

ISSUED 26 November 2024

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 Pension Administration Ltd (IPAL) has continued to grow its SIPP and SSAS business through 2023 and into 2024, with total AuA increasing to £5.2bn in November 2024, and over 13,000 combined pension scheme members
- Whilst IPAL remains smaller than some of its competitors, the growth in customer numbers and assets and management of costs has led to a positive financial performance and continued capital generation over recent years
- The business improved its cash position again in 2023 and maintained a satisfactory level of capital adequacy under the latest regulatory requirements
- Capital has been built up, at group and IPAL level, through profit being retained in the business, and this provides a secure base to pursue the current strategic approach for managed organic development and consistency
- The business continues to benefit from close owner-managed attention and a demonstrable focus on governance and regulatory requirements
- InvestAcc continues to receive strong recognition both for its service and proposition, regularly winning awards
- The business moved to new premises in 2024, with substantial renovations made since, to meet its ongoing growth needs for the foreseeable future
- In October 2024, InvestAcc Group Ltd (formerly Marwyn Acquisition Company II Ltd) completed the purchase of InvestAcc. No significant deviation from the current strategy and propositional offering is expected, with the new owner also affording an enhanced capability for InvestAcc to pursue M&A opportunities as the platform and the brand



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 the business continues to build on established credibility.

IPAL has continued to generate consistent levels of profit, driven by revenue growth of 28% in 2023, 20% in 2022, 16% in 2021, 9% in 2020, and 18% in 2019. Total expenses in 2023 were up by 26%, resulting in an increase in profit margin in the year. Profit after tax increased to £1.8m and IPAL was in a position to pay a dividend of £0.8m, slightly more than the prior year, and to retain profit of £1.0m [2022: £0.7m].

The company remains relatively small in comparison to some of its peers, but has a very positive track record of trading performance since 2011 and a good level of capital adequacy, in addition to its increasing level of recognition in the market.

Overall IPAL remains a solid business, growing year on year with considerable consistency. Reasonable profits have been retained, and shareholder funds have grown throughout its recent trading history, standing at around £5.2m at the end of October 2023 [2022: £4.2m]. Assets are largely represented by cash balances of £5.1m and there is no significant external borrowing. Capital adequacy is strong at 266% as at 31 October 2023, and projected to be maintained above 250% going forward.

The InvestAcc group continues to grow steadily via both IPAL and the wealth management business, Vesta Wealth Ltd (VWL) which is slightly smaller than the pensions administration business in terms of turnover and profit contribution. Group cash (consolidated) was £7.8m as at October 2023 [2022: £6.7m].

Before the purchase of InvestAcc by acquisition vehicle InvestAcc Group Ltd in October 2024, the business was previously owned by private individuals, potentially limiting its access to further financial resources. The group's deliberately cautious approach to growth and close attention to regulatory and other environmental changes had acted as mitigating factors in this respect. The purchase by MACII is expected to change various aspects of InvestAcc, including access to significantly wider resources.

Service Rating

The company reports its service delivery achievement on a rolling 12 month basis and as at September 2024 was maintaining a significant (>95%) level of work completed within published service standards, underpinned by high internal service expectations. To maintain the high levels of customer service, SIPP staff numbers increased to 85 in 2023 [2022: 76].

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 including, in 2024, winner of Moneyfacts 'Best Pension Service' for the fifth year in a row and winner of 'Best SIPP Provider' for the fifth time, as well as being Highly Commended for 'Service Beyond The Call Of Duty'. In 2023, InvestAcc was awarded 'Most Improved Pensions & Protection Provider' at the Financial Adviser Service Awards. In 2022 InvestAcc was Highly Commended for 'Best SIPP Provider' and 'Best SSAS Provider' at Moneyfacts' awards. It was also Highly Commended in the 'Best SSAS Provider' category in 2021, and Commended in both the 'Best SIPP Provider' and 'Service Beyond The Call Of Duty' categories.

Image & Strategy Rating

InvestAcc has created reasonably wide exposure in the market and continues to improve its brand perception. The business has a key focus on financial advisers for distribution and markets to existing supporters whilst developing relationships with new intermediaries. It seeks to gain panel positions with key firms and develop relationships with DFM partners. It also makes use of general advertising, and has been supported by an external web and digital marketing partner to make better use of website and social media channels.

Some key promotion happens through targeted participation in industry awards, where InvestAcc often performs well against larger, more established SIPP providers, which reflects well on InvestAcc given it is still a relatively small, growing pensions administrator.

The directors and senior management have a strong focus on the direction and impact of increased regulation in the market which is used to support the sales and marketing message.

The group has always been open to the acquisition of books of business, but has had strict views on the quality that these would need to be, such is the desire to retain a minimal exposure to non standard assets. Whilst now under new ownership, the appetite and range of acquisition opportunities might widen. However, there is no indication that the consideration of quality will be compromised, particularly with the retention of the same experienced management.

