

ISSUED 01 AUGUST 2019

PROVIDER SECTOR
InvestAcc

FINANCIAL STRENGTH ASSESSMENT

Analysis by **AKG Financial Analytics Ltd**
Accessible • Comparative • Independent

AKG



ABOUT THIS FINANCIAL STRENGTH ASSESSMENT

This AKG report and the analysis and ratings contained within it provide assessment of financial strength and associated considerations. Financial Strength is focused on the ability of a company to deliver ongoing operational capability in the interest of its customers and in line with their fairly held expectations. AKG's perspective in the assessment of financial strength is wholly that of a customer of a product or service. From that foundation, this analysis is specifically designed to inform financial advisers and assist in their required understanding of a company's operational financial strength.

Given the underlying customer perspective, the financial strength of companies needs to be focused at an operational level (i.e. the elements and functions of an organisation which operate to specifically deliver and manage a proposition or service to the customer), specifically on the company that is effecting the product or service that a customer is selecting. This is important, because from the customer's perspective it is that company that needs to survive in a form that maintains the requisite operational characteristics to meet their fairly held requirements. And it is thus at this level that the selection needs of the customers' advisers must be met. This contrasts to credit rating, which will be undertaken at group or parent company level where investment or debt placement etc. is made.

Further details on how analysis is undertaken is provided at the end of this report and may also be obtained from AKG.



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Rating & Assessment Commentary



RATINGS

Overall Financial Strength



Additional Financial Strength and Supporting Ratings

| | Non Profit Financial Strength | Unit Linked Financial Strength | With Profits Financial Strength | Service | Image & Strategy | Business Performance |
|--------------------------------------|-------------------------------------|--------------------------------------|---------------------------------------|---------|---------------------|-------------------------|
| InvestAcc Pension Administration Ltd | ■ | ■ | ■ | ★★★★★ | ★★★★★ | ★★★★★ |



SUMMARY

- InvestAcc, whilst smaller than some of its competitors, demonstrates continued financial and customer growth
- A positive trading performance over the past few years and satisfactory level of capital adequacy under the latest regulatory requirements
- A well capitalised position provides opportunities to pursue the current strategic approach for managed organic development and consistency, but also acquisitions or investments should the right fit present itself, to optimise capital which has been built up
- Benefits from close owner-managed attention and a demonstrable focus on governance and regulatory requirements
- InvestAcc is receiving good recognition both for its service and proposition



COMMENTARY

Financial Strength Ratings

InvestAcc Pension Administration Ltd

InvestAcc has been in the SIPP market since 2003, and InvestAcc Pension Administration Ltd (IPAL) was set up specifically to operate the SIPPs from 2010 within the widening group. Revenue and profit streams have been building in the SIPP business since then, and credibility continues to improve.

IPAL has continued to generate consistent levels of profit, and revenue was up by 18% in 2018 [2017: 20%]. Although expenses reported as increasing by 18%, IPAL was in a position to pay a dividend of £450k [2017: £425k].

The company is relatively small in comparison to peers, but has a consistent and positive trading performance since 2011 and a satisfactory level of capital adequacy, in addition to its increasing level of recognition in the market.

Overall IPAL remains a fairly small but stable business; reasonable profits have been retained, and shareholder funds have grown in the short trading history, standing at around £2.1m at the end of October 2018. Funds are largely held as cash

balances, £2.2m was held as at October 2018, and there is no significant external borrowing. The balancing amount of £0.1m relates to creditors. Capital adequacy is strong at 220% at that date and projected to be maintained in excess of 200% going forward.

The group of which IPAL is part is not significantly larger, with the wealth management business slightly smaller than the pensions administration business in terms of revenue and profit contribution.

The group is owned by private individuals, which potentially limits its access to further financial resources. However, the group's deliberately cautious approach to growth and close attention to regulatory and other environmental changes act as mitigating factors in this respect.

Service Rating

The company reports its service delivery achievement on a rolling 12 month basis and as at July 2019 was maintaining a high (99.8%) level of work completed within published service standards, underpinned by high internal service expectations.

The quality of its service as a pensions provider has also been recognised more widely in industry awards and InvestAcc compares favourably alongside larger competitors in terms of intermediary recognition.

Headline recognition in 2018 was manifest in the company topping the Financial Adviser Service Awards' Life & Pensions category for a second successive year, and Investment, Life & Pensions Moneyfacts Awards' Best SIPP provider for a third successive year.

