

ISSUED 12 MARCH 2018



OFFSHORE SECTOR
Hansard International

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, 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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CONTACT INFORMATION

AKG Financial Analytics Ltd, Anderton House, 92 South Street, Dorking, Surrey, RH4 2EW
Tel: +44 (0) 1306 876439 Email: akg@akg.co.uk Web: www.akg.co.uk

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 |
|---------------------------|-------------------------------------|--------------------------------------|---------------------------------------|---------|---------------------|-------------------------|
| Hansard International Ltd | ■ | ★★★★ | ■ | ★★★★★ | ★★★ | ★★★ |



SUMMARY

- Hansard International Ltd (Hansard International) is the group's sole new business vehicle and primary focus
- The Hansard Group is relatively small compared with a number of its competitors. However, both the nature of its establishment and continued involvement of its founder and the structures/discipline from its listing mitigate the downside of this scale aspect
- The group continues to see upward growth in its new business sales, with a recovery first experienced in 2015, with particularly strong growth in the Far East and Latin America
- Assets under Management exceed £1bn
- The company has established a reputation for enabling service via technology and believes that it can further leverage this digital component as part of future growth directions



COMMENTARY

Financial Strength Ratings

Hansard International Ltd

Hansard International and the wider group are relatively small when compared to a number of their competitors.

However, Hansard is well established and relatively well known in a number of markets, with a proven ability to evolve and adjust in line with market change and opportunities.

Hansard International itself is profit making and maintains a healthy level of solvency coverages, with a good understanding of its changing market and investment in strategic planning.

The decision to reduce the dividend, albeit at a group level, will enable the capital position to be more easily managed.

Service Rating

Excellent customer service is an objective of the business, and Hansard International is well regarded amongst advisers across different regions for customer service. In a recent survey of over 5,000 policyholders and financial advisers over 63% of clients and over 85% of advisers rated Hansard International's service as 'Good or Excellent'.

This is particularly the case in respect of the online proposition, where both external benchmarks and testimonials position Hansard International positively relative to peers and infer significant user satisfaction and potential recommendation, confirmed in the company's 'Net Promoter Score' of +52, which represents an excellent score from a recognised source of comparative measurement in customer service quality and loyalty.

The business states continued investment in service in general, and digital capability in particular, and if this continues to be delivered, this should position Hansard International well for further development scale growth.

Image & Strategy Rating

Having celebrated its 30th anniversary, the group can point positively to both the relative longevity and consistent image, which has included the same brand since launch and a heritage, which draws on both the personal nature of its establishment and ongoing involvement of its founder and its culture as a small innovative operation.

The group's listing in 2006 also brings some positive association and discipline which can be reflected in how it is regarded in the market.

With Hansard Life Europe now in run off and with its past issues being dealt with and largely self contained, the group is able to focus more on Hansard International.

Strategically Hansard International has taken a front foot approach to investing in understanding and developing in line with current and future change, both in its own respect and that of its distribution environment.

A number of awards from International Adviser, voted for by the advisor community indicate confirmation of Hansard's place amongst its peers. In Malaysia and the Middle East in-particular, Hansard continues to rank as the number one provider in relation to 'advisor support' and 'online solutions', amongst some of the bigger, household names in the industry.

Business Performance Rating

Hansard International performed well in 2017, maintaining profit and solvency levels. New business volumes increased.

At a group level, IFRS profit after tax was £7.7m [2016: £8.3m], including a charge of £1.1m for providing for amounts due from a brokerage firm experiencing financial difficulties.

Underlying profit was £8.8m [2016: £9.2m], reflecting the development of Hansard International, offset by reduced income from Hansard Europe and increased legal costs.

Group cash flows from operations increased by 79% to £8.4m [2016: £4.7m], recovering in line with the improved level of new business and Assets under Administration. The Group generated £5.8m [2016: £1.2m] in net cash flows before dividends, after the investment of £17.4m [2016: £15.4m] in acquiring new business. Dividends of £12.2m were paid [2016: £12.2m]. Hansard intends to reduce its dividend by 50% in 2018, to better match cash flows with dividend pay outs and to allow it to take advantage of strategic and new business opportunities.

Group & Parental Context



BACKGROUND

Hansard is a specialist long-term savings provider that has been providing financial solutions for international clients since 1987. It was founded by Dr Leonard Polonsky, who had considerable experience including innovation in the UK unit linked market, and he has remained a key presence throughout the group's development over 30 years.

