.</li> </ul> <p><i>Based on the work performed and the evidence obtained, we consider the methodology and assumptions used by management to value hard to value assets to be appropriate.</i></p>

## Independent auditors' report to the members of Aviva International Insurance Limited (continued)

<p>The estimation of non-life insurance contract liabilities involves a significant degree of judgement. The liabilities are based on the estimated ultimate cost of all claims incurred but not settled at 31 December 2020, whether reported or not, together with the related claims handling costs.</p> <p>A range of methods, including stochastic projections, may be used to determine these provisions. Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims. This includes assumptions relating to the settlement of personal injury lump sum compensation amounts.</p> <p>Refer to accounting policy I (page 20), and Notes 14 and 15 (pages 36 and 39) respectively.</p>	<p>We assessed the calculation of the non-life insurance liabilities by performing the following procedures:</p> <ul style="list-style-type: none"> <li>• We understood and tested the governance process in place to determine the insurance contract liabilities, including testing the associated financial reporting control framework;</li> <li>• We tested the underlying data to source documentation on a sample basis;</li> <li>• Using our actuarial specialist team members, we applied our industry knowledge and experience and we compared the methodology, models and assumptions used against recognised actuarial practices;</li> <li>• Using our actuarial specialist team members, we independently estimated the reserves on selected classes of business, particularly focusing on the largest and most uncertain reserves. For these classes we compared our estimated reserves to those booked by management, and sought to understand any significant differences;</li> <li>• For the remaining classes we evaluated the methodology and assumptions applied, or performed a diagnostic check to identify and investigate any anomalies; and</li> <li>• We assessed the disclosures in the financial statements.</li> </ul> <p><i>Based on the work performed and evidence obtained, we consider the methodology and assumptions used to value the non-life insurance contract liabilities to be appropriate.</i></p>
<p>UKL&amp;P have introduced a new model for the valuation of £1.3bn of Bulk Purchase Annuities during the year.</p> <p>The key risk in relation to any new model is the risk of error in the implementation or the functionality of the model. This model is being used to value large BPA schemes written during the year and we have assessed the risk of error in relation to the BPA model to be significant given its complexity and the magnitude of the contracts that it will be used to value.</p> <p>Refer to Accounting policy I (page 20) and Notes 14 and 15, (pages 36 and 39).</p>	<p>We assessed the implementation of new BPA actuarial model by performing the following procedures:</p> <ul style="list-style-type: none"> <li>• For a sample of immediate bulk purchase annuity policies we remodelled the gross valuations to within 0.01% on average of management's valuation;</li> <li>• We have replicated the calculation of benefits in deferment on a sample of deferred bulk purchase annuity policies to within 0.01% on average, and</li> <li>• We have reviewed management's own results reconciliation testing (between this new model and the current model used for other BPA business) and investigated any differences noted by management.</li> </ul> <p><i>Based on the work performed and evidence obtained, we consider the valuation of the BPAs valued using the new model to be appropriate.</i></p>

## Independent auditors' report to the members of Aviva International Insurance Limited (continued)

<p>The impacts of the global pandemic due to the Coronavirus COVID-19 continue to cause significant social and economic disruption up to the date of reporting. In our audit we have identified the following key impacts of COVID-19:</p> <p><b>Ability of the entity to continue as a going concern</b></p> <p>There are a number of potential matters in relation to COVID-19 which could impact on the going concern status of the Company. Using downside scenarios driven by the required Own Risk and Solvency Assessment (ORSA) process, the Directors have considered the ability of the Company to remain solvent with sufficient liquidity to meet future obligations. The Directors have also considered its requirements in respect of regulatory capital under Solvency II and the potential operational impacts on the business arising from remote working.</p> <p>The Directors' have concluded that the Company is a going concern.</p> <p><b>Impact on Estimation Uncertainty in the Financial Statements</b></p> <p>The pandemic has increased the level of estimation uncertainty in the financial statements. The Directors have therefore considered how COVID-19 has impacted the key estimates that determine the valuation of material balances, particularly the Non Life Insurance Contract Liabilities, Life Insurance Contract Liabilities and Hard to Value Financial Investments.</p> <p><b>Qualitative Disclosures in the Annual Report and Financial Statements</b></p> <p>In addition, the Directors have considered the qualitative disclosures included in the Annual Report and Accounts in respect of COVID-19 and the impact that the pandemic has had, and continues to have, on the Company.</p> <p>Refer to Note 15 (page 39)</p>	<p>In assessing management's consideration of the impact of COVID-19 on the Company we have performed the following procedures:</p> <ul style="list-style-type: none"> <li>• We obtained management's updated going concern assessment and challenged the rationale for the downside scenarios adopted and material assumptions made using our knowledge of Aviva's business performance, review of regulatory correspondence and obtaining further corroborating evidence;</li> <li>• We considered information obtained during the course of the audit and publicly available market information to identify any evidence that would contradict management's assessment of the impact of COVID-19; and</li> <li>• We inquired and understood the actions taken by management to mitigate the impacts of COVID-19, including review of Board Risk Committee minutes and attendance of all Audit Committees.</li> </ul> <p>We agree with the Director's conclusions in respect of going concern.</p> <ul style="list-style-type: none"> <li>• We have considered whether there have been any impacts from remote working on the design and operating effectiveness of key controls impacting the preparation of financial statement information;</li> <li>• We have challenged management's judgements in the valuation of non-life insurance contracts in relation to COVID-19, specifically the treatment of the Business Interruption test case; and</li> <li>• We have challenged the judgements applied by management to determine the insurance contract liabilities, including annuitant mortality, credit default and expense assumptions, in light of the emerging COVID-19 experience and by comparing these relative to the Company's industry peers;</li> </ul> <p>We have audited the balances impacted by estimation uncertainty and believe the values presented in the Financial Statements to be reasonable.</p> <ul style="list-style-type: none"> <li>• We have reviewed the appropriateness of disclosures within the Annual report and Financial Statements with respect to COVID-19 and, where relevant, considered the material consistency of this other information to the audited financial statements and the information obtained in the audit.</li> </ul> <p><i>Based on the procedures performed and evidence obtained, we consider the disclosure of COVID-19 in the financial statements to be appropriate.</i></p>
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## How we tailored the audit to you

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

The principal activity of the Company is to act as the onshore reinsurance vehicle for the Aviva plc Group. The company has reinsurance arrangements with UK L&P, AIL, FGI and CGI. The Company's financial reporting includes transactions and balances derived from financial information from these companies and we made use of those companies' auditors to provide evidence over these transactions and balances. In determining the scope of the audit, we performed risk assessment procedures which included understanding each of the companies' business operations, the internal control environment and process for the preparation of financial information. We identified which of those companies were of most significance to the audit of the Company based on the relative impact of the financial information included in the Company's financial statements derived from them.

Based on the output of our risk assessment, full scope audit procedures were performed over UK L&P and AIL, which had the most significant impact on the financial statements of the Company.

For FGI and CGI, we identified specific account balances which were considered to be significant in size or audit risk at the financial statement line item level in relation to the Company and scoped our audit to include detailed testing of those account balances.

Where the work was performed by other auditors, we determined the level of involvement we needed to have in their audit work to be able to conclude whether sufficient and appropriate audit evidence had been obtained as a basis for our opinion on the Company financial statements as a whole. We maintained regular and timely communication with the other audit teams, including regular conference calls and written communications.

## Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

**Independent auditors' report to the members of Aviva International Insurance Limited (continued)**

	£174m (2019: £158m).
	0.25% of total assets
	In determining our materiality, we have considered financial metrics which we believe to be relevant to the primary users of the Company's financial statements. We concluded total assets was the most relevant benchmark to these users. Total assets represents the overall size of the balance sheet reflecting the level of insurance risk the Company is exposed to and its ability to meet insurance liabilities as they fall due.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £130m for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £8.7m (2019: £7.9m) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

**Conclusions relating to going concern**

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining the Directors' Going Concern assessment and challenging the rationale for the downside scenarios adopted and material assumptions made using our knowledge of the Company's business performance, review of regulatory correspondence and obtaining further corroborating evidence;
- Considering management's assessment of the regulatory Solvency coverage and liquidity position in the forward looking scenarios considered which have been driven from the Company's ORSA;
- Considering information obtained during the course of the audit and publicly available market information to identify any evidence that would contradict management's assessment of going concern (including the impacts of COVID-19); and
- Enquiring and understanding the actions taken by management to mitigate the impacts of COVID-19, including review of Board, Risk and Audit Committee minutes and attendance at Audit Committee meetings.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

**Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

**Consistency of strategic and financial reports**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.



## Independent auditors' report to the members of Aviva International Insurance Limited (continued)

### Responsibilities for the financial statements and the audit

#### Responsibilities for the financial statements

As explained more fully in the Statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

#### Responsibilities for the audit

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

#### Intended users

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

#### Other required reporting

#### Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

#### Appointment

Following the recommendation of the audit committee, we were appointed by the directors on 3 May 2012 to audit the financial statements for the year ended 31 December 2012 and subsequent financial periods. The period of total uninterrupted engagement is 9 years, covering the years ended 31 December 2012 to 31 December 2020.



Philip Watson (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

1 April 2021

## Accounting policies

The Company, a private limited company incorporated and domiciled in the United Kingdom ("UK"), transacts life and general and health reinsurance in the UK, Ireland, France and Canada. The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

### (A) Basis of preparation

The financial statements of the Company have been prepared and approved by the directors in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 (IFRS) and the legal requirements of the Companies Act 2006. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The financial statements have been prepared on the going concern basis as explained in the Directors' report on page 7.

The Company is exempt from preparing group financial statements by virtue of section 400 of the Companies Act 2006, as it is a subsidiary of an European Economic Area ("EEA") parent and is included in the consolidated financial statements for the Group, i.e. the ultimate parent company, Aviva plc, and its subsidiaries, joint ventures and associates, at the same date. These financial statements therefore present information about the Company as an individual entity.

In accordance with IFRS 4, *Insurance Contracts*, the Company has applied existing accounting practices for insurance contracts, modified as appropriate to comply with the IFRS framework and applicable standards. Further details are given in accounting policy I.

The Company's financial statements are stated in pounds sterling, which is the Company's functional and presentational currency. Unless otherwise noted, the amounts shown in these financial statements are in millions of pounds sterling ("£m").

### New standards, interpretations and amendments to published standards that have been adopted by the Company

The Company has adopted the following amendments to standards which became effective for the annual reporting period beginning on 1 January 2020. The amendments have been issued and endorsed by the EU and do not have a significant impact on the Company's consolidated financial statements.

- (i) *Amendments to References to the Conceptual Framework in IFRS Standards* (published by the IASB in March 2018)
- (ii) *Amendment to IFRS 3 Business Combinations* (published by the IASB in October 2018)
- (iii) *Amendment to IAS 1 and IAS 8: Definition of material* (published by the IASB in October 2018)
- (iv) *Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7* (published by the IASB in October 2019)

### Standards, interpretations and amendments to published standards that are not yet effective and have not been adopted early by the Company

The following new standards and amendments to existing standards have been issued, are not yet effective for the Company and have not been adopted early by the Company:

#### (i) IFRS 17, *Insurance Contracts*

In May 2017, the IASB published IFRS 17, *Insurance Contracts*, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 that was issued in 2005. IFRS 17 applies to all types of insurance contracts as well as to certain guarantees and financial instruments with discretionary participation features. In contrast to the requirements in IFRS 4, which are largely based on grandfathering of previous local accounting policies, IFRS 17 provides a comprehensive and consistent approach to insurance contracts. The core of IFRS 17 is the general model, supplemented by a specific adaption for contracts with direct participation features (the variable fee approach) and a simplified approach (the premium allocation approach) mainly for short-duration contracts.

The main features of the new accounting model for insurance contracts are as follows: the measurement of the present value of future cash flows incorporating an explicit risk adjustment and remeasured at each reporting period (the fulfilment cash flows); a contractual service margin that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts, representing the unearned profit of the insurance contracts to be recognised in profit or loss over the service period (coverage period); the presentation of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of insurance services provided during the period; and extensive disclosures to provide information on the recognised amounts from insurance contracts and the nature and extent of risks arising from these contracts.

On adoption IFRS 17 will significantly impact the measurement and presentation of the contracts in scope of the standard. Following amendments to the standard published in June 2020, it is now expected that the standard will apply to annual reporting periods beginning on or after 1 January 2023. The final standard remains subject to endorsement. Following departure from the EU and the end of the transition period in December 2020, the Company will be subject to IFRS as endorsed by the UK. The UK endorsement process has commenced and we expect it to complete in time for the 1 January 2023 effective date.

#### (ii) IFRS 9, *Financial Instruments*

In September 2016, the IASB published amendments to IFRS 4 *Insurance Contracts* that addressed the accounting consequences of the application of IFRS 9 to insurers prior to implementing IFRS 17. The amendments introduce two options for insurers: the deferral approach and the overlay approach. The deferral approach provides an entity, if eligible, with a temporary exemption from applying IFRS 9. The overlay approach allows an entity to remove from profit or loss the effects of some of the accounting mismatches that may occur before the new insurance contracts standard is applied. The Company has met the eligibility requirements of the deferral approach as set out below and has opted to apply this deferral from 1 January 2018. The Company has however been required to apply the additional disclosure requirements of IFRS 9 which are set out in note 9.

Eligibility for the deferral approach was based on an assessment of the Company's liabilities as at 31 December 2015, in accordance with the date specified in the amendments to IFRS 4. At this date the Company's liabilities connected with insurance exceeded 90% of the carrying amount of the Company's total liabilities. The Company's total liabilities in the statement of financial position at this date were £3,690 million, and included £3,649 million liabilities connected with insurance contracts within the scope of IFRS 4.

## Accounting policies (continued)

In December 2020, the EU endorsed the IASB's *Amendments to IFRS 4 Insurance Contracts - Deferral of IFRS 9*. This extends the fixed expiry date for the temporary exemption for insurers from applying IFRS 9 from 1 January 2021 until 1 January 2023, to align the effective dates of IFRS 9 *Financial Instruments* with IFRS 17 *Insurance Contracts*.

The impact of the adoption of IFRS 9 on the Company's financial statements will be largely dependent on the interaction with the new insurance contracts standard, IFRS 17. As such, it is not possible to fully assess the effect of the adoption of IFRS 9, Financial Instruments. IFRS 9 has been endorsed by the EU.

IFRS 9 incorporates new classification and measurement requirements for financial assets, the introduction of an expected credit loss impairment model which will replace the incurred loss model of IAS 39, and new hedge accounting requirements. Under IFRS 9, all financial assets will be measured at either amortised cost or fair value. The basis of classification will depend on the business model and the contractual cash flow characteristics of the financial assets. The standard retains most of IAS 39's requirements for financial liabilities except for those designated at fair value through profit or loss whereby that part of the fair value changes attributable to own credit is to be recognised in other comprehensive income instead of the income statement. The hedge accounting requirements are more closely aligned with risk management practices and follow a more principle based approach.

**The following new standards and amendments to existing standards have been issued, are not yet effective and are not expected to have a significant impact on the Company's financial statements:**

- (i) *Amendments to IFRS 16 Leases: COVID-19 related rent concessions*  
Published by the IASB in May 2020. The amendments are effective for annual reporting beginning on or after 1 June 2020 and have been endorsed by the EU.
- (ii) *Interest Rate Benchmark Reform Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16*  
Published by the IASB in August 2020. The amendments are effective for annual reporting beginning on or after 1 January 2021 and have not yet been endorsed by the EU.