Image & Strategy Rating

As a smaller pensions administrator, InvestAcc has not previously had as strong a brand or as wide exposure as some other SIPP providers, but since late 2016 has sought to improve this, employing some public relations expertise to support its own marketing push. Further initiatives include developing prominence within internet search engine results, which may increase brand awareness.

The directors and senior management have a strong focus on the direction and impact of increased regulation in the market.

Future strategy at a corporate level is centred on organic growth on a closely managed basis, strictly within the firm's own cash resources and with a robust approach to complementary resource development in order to maintain service excellence as scale increases.

Business Performance Rating

The pensions administration business again made good progress against plan, supported by some specific marketing / public relations strategies and continued excellent service provision as highlighted above.

In response to regulatory change in 2016, IPAL focused on generating cash and increasing shareholder funds, and has continued to follow this strategy to ensure an adequate level of capital and liquidity is maintained.

Consolidated financial performance for the group in the year to October 2018 reflects the pension administration business and independent financial advisory, with combined revenue of £5.9m up 11% on 2018 and profit after tax up by 28% to £1.4m (out of which £0.8m in dividends were paid). The group's shareholder funds grew from £2.8m to £3.4m as at October 2018.

InvestAcc reports continued growth for IPAL into 2019, with turnover in the first 6 months to 30 April 2019 up by 18% to £1.6m compared with the same period in 2018. InvestAcc Wealth Management Ltd (IWML) turnover reduced by 14% to £1.5m during the same period.

Group & Parental Context



BACKGROUND

InvestAcc began life in 1992 when DHC Brokers Ltd (DHC) was established in Cockermouth to meet the broader client needs of a Cumbrian accountancy practice, offering specialist independent financial planning. This developed into advice in pensions, tax-efficient investments and life assurance to individuals and businesses, and the company name was changed from DHC to InvestAcc Ltd (IL) in October 2000. Around this time the business relocated to Carlisle and also successfully gained HMRC Pensioner Trustee status. By 2001/2002 the business had evolved beyond its accountancy practice context and was operating mainly in financial planning and the management of SSAS schemes. It developed its first SIPP product when it entered into a joint venture with Newcastle Building Society and launched the Minerva SIPP in 2003.

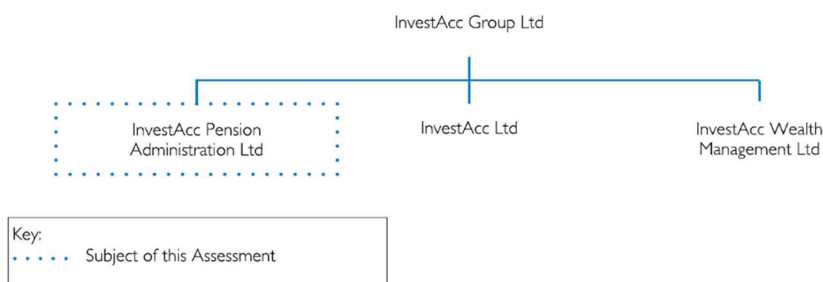
In 2010 the current group structure was established. Up to this point all the business (except trustee services) was run through IL, and a strategic decision to separate the pension business led to the establishment in 2010 of IPAL. InvestAcc Wealth Management Ltd (IWML) providing wealth management services was also formed alongside IPAL and the existing IL company, with InvestAcc Group Ltd (IGL) introduced as a group holding company. IL continues to provide compliance services to intermediaries.

The group is privately owned by directors and certain senior employees. Its headquarters is in Carlisle, with a further office in Tees Valley and Business Development Managers (BDMs) in the South West and North East providing UK-wide coverage. The business is controlled by Nick Gardner (NG) and his wife A Gardner with just under a 50% share-holding each of the voting shares in issue. NG is a founder member of DHC, having previously worked for a large provincial accountancy practice and a national pension provider specialising in the self invested pension market, and is now Managing Director of the InvestAcc Group.

Renamed from DHC Pension Trustees Ltd in 2003, InvestAcc Pension Trustees Ltd (IPT) is the trustee of the SIPP schemes, holding the assets, and acts as Professional Trustee and Scheme Administrator for the SSAS. IPT operates as a separate entity albeit owned directly by NG.



