ISSUED
12 October 2016

COMPANY PROFILE & FINANCIAL STRENGTH

REPORTS

Hodge Lifetime

AKG

Accessible - Comparative - Independent

Analysis by AKG Financial Analytics Ltd

Introduction

Background

AKG's Company Profile & Financial Strength Reports are designed to meet the information needs of advisers in assessing the relative strengths of onshore UK life companies, friendly societies and similar providers. Two different styles of report are published by AKG - FULL reports and SHORT reports. A FULL report is produced for each of the leading provider companies in the market, which participate in the production of the reports. For each remaining provider company which is covered, a SHORT report is produced.

This is a FULL report.

Each report collates relevant information from a range of sources such as a company's returns to the PRA, its Report & Accounts and material provided by the companies themselves, and incorporates expert independent assessment. For FULL report companies, the process is augmented by regular meetings and other communications with AKG.

PLEASE NOTE: This report should be read in conjunction with the supporting explanatory information which is available on-line at www.akg.co.uk

About AKG

AKG is an independent organisation. Originally established as an actuarial consultancy AKG has, for over 20 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 and in the delivery of key value added financial information to support the wider financial services sector and its customers.

Regular Reports

AKG publishes the following additional reports to assist Providers and Intermediaries:

AKG Offshore Profile & Financial Strength Reports - covering offshore life companies.

AKG Platform Profile & Financial Strength Reports - covering platform operators.

AKG DFM Profile & Financial Strength Reports - covering discretionary fund managers.

AKG UK Life Office With Profits Reports - providing further depth in the assessment of with profits funds.

For further details, please contact AKG: Tel: +44 (0)1306 876439 or email akg@akg.co.uk

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Group Overview

Hodge Life Assurance Company Ltd (Hodge Life) is a wholly owned subsidiary of Julian Hodge Bank Ltd, whose immediate parent is The Carlyle Trust Ltd, which controls and co-ordinates the management of a group of companies, with the bulk of its activities undertaken by Hodge Life and Julian Hodge Bank. The bank's ultimate parent company and controller is The Carlyle Trust (Jersey) Ltd.

Hodge Lifetime is the trading name of Julian Hodge Bank and Hodge Life, and the brand under which equity release and annuity plans are distributed. As a provider of equity release and immediate annuity plans since 1965, when the life company was first incorporated, Hodge Lifetime has been providing equity release plans longer than any other provider in the UK. It was a founder member of SHIP (Safe Home Income Plans, relaunched as the Equity Release Council in May 2012), the equity release trade body, when it was established in 1991. Hodge Life moved into the mainstream compulsory purchase annuity (CPA) market, following the launch of a new product in January 2009, subsequently exiting the purchased life annuity (PLA) market in 2010. Hodge Lifetime widened the range of its retirement solutions, with the development of its 'Retirement Mortgage', a 'hybrid' lifetime mortgage, launched in 2013. The 55+ interest only mortgage was fully launched in June 2016.

Corporate Structure (simplified)

The Carlyle Trust (Jersey) Ltd

51.84%

The Carlyle Trust Ltd

Julian Hodge Bank Ltd

Hodge Life Assurance Company Ltd

Ratings

Company	Financial Strength Ratings				Supporting Ratings		
	Overall	With Profits	Non Profit	Unit Linked	Service	Image & Strategy	Annual Review
Hodge Life Assurance Company Ltd	B	▤	★★★	▤	★★★★	★★★	★★★★

Hodge Life Assurance Company Ltd

Corporate Data

Company Type Life Insurer

Ownership Carlyle Trust (Jersey) Ltd (51.84%)

Open to New Business? Yes

Year Established 1965

Head Office 29, Windsor Place
Cardiff
CF10 3BZ
Tel: 0800 731 4076

Website www.hodgelifetime.com

Key Personnel

Chairman & Non Exec Director	D K M James
Deputy Chairman & Non Exec Director	J J Hodge
Managing Director	D L Jones
Director & MD Julian Hodge Bank	D M Austin
Non Exec Director	D A Bowen
Non Exec Director	H C Fitzpatrick
Non Exec Director	A N Piper
Senior Manager: Operations	C Jerrett
Business Development Director	S Cox
Head of Actuarial	S J E Gunter
Chief Actuary Function	O J Gillespie (Milliman)

Company Background

The company was established in 1965 as Home Reversions Ltd and, renamed as Carlyle Life Assurance Company Ltd, became one of a number of financial services businesses that operated under the Carlyle name in the 1970s. The group has established a wider 'Hodge' brand in recent years, as shown in the name change for the life company to Hodge Life Assurance Company Ltd in 2001. The brand is now Hodge Lifetime.