### (B) Critical accounting policies and the use of estimates

The preparation of financial statements requires the Company to select accounting policies and make estimates and assumptions that affect items reported in the income statement, statement of financial position, other primary statements and notes to the financial statements.

#### Critical accounting policies

The major areas of judgement on policy application are considered to be on insurance contract liabilities (set out in accounting policy I).

#### Use of estimates

All estimates are based on management's knowledge of current facts and circumstances, assumptions based on that knowledge and their predictions of future events and actions. Actual results may differ from those estimates, possibly significantly.

The table below sets out those items considered particularly susceptible to changes in estimates and assumptions, and the relevant accounting policy and note disclosures.

Item	Critical accounting estimates	Accounting policy	Note
Measurement of insurance liabilities	<p>Principal assumptions used in the calculation of life insurance liabilities include those in respect of annuitant mortality, expenses, valuation interest rates and credit default allowances on corporate bonds and other non-sovereign credit assets.</p> <p>Principal assumptions used in the calculation of general insurance and health liabilities include the discount rates used in determining our latent claim and structured settlements liabilities, and the assumption that past claims experience can be used as a basis to project future claims (estimated using a range of standard actuarial claims projection techniques).</p>	I	14.15

### (C) Foreign currency translation

Foreign currency transactions are accounted for at the exchange rate prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies, are recognised in the income statement.

Translation differences on monetary financial assets measured at fair value and designated as held at fair value through profit or loss ("FVTPL") are included in foreign exchange gains and losses in the income statement. Translation differences on non-monetary items, such as equities which are designated as FVTPL, are reported as part of the fair value gain or loss. Translation differences on assets held at amortised cost are included in foreign exchange gains and losses in the income statement.

### (D) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. This presumes that the transaction takes place in the principal (or most advantageous) market under current market conditions. Fair value is a market-based measure and in the absence of observable market prices in an active market, it is measured using the assumptions that market participants would use when pricing the asset or liability.

## Accounting policies (continued)

The fair value of a non-financial asset is determined based on its highest and best use from a market participant's perspective. When using this approach, the Company takes into account the asset's use that is physically possible, legally permissible and financially feasible.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price i.e. the fair value of the consideration given or received. In certain circumstances, the fair value at initial recognition may differ from the transaction price. If the fair value is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging), or is based on a valuation technique whose variables include only data from observable markets, then the difference between the fair value at initial recognition and the transaction price is recognised as a gain or loss in the income statement. When unobservable market data has a significant impact on the valuation of financial instruments, the difference between the fair value at initial recognition and the transaction price is not recognised immediately in the income statement, but deferred and recognised in the income statement on an appropriate basis over the life of the instrument but no later than when the valuation is supported wholly by observable market data or the transaction is closed out or otherwise matured.

If an asset or a liability measured at fair value has a bid price and an ask price, the price within the bid ask spread that is most representative of fair value in the circumstances is used to measure fair value.

### (E) Product classifications

Insurance contracts are defined as those containing significant insurance risk if, and only if, an insured event could cause an insurer to make significant additional payments in any scenario, excluding scenarios that lack commercial substance, at the inception of the contract. Such contracts remain insurance contracts until all rights and obligations are extinguished or expire. Contracts can be reclassified as insurance contracts after inception if policy features are met and insurance risk becomes significant.

As noted in policy A above, insurance contracts in general continue to be measured and accounted for under existing accounting practices at the date of transition to IFRS ("grandfathered") or the date of the acquisition of the entity, in accordance with IFRS 4. IFRS accounting for insurance contracts in UK companies was grandfathered at the date of transition to IFRS and determined in accordance with the Statement of Recommended Practice issued by the Association of British Insurers ("ABI") (subsequently withdrawn by the ABI in 2015).

### (F) Premiums written

#### (i) Premiums written - General Business

General insurance premiums written reflect business incepted during the year, and exclude any sales-based taxes or duties or levies. Unearned premiums are those proportions of the premiums written in a year that relate to periods of risk after the statement of financial position date. Premiums are earned over the life of the contract in line with incidence of risk. Unearned premiums are calculated on either a daily or monthly pro rata basis. Premiums on reinsurance assumed are recognised as revenue in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business.

#### (ii) Premiums written - Long term Business

Long-term business premiums are recognised as income when receivable under the terms of the underlying treaties to which they relate.

### (G) Other fee and commission income

All other fee and commission income are recognised over time as the services are provided.

### (H) Net investment income

Investment income consists of dividends and interest for the year, realised gains and losses, and unrealised gains and losses on fair value through profit or loss investments. Interest income is recognised as it accrues, taking into account the effective yield on the investment.

A gain or loss on a financial investment is only realised on disposal or transfer, and is the difference between the proceeds received, net of transaction costs, and its original cost or amortised cost, as appropriate.

Unrealised gains and losses, arising on investments which have not been derecognised as a result of disposal or transfer, represent the difference between the carrying value at the year end and the carrying value at the previous year end or purchase value during the year, less the reversal of previously recognised unrealised gains and losses in respect of disposals made during the year.

### (I) Insurance contract liabilities

Insurance contract liabilities relate to reinsurance assumed by the Company.

#### Claims

Long-term business claims reflect the cost of all claims arising during the year, including claims handling costs.

General insurance and health claims incurred include all losses occurring during the year, whether reported or not, related handling costs, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

Claims handling costs include internal and external costs incurred in connection with the negotiation and settlement of claims. Internal costs include all direct expenses of the claims department and any part of the general administrative costs directly attributable to the claims function.

#### Long-term business provisions

Under current IFRS requirements, insurance liabilities are measured using accounting policies consistent with those adopted previously under existing accounting practices. The Company has adopted Financial Reporting Standard 27 Life Assurance (FRS 27) which was issued by the UK's Accounting Standards Board in December 2004 (subsequently withdrawn in 2015), for liabilities relating to such contracts, which adds to the requirements of IFRS but does not vary them in any way.

Calculation of the long-term business provisions are based on regulatory requirements prior to the adoption of Solvency II and represent a determination within a range of possible outcomes, where the assumptions used in the calculations depend on the prevailing circumstances. The principal assumptions are disclosed in note 15.

## Accounting policies (continued)

For non-profit funds, the liabilities are calculated using the gross premium valuation method. This method uses the amount of contractual premiums payable and includes explicit assumptions for interest and discount rates, mortality and morbidity, persistency and future expenses. These assumptions are set on a prudent basis and can vary by contract type and reflect current and expected future experience. These estimates depend upon the outcome of future events and may need to be revised as circumstances change. The liabilities are based on the UK regulatory requirements prior to the adoption of Solvency II, adjusted to remove certain regulatory reserves and margins in assumptions, notably for annuity business.

### Liability adequacy

At each reporting date, an assessment is made of whether the recognised long term business provisions are adequate, using current estimates of future cash flows. If that assessment shows that the carrying amount of the liabilities (less related assets) is insufficient in light of the estimated cash flows, the deficiency is recognised in the income statement by setting up an additional provision in the statement of financial position.

### General insurance and health provisions

#### Outstanding claims provisions

General insurance and health outstanding claims provisions are based on the estimated ultimate cost of all claims incurred but not settled at the statement of financial position date, whether reported or not, together with related claims handling costs. Significant delays are experienced in the notification and settlement of certain types of general insurance claims, particularly in respect of liability business, including environmental and pollution exposures, the ultimate cost of which cannot be known with certainty at the statement of financial position date. As such, booked claim provisions for general insurance and health insurance are based on the best estimate of the cost of future claim payments plus an explicit allowance for risk and uncertainty. Any estimate represents a determination within a range of possible outcomes. Further details of estimation techniques are given in note 15.

Provisions for latent claims and claims that are settled on an annuity type basis such as structured settlements are discounted in the relevant currency at the reporting date, having regard to the expected settlement dates of the claims and the nature of the liabilities. The discount rate is set at the start of the accounting period with any change in rates between the start and end of the accounting period being reflected below as a change in insurance liabilities. The range of discount rates used is described in note 15.

Outstanding claims provisions are valued net of an allowance for expected future recoveries. Recoveries include non-insurance assets that have been acquired by exercising rights to salvage and subrogation under the terms of insurance contracts. Where material, anticipated recoveries are disclosed under receivables and not deducted from outstanding claims provisions.

#### Provision for unearned premiums

The proportion of written premiums, gross of commission payable to intermediaries, attributable to subsequent periods is deferred as a provision for unearned premiums. The change in this provision is taken to the income statement as recognition of revenue over the period of risk.

### Liability adequacy

At each reporting date, the Company reviews its unexpired risks and carries out a liability adequacy test for any overall excess of expected claims and deferred acquisition costs over unearned premiums, using the current estimates of future cash flows under its contracts, after taking account of the investment return expected to arise on assets relating to the relevant provisions. If these estimates show that the carrying amount of its insurance liabilities (less related deferred acquisition costs) is insufficient in light of the estimated future cash flows, the Company recognises the deficiency in the income statement by setting up a provision in the statement of financial position.

### Other assessment and levies

The Company is subject to various periodic insurance-related assessments or guarantee fund levies. Related provisions are established where there is a present obligation (legal or constructive) as a result of a past event. Such amounts are not included within insurance liabilities but are included under "other liabilities" in the statement of financial position.

### (J) Reinsurance

The Company assumes reinsurance in the normal course of business, with retention limits varying by line of business. Premiums on reinsurance assumed are recognised as revenue in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business.

Reinsurance related to long-duration contracts is accounted for over the life of the underlying reinsured policies, using assumptions consistent with those used to account for these policies.

Where general insurance liabilities are discounted, reinsurance on these contracts are also discounted using consistent assumptions.

Claims reimbursed are presented on a gross basis in the income statement and statement of financial position as appropriate.

### (K) Derecognition of financial assets and financial liabilities

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

**Accounting policies (continued)****(L) Receivables and other financial assets**

Receivables and other financial assets, including deposits held by cedants, are recognised initially at their fair value. Deposits held by cedant undertakings represent funds withheld under the terms of the quota share reinsurance arrangements, and in accordance with those arrangements are remeasured to reflect the relevant underlying asset and liability fair values within the cedants.

Subsequent to initial measurement all other receivables are measured at amortised cost using the effective interest rate method, less provision for impairment.

**Loans due from Group operations**

Loans with fixed maturities are recognised when cash is advanced to borrowers. These loans are carried at their unpaid principal balances and adjusted for amortisation of premium or discount, non-refundable loan fees and related direct costs. These amounts are deferred and amortised over the life of the loan as an adjustment to loan yield using the effective interest rate method. Loans with indefinite future lives are carried at unpaid principal balances.

To the extent that a loan is considered to be uncollectable, it is written down as impaired through the income statement. Any subsequent recoveries are credited to the income statement.

**Impairment**

The Company reviews the carrying value of its investments on a regular basis. If the carrying value of an investment is greater than the recoverable amount, the carrying value is reduced through a charge to the income statement in the period of impairment.

Reversals of impairments on any of these assets are only recognised where the decrease in the impairment can be objectively related to an event occurring after the write-down (such as an improvement in the debtor's credit rating), and are not recognised in respect of equity instruments.

**(M) Payables and other financial liabilities**

Payables and other financial liabilities, excluding derivatives, are recognised initially at their fair value and are subsequently measured at amortised cost using the effective interest rate method.

**(N) Derivative financial instruments**

Derivative financial instruments include over the counter credit swaps that derive their value from fluctuations in the credit worthiness of a basket of European listed corporates.

All derivatives are initially recognised in the statement of financial position at their fair value, which usually represents their cost. They are subsequently remeasured at their fair value, with the method of recognising movements in this value depending on whether they are designated as hedging instruments and, if so, the nature of the item being hedged. The Company has not designated any derivatives as hedging instruments and they are therefore treated as derivatives held for trading. Their fair value gains and losses are recognised immediately in net investment income. Fair values are obtained from quoted market prices or, if these are not available, by using valuation techniques such as discounted cash flow models or option pricing models. All derivatives are carried as assets when the fair values are positive and as liabilities when the fair values are negative. Premiums paid for derivatives are recorded as an asset on the statement of financial position at the date of purchase, representing their fair value at that date.

Derivative contracts may be traded on an exchange or over-the-counter ("OTC"). Exchange-traded derivatives are standardised and include certain futures and option contracts. OTC derivative contracts are individually negotiated between contracting parties and include forwards, and swaps. Derivatives are subject to various risks including market, liquidity and credit risk, similar to those related to the underlying financial instruments. Many OTC transactions are contracted and documented under International Swaps and Derivatives Association master agreements or their equivalent, which are designed to provide legally enforceable set off in the event of default, reducing the Company's exposure to credit risk.

The notional or contractual amounts associated with derivative financial instruments are not recorded as assets or liabilities on the statement of financial position as they do not represent the fair value of these transactions. These amounts are disclosed in note 25.

The Company has collateral agreements in place with relevant counterparties. Accounting policy O below covers collateral, both received and pledged, in respect of these derivatives.

**(O) Collateral**

The Company receives and pledges collateral in the form of cash or non cash assets in respect of stock lending transactions, certain derivative contracts and loans, in order to reduce the credit risk of these transactions. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty.

Collateral received in the form of cash, which is not legally segregated from the Company, is recognised as an asset in the statement of financial position with a corresponding liability for the repayment in financial liabilities. However, where the Company has a currently enforceable legal right of set-off and the ability and intent to net settle, the collateral liability and associated derivative balances are shown net. Non-cash collateral received is not recognised in the statement of financial position unless the transfer of the collateral meets the derecognition criteria from the perspective of the transferor. Such collateral is typically recognised when the Company either (a) sells or re-pledges these assets in the absence of a default, at which point the obligation to return this collateral is recognised as a liability; or (b) the counterparty to the arrangement defaults, at which point the collateral is seized and recognised as an asset.

Collateral pledged in the form of cash which is legally segregated from the Company is derecognised from the statement of financial position with a corresponding receivable recognised for its return. Non-cash collateral pledged is not derecognised from the statement of financial position unless the Company defaults on its obligations under the relevant agreement, and therefore continues to be recognised in the statement of financial position within the appropriate asset classification.

**(P) Deferred acquisition costs**

Costs relating to the acquisition of new business for insurance are deferred to the extent that they are expected to be recovered out of future margins in revenues on these contracts.

Where such business is reinsured, an appropriate proportion of the deferred acquisition costs (DAC) is attributed to the reinsurer, and treated as a separate liability.

## Accounting policies (continued)

Deferred acquisition costs are amortised over the period in which the related revenues are earned. The reinsurers' share of deferred acquisition costs is amortised in the same manner as the underlying asset. Deferred acquisition costs are reviewed by category of business at the end of each reporting period and are written off where they are no longer considered recoverable.

### (Q) Statement of cash flows

#### Cash and cash equivalents

Cash and cash equivalents consist of cash at bank and in hand, deposits held at call with banks, treasury bills and other short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. Such investments are those with less than three months' maturity from the date of acquisition, or which are redeemable on demand with only an insignificant change in their fair values.

For the purposes of the statement of cash flows, cash and cash equivalents also include bank overdrafts, which are included in payables and other financial liabilities on the statement of financial position.

#### Operating cash flows

Purchases and sales of financial investments are included within operating cash flows as the purchases are funded from cash flows associated with the origination of insurance contracts, net of payments of related benefits and claims.

### (R) Provisions and contingent liabilities

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is more probable than not that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recorded as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date. Where the effect of the time value of money is material, the provision is the present value of the expected expenditure. Provisions are not recognised for future operating losses.

Where the Company expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

The Company recognises a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

Contingent liabilities are disclosed if there is a possible future obligation as a result of a past event, or if there is a present obligation as a result of a past event but either a payment is not probable or the amount cannot be reasonably estimated.