The group holding company is Hansard Global plc (HG) which is incorporated in the Isle of Man. The group's head office is in Douglas, Isle of Man, and its principal subsidiaries operate from the Isle of Man and the Republic of Ireland. Hansard International Ltd (Hansard International) is regulated by the Financial Services Authority of the Isle of Man Government and has a branch in Malaysia, regulated by the Labuan Financial Services Authority, to support business flows from Asian growth economies. Hansard Europe DAC (Hansard Europe, previously Hansard Europe Ltd), a Dublin based European 'freedom of services' life assurance company, is regulated by the Central Bank of Ireland. Hansard Europe ceased accepting new business with effect from 30 June 2013 and is now in run off.

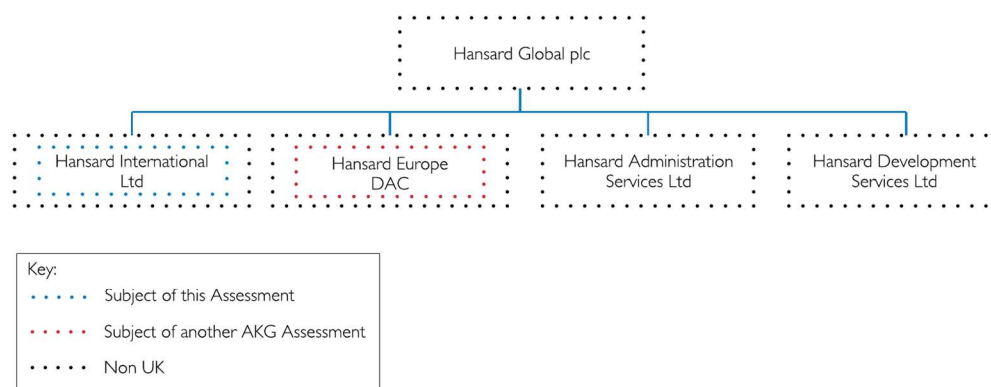
Whilst arising outside of Hansard International, ongoing regulatory and legal issues with resultant questions over governance for Hansard Europe DAC have been an unwelcome distraction for the group. However, these have now been given appropriate action to manage them, remove further risk from Hansard Europe DAC, and mitigate them in terms of the group and specifically Hansard International. During the year ending 31 May 2017, Hansard successfully won a further three cases in Italy and Germany and considers that this continues to affirm confidence in its legal arguments. The outstanding writs have not materially reduced, however, as two cases have since been appealed and the other case was of a relatively minor value. Two additional claims were made during the year, resulting in a net increase of outstanding writs of €1.2m. The total level of net writs outstanding at the end of the year was €16.9m (£14.8m).

The other principal subsidiaries are Hansard Administration Services Ltd (a provider of administration services for the group) and Hansard Development Services Ltd (a provider of marketing and development services).

The Hansard Group administered assets of £1.05bn at the end of June 2017 and in 2017 celebrated its 30th anniversary.



GROUP STRUCTURE (SIMPLIFIED)



Company Analysis: Hansard International Ltd



BASIC INFORMATION

Company Type

Life Insurer

Ownership & Control

The company is a wholly owned subsidiary of Hansard Global plc, a company incorporated in the Isle of Man.

The ultimate controlling party is Dr L S Polonsky.

The main shareholders are: Dr L S Polonsky (36.6%), Aberforth Partners LLP (12.6%), The Polonsky Foundation (5.7%), Mr M A L Polonsky (5.5%) and Milton Asset Management Ltd (5.1%).

Year Established

1987

Country of Registration

Isle of Man

Head Office

Harbour Court, Lord Street, Douglas, Isle of Man, IM99 1QL

Contact

Tel: +44 (0) 1624 688000

Email: global.support@hansard.com

Web: www.hansard.com

Key Personnel

| Role | Name |
|-------------------------------------|--------------------|
| President | Dr. L S Polonsky |
| Group Chairman | P Gregory |
| Group Chief Executive Officer | G S Marr |
| Group Chief Financial Officer | T N Davies |
| Group Chief Actuary | A Sherlin |
| Global Sales and Marketing Director | G Morrall |
| Group Chief Strategy Officer | O A Byrne |
| MD, Hansard Europe | M J Coffey |
| Appointed Actuary | B Morrissey (KPMG) |
| Group Chief Operating Officer | L Wong |

Company Background

Hansard International Ltd, based on the Isle of Man, is an authorised life assurance company dedicated to the international market. It is regulated by the Isle of Man Financial Services Authority.

The company's branch in Labuan (A federal territory of Malaysia) is regulated by the Labuan Financial Services Authority.