GROUP STRUCTURE (SIMPLIFIED)



Company Analysis: InvestAcc Pension Administration Ltd



BASIC INFORMATION

Company Type

Non-insured SIPP Operator

Ownership & Control

IPAL is wholly owned by InvestAcc Group Ltd. Mr & Mrs N Gardner together hold 99% of the share capital and voting rights of IGL and are jointly considered to be the controlling party.

Year Established

2010

Country of Registration

UK

Head Office

Minerva House, Port Road Business Park, Carlisle, Cumbria CA2 7AF

Contact

www.investaccpensions.co.uk/contact

Key Personnel

| Role | Name |
|--------------------------------------|-------------|
| Managing Director | N E Gardner |
| Finance Director & Company Secretary | J K Barnes |
| Director | G Mirfin |
| Sales & Marketing Director | N T Bennett |
| Compliance Manager | J D Targett |
| Pensions Manager | G Duguid |
| SSAS Manager | S Beattie |

Company Background

InvestAcc Pension Administration Ltd (IPAL) is a wholly owned subsidiary of InvestAcc Group Ltd. IPAL was incorporated in 2010 and is a specialist SIPP and SSAS provider, working with authorised intermediaries throughout the UK. It is regulated by the FCA with permission to provide regulated products and services but not to hold client money.

The SSAS business was formed in 1997, and in 2003 the Minerva SIPP was launched. The Flexi SIPP was launched in November 2011, and SIPP Lite has been available since July 2012.

For SIPPs, investments are held in trust by a separate company, InvestAcc Pension Trustees Limited (IPT), along with the SIPP member as co-trustee. IPT is a non-trading company, owned by N Gardner.

IPAL employed an average of 41 people in the year ended 31 October 2018 [2017: 36].



OPERATIONS

Governance System and Structure

A comprehensive Compliance and Business Risk Management plan is produced and maintained detailing the governance of the pensions administration business. The plan includes rules and guidelines to be followed by all employees of IPAL to ensure that compliance with the terms of the Financial Services & Markets Act 2000 and accordance with the FCA's high level principles is maintained. Three individuals have specific compliance responsibilities within IPAL. The Compliance Officer (also the Managing Director of IPAL) has ultimate responsibility for ensuring compliance with FCA regulations.

An annual report is produced by the Compliance Manager as a review of the previous year, which confirms any remedial action taken and amendments to future compliance plans. This is submitted to the Board of Directors who have ultimate responsibility for risk management and governance of the business.

A new Quality Audit Manager role has been created. Working under the Compliance function, the role is expected to play a further key part in ensuring quality is maintained across the company.

Risk Management

Consumer protection is where IPAL sees its primary adherence to FCA objectives is, alongside the potential threat of money laundering, and the financing of terrorism. These and other business risks are well considered within the Compliance and Business Risk Management Plan, which details the procedures to be taken in respect of each risk activity and the regularity of review, which ranges from annually to monthly, with some aspects ongoing, undertaken on a daily basis.

A disaster recovery and business continuity plan is active and reviewed annually.

Administration

Service is provided to advisers and scheme clients from the company's offices in Carlisle. Over the last 12 months InvestAcc has continued to invest in people and processes, to meet the demand of customers and their advisers. It has added new members to the team, introduced new processes and refined existing ones over the last few years.

To support a growing footprint in the broader adviser market, including positioning with some larger firms, the telephony team in particular has seen growth. This is ongoing and also now has a dedicated team leader.

InvestAcc made new online services available such as an online application facility for advisers in June 2016, and added an upgrade to the illustration system in August 2016. Development of all the systems continues with a view to achieving straight through processing (STP). The online view is provided by Delta Financial Systems Ltd (Delta). Some further re-platforming is expected to improve capacity and STP ability but until the proven benefits of upgrading are clear, the business takes the approach of using tried and tested technology so as not to put continuity at risk.

InvestAcc moved its banking to Metro Bank in line with, and to further support, its growth in scale and reports that the relationship is already delivering efficiencies.

Benchmarks

InvestAcc publishes details of its service standards online alongside a monthly service report showing how the standards have been attained. Internally, standards are set very high and are not therefore always fully met, but this clearly has helped external results and led to a high level of consistency across the latest rolling 12 month period.

For the second year running InvestAcc was the overall winner of the Life & Pensions category of the 2018 Financial Adviser Service Awards and was awarded 5 stars for service in this category.