### (S) Income taxes

The current tax expense is based on the taxable profits for the year, after any adjustments in respect of prior years. Tax, including tax relief for losses if applicable, is allocated over profits before taxation and amounts charged or credited to components of other comprehensive income and equity as appropriate.

Provision is made for deferred tax liabilities, or credit taken for deferred tax assets, using the liability method, on all material temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

The rates enacted or substantively enacted at the statement of financial position date are used to value the deferred tax assets and liabilities.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Where there is a history of tax losses, deferred tax assets are only recognised in excess of deferred tax liabilities if there is convincing evidence that future profits will be available.

Deferred tax is provided on any temporary differences arising from investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the difference will not reverse in the foreseeable future.

Deferred taxes are not provided in respect of any temporary differences arising from the initial recognition of goodwill, or from the initial recognition of an asset or liability in a transaction which is not a business combination and affects neither accounting profit nor taxable profit or loss at the time of the transaction.

Current and deferred tax relating to items recognised in other comprehensive income and directly in equity are similarly recognised in other comprehensive income and directly in equity respectively, except for the tax consequences of distributions from certain equity instruments, to be recognised in the income statement. Deferred tax related to any fair value re-measurement of available for sale investments, owner-occupied properties, pensions and other post-retirement obligations and other amounts charged or credited directly to other comprehensive income is recognised in the statement of financial position as a deferred tax asset or liability.

### (T) Share capital

#### Equity instruments

An equity instrument is a contract that evidences a residual interest in the assets of an entity after deducting all its liabilities. Accordingly, a financial instrument is treated as equity if:

- (i) there is no contractual obligation to deliver cash or other financial assets or to exchange financial assets or liabilities on terms that may be unfavourable; and
- (ii) the instrument is a non-derivative that contains no contractual obligation to deliver a variable number of shares or is a derivative that will be settled only by the Company exchanging a fixed amount of cash or other assets for a fixed number of the Company's own equity instruments.

## Accounting policies (continued)

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### **Dividends**

Interim dividends on ordinary shares are recognised in equity in the period in which they are paid. Final dividends on these shares are recognised when they have been approved by the Board.

### **(U) Pensions**

The Company has no employees, however it is one of a number of companies in the Group being charged for staff participating in pension schemes in the UK. Full disclosure of the Group's pension schemes is given in the Annual Report and Accounts of Aviva plc.



## Income statement

For the year ended 31 December 2020

	Note	2020 £m	2019 £m
<b>Income</b>	2		
Gross written premiums		<b>10,886</b>	10,845
Premiums written, net of reinsurance	F	<b>10,886</b>	10,845
Net change in provisions for unearned premiums		<b>(49)</b>	(435)
Net earned premiums	F&I	<b>10,837</b>	10,410
Fee and commission income	G	<b>22</b>	11
Net investment income/(expense)	H	<b>3,528</b>	6,382
		<b>14,387</b>	16,803
<b>Expenses</b>	3		
Claims and benefits paid, net of recoveries from reinsurers	J	<b>(5,984)</b>	(6,627)
Change in insurance liabilities, net of reinsurance	J	<b>(7,593)</b>	(7,028)
Fee and commission expense		<b>(1,753)</b>	(1,958)
Other expenses		<b>(19)</b>	(16)
		<b>(15,349)</b>	(15,629)
<b>(Loss)/profit before tax</b>		<b>(962)</b>	1,174
Tax credit/(charge)	S&7	<b>217</b>	(223)
<b>(Loss)/profit for the year</b>		<b>(745)</b>	951

The accounting policies (identified alphabetically) on pages 18 to 24 and notes (identified numerically) on pages 29 to 54 are an integral part of the financial statements.

**Statement of changes in equity**

For the year ended 31 December 2020

	Note	Ordinary Share Capital £m	Retained earnings £m	Total equity £m
<b>Balance at 1 January 2019</b>		<b>780</b>	<b>2,362</b>	<b>3,142</b>
Profit/(loss) for the year		—	951	951
<b>Total comprehensive income/(loss) for the year</b>			<b>951</b>	<b>951</b>
Dividends paid	8		(190)	(190)
<b>Balance at 31 December 2019</b>		<b>780</b>	<b>3,123</b>	<b>3,903</b>
Profit/(loss) for the year		—	(745)	(745)
<b>Total comprehensive income/(loss) for the year</b>			<b>(745)</b>	<b>(745)</b>
Dividends paid	8	—	(515)	(515)
<b>Balance at 31 December 2020</b>		<b>780</b>	<b>1,863</b>	<b>2,643</b>

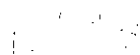
The accounting policies (identified alphabetically) on pages 18 to 24 and notes (identified numerically) on pages 29 to 54 are an integral part of the financial statements.

**Statement of financial Position**

As at 31 December 2020

	Notes	2020 £m	2019 £m
<b>Assets</b>			
Receivables and other financial assets	L&10	68,201	61,816
Deferred acquisition costs	P&11	479	461
Prepayments and accrued income	11	—	1
Current tax assets	S,18	125	—
Cash and cash equivalents	Q&22/b)	621	1,058
<b>Total assets</b>		<b>69,426</b>	<b>63,336</b>
<b>Equity</b>			
Ordinary share capital	T&12	780	780
Retained earnings	13	1,863	3,123
<b>Total equity</b>		<b>2,643</b>	<b>3,903</b>
<b>Liabilities</b>			
Gross insurance liabilities	I&14,15	66,568	58,861
Current tax liabilities	S&18	—	360
Payables and other financial liabilities	M&19	214	210
Other liabilities	M&20	1	2
<b>Total liabilities</b>		<b>66,783</b>	<b>59,433</b>
<b>Total equity and liabilities</b>		<b>69,426</b>	<b>63,336</b>

The financial statements were approved by the Board of directors on 1 April 2021 and signed on its behalf by:



P L Mylet

Director

The accounting policies (identified alphabetically) on pages 18 to 24 and notes (identified numerically) on pages 29 to 54 are an integral part of the financial statements.

**Statement of cash flows**

For the year ended 31 December 2020

	Notes	2020 £m	2019 £m
<b>Cash flows from operating activities</b>			
Cash generated from operating activities	22(a)	348	448
Tax paid		(270)	(136)
<b>Total net cash generated from operating activities</b>		<b>78</b>	<b>312</b>
<b>Cash flows used in financing activities</b>			
Dividends paid	8	(515)	(190)
<b>Total net cash used in financing activities</b>		<b>(515)</b>	<b>(190)</b>
Total net (decrease)/increase in cash and cash equivalents		(437)	122
Cash and cash equivalents at 1 January		1,058	936
<b>Cash and cash equivalents at 31 December</b>	22(b)	<b>621</b>	<b>1,058</b>

The accounting policies (identified alphabetically) on pages 18 to 24 and notes (identified numerically) on pages 29 to 54 are an integral part of the financial statements.

## Notes to the financial statements

### 1. Exchange rates

Assets and liabilities have been translated at the following year end rates:

	2020	2019
Euro	1.1172	1.1802
Canadian Dollar	1.7415	1.7179

### 2. Details of income

	Note	2020 £m	2019 £m
<b>Gross written premiums</b>			
Long term insurance business		6,897	5,435
General insurance and health	14(c)(iv)	3,989	5,410
		<b>10,886</b>	10,845
Net change in provisions for unearned premiums	14(c)(iv)	(49)	(435)
<b>Net earned premiums</b>		<b>10,837</b>	10,410
<b>Fee and commission income</b>			
Other fee income		22	11
<b>Total revenue</b>		<b>10,859</b>	10,421
<b>Net investment income</b>			
Interest and similar income			
From financial instruments designated as other than trading		3	5
From deposits with ceding undertakings		3,546	6,399
		<b>3,549</b>	6,404
<b>Other income from investments designated as trading</b>			
Realised losses on disposals		(31)	(43)
Unrealised gains and losses		4	15
Losses arising in the year		(27)	(28)
<b>Income from Group undertakings</b>			
Net interest income		6	6
<b>Other investment expenses</b>		—	—
<b>Net investment income/(expenses)</b>		<b>3,528</b>	6,382
<b>Total income</b>		<b>14,387</b>	16,803

Gross written premiums in 2020 of £10,886 million (2019: £10,845 million) are in respect of the quota share reinsurance agreements entered into between the Company and other Group subsidiaries, additional details on the impacts of these transactions is provided in note 26(a)(ii).

**Notes to the financial statements (continued)****3. Details of expenses**

	Note	2020 £m	2019 £m
<b>Claims &amp; benefits paid</b>			
Claims and benefits paid to policyholders on long-term business		3,682	3,721
Claims and benefits paid to policyholders on general insurance	14(c)(iii)	2,302	2,906
<b>Claims &amp; benefits paid - total</b>		<b>5,984</b>	<b>6,627</b>
<b>Change in insurance liabilities</b>			
Change in insurance liabilities - long-term business	14(b)(iii)	7,330	6,156
Change in insurance liabilities - general insurance	14(c)(iii)	263	872
<b>Change in insurance liabilities - total</b>		<b>7,593</b>	<b>7,028</b>
<b>Fee and commission expense</b>			
Commission expenses		742	709
Change in deferred acquisition costs	11	(17)	(114)
Other acquisition costs		1,028	1,363
		<b>1,753</b>	<b>1,958</b>
<b>Other expenses</b>			
Other expenses		19	16
		<b>19</b>	<b>16</b>
<b>Total expenses</b>		<b>15,349</b>	<b>15,629</b>

**4. Employee information**

The Company has no employees (2019: nil). All employees are employed by a fellow subsidiary undertaking of Aviva plc, Aviva Employment Services Limited. Disclosures relating to employee remuneration and the average number of persons employed are made in the financial statements of Aviva Employment Services Limited. The Company is recharged with the costs of the staff provided by Aviva Employment Services Limited.

**5. Directors' remuneration**

Messrs Muir, Non-Executive Director and Needleman, Independent Non-Executive Director were appointed to the Board on 21 September 2020.

Ms Buttigieg, Mr Muir and Mr Mylet were remunerated during the period by Aviva Employment Services Limited, a fellow subsidiary of Aviva plc. Mr Muir was remunerated for his services to the Group as a whole. Mr Muir was not remunerated for his services as a director of the Company and the amount of time spent performing his duties is incidental to his role across the Group.

Ms Buttigieg and Mr Mylet's remuneration is disclosed within the aggregate of key management compensation in note 26(b).

The fees for Messrs Howe, Needleman, Thoresen, Williams and Wright are paid for and borne by the Company. Mr Howe resigned from the Board on 29 July 2020 and continues to serve as a Non-Executive Director of Aviva Life Holdings UK Limited and its subsidiaries, which are also subsidiaries of Aviva plc, and this is disclosed in the financial statements of those companies.

The emoluments in respect of Ms Buttigieg and Messrs Howe, Mylet, Needleman, Thoresen, Williams and Wright are shown in the table below:

	2020 £'000	2019 £'000
Aggregate emoluments	1,083	1,081
	<b>1,083</b>	<b>1,081</b>

During the year, none of the directors (2019: nil) accrued retirement benefits under money purchase pension schemes in respect of qualifying services.

During the year, two of the directors (2019: two) exercised share options, and two of the directors (2019: two) received shares under long term incentive schemes.

The details of the highest paid director are as follows:

	2020 £'000	2019 £'000
Aggregate emoluments	399	408
	<b>399</b>	<b>408</b>

During the year the highest paid director exercised share options and received shares under long term incentive schemes.

**Notes to the financial statements (continued)****6. Auditors' remuneration**

The total remuneration payable by the Company, excluding VAT, to its auditors, PricewaterhouseCoopers LLP, is as follows:

	2020 £'000	2019 £'000
Fees payable to PwC LLP for the statutory audit of the Company's financial statements	192	190
Audit related assurance services	240	240
	<b>432</b>	<b>430</b>

Fees payable for audit related assurance include fees in relation to the audit of the Solvency II regulatory returns for 2020 and 2019.

The Company is exempt under SI 2008/489 from the obligation to disclose fees in respect of 'Other services' as the Company is a subsidiary of Aviva plc, which prepares consolidated financial statements. Fees paid to the Company's auditors, PricewaterhouseCoopers LLP and its associates for services other than the statutory audit and audit related assurance services of the Company and other Group undertakings are disclosed in the consolidated accounts of Aviva plc.

Audit fees are payable by Aviva Central Services UK Limited, a fellow Group company, and recharged as appropriate to the Company and fellow Group companies.

**7. Tax****(a) Tax credit/(charge) to the income statement**

(i) The total tax credit/(charge) comprises:

	Note	2020 £m	2019 £m
<b>Current tax</b>			
For this year		216	(223)
Prior period adjustments		1	—
<b>Total tax charged to the income statement</b>		<b>217</b>	<b>(223)</b>

**(b) Tax charged / credited to other comprehensive income**

There was no tax charged or credited to other comprehensive income in either 2020 or 2019.

**(c) Tax reconciliation**

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the tax rate of the United Kingdom as follows:

	Note	2020 £m	2019 £m
(Loss)/profit before tax		(962)	1,174
Tax calculated at standard UK corporation tax rate of 19% (2019: 19%)		183	(223)
Adjustments in respect of prior years		1	—
Movement in deferred tax not recognised		33	—
<b>Tax charged for the year</b>	7(a)	<b>217</b>	<b>(223)</b>

During 2020, the reduction in the UK corporation tax rate that was due to take effect from 1 April 2020 was cancelled and as a result, the rate has remained at 19%. In the Budget of 3 March 2021 the UK Government announced that the UK corporation tax rate will increase to 25% from 1 April 2023. As of 31 December 2020, this measure had not been substantively enacted. As the Company has no deferred tax assets or liabilities at the year end, there is no impact on the Company's net assets as a consequence of the amendments in the tax rate.

**Notes to the financial statements (continued)****8. Dividends**

	Note	2020 £m	2019 £m
Ordinary dividends declared and charged to equity in the year:			
Interim 2020 - £3,077 per share, paid on 28 September 2020	13&26(a)(iii)	240	—
Interim 2020 - £3,526 per share, paid on 21 December 2020	13&26(a)(iii)	275	—
Interim 2019 - £1,795 per share, paid on 13 May 2019	13&26(a)(iii)	—	140
Interim 2019 - £641 per share, paid on 17 December 2019	13&26(a)(iii)	—	50
<b>Total dividends for the year</b>		<b>515</b>	<b>190</b>

**9. Fair value methodology****(a) Basis for determining fair value hierarchy of financial instruments**

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the 'fair value hierarchy' described as follows, based on the lowest level input that is significant to the fair value measurement as a whole. The Company's principal financial asset is deposits with ceding undertakings of £67,776 million (2019: £61,388 million) as disclosed in note 10. These deposits arise from the quota share reinsurance agreements between the Company and other group companies as disclosed in the related party transactions note 26, and are not subject to categorisation under the Fair Value methodology.

**Level 1**

Inputs to Level 1 fair values are quoted prices (unadjusted) in active markets for identical assets and liabilities that the Company can access at the measurement date.

**Level 2**

Inputs to Level 2 fair values are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the instrument. Level 2 inputs include the following:

- quoted prices for similar assets and liabilities in active market;
- quoted prices for identical or similar assets and liabilities in markets that are not active, the prices are not current, or price quotations vary substantially either over time or among market makers, or in which little information is released publicly;
- inputs other than quoted prices that are observable for the asset or liability (for example, interest rates and yield curves observable at commonly quoted intervals, implied volatilities, and credit spreads); and
- market-corroborated inputs.