Business Performance Rating

The pensions administration business again made good progress against plan and achieved further scale milestones with AuA of £4bn and SIPP members exceeding 10,000 as at the October 2023 year end. The business reported more recently combined SIPP and SSAS AuA of £5.2bn and total pension members over 13,000, as at November 2024. High levels of service performance have continued and to maintain these, administration and customer service staff numbers have increased again through 2023 and into 2024.

IPAL is focused on generating cash and increasing shareholder funds as it understands the impact of industry regulatory change on its business; this strategy is to ensure that an adequate level of capital and liquidity is maintained.

In terms of core performance, IPAL demonstrated improvement on the majority of its KPIs with turnover up by 28% to £5.8m, and shareholder funds increasing by 24% to £5.2m after the payment of £0.8m dividend. With SIPP members up by 16% to 10,327 at the year end and SSAS schemes up by 12% to 455, total AuA increased by 16% to £3.99bn. PBT increased to £2.4m [2022: £1.7m], the PBT margin increasing by 2 percentage points to 40%, as the cost base was managed well.

Consolidated financial performance for the group in the year to October 2023 reflects the pension administration business and independent financial advisory business, with combined turnover increasing by 13% to £8.9m [2022: £7.9m], and PBT increasing to £2.92m [2022: £2.91m]. The group's shareholder funds grew from £7.0m to £8.2m as at October 2023, following the payment of a dividend of £1.0m [2022: £1.0m].

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 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 at that point, as a group holding company.

Prior to the acquisition by Marwyn Acquisition Company II Ltd (MACII) in October 2024, there was renaming of companies with IGL renamed as InvestAcc Holdings Ltd (IHL). At the same point MACII was renamed as IGL.

IL continues to provide compliance services to intermediaries.

In 2020 the wealth management business was granted discretionary permissions to launch a range of risk targeted model portfolios and continued to distance from the pensions business, with IWML renamed as Vesta Wealth Ltd and rebranded Vesta Wealth, operating from separate business premises. As at 31 March 2024, Funds under Management were £464m by Vesta, of which £105m were in its own range of risk targeted discretionary managed model portfolios on both a passive and active basis.

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 is a fully owned subsidiary of IHL.

The group is headquartered in Carlisle, with further offices in Tees Valley and Newcastle upon Tyne. Business Development Managers (BDMs) in the South, Central, Scotland, Northern Ireland and North provide UK-wide coverage.

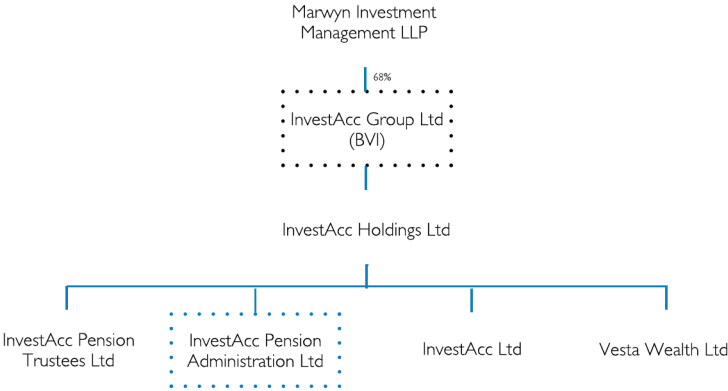
IGL is backed by Marwyn, who have a long track record of investing in businesses across UK, Europe and North America. Founded in 2005, Marwyn uses publicly-listed acquisition vehicles to identify and acquire platform businesses before pursuing buy-and-build strategies to create long-term value.

In July 2024, it was reported that MACII had purchased InvestAcc for £41.5m. MACII's objective is to build the UK's leading specialist pensions administration business, with an initial focus on the SIPP segment, and InvestAcc the first step in this strategy. The deal was subject to regulatory approvals, and completed in October 2024.

In November 2024, IPAL had circa 13,000 total SIPP and SSAS members, 12,000 total active SIPP plans and 495 SSAS schemes. Total AuA was £5.2bn.



GROUP STRUCTURE (SIMPLIFIED)



Key:
..... Subject of this Assessment
..... Non UK

Company Analysis: InvestAcc Pension Administration Ltd



BASIC INFORMATION

Company Type

Non-insured SIPP Operator

Ownership & Control

InvestAcc Group Ltd, incorporated in the British Virgin Islands

Year Established

2010

Country of Registration

UK

Head Office

Solway House Business Park, Kingstown, Carlisle, Cumbria, CA6 4BY

Contact

www.investaccpensions.co.uk/contact

Key Personnel

Role	Name
InvestAcc Group CEO	W Self
InvestAcc Group CFO	J Pearce
Managing Director	N E Gardner
Finance Director & Company Secretary	J K Barnes
Director	G Mirfin
Sales & Marketing Director	N T Bennett
Director	D Gardner
Pensions Director	G R Duguid
Compliance Manager	J D Targett
Office Manager	C Yule
SSAS Team Leader	A Plunkett

Company Background

IPAL is a wholly owned subsidiary of IHL. 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, IPT, along with the SIPP member as co-trustee. IPT is a fully owned subsidiary of IHL.