InvestAcc has also had considerable success and recognition for service at the annual Investment Life & Pensions Moneyfacts Awards. It was voted Best SIPP Provider in 2018 for the third year running, having been a finalist in 2015, 2014 and 2013 and a finalist in the Best SSAS Provider category, having been 'Commended' in 2016, 2015 and 2014. InvestAcc was also 'Highly Commended' in the Best Pension Service category in 2018 and 2017, having been a finalist in 2016. In 2017 InvestAcc was a finalist for Service Beyond the Call of Duty, being 'Commended' in 2016 and 'Highly Commended' in 2015.

Additionally, InvestAcc was 'Highly Commended' for the 2019 Money Marketing Awards in the category of 'Best SIPP Provider' and shortlisted for 'Company of the Year'.

Outsourcing

IT support is provided by Delta as noted above, an established provider of pensions and retirement administration technology for the financial services industry. Delta is an Associate Member of the Association of Member-Directed Pension Schemes (AMPS) and cites its clients to include HSBC and Legal & General, claiming its technology helps administer one in three of every SIPP and SSAS in the UK, worth £47bn for 175,000 members.

Apart from some specific compliance-related activity on an ad-hoc basis to supplement and review the internal processes, no other significant outsourcing is undertaken.



STRATEGY

Market Positioning

IPAL focuses on distribution through a range of intermediated channels with some ancillary direct capability. Servicing and developing its products via intermediaries is a key component of this distribution model. New business is sought predominantly from adviser intermediaries, although the Minerva SIPP and SIPP Lite can also be accessed by investors directly or via other intermediaries. IPAL also targets directly the likes of large regionals, accountancy linked and chartered firms, which it sees its service and expertise best placed to support.

Links to Discretionary Fund Managers (DFMs) are also an important and growing route to market, as is the addition of the company to national intermediary panels such as Intrinsic. Also to further promote the business to a wider audience some trials of digital advertising have been undertaken, with some positive initial results.

New business levels overall have been reported to be increasing, with existing product lines showing year on year improvements and, since the appointment of a new BDM in the South West region in March 2015, significantly higher new business levels for that region. Further BDM recruitment is also being considered.

InvestAcc is also exploring industry technology platforms to further support and give increased access options to advisers.

From an adviser and client perspective a wide range of investments options are permitted. These include the relative USP that the business enjoys with commercial property and land. As previously stated, non-standard assets have been managed down to a very low level, in line with regulatory and market developments and the organisation pays close attention to the changing environment.

Whilst cognisant of the potential reputational issues for SIPPs current in the wider market, the business is yet to experience any significant administrative pressure from this and its means of operating with active advisory firms is a mitigant.

Proposition

The directors consider the genesis and development of the business to have been different from that of most similar firms. This has influenced the current business in that it operates in a niche area and is able to differentiate itself by supporting investment in assets, such as commercial property, which many others do not.

InvestAcc has been able to maintain a relatively low cost base to support its operations and promote propositions that remain cost competitive, whilst delivering high service levels and support.

The Minerva SIPP is operated by IPAL and was launched in 2003 to offer a 'more flexible approach to retirement planning, together with an efficient and personal service'. The scheme allows a wide choice of investment including Commercial Property and Land (which can be held on an individual or group basis, with or without borrowing), Unit Trusts and OEICs, and individual Stocks, Shares and ETFs. Any combination of permitted investments may be made within a Minerva SIPP, with all choices held together within the same SIPP.

The InvestAcc SIPP Lite is a lower cost option, for those that do not require multiple investment accounts, or wish to invest in commercial property and land at outset. It is aimed at people who want to make investments that a personal pension will not allow but who only want to hold one single investment, in addition to the mandated SIPP bank account.

This investment account could be another bank account or one of the following: Stockbroker account, DFM, open market Platform/Wrap account or a Trustee Investment Plan. For individuals that require additional investments at a later date, such as commercial property and land, they can upgrade their SIPP Lite plan to a Minerva SIPP.

InvestAcc SSAS is offered for business owners who want to run their pension affairs alongside the business, taking advantage of SSAS legislation.