Where broker quotes are used and no information as to the observability of inputs is provided by the broker, the investments are classified as follows:

- where the broker price is validated by using internal models with market observable inputs and the values are similar, the investment is classified as Level 2; and
- in circumstances where internal models are not used to validate broker prices, or the observability of inputs used by brokers is unavailable, the investment is classified as Level 3.

**Level 3**

Significant inputs to Level 3 fair values are unobservable inputs for the asset or liability. Unobservable inputs may have been used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, i.e. an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability. Unobservable inputs reflect the assumptions the Company considers that market participants would use in pricing the asset or liability. Examples are equity release and commercial mortgages, plus private equity investments and private placements.

The majority of the Company's assets and liabilities measured at fair value are based on quoted market information or observable market data. Where estimates are used, these are based on a combination of independent third-party evidence and internally developed models, calibrated to market observable data where possible. Third-party valuations using significant unobservable inputs validated against Level 2 internally modelled valuations are classified as Level 3, where there is a significant difference between the third-party price and the internally modelled value. Where the difference is insignificant, the instrument would be classified as Level 2.

**(b) Changes to valuation techniques**

There were no changes in the valuation techniques during the year compared to those described in the 2019 Annual report and financial statements.

**(c) Comparison of the carrying amount and fair values of financial instruments**

Set out below is a comparison of the carrying amounts and fair values of financial assets/liabilities:



**Notes to the financial statements (continued)**

	2020		2019	
	Fair value	Carrying amount	Fair value	Carrying amount
	£m		£m	
<b>Financial liabilities</b>				
Derivative liabilities	(213)	(213)	(209)	(209)

Fair value of the following assets and liabilities approximate to their carrying amounts:

- Receivables and other financial assets
- Prepayments and accrued income
- Cash and cash equivalents
- Payables and other financial liabilities
- Other liabilities

As set out in accounting policy A, the Company has chosen to defer application of IFRS 9 due to its activities being predominantly connected with insurance. To facilitate comparison with entities applying IFRS 9 in full, the table below splits the Company's financial instruments as at the reporting date between those which are considered to have contractual terms which are solely payments of principal and interest ("SPPI") on the principal amount outstanding (excluding instruments held for trading or managed and evaluated on a fair value basis), and all other instruments not falling into this category.

Instruments that do not meet the SPPI criteria include financial assets that meet the definition of held for trading, financial assets that are managed and evaluated on a fair value basis, and instruments with contractual terms that do not give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

		2020		
	Note	SPPI - fair value	Non-SPPI - fair value	Total
		£m	£m	£m
<b>Financial assets</b>				
Receivables	10	425	67,776	68,201
Cash and cash equivalents	22(b)	—	621	621
Prepayment and accrued income	11(a)	—	—	—
Total		<b>425</b>	<b>68,397</b>	<b>68,822</b>
				2019
	Note	SPPI - fair value	Non-SPPI - fair value	Total
		£m	£m	£m
<b>Financial assets</b>				
Receivables	10	428	61,388	61,816
Cash and cash equivalents	22(b)	—	1,058	1,058
Prepayment and accrued income	11(a)	—	1	1
Total		<b>428</b>	<b>62,447</b>	<b>62,875</b>

There has been a £3 million decrease in the fair value of SPPI instruments, and a £5.950 million increase in the fair value of Non-SPPI instruments during the reporting period

**Notes to the financial statements (continued)****(d) Fair value hierarchy**

An analysis of assets and liabilities measured at fair value categorised by fair value hierarchy is given below:

	Note	Level 1 £m	Level 2 £m	Level 3 £m	2020 Total £m
<b>Financial liabilities</b>					
Derivative financial instruments	25	(213)	—	—	(213)
<b>Total</b>		<b>(213)</b>	<b>—</b>	<b>—</b>	<b>(213)</b>

	Note	Level 1 £m	Level 2 £m	Level 3 £m	2019 Total £m
<b>Financial liabilities</b>					
Derivative financial instruments	25	(209)	—	—	(209)
<b>Total</b>		<b>(209)</b>	<b>—</b>	<b>—</b>	<b>(209)</b>

**(e) Transfers between levels of the fair value hierarchy**

For financial instruments that are recognised at fair value on a recurring basis, the Company determines whether transfers have occurred between levels of the fair value hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of the reporting year.

*Transfers between levels of fair value hierarchy*

There have been no transfers between levels of the fair value hierarchy when compared to 2019.

**10. Receivables and other financial assets**

	Note	2020 £m	2019 £m
Loan due from parent company	26(a)(i)	200	200
Amounts due from parent company	26(a)(iii)	6	6
Amounts due from other Aviva Group companies	26(a)(iii)	2	10
Deposits with ceding undertakings	26(a)(ii)	67,776	61,388
Receivable for collateral pledged		217	212
<b>Total as at 31 December</b>		<b>68,201</b>	<b>61,816</b>
Expected to be recovered in less than one year		4,673	4,859
Expected to be recovered in more than one year		63,528	56,957
		<b>68,201</b>	<b>61,816</b>

Deposits with ceding undertakings represent funds withheld for premiums due to the Company under the terms of the quota share reinsurance arrangements. More information on the ceding undertakings can be found in the related party transactions note 26.

The receivable for collateral pledged represents £217 million (2019: £212 million) for cash collateral pledged to the derivative counterparties against the derivative liabilities held at year end.

**11. Deferred acquisition costs, prepayments and accrued income****(a) The carrying amount comprises:**

	2020 £m	2019 £m
Deferred acquisition costs in respect of:		
Insurance contracts - Long term business	78	61
Insurance contracts - General insurance and health business	401	400
Total deferred acquisition costs	479	461
Prepayments and accrued income	—	1
<b>Total as at 31 December</b>	<b>479</b>	<b>462</b>

**Notes to the financial statements (continued)****(b) Deferred acquisition cost - movement in the year:**

	2020			2019		
	Long term business	General and health business	Total	Long term business	General and health business	Total
	£m	£m	£m	£m	£m	£m
<b>Carrying amount at 1 January</b>	<b>61</b>	<b>400</b>	<b>461</b>	<b>43</b>	<b>307</b>	<b>350</b>
Acquisition costs deferred during the year	17	1,000	1,017	18	991	1,009
Amortisation	—	(1,001)	(1,001)	—	(895)	(895)
Foreign exchange movements	—	2	2	—	(3)	(3)
<b>Carrying amount at 31 December</b>	<b>78</b>	<b>401</b>	<b>479</b>	<b>61</b>	<b>400</b>	<b>461</b>

	2020	2019
	£m	£m
Expected to be recovered in less than one year	401	400
Expected to be recovered in more than one year	78	61
	<b>479</b>	<b>461</b>

Of the above total long-term business, £78 million (2019: £61 million) is expected to be recovered more than one year after the statement of financial position date. For long-term business where amortisation of the DAC balance depends on projected profits, the amount expected to be recovered is estimated and actual experience will differ.

DAC on general insurance and health business are generally recoverable within one year.

**(c) Prepayments and accrued income**

Prepayments and accrued income are expected to be recognised in the income statement within one year of the statement of financial position date.

**12. Ordinary share capital**

Details of the Company's ordinary share capital are as follows:

	2020	2019
	£m	£m
Allotted, called up and fully paid		
78,000 (2019: 78,000) ordinary shares of £10,000 each	<b>780</b>	<b>780</b>

Ordinary share capital movements	2020		2019	
	Number of shares	Share capital £m	Number of shares	Share capital £m
<b>At 1 January</b>	<b>78,000</b>	<b>780</b>	<b>78,000</b>	<b>780</b>
<b>At 31 December</b>	<b>78,000</b>	<b>780</b>	<b>78,000</b>	<b>780</b>

Ordinary shares in issue in the Company rank pari passu. All the ordinary shares in issue carry the same right to receive all dividends and other distributions declared, made or paid by the Company.

**13. Retained earnings**

	Note	2020	2019
		£m	£m
Balance at 1 January		<b>3,123</b>	2,362
Profit/(loss) for the year		<b>(745)</b>	951
Dividends paid	8	<b>(515)</b>	(190)
<b>Balance at 31 December</b>		<b>1,863</b>	<b>3,123</b>

The Company is required to hold sufficient capital to meet acceptable solvency levels based on rules applicable to insurance companies imposed by the PRA. Its ability to transfer retained earnings to its parent company is therefore restricted to the extent these earnings form part of regulatory capital requirements.

**Notes to the financial statements (continued)****14. Insurance liabilities****(a) Carrying amount:**

(i) Insurance liabilities (gross of reinsurance) at 31 December comprised:

	2020			2019		
	Long term business	General insurance and health	Total	Long term business	General insurance and health	Total
	£m	£m	£m	£m	£m	£m
Long-term business provision	60,578	—	60,578	53,248	—	53,248
	60,578	—	60,578	53,248	—	53,248
Outstanding claims provisions	—	3,297	3,297	—	3,215	3,215
Provision for claims incurred but not reported	—	802	802	—	563	563
Provision arising from liability adequacy tests <sup>1</sup>	—	1	1	—	7	7
	—	4,100	4,100	—	3,785	3,785
Provision for unearned premiums	—	1,890	1,890	—	1,828	1,828
Total at 31 December	60,578	5,990	66,568	53,248	5,613	58,861

1. Provision arising from liability adequacy tests relates to general insurance business only. Liability adequacy test provisions for life operations, where applicable, are included in other line items. As at 31 December 2020 the provision is £nil (2019: £nil) for life operations.

(ii) Change in insurance liabilities recognised as an expense

The purpose of the following table is to reconcile the change in insurance liabilities, net of reinsurance, shown on the income statement, to the change in insurance liabilities recognised as an expense in the relevant movement tables in this note. The components of the reconciliation are the change in provision for outstanding claims on long-term business (which is not included in a separate movement table), and the unwind of discounting on general insurance reserves (which is included within finance costs in the income statement). For general insurance and health business, the change in the provision for unearned premiums is not included in the reconciliation as, within the income statement, this is included within earned premiums.

	Note	2020 £m	2019 £m
<b>Long term business</b>			
Change in long-term business provision		7,330	6,156
Change in provision for outstanding claims		—	—
	3	7,330	6,156
<b>General insurance and health</b>			
Change in insurance liabilities <sup>1</sup>	3	262	872
Less: Unwind of discount on GI reserves and other		(49)	(25)
		213	847
Foreign exchange rate movements		53	(73)
Total change in insurance liabilities		7,596	6,930

1. 2019 includes £23 million in the UK General Insurance and Health business relating to a change in the discount rate used for estimating lump sum payments of bodily injury claims from 0.004% to 0.25%.

**(b) Long-term business provision**

(i) Business description

As noted in the Strategic Report the Company has quota share reinsurance arrangements with fellow Group subsidiary UK L&P.

(ii) Company practice

Material judgement is required in calculating the provisions and is exercised particularly through the choice of assumptions, where discretion is permitted. In turn, the assumptions used depend on the circumstances prevailing in each of the life funds. Provisions are most sensitive to assumptions regarding future investment returns, discount rates, future bonus rates, mortality/morbidity rates and persistency. Where discount rate assumptions are based on current market yields on fixed interest securities, allowance is made for default risk implicit in the yields on the underlying assets.

**Notes to the financial statements (continued)****(iii) Movements**

The following movements have occurred in the gross long-term business provision during the year:

	2020	2019
	£m	£m
<b>Carrying amount at 1 January</b>	<b>53,248</b>	<b>47,092</b>
Other movements recognised as an (income) / expense:		
Provisions in respect of new business	2,271	2,507
Expected change in existing business provisions	(1,525)	(965)
Variance between actual and expected experience	5,354	3,740
Impact of operating assumption changes	24	(293)
Impact of economic assumption changes	1,206	1,167
Change in liability recognised as an expense	7,330	6,156
<b>Carrying amount at 31 December</b>	<b>60,578</b>	<b>53,248</b>

For many types of long term business, including unit linked business, movements in asset values are offset by corresponding changes in liabilities, limiting the net impact on profit.

The expected change in existing business provisions has increased when compared to 2019 mainly due to the amendments to the UK L&P reinsurance treaties, as discussed in the Strategic Report.

The £5,354 million variance between actual and expected experience also primarily relates to the amendments to the UK L&P reinsurance treaties (£2.9 billion) as well as demographic and economic variances.

The £1,206 million impact of economic assumption changes in 2020 increases the carrying value of insurance liabilities and relates mainly to the fall in risk free rates, resulting in lower discount rates for valuing annuity business and hence an increase in reserves.

**(c) General insurance and health liabilities****(i) Provisions for outstanding claims**

Delays occur in the notification and settlement of claims and a substantial measure of experience and judgement is involved in assessing outstanding liabilities, the ultimate cost of which cannot be known with certainty at the statement of financial position date. The reserves for general insurance and health business are based on information currently available. However, it is inherent in the nature of the business written that the ultimate liabilities may vary as a result of subsequent developments.

Provisions for outstanding claims are established to cover the outstanding expected ultimate liability for losses and loss adjustment expenses (LAE) in respect of all claims that have already occurred. The provisions established cover reported claims and associated LAE, as well as claims incurred but not yet reported and associated LAE.

**(ii) Discounting**

Outstanding claims provisions are based on undiscounted estimates of future claim payments, except for the following classes of business for which discounted provisions are held:

**Aviva Insurance Limited**

Class	Discount Rate		Mean term of liabilities	
	2020	2019	2020	2019
Latent claims	0.00% to 0.59%	0.8% to 1.1%	11	12 years
Reinsured London Market business	0.00% to 1.45%	0.8% to 2.1%	9	9 years
Structured settlements	0.29% to 2.23%	1.2% to 2.6%	35	35 years

**Aviva Assurances**

Class	Discount Rate		Mean term of liabilities	
	2020	2019	2020	2019
Latent claims	N/a	N/a	N/a	N/a
Structured settlements	-0.39% to 0.05%	-0.2% to 0.5%	11 years	11 years

**Aviva Canada**

Class	Discount Rate		Mean term of liabilities	
	2020	2019	2020	2019
Latent claims	1.13 %	2.20 %	9 years	10 years
Structured settlements	N/a	N/a	18 years	18 years

**Notes to the financial statements (continued)**

The gross outstanding claims provision before discounting was £4,148 million (2019: £3,842 million). The period of time which will elapse before the liabilities are settled has been estimated by modelling the settlement patterns of the underlying claims.

The discount rate that has been applied to latent claims, reinsured London Market business and structured settlement reserves is based on the relevant swap curve in the relevant currency having regard to the expected settlement dates of the claims. The range of discount rates used depends on the duration of the claims and is given in the table above.

## (iii) Movements

The following changes have occurred in the general insurance and health claims provisions during the year:

	2020	2019
Total	Total	
£m	£m	
<b>Carrying amount at 1 January</b>	<b>3,785</b>	2,986
Increase/(Decrease) in estimated claims losses and expenses incurred in the current year	<b>2,499</b>	2,671
Increase/(Decrease) in estimated claims losses and expenses incurred in prior years	<b>17</b>	1,082
Incuried claims losses and expenses	<b>2,516</b>	3,753
Payments made on claims incurred in the current year	<b>(1,230)</b>	(1,456)
Payments made on claims incurred in prior years	<b>(1,104)</b>	(1,488)
Recoveries on claim payments	<b>31</b>	38
Claims payments made in the year	<b>(2,303)</b>	(2,906)
Unwinding of discount	<b>49</b>	25
Changes in claims reserve recognised as an expense	<b>262</b>	872
Foreign exchange rate movements	<b>53</b>	(73)
<b>Carrying amount at 31 December</b>	<b>4,100</b>	3,785

## (iv) Provision for unearned premiums

The following changes have occurred in the provision for unearned premiums reserves (UPR) during the year:

	Note	2020	2019
Total	Total		
£m	£m		
<b>Carrying amount at 1 January</b>		<b>1,828</b>	1,416
Premiums written during the year	2	<b>3,989</b>	5,410
Less: Premiums earned during the year		<b>(3,940)</b>	(4,975)
Change in unearned premium reserve recognised as an expense	2	<b>49</b>	435
Foreign exchange rate movements		<b>13</b>	(23)
<b>Carrying amount at 31 December</b>		<b>1,890</b>	1,828

## (v) Analysis of general insurance and health claims development

The table that follows presents the development of claim payments and the estimated ultimate cost of claims for the accident years 2012 to 2020. The upper half of the table shows the cumulative amounts paid during successive years related to each accident year, while the lower section of the table shows the original estimated ultimate cost of claims and how these original estimates have increased or decreased, as more information becomes known about the individual claims and overall claim frequency and severity.