IPAL employed an average of 80 people in the year ended 31 October 2023 [2022: 70].



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.

The business states that it is very conscious of the introduction of Consumer Duty regulation and believes that it is well placed in meeting its requirements, due to its proposition, including its fixed fee approach.

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 Quality Audit Manager, working within the Compliance function, has contributed to maintaining quality 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.

There are certain HMRC tax and claims management cases ongoing within the market but InvestAcc's exposure to these is limited; 85%-90% of IPAL business comes via advisers who would be the primary target of any such actions. The business has PI insurance and considerable cash reserves which mitigate the financial risk of claims against it.

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 to ensure service standards were maintained.

Developments such as a cloud based telephone system, and Customer Relationship Management system, have been adopted. Although these are different aspects of administration, both provide a maturing of the adviser interaction.

InvestAcc has continued to develop and upgrade its online services with a view to achieving straight through processing (STP). The online view is provided by Delta Financial Systems Ltd (Delta). Some further re-platforming onto Delta's Platinum Pro system is underway which will improve capacity and STP ability. Migration will take place at the optimum time for the business, in line with a cautious, managed implementation approach.

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. As at September 2024, InvestAcc reported that over 95% of its work was completed within service standard in the preceding 12 months.

With regular awards and commendations, InvestAcc demonstrates recognition of the product and service it provides. Most recent awards include:

- 5 star ratings for Minerva SIPP, SIPP Lite and SSAS in the 2024 Annual Moneyfacts Star Ratings
- 'Most Improved Pensions & Protection Provider' at the 2023 FT Adviser Service Awards

- 'Best Pension Service' at the 2023, 2022, 2021 and 2020 Investment Life & Pensions Moneyfacts Awards
- 'Best SIPP Provider' at the 2023 Investment Life & Pensions Moneyfacts Awards
- Finalists for 'Best SIPP Provider' at the 2024 Money Marketing Awards

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 the Scottish Widows Platform (formerly Embark), James Hay, HSBC and Legal & General. It claims its technology helps administer one in three of every SIPP and SSAS in the UK.

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. Developing and servicing products via intermediaries is a key component of the distribution model, with new business sought predominantly from adviser intermediaries (representing around 80% to 85%) although the Minerva SIPP and SIPP Lite can also be accessed by investors directly.

Existing intermediary clients benefit from a mix of face to face / video and telephone support, which continues to be an increasingly important part of the mix. InvestAcc also maintains regular contact with key firms through emails, newsletters etc. across a wide range of personnel at each firm. Relationships with new firms are developed both reactively (where it sees a strong conversion from enquiries) as well as proactively - IPAL directly targets the likes of large regionals, accountancy linked and chartered firms, which it sees its service and expertise best placed to support. Towards the end of 2020, InvestAcc appointed a new Business Development Manager to cover the South of England, including London; the BDM team has been further enhanced by the appointment of another experienced dedicated BDM in 2022 with the business making additional regional BDM appointments through 2023 in areas such as Northern Ireland and Scotland, to satisfy growth demand. These appointments have provided important coverage to key geographical markets; the company reported good progress in brand awareness early on and this has been followed by more significant delivery levels in 2023.

Links to DFMs are also an important and growing route to market, as is the addition of the company to national intermediary panels - InvestAcc has succeeded in gaining panel positions with some large national and network firms recently and continues to deepen and add to these relationships.

To further promote the business to a wider audience, digital (online) advertising is now being used, through simple forms such as Google Ads together with more direct website and social media promotion. InvestAcc is also an associate sponsor of Carlisle United FC.

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. Non-standard assets had been managed down to a very low level, in line with regulatory and market developments, but the business has experienced an increase in NSI over the past couple of years with the increasing use by members and their advisers of Fixed Term deposits in line with rising interest rates. Unbreakable term deposits and notice accounts exceeding 30 days being the only NSI allowable by the business. The suspension of various property funds has also had a small impact through recent times.

Whilst cognisant of the potential reputational issues for SIPPs and SSASs in the wider market, the business is yet to experience any 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 date, 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 property administration team at InvestAcc has become more significant over time and is a fairly substantial operation within the business now.

