



NAB and Aviva join forces

The combined NAB/MLC and Aviva Australia creates the largest platform provider in the country and a new leader in retail life insurance. writes MICHELLE BALTAZAR and RUTH LIEW.

NAB's acquisition of Aviva Australia's Navigator business creates the largest platform provider in the country with \$69 billion in funds under management and more than 2,900 advisers using its services.

NAB, which announced it had agreed to purchase Aviva Australia's Navigator platform and insurance operations last month, is expected to fork out \$825 million for the deal.

Currently NAB/MLC is number four on the charts with six licensees for 1,414 advisers or 11 per cent of the adviser market and \$34 billion in funds under advice, Rainmaker Information data shows.

Aviva, including its Professional Investment Services holding, sits at number five with five licensees and 1,538 advisers (12 per cent) and \$16 billion in funds under advice. The firm also has stakes in Meritum Financial Group, Financial Technology Securities, Infocus Wealth Management and AG Private Advisory.

Putting the two firms together would place the combined entity at the top with 2,952 advisers for 23 per cent of the market and \$50 billion in funds under advice.

AMP, the firms' nearest rival would by comparison have 1,688 advisers and \$45 billion in funds under advice.

Mark Johnston, principal of Investment Trends, said that depending on attrition through the integration process, the combined entity could end up being the second or third largest player in the platform market based on primary adviser relationships.

"If you combine Navigator with MasterKey and MasterKey Custom, as of the end of last year, around 16 per cent of planners said one of those products was their main transaction engine for their business," said Johnston.

The acquisition will also place the joint entity at the top of the platform league. NAB/MLC is already number one with 16 per cent of market share and \$52 billion in funds under management, according to Rainmaker.

Aviva currently sits at number eight with 5 per cent market share and \$17 billion. Combining the two would create a firm with 21 per cent market share and \$69 billion in funds under advice.

The result is a new entity that would be the overwhelmingly

lead player in the market, with market share of about twice its nearest rivals.

The new group could also potentially come to market with 11 sub-brands, in turn strengthening competition in the platform market.

Insurance shake-up

Meanwhile, the combined entity will also create a life insurance provider with the largest total risk premium inflows and one that claims a 15.5 per cent share of the market – usurping CommInsure's top spot in the category.

Figures from Plan for Life note that for the 2008 calendar year, NAB/MLC Group garnered 12 per cent of market share for total risk premium inflows, while Aviva snagged 3.5 per cent of the sector.

Combined, the two firms would have reported nearly a 16 per cent market share compared with CommInsure Group's 14.7 per cent.

Simon Solomon, managing director of Plan for Life, said this development could have an "unfortunate effect" on competition.

"[Navigator] played in the non-aligned adviser space, where



MLC haven't really had a great deal of success.

"Most of the MLC business would have come from closely aligned dealer groups ... so what it gives [them] is the opportunity to move into that space," said Solomon.

PIS is not part of sale

The deal will also have a ground shifting effect in the planning world.

The group later confirmed that Aviva Australia's more than 20 per cent stake in Professional Investment Services (PIS) was not part of the acquisition.

The deal gives PIS the opportunity to consider buying back the stake from Aviva, or opt for a change in ownership structure should Aviva elect to sell the stake.

Meanwhile, planners who use the Navigator platform will not be asked to change their remuneration policy, said NAB group executive wealth Australia Steve Tucker.

Tucker also confirmed that the Navigator brand will be retained for now despite the sale.

Flow on effects

But while it's business as usual



at Navigator for the time being, the deal raises questions on the future revenue flows of Aviva Investors Australia, the local fund management business excluded from the deal.

Grant Kennaway, head of research at Lonsec, said the firm is maintaining its recommendations on Aviva Investors' Australian equities products.

"We don't expect significant changes to their Australian equities capability. The ratings are unchanged because I think those capabilities are going to be protected but we're certainly going to talk with Aviva to get an update," said Kennaway. ●