**Notes to the financial statements (continued)**

£m Accident year	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
<b>Cumulative claim payments</b>										
At end of accident year	—	—	(156)	(82)	(1,911)	(1,167)	(1,220)	(1,639)	(1,207)	
One year later	(5)	—	(218)	(162)	(2,764)	(1,571)	(1,756)	(2,262)		
Two years later	(10)	—	(373)	(162)	(3,232)	(1,764)	(1,865)			
Three years later	(20)	—	(373)	(162)	(3,708)	(1,854)				
Four years later	(21)	—	(373)	(162)	(3,923)					
Five years later	(21)	(1)	(373)	(162)						
Six years later	(24)	(1)	(373)							
Seven years later	(24)	(1)								
Eight years later	(24)									
<b>Estimate of ultimate claims</b>										
At end of accident year	28	6	407	153	5,096	2,124	2,192	3,473	2,497	
One year later	29	7	361	162	5,005	2,073	2,266	3,471		
Two years later	31	4	373	162	4,823	2,128	2,298			
Three years later	25	1	373	162	4,842	2,135				
Four years later	24	1	373	162	4,858					
Five years later	24	1	373	162						
Six years later	24	1	373							
Seven years later	24	1								
Eight years later	24									
Estimate of ultimate claims	24	1	373	162	4,858	2,135	2,298	3,471	2,497	<b>15,819</b>
Cumulative payments	(24)	(1)	(373)	(162)	(3,923)	(1,854)	(1,865)	(2,262)	(1,207)	<b>(11,671)</b>
<b>Total undiscounted reserves</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>935</b>	<b>281</b>	<b>433</b>	<b>1,209</b>	<b>1,290</b>	<b>4,148</b>
Total discount	—	—	—	—	(41)	—	—	(3)	(3)	(47)
<b>Present value in the Statement of Financial Position</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>894</b>	<b>281</b>	<b>433</b>	<b>1,206</b>	<b>1,287</b>	<b>4,101</b>

In the loss development table shown above, the cumulative claims payments and estimates of cumulative claims for each accident year are translated into sterling at the exchange rates that applied at the end of that accident year.

**15. Insurance liabilities methodologies and assumptions****(a) Long-term business**

The main method of actuarial valuation of liabilities arising under long-term insurance contracts is the gross premium method which involves the discounting of projected premiums and claims.

The gross premium method uses the amount of contractual premiums payable and includes explicit assumptions for interest and discount rates, mortality and morbidity, persistency and future expenses. These assumptions can vary by contract type and reflect current and expected future experience.

**Non-profit business**

The valuation of non-profit business is based on grandfathered regulatory requirements under IFRS 4 prior to the adoption of Solvency II, adjusted to remove certain regulatory reserves and margins in assumptions, notably for annuity business. Conventional non-profit contracts are valued using gross premium methods which discount projected future cash flows. The cash flows are calculated using the amount of contractual premiums payable, together with explicit assumptions for investment returns, inflation, discount rates, mortality, morbidity, persistency and future expenses. These assumptions vary by contract type and reflect current and expected future experience with an allowance for prudence.

For unit-linked business the provisions are valued by adding a prospective non unit reserve to the bid value of units. The prospective non unit reserve is calculated by projecting the future non unit cash flows using prudent assumptions and on the assumption that future premiums cease, unless it is more onerous to assume that they continue. Where appropriate, allowance for persistency is based on actual experience.

**Notes to the financial statements (continued)***Discount rates*

Valuation discount rate assumptions are set with regard to yields on the supporting assets and the general level of long-term interest rates as measured by gilt yields. An explicit allowance for risk is included by restricting the yields for equities and properties with reference to a margin over long-term interest rates or making an explicit deduction from the yields on corporate bonds, mortgages and deposits, based on historical default experience of each asset class. A further margin for risk is then deducted for all asset classes.

Valuation discount rates for business in the non-profit funds are as follows:

Valuation discount rates (Gross of investment expenses)	2020	2019
Assurance		
Life conventional non-profit	0.5%	0.9% to 1.1%
Pensions conventional non-profit	0.5%	1.1%
Annuities		
Immediate and deferred annuities	0.5%-1.5%	1.1% to 2.3%
Non-unit reserves on unitised business		
Life	0.4%	0.9%
Pensions	0.5%	1.1%
Income protection		
Active lives	0.5%	1.0%
Claims in payment – level and index linked	0.5%	1.0%

The valuation discount rates are after reduction for risk, but before allowance for investment expenses. For conventional immediate annuity business, the allowance for risk comprises long-term assumptions on a prudent basis for defaults or (in the case of equity release assets) expected losses arising from the No-Negative-Equity Guarantee. These allowances vary by asset category and for some asset classes by rating, based on historical default experience of each asset class. For equity release assets the risk allowances are consistent with those used to determine the fair value of the asset held in deposits with ceding undertakings.

The risk allowances made for corporate bonds (including overseas government bonds and structured finance assets), mortgages (including healthcare mortgages, commercial mortgages and infrastructure assets), and equity release equated to 46 bps, 35 bps, and 118 bps respectively at 31 December 2020 (2019: 45 bps, 35 bps, and 124 bps respectively).

The total valuation allowance net of reinsurance in respect of corporate bonds and mortgages, including healthcare mortgages but excluding equity release, was £0.6 billion (2019: £0.6 billion) over the remaining term of the portfolio at 31 December 2020. The total valuation allowance in respect of equity release assets was £0.5 billion at 31 December 2020 (2019: £0.6 billion). Total liabilities for the annuity business in NP funds were £18.9 billion at 31 December 2020 (2019: £20.7 billion).

*Expenses*

Maintenance expense assumptions for non-profit business are generally expressed as a “per policy” charge set with regards to an allocation of current year expense levels by broad category of business and using the policy count for in-force business. The assumptions also include an allowance for prudence and increase by future expense inflation over the lifetime of each contract. Expense inflation is assumed to be in line with RPI, and in line with external agreements for business administered externally. An additional liability is held if projected per-policy expenses in future years are expected to exceed current assumptions. Further, explicit project expense liabilities are held for non-discretionary project costs that typically relate to mandatory regulatory requirements.

Expense-related liabilities are not held where expenses are covered by anticipated future profits in the liability methodology, notably for unit-linked contracts. Investment expenses are generally expressed as a proportion of the assets backing the liabilities. A liability is also held in respect of expenses expected to be incurred which are not attributable to cedants.

*Mortality*

Mortality assumptions for non-profit business are set with regard to recent Company experience and general industry trends. The mortality tables used in the valuation are summarised below:



**Notes to the financial statements (continued)**

Mortality table used	2020	2019
Assurances		
Non-profit mortality	AM00/AF00 or TM08/TF08 or ELT15/ELT16 adjusted for smoker status and age/sex specific factors	AM00/AF00 or TM08/TF08 or ELT15 adjusted for smoker status and age/sex specific factors
Non-profit critical illness	AC08, IC94 or reinsurer rates adjusted for smoker status and age/sex specific factors	AC08 or IC94 or reinsurer rates adjusted for smoker status and age/sex specific factors
Non-profit PHI inception rates	IP06 adjusted by factors derived from our own experience	CIDA adjusted by factors derived from our own experience
Non-profit PHI recovery rates	CMIR12 adjusted by factors derived from our own experience	CMIR12 adjusted by factors derived from our own experience
Pure endowments and deferred annuities before vesting	AM00/AF00 adjusted	AM00/AF00 adjusted
Annuity business after vesting	PMA08 HAMWP/PFA08 HAMWP adjusted, plus allowance for future mortality improvement	PMA08 HAMWP/PFA08 HAFWP adjusted, plus allowance for future mortality improvement
Bulk purchase annuities	CV3 plus allowance for future mortality improvement	CV3 plus allowance for future mortality improvement

For the largest portfolio of pensions annuity business, the underlying mortality assumptions for males are 105.2% of PMA08 HAMWP adjusted (2019: 105.4% of PMA08 HAMWP adjusted) with base year 2008; for females the underlying mortality assumptions are 102.7% of PFA08 HAMWP adjusted (2019: 99.5% of PFA08 HAMWP adjusted) with base year 2008.

Improvements are based on 'CMI\_2019 (S=7.25) Advanced with adjustments' (2019: 'CMI\_2018 (S=7.25) Advanced with adjustments') with a long-term improvement rate of 1.5% (2019: 1.75%) for males and 1.5% (2019: 1.5%) for females, both with an additional improvement for prudence of 0.5% (2019: 0.5%) to all future annual improvement adjustments. The CMI\_2019 tables have been adjusted by adding 0.25% (2019: 0.25%) and 0.35% (2019: 0.35%) to the initial rate of mortality improvements for males and females respectively (to allow for greater mortality improvements in the annuitant population relative to the general population on which CMI\_2019 is based), and uses the advanced parameters to taper the long-term improvement rates to zero between ages 90 and 115 (the 'core' parameters taper the long-term improvement rates to zero between ages 85 and 110). The tapering approach is unchanged from that used at 2019.

In addition, on a significant proportion of individual annuity business, year specific adjustments are made to allow for potential selection effects due to the development of the Enhanced Annuity market and covering possible selection effects from pension freedom reforms.

**(b) General insurance and health**

Outstanding claims provisions are estimated based on known facts at the date of estimation. Case estimates are set by skilled claims technicians and established case setting procedures. Claims technicians apply their experience and knowledge to the circumstances of individual claims. They take into account all available information and correspondence regarding the circumstances of the claim, such as medical reports, investigations and inspections. Claims technicians set case estimates according to documented claims department policies and specialise in setting estimates for certain lines of business or types of claim. Claims above certain limits are referred to senior claims handlers for estimate authorisation.

The assumptions used in most non-life actuarial projection techniques, including future rates of claims inflation or loss ratio assumptions, are implicit in the historical claims development data on which the projections are based. Additional qualitative judgement is used to assess the extent to which past trends may not apply in the future, for example, to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions, levels of claims inflation, judicial decisions and legislation, as well as internal factors such as portfolio mix, policy conditions and claims handling procedures in order to arrive at a point estimate for the ultimate cost of claims that represents the likely outcome, from a range of possible outcomes, taking account of all the uncertainties involved. The range of possible outcomes does not, however, result in the quantification of a reserve range.

The following explicit assumptions are made which could materially impact the level of booked net reserves:

*Interest rates used to discount latent claim liabilities and structured settlements*

The discount rates used in determining latent claim liabilities and structured settlements are based on the relevant swap curve in the relevant currency at the reporting date, having regard to the duration of the expected settlement of claims. The range of discount rates used is shown in note 14(c)(ii) above and depends on the duration of the claim and the reporting date. At 31 December 2020, it is estimated that a 1% fall in the discount rates used would increase net claim reserves by approximately £146 million (2019: £69 million), excluding the offsetting effect on asset values as assets are not hypothecated across classes of business.

*Allowance for risk and uncertainty*

The uncertainties involved in estimating loss reserves are allowed for in the reserving process and by the estimation of explicit reserve uncertainty distributions. The reserve estimation basis for non-life claims requires all non-life businesses to calculate booked claim provisions as the best estimate of the cost of future claim payments, plus an explicit allowance for risk and uncertainty. The allowance for risk and uncertainty is calculated in accordance with the requirements of the Company reserving policy, taking into account the risks and uncertainties specific to each line of business and type of claim in that territory. The requirements of the Company reserving policy also seek to ensure that the allowance for risk and uncertainty is set consistently across reporting periods.

The impact of COVID-19 on general insurance gross incurred claims losses (net of the Company's cedants reinsurers' share of incurred claim losses) is an estimated benefit of £42 million after allowing for an estimated £200 million of offsetting favourable impacts in other product lines as a result of reduced economic activity. Claims are primarily as a result of disruption to business insured by the Company's cedants; partially offset by a reduction in claims frequency on other product lines. Since the ultimate cost of claims is not known in advance, there are uncertainties involved in estimating the loss reserves including those relating to the COVID-19 pandemic.

Lump sum payments in settlement of bodily injury claims decided by the UK courts are calculated in accordance with the Ogden Tables and discount rate. The Ogden discount rate is set by the Lord Chancellor in accordance with the Damages Act 1996 and is applied when calculating the present value of future care costs and loss of earnings for claims settlement purposes.

## Notes to the financial statements (continued)

The Lord Chancellor announced an increase in the Ogden discount rate on 15 July 2019 from the minus 0.75% set in 2017 to minus 0.25%. The Ogden discount rate is expected to be reviewed by the Lord Chancellor within five years and potential changes to the rate introduce uncertainty.

### 16. Financial guarantees and options

This note details the financial guarantees and options inherent in some of our insurance contracts.

As a part of their operating activities, UK L&P have provided guarantees and options, including investment return guarantees, in respect of certain long-term insurance products.

#### (a) UK non-profit business

The UK non-profit funds are evaluated by reference to statutory reserving rules, which are based on the UK regulatory requirements (grandfathered under IFRS 4), prior to the adoption of Solvency II, adjusted to remove certain regulatory reserves and margins in assumptions, notably for annuity business.

##### (i) Guaranteed annuity options

UK L&P's non-profit funds have written contracts which contain guaranteed annuity rate options (GAOs), where the policyholder has the option to take the benefits from a policy in the form of an annuity based on guaranteed conversion rates. Provision for these guarantees do not materially differ from a provision based on a market-consistent stochastic model, and amounts to £24 million at 31 December 2020 (2019: £15 million).

##### (ii) Guaranteed unit price on certain products

Certain pension products linked to long-term life insurance funds provide policyholders with guaranteed benefits at retirement or death. No additional provision is made for this guarantee as the investment management strategy for these funds is designed to ensure that the guarantee can be met from the fund, mitigating the impact of large falls in investment values and interest rates.

### 17. Effect of changes in assumptions and estimates during the year

Certain estimates and assumptions used in determining liabilities for insurance contract business were changed during 2020 and had the following effect on profit recognised for the year, with an equivalent effect on liabilities. This disclosure only shows the impact on liabilities, and does not allow for offsetting movements in the value of backing financial assets.

	2020 Effect on profit £m	2019 Effect on profit £m
<b>Assumptions</b>		
<b>Long term business</b>		
Economic assumptions	(1,206)	(1,167)
Persistency rates	(4)	(20)
Mortality for assurance contracts	12	--
Mortality for annuity contracts	117	293
Expenses	(143)	(17)
Other operating assumptions	(6)	37
	<b>(1,230)</b>	<b>(874)</b>
<b>General insurance and health business</b>		
Change in discount rate assumptions	49	26
	<b>49</b>	<b>26</b>
<b>Total (decrease)/increase as a result of changes in assumptions and estimates</b>	<b>(1,181)</b>	<b>(848)</b>

The impact of interest rates on long-term business relates primarily to annuities (including any change in credit default and reinvestment risk provisions).