Overall Financial Strength B

The life company is small, but remains well capitalised, despite a further decrease in its CRR coverage in 2015, a consequence of lower interest rates increasing capital requirements.

New business volumes, which increased in 2014 as the company widened its distribution footprint, reduced in 2015 due to the impact of Pension Freedoms, but have since increased. Profits increased. The company did not pay a dividend [2014: nil].

Having successfully managed its transition to a focused provider of simple compulsory purchase annuities, Hodge Life now faces a number of challenges. These encompass both its equity release offering, due to the potential impact of Solvency II, and, more recently, the impact of Pensions Freedoms on its annuity proposition. The group considers that it is acting accordingly to respond to these, and this alongside its improved governance framework, should put it in good stead for the future.

Reinsurance

Approach

The company does not make recourse to any reinsurance.

Analysis of Reserves	2013 £000's	2014 £000's	2015 £000's
Gross reserves	234,744	285,926	330,619
Reinsurance ceded - external	0	0	0
Reinsurance ceded - internal	0	0	0
Net mathematical reserves	234,744	285,926	330,619

Non Profit Business

General

Non profit is the company's sole business line and consists entirely of annuities. Whilst these have historically been purchased life annuities, the company entered the pensions market with a compulsory purchase annuity in 2009. With this change in focus, pension liabilities continue to grow in importance, as evidenced in the table below, exceeding life liabilities, which are trending downwards.

Non Profit Reserves	2013 £000's	2014 £000's	2015 £000's
UK Life	59,190	54,089	49,895
UK Pensions	175,554	231,837	280,724
Overseas	0	0	0
Total net NP reserves	234,744	285,926	330,619

Non Profit Financial Strength ★★★

Being the only business line, non profit business is afforded the comfort provided by the company, its surplus and the potential backing of the wider group.

Unit Linked Business

The company does not have any Unit Linked business, so this section does not apply.

With Profits Business

The company does not have any With Profits business, so this section does not apply.

Key Financial Data (for y/e: 31/10/15)

Long Term Business Admissible Assets	2013 £000's	2014 £000's	2015 £000's
Fixed Interest	0	0	0
Equities	0	0	0
Property	79,393	80,935	78,468
Linked	0	0	0
Other	223,101	274,278	332,933
Total Assets	302,494	355,213	411,401

Unusually for a non profit company, a significant but reducing proportion of its long term business assets are currently property, reflecting the legacy equity release portfolio. Other assets are predominantly mortgage loans, which increased from £246m to £290m in 2015.

LT Capital Resources	2013 £000's	2014 £000's	2015 £000's
Core tier one capital	80,685	86,118	98,886
Tier one waivers	0	0	0
Other tier one capital	0	0	0
Tier one deductions	-10,950	-13,456	-14,794
Total tier one capital	69,735	72,662	84,092
Tier two capital	0	0	0
Adjustments and deductions	-60	-59	-59
Total Capital Resources	69,675	72,603	84,033
CR outside the fund	5,073	5,000	5,000

Capital resources increased again in 2015, as the company continued to retain its profits rather than paying a dividend. £5m continues to be held outside the Long Term Fund, providing greater flexibility of capital management.

LT Free Assets	2013 £000's	2014 £000's	2015 £000's
Available Capital Resources	69,675	72,603	84,033
Capital Resources Req't (CRR)	20,866	25,775	31,949
Free Assets (Published)	48,809	46,828	52,084
Financial Engineering	0	0	0
Free Assets (Exc Fin Eng)	48,809	46,828	52,084

LT Free Asset Ratios	2013 %	2014 %	2015 %
FAR (Published)	16.1	13.2	12.7
FAR (Exc Fin Eng)	16.1	13.2	12.7

LT CRR Coverage Ratios	2013 %	2014 %	2015 %
CRRCR (Published)	333.9	281.7	263.0
CRRCR (Exc Fin Eng)	333.9	281.7	263.0

The company continues its course of steady growth, with increased capital resources, boosted by retained profits. However, a further increase in the Capital Resources Requirement (CRR), driven by lower interest rates, resulted in slightly lower solvency coverages.