OPERATIONS

Governance System and Structure

In line with much of the international insurance sector governance has been improving over the last decade. This is true of Hansard, both negatively in the past problems with the Irish subsidiary and positively with the disciplines aligned to its listing since 2006 and its culture on the Isle of Man.

Today the Executive Management Team works within the risk appetite established by the Board and the governance, risk management and internal control arrangements which constitute the Group Enterprise Risk Management (ERM) Programme and which direct the Group, including setting the cultural tone and expectations from the top, delegating authorities and monitoring compliance.

A comprehensive review of the component elements of the ERM Programme was undertaken during the year ended 30 June 2017. The review sought to strengthen the governance arrangements associated with the identification and management of risks across the Group and to enhance the reporting arrangements which assist the Directors in their assessment of the adequacy and effectiveness of the Group's risk management and internal control systems.

The ERM Programme continues to be built upon the 'three lines of defence' model, which addresses how specific duties relating to risk management and internal control are assigned and coordinated between front line management (first line), risk and compliance monitoring functions (second line) and the independent assurance services of internal audit (third line). Each of the three lines plays a distinct role within the Group's overarching governance framework.

In August 2017, the Isle of Man Financial Services Authority issued a consultation paper, CPI7-10/T11, in respect of the corporate governance of insurance companies. The paper set out the Authority's proposals to update its existing Corporate Governance Code of Practice for Regulated Insurance Entities which was originally issued in 2010. The proposed updates are applicable to all insurers and hence Hansard International will need to adhere to these.

Risk Management

The company has an Audit & Risk committee that provides the Board with independent assurance on its financial reporting processes, internal controls and adherence to policies and procedures.

This committee assists the Board in discharging its responsibilities, which include:

- the integrity of the company's financial statements
- the effectiveness of the company's internal controls and risk management systems
- the company's arrangements for its employees to raise concerns, in confidence, about possible wrong-doing in financial reporting or other matters
- the effectiveness of the company's internal audit function in the context of its overall risk management system
- monitoring the effectiveness, independence and objectivity of the external auditor.

There were 4 meetings of the committee during the year ending 30 June 2017.

The company's objective in managing financial risk is to minimise, where practical, its exposure to such risk, except when necessary to support other objectives. The company seeks to manage risk through the operation of unit linked business whereby the policyholder bears the financial risk. Additionally, shareholder assets are invested in highly rated investments and deposits.

The most significant financial risks to which the company is exposed are: market, credit and liquidity.

Administration

Administration is provided by Hansard Administration Services Ltd, an Isle of Man authorised insurance manager. Hansard Development Services Ltd, also based on the Isle of Man, provides marketing and distribution services to intermediary clients nationwide.

Benchmarks

Hansard had a good reputation for service in the offshore market, in particular its internet capabilities. Hansard OnLine has been developed as the platform that enables intermediaries to service their clients in 11 languages.

Over the years the business has won a number of awards and accolades and in 2017 was awarded International Adviser Awards for: 'Readers Choice - Malaysia' and 'Best Online Solution - Middle East'.

Outsourcing

In general Hansard makes little use of outsourcing, preferring to build itself, even where that means investment in technology and a requisite digital skill set. Software applications, for example, are developed internally.

There are, however, group internal outsourcing arrangements in place with:

- Hansard Administration Services Ltd - policy administration and IT support
- Hansard Development Services Ltd - marketing support
- Hansard Global plc - risk, HR, legal, compliance and internal audit support

The majority of investment dealing and custody processes in relation to policyholder assets are outsourced to Capital International Limited (CIL), a company authorised by the Isle of Man Financial Services Authority. These processes are detailed in a formal contract that incorporates notice periods and a full exit management plan. Delivery of services under the contract is monitored by a dedicated relationship manager against a documented Service Level Agreement and Key Performance Indicators.



STRATEGY

Market Positioning

Hansard International conducts primarily regular premium business mostly in US\$. Hansard Europe transacted predominantly single premium business. This is now offered by Hansard International Ltd.

The group believes it operates a "low-cost distribution model" and that this is scalable, supported by a multi-language internet platform, Hansard OnLine. The group considers Hansard OnLine to be critical to its business going forward and is committed to its continual development.

Hansard sees itself as one business in partnership with the international independent financial adviser and aims to grow its business via these partnerships. It focuses on three primary areas: the development and distribution of profitable products responding to clients' needs, expense management and technological developments.

The group concluded in 2013 that, given reduced prospects in the Eurozone, falling new business levels and increased compliance costs, that it would reduce its exposure to Europe and consequently Hansard Europe closed to new business in June 2013 and is in run off.