The impact of mortality for annuitant contracts on long term business relates primarily to the UK. In 2020, there has been a reduction in reserves due to longevity assumptions arising from:

- Updates to base mortality to reflect recent experience and to include the impact of introducing regular death tracing for heritage Friends Life business of £67 million;
- Updates to the rate of mortality improvements, including moving the Long Term Rate of future mortality improvements for males (prior to tapering at old ages) from 1.75% to 1.5% and moving to CMI 2019 of £60 million;
- Changes to assumptions for anti-selection (net of a consistent change to impaired lives) following improved analysis of £121 million
- Allowance for higher future deaths arising from COVID-19 of £7 million
- Other less significant movements of £4 million

In 2019 the impact of mortality for annuitant contracts on long-term business included: updates to the rate of mortality improvements, including the adoption of CMI 2018, refinements to modelling of bulk purchase annuities, and updates reflecting our recent experience.

**Notes to the financial statements (continued)****18. Tax assets and liabilities****(a) Current tax**

Current tax assets recoverable and liabilities payable in more than one year are £216 million and £nil million (2019: £nil million and £93 million) respectively.

**(b) Deferred tax**

The Company has no recognised temporary differences, and unrecognised temporary differences of £nil million (2019: £168 million) carried forward.

**19. Payables and other financial liabilities**

	2020	2019
	£m	£m
Derivative financial liabilities	213	209
Amounts due to other Aviva Group Companies	1	1
<b>Total as at 31 December</b>	<b>214</b>	<b>210</b>
Expected to be settled within one year	55	53
Expected to be settled in more than one year	159	157
	<b>214</b>	<b>210</b>

**20. Other liabilities**

	2020	2019
	£m	£m
Other liabilities	1	2
<b>Total as at 31 December</b>	<b>1</b>	<b>2</b>
Expected to be settled within one year	1	2
<b>Total as at 31 December</b>	<b>1</b>	<b>2</b>

**21. Contingent liabilities and other risk factors****(a) Uncertainty over claims provisions**

Note 15 gives details of the methodology and assumptions used in determining the long-term business provision and the estimation techniques used in determining the general insurance business outstanding claims provision including claims related to COVID-19. These approaches are designed to allow for the appropriate cost of policy-related liabilities, with a degree of prudence, to give a result within the normal range of outcomes. However, the actual cost of settling these liabilities may differ, for example because experience may be worse than that assumed, or future general insurance business claims inflation may differ from that expected, and hence there is uncertainty in respect of these liabilities.

**(b) Business interruption**

For the significant majority of Aviva's UK business interruption policies, where policy wordings are determined by AIL, cover is based on a specified list of diseases. These policies do not cover business interruption due to new and emerging diseases, like COVID 19. Notwithstanding this, legal clarity was required in terms of the events and the cover provided under some limited and specific business interruption policy wordings where AIL is the lead or follow insurer. In the UK, following the conclusion of the FCA test case in the High Court and Supreme Court appeal, AIL has been paying valid claims promptly, albeit in many cases continuing to work through the settlement process with clients which will take some time. In setting the reserves for business interruption losses AIL has prudently assessed the potential cost of claims across all policy wordings, including those where legal uncertainty remains.

In Canada, there is similar potential exposure to business interruption claims across a range of differing policy wordings and businesses covered and the potential level of exposure has been considered across all policy wordings. The liability in respect of these policies is expected to be determined through various class action suits. To allow for this uncertainty, CGI has taken into account a range of potential outcomes when setting the reserves. Across both the AIL and CGI exposures we expect losses to be mitigated by external reinsurance and have made an appropriate allowances for this within net of reinsurance reserves. Given the unprecedented circumstances, there remains a wide range of potential outcomes in relation to business interruption losses.

**(c) Asbestos, pollution and social environmental hazards**

Through its reinsurance arrangement with Aviva Insurance Limited, Aviva Canada and Aviva Assurances, the Company receives general insurance liability claims, and becomes involved in actual or threatened litigation arising therefrom, including claims in respect of pollution and other environmental hazards. Amongst these are claims in respect of asbestos production and handling in the United Kingdom and Canada. The directors are not aware of any asbestos exposure from Aviva Assurances.

Given the significant delays that are experienced in the notification of these claims, the potential number of incidents which they cover and the uncertainties associated with establishing liability and the availability of reinsurance, the ultimate cost cannot be determined with certainty. However, on the basis of current information having regard to the level of provisions made for general insurance claims and substantial reinsurance cover now in place, the directors consider that any additional costs arising are not likely to have a material impact on the financial position of the Company.

**Notes to the financial statements (continued)****(d) Regulatory compliance**

The FCA and the PRA regulate and authorise the Company's UK business and in addition monitor the financial resources and organisation of the Company as a whole. The PRA and FCA have broad powers including the authority to grant, vary the terms of, or cancel a regulated firm's authorisation; to investigate marketing and sales practices; and to require the maintenance of adequate financial resources.

The FCA and PRA operate under the authority of the Bank of England. Autorité de Contrôle Prudentiel et de Résolution (ACPR) in France, has similar powers to the UK regulators, and operates under the auspices of the French central bank, Banque de France. The Office of the Superintendent of Financial Institutions Canada (OSFI) in Canada is an independent agency of the Government of Canada and has similar powers to the UK regulators.

The directors believe that the Company dedicates appropriate resources to its compliance programme, endeavours to respond to regulatory enquiries in a constructive way, and takes corrective action when warranted. However, all regulated financial services companies face the risk that the regulator could find that they have failed to comply with applicable regulations or have not undertaken corrective action as required.

The impact of any such finding could have a negative impact on the Company's reported results or on its relations with current or potential customers. Regulatory action against the Company could result in adverse publicity for, or negative perceptions regarding, the Company, or could have a material adverse effect on the business of the Company, its results of operations and/or financial condition and divert management's attention from the day-to-day management of the business.

**(e) Other**

In the course of conducting insurance business, the Company receives liability claims, and becomes involved in actual or threatened related litigation. In the opinion of the directors, adequate provisions have been established for such claims.

**22. Statement of cash flows****(a) The reconciliation of profit / (loss) before tax to the net cash in / (out) flow from operating activities is:**

	Note	2020 £m	2019 £m
(Loss)/profit before tax		(962)	1,174
Adjustments for:			
Profit/(loss) on the sale of:			
Derivative liabilities	2	31	43
Fair value (gains)/losses on:			
Derivative liabilities	2	(3)	(15)
Foreign currency exchange (gains)/losses		(4)	4
		24	32
<b>Changes in working capital:</b>			
Increase in deferred acquisition costs and prepayments		(16)	(116)
Increase in insurance liabilities		7,642	7,464
Decrease in other assets and liabilities		(6,340)	(8,106)
		1,286	(1758)
<b>Total cash generated from operating activities</b>		<b>348</b>	<b>448</b>

Purchases and sales of financial investments are included in operating cash flows as the purchases are funded from cash flows associated with the origination of insurance contracts, net of payments of related claims.

**(b) Cash and cash equivalents in the statement of cash flows at 31 December comprise:**

	2020 £m	2019 £m
Cash equivalents	621	1,058
	<b>621</b>	<b>1,058</b>

**23. Capital structure**

The Company maintains an efficient capital structure from equity shareholder's funds, consistent with the Company's overall risk profile and the regulatory and market requirements of the business. This note describes the way the Company manages capital and shows how this is structured.

**(a) General**

IFRS underpins the Company's capital structure and accordingly the capital structure is analysed on this basis. The Company is required to measure and monitor its capital resources on a regulatory basis and to comply with the established Solvency II Framework Directive, as adopted by the PRA. The Company measures its capital requirements under the Solvency II regime, using a Partial Internal Model (PIM) which assesses the risks the Company is exposed to.

**Notes to the financial statements (continued)****(b) Capital management**

The primary objective of capital management is to maintain an efficient capital structure, in a manner consistent with our risk profile and the regulatory and market requirements of the Company. Capital is a primary consideration across a wide range of business activities, including treaty development, pricing, business planning and asset and liability management. The Company implements the Group's Capital Management Standard, which sets out minimum standards and guidelines over responsibility for capital management including consideration for capital management decisions and requirements for management information, capital monitoring, reporting, forecasting, planning and overall governance.

In managing its capital, the Company seeks to:

- (i) match the profile of its assets and liabilities, taking account of the risks inherent in the business;
- (ii) maintain financial strength to support new business growth and satisfy the requirements of its policyholders and regulators;
- (iii) retain financial flexibility by maintaining strong liquidity; and
- (iv) allocate capital efficiently to support growth and repatriate excess capital where appropriate.

The Company considers not only traditional sources of capital funding but alternative sources of capital including reinsurance, as appropriate, when assessing its deployment and usage of capital.

**(c) Different measures of capital**

The Company measures its capital on a number of different bases. These include measures which comply with the regulatory regime within which the Company operates and those which the directors consider appropriate for the management of the business. The measures which the Company uses are:

- (i) Accounting basis

The Company is required to report its results on an IFRS basis and ensures that there are sufficient distributable reserves available before paying dividends.

- (ii) Regulatory basis

Relevant capital and solvency regulations are used to measure and report the Company's financial strength. These measures are based on Solvency II which is a Europe-wide prudential regulatory framework that came into force on 1 January 2016. The regulatory capital tests verify that the Company retains an excess of solvency capital above the required minimum level calculated using a risk-based capital model. The risk management note (note 24) gives further details.

Solvency II "own funds" represents the amount of regulatory capital resources that are available to meet regulatory capital requirements under the Solvency II regime, and is a closely monitored metric. At 31 December 2020 the Company's own funds under Solvency II were £4,167 million (2019: £4,855 million). The Company's own funds are sufficient to meet its capital requirements under Solvency II. The Company fully complied with the relevant regulatory requirements during the year.

**(d) Company capital structure**

	2020	2019
	£m	£m
Equity shareholder's funds	2,643	3,903
Total capital employed	2,643	3,903

**24. Risk management****(a) Risk management framework**

The Company operates a risk management framework that forms an integral part of the management and Board processes and decision-making framework, aligned to the Group's risk management framework. The key elements of the risk management framework comprise risk appetite; risk governance, including risk policies and business standards, risk oversight committees and roles and responsibilities; and the processes the Company uses to identify, measure, manage, monitor and report ("IMMMR") risks, including the use of risk models and stress and scenario testing.

For the purposes of risk identification and measurement, and aligned to the Company's risk policies, risks are usually grouped by risk type: credit, market, liquidity, life insurance (including long-term health), general insurance (including short-term health) and operational risk. Risks falling within these types may affect a number of metrics including those relating to statement of financial position strength, liquidity and profit. They may also affect the service to the Company's cedants, which can be categorised as risks to our brand and reputation.

To promote a consistent and rigorous approach to risk management across the business, the Company has a set of risk policies and business standards which set out the risk strategy, appetite, framework and minimum requirements for the Company's operations. The Chief Executive Officer makes an annual declaration that the system of governance and internal controls was effective and fit for purpose for their business throughout the year; this declaration is supported by an opinion from the Chief Risk Officer.

A regular top-down key risk identification and assessment process is carried out by the risk function. This includes the consideration of emerging risks and is supported by deeper thematic reviews. The Company also operates a risk and control self-assessment process. The Risk function produces deep dive reports throughout the year which are shared with the relevant risk committees.

Risk models are an important tool in the measurement of risks and are used in conjunction with other assessment processes to support the monitoring and reporting of the risk profile and in the consideration of the risk management actions available. The Company carries out a range of stress (where one risk factor, such as interest rates, is assumed to vary) and scenario (where combinations of risk factors are assumed to vary) tests to evaluate their impact on the business and the management actions available to respond to the conditions envisaged. For those risk types managed through the holding of capital, being the Company's principal risk types except for liquidity risk, the Company measures and monitors its risk profile on the basis of the Solvency II solvency capital requirement ("SCR").

**Notes to the financial statements (continued)**

Roles and responsibilities for risk management in the Company are based around the 'three lines of defence model' where ownership for risk is taken at all levels. Line management in the business is accountable for risk management, including the implementation of the risk management framework and embedding of the risk culture. The risk function is accountable for quantitative and qualitative oversight and challenge of the IMMMR processes and for developing the risk management framework. Internal Audit provides an independent assessment of the risk management framework and internal control processes.

Board oversight of risk and risk management across the Company is maintained on a regular basis through its Risk Committee. The Board has overall responsibility for determining risk appetite, which is an expression of the risk the business is willing to take. Risk appetites are set relative to capital and liquidity.

The Company's position against risk appetite is monitored and reported to the Board on a regular basis. Long-term sustainability depends upon the protection of franchise. The oversight of risk and risk management is supported by the Company's ALCO, which focuses on insurance business and financial risks and ORC, which focuses on operational and reputational risks.

As a predominantly quota share reinsurer of business written within the Aviva group, much of the primary risk management activity occurs within the Company's cedants which are subject to the same group-wide risk policies and business standards. The reinsurance treaties require flows of management information to the Company to allow it to assess, monitor and manage its own risks.

Further information on the types and management of specific risk types is given in sections (b) to (h) below.

**(b) Credit risk**

Credit risk is the risk of financial loss as a result of the default or failure of third parties to meet their payment obligations to the Company, or variations in market values as a result of changes in expectations related to these risks. Credit risk is taken so that the Company can provide the returns required to satisfy policyholder liabilities and to generate returns to the Company's shareholders. The Company is also exposed to third party credit quality changes through a range of activities including reinsurance and derivatives.

The Company's approach to managing credit risk recognises that there is a risk of adverse financial impact resulting from fluctuations in credit quality of third parties including default, rating transition and credit spread movements. The Company's credit risks arise principally through exposures to debt securities, structured asset investments, bank deposits, derivative counterparties, mortgage lending and reinsurance counterparties and inter-company loans and receivables.

The Company's management of credit risk includes implementation of credit risk management processes (including limits frameworks), the operation of specific risk management committees, and detailed reporting and monitoring of exposures against pre-established risk criteria.

As a result of the financial market impact of COVID-19 the Company's cedants have taken a number of actions to reduce their exposure to credit spread and counterparty default risk. Actions taken included purchasing tactical derivative hedges and asset disposals. The Company continues to monitor credit quality within its cedants' commercial mortgage and equity release mortgage portfolios.

*(i) Financial exposures to Group companies*

The Company has significant financial exposure to amounts due from fellow Group companies. The credit risk arising from Group counterparties failing to meet all or part of their obligations is considered remote. Due to the nature of the intra-group loans, the level of collateral provided and the fact that these loans are not traded, the Company does not provide for fluctuations in market value caused by changing perceptions of the credit worthiness of such counterparties.

The Company's principal financial asset is deposits with the ceding undertakings of £67,776 million (2019: £61,388 million) as disclosed in note 10. These deposits arise from the quota share reinsurance agreements between the Company and other group companies as disclosed in the related party transactions note 26. The deposits represent investments in a range of assets exposed to credit risk including government bonds, corporate bonds, commercial mortgages, equity release mortgages and bank deposits and the Company has indirect exposure to movements in the value of or defaults on these investments. The risks on these assets are managed in the first instance by the cedants through the application of a credit limit framework and credit risk appetite, adherence to the credit risk policy and related business standards and through oversight by the cedants' asset liability committees. The Company is exposed to the risk of the cedants defaulting, although this is significantly reduced by the ability of the Company to offset the deposit with ceding undertaking against its obligation to make payments in respect of the cedant's insurance liabilities. The individual cedant exposures are monitored by the Company's ALCO and subject to agreed credit risk limits set by the Board.