KEY COMPANY FINANCIAL DATA

Last 3 reporting periods up to 31 October 2018

Capital Resources Disclosures

| | Oct 16 £m | Oct 17 £m | Oct 18 £m |
|-------------------------------------|--------------|--------------|--------------|
| Available capital resources | 1.4 | 1.7 | 2.0 |
| Capital resources requirement (CRR) | 0.7 | 0.8 | 0.9 |
| Excess capital resources | 0.7 | 0.9 | 1.1 |
| CRR coverage ratio (%) | 198 | 213 | 220 |

As at 30 April 2019, IPAL reported it had Tier I capital (own funds) of £2.4m set against a total capital requirement of £1.0m. It therefore exceeded the current regulatory minimum capital adequacy requirement at 253% and forecasts that this will be maintained going forward.

As part of IGL, IPAL states it benefits from access to further capital, should it be required, from the group.

IPAL also states it holds limited non-standard assets in its SIPPs and that these continued to be managed down to reduce the impact of the new base solvency requirements in effect since September 2016 and now account for just over 1% of its total book.

At the same time, IWML had liquid capital of £611k against a capital requirement of £126k, giving a coverage of 486% and IL had liquid capital of £173k against a capital requirement of £82k, leading to a coverage of 237%.

Statement of Financial Position

| | Oct 16 £m | Oct 17 £m | Oct 18 £m |
|-----------------------|--------------|--------------|--------------|
| Assets | 1.7 | 1.9 | 2.4 |
| Current liabilities | (0.2) | (0.2) | (0.3) |
| Long-term liabilities | 0.0 | 0.0 | 0.0 |
| Net assets | 1.5 | 1.7 | 2.1 |

Statement of Changes in Equity

| | Oct 16 £m | Oct 17 £m | Oct 18 £m |
|----------------------------------|--------------|--------------|--------------|
| Equity at start of period | 1.2 | 1.5 | 1.7 |
| Movement due to: | | | |
| Share capital and premium | 0.0 | 0.0 | 0.0 |
| Retained earnings | 0.3 | 0.2 | 0.4 |
| Other | 0.0 | 0.0 | 0.0 |
| Equity at end of period | 1.5 | 1.7 | 2.1 |

Profit of £0.4m was retained, notwithstanding another increase in dividends, and the balance sheet improved with shareholders' funds increasing to £2.1m [2017: £1.7m]. The most significant balance sheet asset remains to be cash, standing at £2.2m as at 31 October 2018, with the balancing figure of £0.1m relating to creditors.

Income Statement

| | Oct 16 £m | Oct 17 £m | Oct 18 £m |
|--------------------------------------|--------------|--------------|--------------|
| Revenue | 1.8 | 2.2 | 2.6 |
| Other operating income | 0.0 | 0.0 | 0.0 |
| Operating expenses | (1.1) | (1.3) | (1.6) |
| Operating profit (loss) | 0.7 | 0.8 | 1.0 |
| Other gains (losses) | 0.0 | 0.0 | 0.0 |
| Profit (loss) before taxation | 0.7 | 0.8 | 1.0 |
| Taxation | (0.1) | (0.2) | (0.2) |
| Profit (loss) after taxation | 0.6 | 0.7 | 0.8 |
| Other comprehensive income | 0.0 | 0.0 | 0.0 |
| Dividends | (0.3) | (0.4) | (0.5) |
| Retained profit (loss) | 0.3 | 0.2 | 0.4 |

Financial Ratios

| | Oct 16 % | Oct 17 % | Oct 18 % |
|----------------------------------|-------------|-------------|-------------|
| Operating margin | 39 | 38 | 38 |
| Pre-tax profit margin | 39 | 38 | 39 |
| Employee costs as a % of revenue | 36 | 36 | 36 |

Trading was again positive with turnover up by 18% in the year, to £2.6m [2017: £2.2m]. Expenses excluding cost of sales increased by 14%, from £1.3m to £1.6m so profit margins were consistent across all measures. The most significant element of costs relates to staff costs for employees (excluding directors) which increased by 18% (from £780k to £912k).

Dividends again increased to £450k [2017: £425k].