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 2023

Capital Resources Disclosures

	Oct 21 £m	Oct 22 £m	Oct 23 £m
Available capital resources	3.5	4.2	5.0
Capital resources requirement (CRR)	1.6	1.7	1.9
Excess capital resources	1.9	2.5	3.1
CRR coverage ratio (%)	215	251	266

As at 31 October 2023, IPAL had Tier I capital (own funds) of £5.0m [2022: £4.2] set against a total capital requirement of £1.9m [£1.7m]. It therefore exceeded the current regulatory minimum capital adequacy requirement at 266% [2022: 251%], and forecasts that this will be maintained around this level going forward. As at 30 April 2024, the capital coverage position was 284%.

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

The recognition of term bank deposits as non-standard assets (NSIs) - unbreakable deposits in excess of 30 days fulfilling this definition - caused an increase in capital requirement in 2020 and 2023, but overall IPAL holds limited NSIs in its SIPPs and these continue to be managed down.

Statement of Financial Position

	Oct 21 £m	Oct 22 £m	Oct 23 £m
Assets	3.8	4.5	5.8
Current liabilities	(0.3)	(0.3)	(0.6)
Long-term liabilities	0.0	0.0	0.0
Net assets	3.5	4.2	5.2

Statement of Changes in Equity

	Oct 21 £m	Oct 22 £m	Oct 23 £m
Equity at start of period	3.1	3.5	4.2
Movement due to:			
Share capital and premium	0.0	0.0	0.0
Retained earnings	0.3	0.7	1.0
Other	0.0	0.0	0.0
Equity at end of period	3.5	4.2	5.2

The balance sheet has continued to strengthen year on year, and despite a dividend payment of £0.8m in 2023, profit of £1.0m was retained. Shareholders' funds increased again, to £5.2m [2022: £4.2m].

The most significant balance sheet asset, as in previous years, was cash, and this stood at £5.1m as at 31 October 2023 [2022: £4.0m].

Income Statement

	Oct 21 £m	Oct 22 £m	Oct 23 £m
Revenue	3.8	4.6	5.8
Other operating income	0.0	0.0	0.0
Operating expenses	(2.5)	(2.8)	(3.6)
Operating profit (loss)	1.3	1.7	2.3
Other gains (losses)	0.0	0.0	0.1
Profit (loss) before taxation	1.3	1.7	2.4
Taxation	(0.2)	(0.3)	(0.5)
Profit (loss) after taxation	1.0	1.4	1.8
Other comprehensive income	0.0	0.0	0.0
Dividends	(0.7)	(0.7)	(0.8)
Retained profit (loss)	0.3	0.7	1.0

Financial Ratios

	Oct 21 %	Oct 22 %	Oct 23 %
Operating margin	33	38	39
Pre-tax profit margin	33	38	40
Employee costs as a % of revenue	46	44	44

Trading was again positive with turnover up by 27.6% to £5.8m [2022: up 19.6% to £4.6m]. Total expenses increased by 26.3%, from £2.8m to £3.6m, so profit margins were slightly up across all measures in the year. The average number of staff employed by the company rose from 70 to 80 in 2023 and staff costs remained the most significant element of costs (on average around 70% of total costs across the last three years). Total group staff numbers increased to 100 [90].

IPAL paid a dividend of £0.8m to IHL [2022: £0.7m].

Statement of Cash Flows

	Oct 21 £m	Oct 22 £m	Oct 23 £m
Net cash generated from operating activities	1.1	1.4	2.0
Net cash used in investing activities	(0.1)	(0.1)	0.0
Net cash used in financing activities	(0.7)	(0.7)	(0.8)
Net increase (decrease) in cash and cash equivalents	0.4	0.5	1.1
Cash and cash equivalents at end of period	3.5	4.0	5.1

Assets under Administration (AuA)

	Oct 21 £m	Oct 22 £m	Oct 23 £m
Assets at start of period	2,084.0	2,784.0	3,056.0
Inflows	467.6	462.4	532.4
Outflows	(123.3)	(144.6)	(191.1)
Net market and other movement	355.7	(45.8)	201.7
Assets at end of period	2,784.0	3,056.0	3,599.0
Growth rate (%)	34	10	18
Net inflows as % of opening AuA	17	11	11

Cash in excess of dividends was again generated in the year, increased by 27.5% to £5.1m.

The AuA data shown relates to SIPP only. SIPP member attrition rates were reported to have remained below industry peers again, and improved on the prior year, at 3.48% in 2023 [2022: 2.71%].

The InvestAcc group held total AuA of over £4bn in SIPP and SSAS schemes as at 31 Oct 2023 [2022: £3.5bn], representing nearly 11,000 SIPP and SSAS members.

Guide



INTRODUCTION

For over 30 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>.

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

AKG is an independent organisation. Originally established as an actuarial consultancy AKG has, for over 30 years, specialised in the provision of assessment, ratings, information and market assistance to the financial services industry.

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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