The Company also has a loan due from its parent, Aviva Group Holdings Limited, amounting to £200 million (2019: £200 million), with further amounts due from both its parent and other Group companies amounting to £8 million (2019: £16 million). The credit risk arising from Aviva Group Holdings Limited failing to meet all or part of its obligations is considered remote, as in its most recent audited financial statements dated 31 December 2019 Aviva Group Holdings Limited had net assets of £19,633 million. The loan to Aviva Group Holdings Limited is secured by a legal charge against the ordinary share capital of Aviva Insurance Limited mitigating the risk of loss in the event of Aviva Group Holdings Limited defaulting. Due to the nature of the intra-group loans, and the fact that these loans are not traded, the Company is not exposed to the risk of changes to the market value caused by changing perceptions of the credit worthiness of its counterparties.

*(ii) Financial exposures by credit ratings*

Financial assets other than equities are graded according to current external credit ratings issued. AAA is the highest possible rating. Investment grade financial assets are classified within the range of AAA to BBB ratings. Financial assets which fall outside this range are classified as sub-investment grade. The following table provides information regarding the aggregated credit risk exposure of the Company for financial assets with external credit ratings. Deposits with ceding undertakings have been rated by reference to the cedant's own credit rating. "Not rated" assets capture assets not rated by external ratings agencies. The credit quality of receivables and other financial assets is monitored by the Company, and provisions for impairment are made for irrecoverable amounts. In assessing whether assets are impaired, due consideration is given to the factors outlined in accounting policy L.

							2020
							Carrying value
31 December 2020	AAA	AA	A	BBB	Below BBB	Not-rated	£m
Deposits with ceding undertakings	—	98 %	2 %	—	—	—	67,776

**Notes to the financial statements (continued)**

						2019
31 December 2019	AAA	AA	A	BBB	Below BBB	Not rated
Deposits with ceding undertakings		100 %				
						£m
						61,388

The Company's maximum exposure to credit risk of financial assets, without taking collateral into account, is represented by the carrying value of the financial instruments in the statement of financial position. These comprise deposits with ceding undertakings and other receivables. The carrying values of these assets are disclosed in the relevant note 10 (Receivables and other financial assets). The collateral in place for these credit exposures is disclosed in note 10 (Receivables and other financial assets).

To the extent that collateral held is greater than the amount receivable that it is securing, the table above shows only an amount equal to the latter. In the event of default, any over-collateralised security would be returned to the relevant counterparty.

*(iii) Credit concentration risk*

The Company is generally not exposed to significant concentrations of credit risk due to compliance with applicable regulations and the Group credit policy and limits framework, which limit investments in individual assets and asset classes. Credit concentrations are monitored by Group as part of the regular credit monitoring process and are reported to the Group ALCO.

*(iv) Impairment of financial assets*

In assessing whether financial assets carried at amortised cost or classified as available for sale are impaired, due consideration is given to the factors outlined in accounting policies (IL). The following table provides information regarding the carrying value of financial assets subject to impairment testing that have been impaired and the ageing of those assets that are past due but not impaired.

Financial assets that are past due but not impaired							
31 December 2020	Neither past due nor impaired	0-3 months	3-6 months	6 months-1 year	Greater than 1 year	Financial assets that have been impaired	Carrying value
	£m	£m	£m	£m	£m	£m	£m
Receivables and other financial assets	68,201	—	—	—	—	—	68,201

Financial assets that are past due but not impaired							
31 December 2019	Neither past due nor impaired	0-3 months	3-6 months	6 months-1 year	Greater than 1 year	Financial assets that have been impaired	Carrying value
	£m	£m	£m	£m	£m	£m	£m
Receivables and other financial assets	61,816	—	—	—	—	—	61,816

More information on Receivables and other financial assets can be found in note 10.

**(c) Market risk**

Market risk is the risk of adverse financial impact resulting directly or indirectly from fluctuations in interest rates, inflation, foreign currency exchange rates, equity and property prices. Market risk arises due to fluctuations in both the value of liabilities and the value of investments held. The Company seeks some market risks as part of its investment strategy. However, it has limited appetite for interest rate risk because it does not believe interest rate risk is adequately rewarded.

The Company manages market risk using its market risk framework and within regulatory constraints. Market risk is managed in line with established Group policy, including established criteria for matching assets and liabilities to limit the impact of mismatches due to market movements.

As for credit risk, the Company is exposed to the underlying performance of the assets representing the deposits with cedants as well as the assets that it holds directly. The market risk on the assets backing deposits with the cedants are managed in the first instance by the cedants through the application of market risk appetites and tolerances, adherence to the Group market risk framework and regulatory constraints, and oversight by the cedants' ALCOs. The exposures of each cedant and the aggregate exposure of the Company is monitored by the Company's ALCO and is subject to approved market risk appetites and tolerances.

As a result of the significant financial market impact of COVID-19, particularly to equity markets and interest rates, the Company's cedants have taken a number of actions to reduce their exposures to equity and interest rate risk. Actions include purchasing tactical derivative hedges and asset disposals. The Company is also exposed to the potential impact of increased defaults and downgrades on its cedant's commercial mortgage loans although the Company's cedant maintains conservative loan-to-value across this portfolio. The Company's capital position includes an allowance for the expected potential impacts from downgrades and defaults.

The most material types of market risk that the Company is exposed to are described below.

*(i) Interest rate risk*

The Company is exposed to interest rate risk movements where there is a mis-match between the sensitivity to interest rates of the Company's assets (including deposits with cedants) and liabilities. Interest rate risk also arises from the Company's long term loan due from its parent Aviva Group Holdings Limited (see note 26(a)(ii)). The effect of a 100 basis point increase / decrease in interest rates would be an increase / decrease of interest income before tax of £2 million (2019: increase / decrease of £2 million).

Sensitivity to changes in interest rates is given in section (h) 'risk and capital management' below.

**Notes to the financial statements (continued)****(ii) Inflation risk**

Inflation risk arises primarily from the Company's exposure to general insurance claims inflation, inflation linked benefits within the UK annuity portfolio and expense inflation. Increases in long-term inflation expectations are closely linked to long-term interest rates and so are frequently considered with interest rate risk. Exposure to inflation risk is monitored through capital modelling, sensitivity testing and stress and scenario testing. The cedants typically manage inflation risk through asset-liability matching and hedging where appropriate in accordance with approved risk appetite.

**(iii) Currency risk**

The Company has exposure to currency risk primarily through its Euro denominated credit risk derivatives.

The Company's total equity deployment by currency is set out below.

	GBP	EUR	CAD	Total
	£m	£m	£m	£m
<b>31 December 2020</b>				
<b>Total equity</b>	<b>2,680</b>	<b>(83)</b>	<b>46</b>	<b>2,643</b>

	GBP	EUR	CAD	Total
	£m	£m	£m	£m
<b>31 December 2019</b>				
<b>Total equity</b>	<b>4,029</b>	<b>(126)</b>	<b>—</b>	<b>3,903</b>

A +/-10% change in GBP to EUR period-end foreign exchange rate would result in a change in total equity in the range of £8 million positive impact (2019: £15 million) and a £9 million adverse impact (2019: £14 million) respectively.

A +/-10% change in GBP to CAD period-end foreign exchange rate would result in a change in total equity in the range of £4 million adverse impact (2019: £nil) and a £5 million positive impact (2019: £nil) respectively.

There were no material sensitivities in the Company's total equity to other foreign exchange rates in 2020 and 2019.

**(iv) Derivatives risk**

Derivatives are used for efficient investment management, risk hedging purposes, or to structure specific retail savings products. Derivatives are used within policy guidelines agreed by the Board of directors and activity is overseen by the Group Capital and Group Risk teams, which monitor exposure levels and approve large or complex transactions.

The Company applies strict requirements to the administration and valuation processes it uses, and has a control framework that is consistent with market and industry practice for the activity that is undertaken.

**(v) Correlation risk**

The Company recognises that lapse behaviour and potential increases in consumer expectations are sensitive to and interdependent with market movements and interest rates. These interdependencies are taken into consideration in the internal capital model and in scenario analysis.

**(d) Liquidity risk**

Liquidity risk is the risk of not being able to make payments as they become due because there are insufficient assets in cash form.

The Company seeks to ensure that it maintains sufficient financial resources to meet its obligations as they fall due through the application of a liquidity risk policy and business standard. The Company has a liquidity risk appetite which requires that sufficient liquid resources be maintained to cover net outflows in a stress scenario. The Company monitors its position relative to its agreed liquidity risk appetite.

**Maturity analysis**

The following tables show the maturities of the Company's insurance liabilities, and of the financial and reinsurance assets held to meet them. A maturity analysis of the contractual amounts payables, other financial liabilities and derivatives is given in notes 19, 20, and 25, respectively.

**(i) Analysis of maturity of insurance liabilities**

The following table shows the gross insurance liability at 31 December 2020 and 2019 analysed by remaining duration. The total liability is split by remaining duration in proportion to the present value of cash flows expected to arise during that period, as permitted under IFRS 4, Insurance Contracts.

	2020				
	Total	On demand or within 1 year	1-5 years	5-15 years	Over 15 years
	£m	£m	£m	£m	£m
General insurance and health liabilities	4,100	1,680	1,844	464	112
Life insurance liabilities	60,578	2,206	8,428	20,771	29,173
Payables and other financial liabilities	214	55	159	—	—
<b>Total contract liabilities</b>	<b>64,892</b>	<b>3,941</b>	<b>10,431</b>	<b>21,235</b>	<b>29,285</b>



**Notes to the financial statements (continued)**

	2019				
	Total	On demand or within 1 year	1-5 years	5-15 years	Over 15 years
	£m	£m	£m	£m	£m
General insurance and health liabilities	3,785	1,550	1,659	462	114
Life insurance liabilities	53,248	2,461	8,941	17,638	24,208
Payables and other financial liabilities	210	53	157	—	—
Total contract liabilities	57,243	4,064	10,757	18,100	24,322

**(ii) Analysis of maturity of financial assets**

The following table provides an analysis, by maturity date of the principal, of the carrying value of financial assets which are available to fund the repayment of liabilities as they crystallise.

	2020			
	Total	On demand or within 1 year	1-5 years	Over 5 years
	£m	£m	£m	£m
Receivables and other financial assets	68,201	4,673	10,340	53,188
Cash and cash equivalents	621	621	—	—
	68,822	5,294	10,340	53,188

	2019			
	Total	On demand or within 1 year	1-5 years	Over 5 years
	£m	£m	£m	£m
Receivables and other financial assets	61,816	4,859	11,793	45,164
Cash and cash equivalents	1,058	1,058	—	—
	62,874	5,917	11,793	45,164

The assets above are analysed in accordance with the earliest possible redemption date of the instrument at the initiation of the Company. Where an instrument is transferable back to the issuer on demand, such as a unit trust or similar type of investment vehicle, it is included in the 'On demand or within 1 year' column.

**(e) Insurance risk (General Insurance and Life)**

The Company is exposed to a range of insurance risks as a result of the reinsurance accepted from cedants.

**(i) General insurance risks**

General insurance risks mainly arise from:

- Fluctuations in the timing, frequency and severity of claims and claim settlements relative to expectations;
- Unexpected claims arising from a single source or cause;
- Inaccurate pricing of risks or inappropriate underwriting of risks when underwritten; and
- Inadequate reinsurance protection or other risk transfer techniques.

The majority of the general insurance business reinsured by the Company is short tail in nature such as motor, household and commercial property insurances. General insurance risk written within Aviva Group companies is subject to the general insurance risk policy and related business standards and agreed risk appetites and tolerances and underwriting authorities. External reinsurance is used by cedants to provide protection from aggregations of risk and from catastrophe cover, which in turn reduces the Company's exposure. Oversight of the Company's exposure is carried out in the ALCO and ORC.

**(ii) Life insurance risks**

Life insurance risk can include mortality risk, morbidity risk, longevity risk, persistency risk and policyholder behaviour risk around take-up of insurance guarantees and options. The Company's principal life insurance risk is longevity risk arising from the reinsurance accepted from the annuity business within UK L&P.

Life insurance risk written within Aviva Group companies is subject to the life insurance risk policy and related business standards and agreed risk appetites and underwriting authorities. Oversight of the Company's exposure is carried out in the ALCO and ORC.

Longevity risk is carefully monitored against the latest available internal and external industry data and emerging trends. The annuity business within UK L&P has used reinsurance solutions to reduce the risks from longevity and continually monitors emerging market solutions to mitigate this risk further. Such reductions in this exposure would generally also reduce the Company's exposure.

Expense risk is primarily managed through the assessment of profitability and frequent monitoring of expense levels.

**(f) Operational risk**

Operational risk is the risk of direct or indirect loss, arising from inadequate or failed internal processes, people and systems, or external events including changes in the regulatory environment.

**Notes to the financial statements (continued)**

The Company has limited appetite for operational risk and aims to reduce these risks as far as is commercially sensible.

The Company is exposed to operational risks in the cedants through the reinsurance treaties in place. The cedants remain responsible for managing their operational risks in line with the group wide operational risk framework including the risk and control self assessment process, but this responsibility does not imply a limit to the Company's exposure.

The Company's Operational Risk and Control Management Framework, integrates the results of the risk identification and assurance activities carried out across the Company's three lines of defence. Operational risks are initially identified and assessed against implemented controls. Residual risk, outside tolerance, is given prioritised management action to reduce it within tolerance.

Operational risk is quantitatively assessed on the basis of financial loss and misstatement. Potential reputational and conduct impacts are qualitatively assessed.

Management identify and capture loss events, taking appropriate action to address actual control breakdowns and promote internal learning.

**(g) Risk and capital management**

The Company uses a number of sensitivity test-based risk management tools to understand the volatility of earnings, the volatility of capital requirements and to manage its capital more efficiently. Risk based capital models are used to support the quantification of risk under the Solvency II framework. Management undertakes a quarterly review of risk, the output from which is a key input into the risk-based capital assessments. Primarily, a risk-based capital model and scenario tests are used. Sensitivities to economic and operating experience are regularly produced on financial performance measurements to inform the Company's decision making and planning processes, and as part of the framework for identifying and quantifying the risks to which the Company is exposed.

**(h) Risk and capital management***(i) General insurance and health*

General insurance and health liabilities are estimated by using standard actuarial claims projection techniques. These methods extrapolate the claims development for each accident year based on the observed development of earlier years. In most cases, no explicit assumptions are made as projections are based on assumptions implicit in the historic claims.

*(ii) Life insurance and investment contracts*

The nature of long-term business is such that a number of assumptions have been made in compiling these financial statements. Assumptions are made about investment returns, expenses, mortality and morbidity rates, and persistency in connection with the in-force policies. Assumptions are best estimates based on historical and expected experience of the business. A number of the key assumptions are disclosed in note 15.

*(iii) Sensitivity results*

Some results of sensitivity testing for the Company's business are set out below. For each sensitivity the impact of a change in a single factor is shown, with other assumptions left unchanged.