Statement of Cash Flows

| | Oct 16 £m | Oct 17 £m | Oct 18 £m |
|---|--------------|--------------|--------------|
| Net cash generated from operating activities | 0.3 | 0.2 | 0.5 |
| Net cash used in investing activities | 0.0 | 0.0 | 0.0 |
| Net cash used in financing activities | 0.0 | 0.0 | 0.0 |
| Net increase (decrease) in cash and cash equivalents | 0.3 | 0.2 | 0.5 |
| Cash and cash equivalents at end of period | 1.5 | 1.7 | 2.2 |

Assets under Administration (AuA)

| | Oct 16 £m | Oct 17 £m | Oct 18 £m |
|---------------------------------|--------------|----------------|----------------|
| Assets at start of period | 491.0 | 644.0 | 1,050.0 |
| Inflows | 131.0 | 361.0 | 323.6 |
| Outflows | (25.0) | (39.0) | (29.9) |
| Net market and other movement | 47.0 | 84.0 | 57.3 |
| Assets at end of period | 644.0 | 1,050.0 | 1,401.0 |
| Growth rate (%) | 31 | 63 | 33 |
| Net inflows as % of opening AuA | 22 | 50 | 28 |

Cash in excess of dividends was again generated in the year.

The AuA table above reflects SIPP's only (i.e. not SSASs), which increased by 33% in 2018.

The InvestAcc group provides administration and trustee services to over 6,000 people in the UK, with assets under administration in excess of £1.8bn as at 30 April 2019, representing 5,200 SIPP's and 800 SSASs, accounting for £1.6bn and £262m of assets under administration respectively.

Guide



INTRODUCTION

For over 20 years AKG has particularly focused on the financial strength requirements of financial advisers, who when acting on behalf of their clients, need to ascertain a company's ability to deliver sustained provision.

From this customer perspective, the financial strength of companies needs to be focused at an operational level, specifically on the company that is effecting the product or service that a customer is selecting. This is important, because from the customer's perspective it is that company (not some higher corporate entity) that needs to survive in a form that maintains the requisite operational characteristics to meet their fairly held requirements. And it is thus at this level that the selection needs of the customers' advisers must be met.

It is also important to understand the sector approach (comparative peer groups) that is adopted in financial strength assessment and rating process.

At AKG, this is again driven by the end customer perspective and the fact that assessment is designed solely for this purpose, i.e. as a component in helping customers' advisers to select between comparable companies competing to deliver relevant products or services.

AKG's focus and approach has remained consistent over the years since it commenced assessment and rating support for the market. However, coverage, format and presentation has rightly evolved over this period, in line with the needs and expectations of assessment and rating users in the market. And AKG considers further changes on a continual basis.

Further details including an explanation of what is included in the assessment reports and coverage can be found online at <https://www.akg.co.uk/information/reports/provider>.

AKG's process for assessment and rating is to use a balanced scorecard of measures and comparative information, relevant to the companies contained within each peer group. This is gathered via Public Information only for non-participatory assessments and public information plus company interactions with companies for participatory assessments. Further details on AKG's process can be found at <https://www.akg.co.uk/information/reports>.

This includes further information on the different participatory and non-participatory basis and for companies wishing to learn more about participatory assessment AKG is pleased to outline this and welcomes contact.

This is a participatory assessment.



RATING DEFINITIONS

Overall Financial Strength Rating

The objective is to provide a simple indication of the general financial strength of a company from the perspective of those financial advisers who when acting on behalf of their clients need to ascertain a company's ability to deliver sustained operational provision of products or services.

The overall rating inherently reflects the mix of business within the company, since different types of customer or policyholder have different requirements and expectations, and the company may have particular strengths and weaknesses in respect of its key product or service areas. However, it also takes account of comparison across the sector in which it is assessed.

The rating takes into account those of the following criteria which are relevant (depending upon the company's mix of business in-force): capital and asset position, expense position and profitability, structure (and size) of funds within the company, parental strength (and likely attitude towards supporting the company), operational capability, management

strength and capability, strategic position and rationale, brand and image, typical fund performance achievements or product / service features, its operating environment and ability to withstand external forces.

| Rating Scale | A | B+ | B | B- | C | D | ■ |
|--------------|----------|-------------|--------|--------------|------|-----------|----------------|
| | Superior | Very Strong | Strong | Satisfactory | Weak | Very Weak | Not applicable |

With Profits Financial Strength Rating

The objective is to provide a simple indication of the with profits financial strength of a company, where it currently offers with profits business or has existing with profits business within it.

This is from the perspective of those financial advisers who when acting on behalf of their clients, for this product type, need to ascertain a company's ability to deliver sustained operational provision of with profits funds, products or propositions. Its comparison is with other companies within the assessment sector that offer or have with profits business.

The main criteria taken into account are: capital and asset position, expense position and profitability, the amount of with profits business in-force, parental strength (and likely attitude towards supporting the company), and image and strategy.