Subsequent to the closure of Hansard Europe, the group embarked on a complete review of the sales and marketing operations. As a result, in 2014 it implemented a range of strategic and tactical adjustments, aimed at diversifying new business flows and increasing the scale of its business. The group stated it had seen encouraging signs of growth from the end of 2015 in North Asia, the Middle East and Africa.

Hansard International now benefits from the group's ongoing investment in strategic planning resources and the resultant strategic plan, which is to grow and develop diversified and sustainable new business and channels in each of the regions in which it operates.

Hansard International is also pursuing new licensed business opportunities, an example being a strategic alliance with a local insurer, Union Insurance Company, in the UAE, which was entered into in the 3rd quarter of its 2017 financial year and is expected to produce new business in the 2018 financial year.

A dedicated strategy team was established and a Chief Strategy Officer was appointed in 2017.

This team has three main aims, to:

- capitalise on near term strategic opportunities
- ensure the Group is correctly positioned for future regulatory developments and change
- consider and plan for longer term industry and technological evolution.

In due course, Hansard intends to communicate the output from these considerations and ensure the group is positioned correctly for the short, medium and long term. In the meantime, Hansard continues to focus on growing its core offering, seeing plenty of opportunity in developing new and existing broker relationships and indeed, as a number of the larger, multinational insurers take a step back from non-core markets, opportunities to step in and meet the needs of customers in those regions. Hansard is also continuing initiatives to secure additional licenses and partnerships in a small number of targeted locations.

Hansard believes that the following areas are the fundamental factors for its success:

- Sourcing significant flows of regular premium new business from diversified target markets
- Managing exposure to business risk
- Positioning itself to incorporate ever-increasing levels of regulation into its business model
- Leveraging Hansard Online developments
- Managing cash flows through the cycle to fund the appropriate balance of investment in new business and dividends.

Hansard Europe's focus is the orderly run-off of the existing book of policies in line with their policy terms and conditions.

Proposition

Hansard International offers a range of products, the regular premium proposition having access to around 180 investment funds aimed at the varying investment needs of policyholders around the world'

The aim is to offer a range of flexible and tax-efficient unit linked investment products within a life assurance policy wrapper, designed to appeal to affluent, international investors. The group has designed its products and distribution methods with a view to reducing operational and financial risks.

The core product range is:

- Vantage Platinum II - a regular contribution contract designed for medium to long term saving
- Capital Builder - a flexible single and regular contribution contract
- Universal Personal Portfolio - a single contribution portfolio bond

Hansard adopts a multi-manager approach offering access to a wide range of over 180 funds via a number of major fund managers. It has partnerships with over 30 Asset Management groups.

Alternatively, Hansard International can provide access to thousands of equities, bonds, collective investment schemes and other asset types, which can be linked to its single contribution portfolio products.

Contract benefits can be denominated in any major currency. Fund links are offered in a variety of currencies.



KEY COMPANY FINANCIAL DATA

Last 3 reporting periods up to 30 June 2017

Long Term Business Admissible Assets

| | 2015 £m | 2016 £m | 2017 £m |
|---------------------|------------|------------|------------|
| Fixed Interest | 0 | 0 | 0 |
| Equities | 0 | 0 | 0 |
| Property | 0 | 0 | 0 |
| Linked | 700 | 750 | 879 |
| Other | 6 | 6 | 6 |
| Total Assets | 706 | 755 | 885 |
| Free Assets | 26 | 28 | 32 |
| FAR (%) | 3.7 | 3.7 | 3.6 |

Long Term Business Liabilities & Margins

| | 2015 £m | 2016 £m | 2017 £m |
|--------------------------|------------|------------|------------|
| Gross | 706 | 755 | 885 |
| Net | 706 | 755 | 885 |
| Required Min Solv Margin | 2 | 2 | 2 |
| RMSM Coverage Ratio (%) | 1,562.5 | 1,573.5 | 1,556.5 |

Total long term assets increased by 17% in the year to 30 June 2017, boosted by an increased net inflow.

Solvency ratios, particularly the RMSM Coverage Ratio, remained at a healthy level.

Hansard states that the group remains well capitalised with aggregate minimum solvency margins covered by £40.8m [2016: £35.5m] of excess assets.

The capital held within Hansard Europe is considered not to be available for dividend to Hansard Global plc until such time as the legal cases against it are resolved.