Sensitivity factor	Description of sensitivity factor applied							
Interest rate and investment return	The impact of a change in market interest rates by $\pm 1\%$							
Equity/property market values	[The impact of a change in equity/property market values by $\pm 10\%$ ]							
Assurance mortality/morbidity	The impact of an increase in mortality/morbidity rates for assurance contracts by 5%.							
Credit spreads	The impact of a 0.5% increase in credit spreads over risk free interest rates on corporate bonds and other non-sovereign credit assets. [The test allows for any consequential impact on liability valuations].							
Gross loss ratios	The impact of an increase in gross loss ratios for general insurance business by 5%							
Annuitant mortality	The impact of a decrease in the mortality rates for annuity contracts by 5%							

The above sensitivity factors are applied using actuarial and statistical models. The impacts are shown in tables below:

Ple-tax impacts on profit and shareholders' equity:

2020								
	Interest rates +1%	Interest rates -1%	Credit spreads +0.5%	Equity/property +10%	Equity/property -10%	Assurance mortality +5%	Annuitant mortality -5%	Gross loss ratios +5%
	£m	£m	£m	£m	£m	£m	£m	£m
Impact on profit before tax	(437)	530	(207)	5	(9)	(42)	(300)	(237)
Impact before tax on shareholders equity	(437)	530	(207)	5	(9)	(42)	(300)	(237)

2019								
	Interest rates +1%	Interest rates -1%	Credit spreads +0.5%	Equity/property +10%	Equity/property -10%	Assurance mortality +5%	Annuitant mortality -5%	Gross loss ratios +5%
	£m	£m	£m	£m	£m	£m	£m	£m
Impact on profit before tax	(627)	773	(303)	55	(49)	(53)	(332)	(188)
Impact before tax on shareholders equity	(627)	773	(303)	55	(49)	(53)	(332)	(188)

The above sensitivity factors are applied using actuarial and statistical models. The sensitivities in the above table are based on figures included in the 2020 income statement and statement of financial position at 31 December 2020. Comparatives are based on the income statement and statement of financial position at 31 December 2019.

## Notes to the financial statements (continued)

### Limitations of sensitivity analysis

The sensitivity analyses do not take into account that the assets and liabilities are actively managed and may vary at the time that any actual market movement occurs. For example, the Company's financial risk management strategy aims to manage the exposure to market fluctuations. As investment markets move past various trigger levels, management actions could include selling investments, changing investment portfolio allocation and taking other protective action.

The above tables demonstrate the effect of a change in a key assumption while other assumptions remain unchanged. In reality there may be a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

Other limitations in the above sensitivity analyses include the use of hypothetical market movements to demonstrate potential risks that only represent the Company's view of possible near-term market changes that cannot be predicted with any certainty, and the assumption that all interest rates move in an identical fashion.

#### (i) COVID-19

During the year, the Company has been impacted by the COVID-19 pandemic through its operations, insurance products and asset holdings together with ongoing difficult conditions in global financial markets and the economy generally.

The impact of COVID-19 on the Company is well understood by the Board and management and significant mitigating actions have been taken. Nevertheless, COVID-19 remains an ongoing source of uncertainty with potential to further materially influence the Company's risk profile and require additional responses. The Company is keeping the strategic and operational impacts of COVID-19 under review and it has been engaging closely with its regulators on the response to COVID-19.

Throughout the year the Company has remained operational, with staff working from home. Monitoring of operational risk has been enhanced to mitigate additional and changed risk exposures due to alternative ways of working.

Key financial impacts have been observed from volatile equity markets and falls in interest rates. The Company's cedants have taken actions to reduce exposure to equity and interest rate risk, credit spreads and counterparty default risk, reducing sensitivity to economic shocks. The Company continues to maintain strong solvency and liquidity positions and undertakes a range of stress and scenario testing.

#### (i) General insurance risks

The Company continues to closely monitor the impact of COVID-19 on General insurance and health business reinsured from its cedants. The exposures, together with mitigants available to the Company's cedants are:

- **Business Interruption:** For the significant majority of UK commercial policies reinsured by the Company, where policy wordings are determined by the Company's cedant, cover is based on a specified list of diseases. These policies exclude business interruption due to new and emerging diseases, like COVID-19. Notwithstanding this, legal clarity was required in terms of the events and the cover provided under some limited and specific business interruption policy wordings where AIL is the lead or follow insurer. In the UK, following the conclusion of the FCA test case in the High Court and Supreme Court appeal the legal uncertainty in the UK around gross losses has significantly reduced. In order to provide clarity to policyholders and mitigate exposure to future events of a similar nature, exclusions have been added to relevant policy wordings at renewal. In Canada, the Company's cedant is party to a number of litigation proceedings challenging coverage under certain policies; however, most of the Company's cedant commercial policies, except in very limited circumstances, do not provide for business interruption coverage in the context of a closure due to a pandemic.
- **Travel Insurance:** The Company, through its cedants, is potentially exposed to claims due to travel cancellation, disruption and sickness, primarily in the UK. The Company's cedants are only exposed to losses after recoveries have been made from travel providers (e.g. tour operators or airlines) and agents. Steps have been taken by the Company's cedants to limit exposure arising from new business, through pricing actions, reinsurance, withdrawal of products and policy options, and clarification of COVID-19 wording. These costs have been offset by reduced claims frequency as a result of the current low levels of international travel, and are also partially mitigated through profit commission and future pricing agreements with distribution partners.
- **Other:** There have also been impacts in other product lines as a result of reduced economic activity. Physical distancing initiatives and an increase in remote working over the past year has led to a reduction in auto claims frequency: in Canada's highly regulated and commoditised personal motor market, this is driving increased government and regulatory pressure and could impact pricing. Private health insurance claims were also lower than expected levels in 2020 as a result of the disruption caused by the COVID-19 pandemic, and in the UK the Company's cedant provided a fair value pledge to policyholders to recognise the ongoing uncertainty around the ability to access treatment.

The Company's cedants purchase reinsurance protection on their property portfolio that includes coverage for business interruption and will seek reinsurance recoveries of those of its business interruption losses that are covered by reinsurance. The continuing nature of the event means that the Company's cedants final exposure is subject to a significant degree of uncertainty.

#### (ii) Life insurance risks

The impact of COVID-19 on the profile of Life insurance risks reinsured by the Company, primarily longevity, persistency, mortality and expense risk, has been limited during 2020. The Company tracks the potential longer-term impacts of the pandemic (e.g. morbidity impacts). The Company's cedant underwriting procedures on Individual Life Protection products limits exposure to cohorts of the population at highest risk of COVID-19. While the Company's cedant has greater potential net exposure through Group Life Protection, pricing actions have been taken to limit potential exposure from new business. The Company expects there to be some offset to increased protection claims as a result of COVID-19 from technical provision releases on the UK annuity portfolio.

#### (j) Exit of the UK from the EU & UK-EU Free Trade Agreement ("FTA")

The EU-UK Trade and Cooperation Agreement of 24 December 2020 provides for a dynamic future EU-UK relationship with scope for managed policy divergence or maintaining alignment, if the UK chooses. The agreement will have evolving consequences in 2021 and beyond on financial services regulation, EU market access and the UK economy which will require careful monitoring.

**Notes to the financial statements (continued)****(k) Climate change**

Climate change has increased the frequency of extreme weather events, leading to increased political focus and regulation, as well as growing consumer awareness of the economic and social consequences of climate change, and the impact on their purchasing decision for financial services products.

Recognising climate change presents risk and opportunities for customers, communities and business, the Group is signed up to the United Nations Net-Zero Asset Owner Alliance commitment. The Group is acting now to mitigate and manage the impact of climate change on the business. The Group calculates a Climate Value at Risk against Intergovernmental Panel on Climate Change (IPCC) scenarios to assess the climate-related risks and opportunities under different emission projections and associated temperature pathways. A range of different financial indicators are used to assess the impact on the Group's investments and insurance liabilities.

The Board approved the adoption of the new climate risk preferences in September 2020, with the Company's approved 2021-2023 Plan taking the new climate risk preferences into consideration.

**25. Derivative financial instruments**

The Company uses over-the-counter derivative financial instruments, in line with our overall risk management strategy. The objectives include managing exposure to market risk on existing assets or liabilities.

In the tables below, figures are given for both the notional amounts and fair values of these instruments. The notional amounts reflect the aggregate of individual derivative positions on a gross basis and so give an indication of the overall scale of the derivative transaction. They do not reflect current market values of the open positions. The fair values represent the gross carrying values at the year end for each class of derivative contract held (or issued) by the Company.

The fair values do not provide an indication of credit risk, as many over-the-counter transactions are contracted and documented under Swaps and Derivatives Association ("ISDA") master agreements or their equivalent. Such agreements are designed to provide a legally enforceable set-off in the event of default, which reduces credit exposure. In addition, the Company has collateral agreements in place with the relevant counterparties. Refer to note 10 for further information on collateral and net credit risk of derivative instruments.

(i) The Company's derivatives at 31 December 2020 and 2019 were as follows:

	2020			2019		
	Contract/ notional amount	Fair value asset	Fair value liability	Contract/ notional amount	Fair value asset	Fair value liability
	£m	£m	£m	£m	£m	£m
<b>Credit contracts</b>						
OTC						
Swaps	5,371	—	213	5,084	—	209
<b>Total as at 31 December</b>	<b>5,371</b>	<b>—</b>	<b>213</b>	<b>5,084</b>	<b>—</b>	<b>209</b>

Fair value liabilities of £213 million (2019: £209 million) are recognised as 'Derivative liabilities' in note 19.

The Company's derivative risk management policies are outlined in note 24.

The contractual undiscounted cash flows in relation to non-hedge derivative liabilities have the following maturities

	2020	2019
	£m	£m
Within 1 year	(54)	(53)
Between one and two years	(55)	(52)
Between two and three years	(54)	(52)
Between three and four years	(54)	(52)
	<b>(217)</b>	<b>(209)</b>

**Collateral**

Certain derivative contracts involve the pledging of cash collateral. The amounts of cash collateral receivable or repayable are included in note 10.

**26. Related party transactions****(a) The Company had the following related party transactions**

The Company has the following transactions with related parties which include parent companies and fellow subsidiaries in the normal course of business.

(i) *Loan due from parent company*

The loan accrues interest at 12 month LIBOR plus a credit margin, currently at 195 basis points, with settlement to be received in cash at maturity in December 2042. The credit margin is reset every 5 years, and was reset on 31 December 2017. This follows a fair value assessment of the credit risk of Aviva Group Holdings Limited and the terms and conditions of the loan agreement. The reference rate within the loan agreement will be revised during 2021 in line

**Notes to the financial statements (continued)**

of the cessation of the LIBOR interest rate benchmark. As at 31 December 2020, the loan balance outstanding was £200 million (2019: £200 million). This facility has been secured by a legal charge against the ordinary share capital of Aviva Insurance Limited.

	2020	2019
	£m	£m
Over 5 years	200	200
	200	200
Effective interest rate	2.93%	3.12%

*(ii) Quota share reinsurance arrangements*

The Company has quota share reinsurance arrangements with fellow Group subsidiaries as follows:

- Aviva Insurance Limited (AIL) which transacts general and health insurance business, to reinsure 50% of its insurance liabilities;
- Aviva Assurances (FGL) a Group subsidiary incorporated in France which transacts general and health insurance business, to reinsure 50% of its insurance liabilities;
- Aviva Life & Pensions UK Limited (UK L&P) which transacts investment and long term insurance business, to reinsure 30% of the liabilities in its non-profit sub-fund (NPSF); and
- Aviva Insurance Company of Canada, Aviva General Insurance Company, Traders General Insurance Company, Scottish & York Insurance Co. Limited, Elite Insurance Company, S&Y Insurance Company and Pilot Insurance Company ("CGI"), being the subsidiary companies comprising the general insurance business of Aviva Canada, to reinsure 25% of its insurance liabilities.

On 26 June 2020 the Company amended its existing quota share reinsurance treaties with UK L&P, with the amendment backdated to 1 January 2020. The amended reinsurance treaty covers 30% of the existing liabilities and future business written in UK L&P's NPSF.

As part of these arrangements, funds in respect of premiums due from the cedants are withheld and this has been reflected in the statement of financial position within receivables and other financial assets (note 10).

	Note	2020	2020	2019	2019
		Life insurance	General insurance	Life insurance	General insurance
		£m	£m	£m	£m
Reinsurance premiums earned	2	6,897	3,940	5,435	4,975
Interest and similar income		3,490	57	6,155	244
Other income		—	18	—	4
Claims and benefits paid	3	(3,682)	(2,302)	(3,721)	(2,906)
Change in insurance liabilities		(7,323)	(263)	(6,146)	(873)
Fee and commission expense		(403)	(1,350)	(743)	(1,215)
<b>Total</b>		<b>(1,021)</b>	<b>100</b>	<b>980</b>	<b>229</b>

Statement of financial position	Note	2020	2020	2019	2019
		Life insurance	General insurance	Life insurance	General insurance
		£m	£m	£m	£m
Deposits with ceding undertakings	10	61,973	5,803	56,046	5,342
Deferred acquisition costs	11	78	401	61	400
Insurance liabilities		(60,509)	(5,989)	(53,186)	(5,613)

*(iii) Other transactions*

The Company receives interest income from, and pays dividends to its parent company in the normal course of business. These activities are reflected in the tables below.

**Notes to the financial statements (continued)***Services provided to related parties*

	2020		2019	
	Income earned in the year	Receivable at year end	Income earned in the year	Receivable at year end
	£m	£m	£m	£m
Immediate Parent	6	6	6	6
Other Aviva Group companies	—	2	—	10
	6	8	6	16

The interest receivable from the Company's immediate parent of £6 million (2019: £6 million) relates to interest on a loan of £200 million (2019: £200 million), as explained in note 26(a)(i). The related party receivables are not secured and no guarantees were received in respect thereof. The receivables will be settled in accordance with normal credit terms.

*Services provided and expenses recharged by related parties*

	2020		2019	
	Services provided/ expenses recharged £m	Payable at year end £m	Services provided/ expenses recharged £m	Payable at year end £m
Other Aviva Group companies	9	1	8	1
	9	1	8	1

Services provided include £9 million (2019: £8 million) inter company management fees payable to fellow subsidiaries of the Aviva Group. Expenses incurred includes £9 million (2019: £9 million) relating to staff, facilities and other service charges from Aviva Central Services UK Limited. The remaining (£1) million for 2019 related to a rebate of investment management fees overcharged to the Company by Aviva Investors Global Services Limited, arising from the management of the Company's investments. The related party payables are not secured, and will be settled in accordance with normal credit terms.

*Dividends paid*

Interim ordinary dividends totalling £515 million (2019: £190 million) on the Company's ordinary shares were declared and settled during 2020.

*Capital support letter*

During the year, the Company received a letter of intention from Aviva Group Holdings Limited to provide capital support to the Company in respect of the potential impact of COVID-19 uncertainties as a result of the treaty amendments with UK L&P, subject to certain conditions. The support was limited to the extent of any incremental adverse impacts on the Company from the treaty amendments and was available in the event that the Company's capital surplus fell below its target range at 31 December 2020. No such support was ultimately necessary.

**(b) Key management compensation**

The total compensation to those employees, including relevant directors, classified as key management, being those having authority and responsibility for planning, directing and controlling the activities of the Company, is as follows:

	2020	2019
	£'000	£'000
Aggregate emoluments	1,210	1,145
	1,210	1,145

Key management personnel of the Company may from time to time purchase insurance, savings, asset management or annuity products marketed by the Group companies on equivalent terms to those available to all employees of the Group. In 2020 and 2019, such transactions with key management personnel were not deemed to be significant either by size or in the context of their individual positions.

**(c) Parent entity**

The immediate parent undertaking is Aviva Group Holdings Limited, registered in the United Kingdom.

**(d) Ultimate controlling entity**

The ultimate controlling entity, and parent of the largest and smallest groups which consolidate the results of the Company, is Aviva plc. Its Group Financial Statements are available on application to the Group Company Secretary, Aviva plc, St Helen's, 1 Undershaft, London EC3P 3DQ, and on the Aviva plc website at [www.aviva.com](http://www.aviva.com).