NOTE: More detailed analysis of with profits companies is included in AKG's UK Life Office With Profits Reports.

| Rating Scale | ★★★★★ | ★★★★ | ★★★ | ★★ | ★ | ■ |
|--------------|-----------|-----------|------|----------|------|-----------|
| | Excellent | Very Good | Good | Adequate | Poor | Not Rated |

Unit Linked Financial Strength Rating

The objective is to provide a simple indication of the unit linked financial strength of a company, where it currently offers unit linked business or has existing unit linked business within it. This is from the perspective of those financial advisers who when acting on behalf of their clients, for this product type, need to ascertain a company's ability to deliver sustained operational provision of unit linked products or propositions. Its comparison is with other companies within the assessment sector that offer or have unit linked business.

The main criteria taken into account are: capital and asset position, expense position and profitability, structure (and size) of funds within the company, parental strength (and likely attitude towards supporting the company), operational capability, management strength and capability, strategic position and rationale, brand and image, typical fund performance achievements or product / service features, its operating environment and ability to withstand external forces.

| Rating Scale | ★★★★★ | ★★★★ | ★★★ | ★★ | ★ | ■ |
|--------------|-----------|-----------|------|----------|------|-----------|
| | Excellent | Very Good | Good | Adequate | Poor | Not Rated |

Non Profit Financial Strength Rating

The objective is to provide a simple indication of the non profit financial strength of a company, where it currently offers or has existing products and propositions such as term assurance and annuities. This focuses on the company's ability to deliver sustained operational provision of such non profit products or propositions. Its comparison is with other companies within the assessment sector that offer or have non profit business.

The main criteria taken into account are: capital and asset position, expense position and profitability, structure (and size) of funds within the company, parental strength (and likely attitude towards supporting the company), operational capability, management strength and capability, strategic position and rationale, brand and image, product / service features, its operating environment and ability to withstand external forces.

| Rating Scale | ★★★★★ | ★★★★ | ★★★ | ★★ | ★ | ☐ |
|--------------|-----------|-----------|------|----------|------|-----------|
| | Excellent | Very Good | Good | Adequate | Poor | Not Rated |

Service Rating

The objective is to assess the quality of the organisation's service to the intermediary market in respect of the brand concerned.

Criteria taken into account include: performance in surveys, awards and benchmarking exercises (external and internal), the organisation's philosophy, service charters, the extent of investments designed to improve service, and feedback from intermediaries.

| Rating Scale | ★★★★★ | ★★★★ | ★★★ | ★★ | ★ | ☐ |
|--------------|-----------|-----------|------|----------|------|-----------|
| | Excellent | Very Good | Good | Adequate | Poor | Not Rated |

Image & Strategy Rating

The objective is to assess the effectiveness of the means by which the organisation currently positions itself to distribute its products for the brand concerned and the plans it has to maintain and/or develop its position.

Criteria taken into account include: overall trends in the company's market share position, brand visibility and reputation, feedback from intermediaries and industry commentators, and AKG's view of the company's general strategy.

| Rating Scale | ★★★★★ | ★★★★ | ★★★ | ★★ | ★ | ☐ |
|--------------|-----------|-----------|------|----------|------|-----------|
| | Excellent | Very Good | Good | Adequate | Poor | Not Rated |

Business Performance Rating

This review is an assessment of how the company and the brand has fared against its peers, and how it is perceived externally. Effectively this is how it has performed recently in the market. Whilst it will include performance indicators from the most recent available statutory reporting (report and accounts and SFCRs in the case of insurance companies, for example) it will also draw on other recent key performance elements before and after such disclosure, up to the point at which the assessment is undertaken.

Criteria taken into account include: increase/decrease in market shares, expense containment, publicity good or bad, press or market commentary, regulatory fines, and competitive position.

| Rating Scale | ★★★★★ | ★★★★ | ★★★ | ★★ | ★ | ☐ |
|--------------|-----------|-----------|------|----------|------|-----------|
| | Excellent | Very Good | Good | Adequate | Poor | Not Rated |



ABOUT AKG

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As the market has evolved over this period, the range of entities considered by AKG has expanded. Consequently, AKG has brought additional skill sets into its operations. This has meant the inclusion of accounting, corporate finance, IT and market intelligence experience, alongside actuarial resources, to deliver an expanded professional capability.

Today AKG's core purpose is in the provision of financial analysis and review services to support the wider financial services sector and its customers.

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