Long Term Business Liabilities & Margins	2013 £000's	2014 £000's	2015 £000's
Non Linked Non Profit	234,744	285,926	330,619
Non Linked With Profits	0	0	0
Accum'lg With Profits	0	0	0
Linked	0	0	0
Surplus c/f	64,602	67,603	79,033
Other liabilities	3,148	1,684	1,749
Investment Reserves	0	0	0
Total Liabilities/Margins	302,494	355,213	411,401

All of the company's policy specific liabilities are non linked non profit, reflecting the annuities that have been written. The unusually high level of surplus has increased broadly in line with the growth of the company.

Key Revenue Items	2013 £000's	2014 £000's	2015 £000's
INCOME			
Premiums	51,566	70,865	37,581
Investment Income	691	446	403
Investment Increase	15,720	2,988	44,019
EXPENDITURE			
Commissions	841	1,217	580
Policy claims	15,008	17,706	20,024
Expenses	2,864	2,700	3,037
Transfer to P&L	0	-155	-85
Increase in fund	50,769	54,183	56,123

Premium income reduced by 47% in 2015 driven by lower new business volumes. The fall in total acquisition costs, at 21%, was less sharp as new products were developed. Maintenance expenses increased by 27%. Claims increased by 13% as the portfolio grew, with increased CPA payments more than offsetting reduced PLA payments. The result was a reduced net inflow of £17.6m [2014: £53.2m].

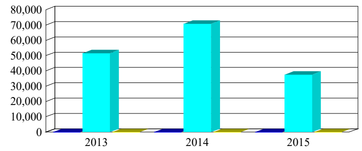
Expense Ratios	2013	2014	2015
New business (% APE)	49.4	40.2	60.2
Renewal (% reg premiums)	n/a	n/a	n/a
Renewal (% p.a. of mean fund)	0.42	0.32	0.35

2015 saw the new business expense ratio increase as new business volumes fell by more than the associated costs. The renewal expense ratio increased slightly, with expenses growing marginally more than the underlying portfolio.

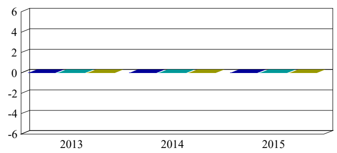
New Business Data (for y/e: 31/10/15)

		Single £000's	Regular £000's
Investment			
Bonds	With Profits	0	0
	Unitised WP	0	0
	Unit Linked	0	0
Endowment	With Profits	0	0
	Unitised WP	0	0
	Unit Linked	0	0
Guaranteed Bonds		0	0
ISA / tax exempt		0	0
Annuities		0	0
Miscellaneous		0	0
Total Investment		**0**	**0**
Protection			
Whole Life	With Profits	0	0
	Unitised WP	0	0
	Unit Linked	0	0
Term	Ordinary	0	0
	Pension	0	0
IP	Individual	0	0
Critical Illness		0	0
Long Term Care		0	0
Miscellaneous		0	0
Total Protection		**0**	**0**
Pensions			
Individual	With Profits	0	0
	Unitised WP	0	0
	Unit Linked	0	0
CPA		37,581	0
CPA (Impaired Life)		0	0
Bulk Transfer Annuities		0	0
Miscellaneous		0	0
Total Pensions		**37,581**	**0**
Group Business			
Pension		0	0
Life		0	0
IP		0	0
Critical Illness		0	0
Miscellaneous		0	0
Total Group Business		**0**	**0**
TOTAL DIRECT BUSINESS		**37,581**	**0**
Overseas Direct *(incl above)*		0	0
External Reins *(excl above)*		0	0
Intra-Group Reins *(excl above)*		0	0
Industrial Branch *(incl above)*		0	0

New Single Premiums	**2013 £000's**	**2014 £000's**	**2015 £000's**
UK Life	0	0	0
UK Pensions	51,566	70,865	37,581
Overseas	0	0	0
Total (Direct + External Reins)	51,566	70,865	37,581
Growth Rate	-5.1%	37.4%	-47.0%
Reins Accepted (Intra-Group)	0	0	0



New Regular Premiums	**2013 £000's**	**2014 £000's**	**2015 £000's**
UK Life	0	0	0
UK Pensions	0	0	0
Overseas	0	0	0
Total (Direct + External Reins)	0	0	0
Growth Rate			
Reins Accepted (Intra-Group)	0	0	0



A challenging year for new business, negatively impacted by Pension Freedoms and more than reversing the previous year's increase. The company reports that new business levels have since recovered.

New business volumes fell by 47%, a pattern also seen by other annuity providers, but have since increased.

Julian Hodge Bank reported increases in loans and advances of 27%, from £441m to £558m.

Distribution

Method

Hodge Lifetime distributes its equity release mortgage and annuity products through the intermediary channel, with different elements of this channel targetted for different propositions.