Capital

| | 2015 £m | 2016 £m | 2017 £m |
|-----------------------|------------|------------|------------|
| Paid up Shares etc | 10 | 10 | 10 |
| Unpaid Capital etc | 0 | 0 | 0 |
| Sub. Loan Capital | 0 | 0 | 0 |
| Balance of Net Assets | 17 | 19 | 24 |
| Total | 28 | 30 | 34 |

Key Revenue Items

| | 2015 £m | 2016 £m | 2017 £m |
|-------------------------|----------------|------------|------------|
| INCOME | | | |
| Premiums | 95,177 | 119 | 147 |
| Investment Income | 3,039 | 3 | 4 |
| Investment Increase | 42,856 | 42 | 110 |
| EXPENDITURE | | | |
| Commissions | (16,767) | (12) | (15) |
| Policy claims | (102,546) | (80) | (88) |
| Expenses | (10,057) | (13) | (14) |
| Transfer to P&L | (16,092) | (11) | (14) |
| Increase in fund | (4,390) | 49 | 130 |

Shareholders' funds on a regulatory basis increased to £34.4m due to retained profits of £4.7m.

Net premium income increased by 23% to £146.8m in 2017 [2016: £119.5m]. Net claims increased by 11% to £88.0m [2016: £79.5m], resulting in a larger net inflow of £58.7m [2016: £39.9m].

Commissions increased by 28%, slightly ahead of the 24% increase in new business volumes. Expenses increased by 9%.

Fees and charges earned increased from £41.5m to £43.0m.

Pre-tax profits on a FRS basis reduced slightly from £14.6m to £14.4m. Dividends of £10m [2016: £11m] were paid.

New Single Premiums

| | 2015 £m | 2016 £m | 2017 £m |
|------------------|------------|------------|------------|
| UK Investment | 0 | 0 | 0 |
| UK Protection | 0 | 0 | 0 |
| UK Pensions | 0 | 0 | 0 |
| UK Other | 0 | 0 | 0 |
| Other Investment | 24 | 54 | 73 |
| Other Protection | 0 | 0 | 0 |
| Other Pensions | 0 | 0 | 0 |
| Other Other | 0 | 0 | 0 |
| Total | 24 | 54 | 73 |
| Growth rate (%) | 30.0 | 122.0 | 36.0 |

New Regular Premiums

| | 2015 £m | 2016 £m | 2017 £m |
|------------------|------------|------------|------------|
| UK Investment | 0 | 0 | 0 |
| UK Protection | 0 | 0 | 0 |
| UK Pensions | 0 | 0 | 0 |
| UK Other | 0 | 0 | 0 |
| Other Investment | 7 | 13 | 16 |
| Other Protection | 0 | 0 | 0 |
| Other Pensions | 0 | 0 | 0 |
| Other Other | 0 | 0 | 0 |
| Total | 7 | 13 | 16 |
| Growth rate (%) | (41.0) | 81.0 | 20.0 |

Total new business levels rose by 24% to £148.3m on a PVNBP basis [2016: £119.3m], with regular premiums increasing by 14.8% to £75.3m [2016: £65.6m] and single premiums by 35.9% to £73.0m [2016: £53.7m].

Despite the recent introduction of Pension Freedoms, there was strong growth in international pensions products. Latin America was the fastest growing region, as new relationships began to bear fruit. The PVNBP breakdown by region was Middle East and Africa £40.6m [2016: £36.8m, up 10.3%], Far East £35.4m [2016: £25.7m, up 37.7%], Latin America £18.9m [2016: £12.2m, up 54.9%] and Rest of the World £53.4m [2016: £44.6m, up 19.7%].

APE also increased by 24% to £23.2m [2016: £18.7m]

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 <http://www.akg.co.uk/information/reports/company-profiles>.

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 <http://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, any specifically onerous elements such as guarantees, 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 assess the overall strength of the company's with profits funds. The initial concern is the company's ability to meet its ongoing guaranteed, or promised, commitments to customers, i.e. existing sum assured and bonuses. However, the company's ability to continue to compete successfully in the with profits market is also particularly relevant, given that closed funds are sometimes bad news for policyholders. In such situations, overall expenses tend to increase as a proportion of the fund and investment performance may well deteriorate. These, together with other factors, may make it difficult for companies in such situations to maintain competitive bonus rates at future declarations, although existing declared bonuses are not affected (other than possibly by MVRs).

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 includes the company's ability to meet all guaranteed payments arising from such products, but also the company's wider 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 |



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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.

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AKG Financial Analytics Ltd
Anderton House,
92 South Street,
Dorking,
Surrey
RH4 2EW

Tel: +44 (0) 1306 876439
Email: akg@akg.co.uk
Web: www.akg.co.uk
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