There is significant use of the primary Exchange and Assureweb portals and other intermediary owned portals, with changes made in 2013 to facilitate more product visability within these.

Albeit a reduced channel since the introduction of Pension Freedoms, the operation distributes its compulsory purchase annuity mainly through specialist annuity advisers. It has also been successfully increasing its footprint amongst the broader intermediary market and through strategic relationships.

Equity release also makes use of specialist intermediaries operating in that area, whilst the Retirement Mortgage is more suited to, and consequently more focussed on, larger groupings of more mainstream advisers and mortgage brokers via networks and support infrastructure. Any further growth is likely to be in a considered fashion, in line with capital and operational capacity.

Hodge Lifetime deals with intermediaries from a centralised base with a small, albeit growing, sales / support structure to supplement it.

Distribution Split	Regular Premium %	Single Premium %
Intermediary	0.0	100.0

Image and Strategy ★★★

To date the company's objective has been to match its annuity liabilities with equity release assets, and to grow both businesses in parallel. Having previously acquired equity release from its parent, the intention for some time has been to effect this business directly within the life company as a means of continuing this matching. Its appetite is to grow market share in a controlled and modest way.

2008 saw the launch of the Hodge Lifetime brand, incorporating the group's equity release and annuity businesses. A key part of the strategy is to develop this brand into a recognised retirement brand, primarily within the intermediary market and, to a lesser but increasing degree, amongst consumers.

The significant and unexpected changes to the decumulation market resulting from the 2014 Budget raised clear challenges to the business in terms of its annuity proposition. However, the business has responded by widening its niche to a modest degree in terms of 'pension pot' sizes considered and this appears to have been successful with some larger pot sizes present in returning annuity values. Further opportunities, including potential strategic relationships, across the wider decumulation arena to mitigate the changed decumulation landscape are also ongoing.

Further challenge to the equity release business remains something of a feature under Solvency II. However, again the company, whilst not of the scale to bring much influence to bear, has been aware of the implications and has successfully undertaken mitigating actions, with further positive capital actions being considered on an ongoing basis.

Products/Proposition

Overall Product Philosophy

Hodge Lifetime specialises in two complementary product areas: retirement income and retirement lending. It has recently extended its offering in the latter to now include a Retirement Mortgage, 55+ Interest Only Mortgage and Equity Release. This provides customers and their advisers with more of a spectrum of solutions or solution components to assist in meeting at and post retirement needs. Whilst developments have been incremental they represent an important risk controlled evolution of the business's proposition.

Hodge Lifetime has been providing equity release products since 1965, when it launched the first ever reversion scheme, and was a founder member of the equity release trade body SHIP (Safe Home Income Plans), relaunched as the Equity Release Council in May 2012. September 2013 saw it launch its flexible Retirement Mortgage (a non-SHIP product). The 55+ Mortgage was rolled out to the wider market in June 2016, following an initial pilot exercise.

In the compulsory purchase annuity arena, the goal is to use efficient, low cost administration, coupled with a suitable investment strategy aiming to maintain market-leading annuity rates.

Annuity sales enable the company to invest in equity release assets, subject to liquidity, solvency and capital requirements.

Products Currently Marketed

Pension Products

Compulsory Purchase Annuity

Other Products

Mortgages, including Equity Release
(written by Julian Hodge Bank Ltd)

Product Awards and Benchmarks

Hodge Lifetime was named the Best Equity Release Provider for the third year running at the 2015 Moneyfacts Investment, Life and Pensions awards. In addition, at the 2015 Equity Release Awards, it was named the Best Provider for Adviser Support for the second time.

Service ★★★★

Approach
The life company has no employees of its own: all administrative services being provided by Julian Hodge Bank for which an appropriate charge is made.

Hodge Lifetime operates to a number of core values and beliefs related to: Fairness (of pricing); Service (to intermediaries and customers); Simplicity (in products, process and paperwork) and Specialist (in the retirement market). The company considers that this gives it an in-depth understanding of customer needs and therefore enables it to tailor its products and services accordingly.

In November 2013, annuity new business administration was brought back in-house from Equiniti (rebranded from Xafinity Paymaster), while Equiniti continues to process annuity payments.

Work within the bank to upgrade administration systems was completed in 2015 and enhances the interface between the bank and the life company.

In 2016 a move to new premises will allow further possible growth and deliver an improved environment for administrative initiatives across the group. Additional business continuity planning enhancements are also anticipated as part of the move.

e-Business
Hodge Lifetime maintains a website which caters for both the intermediary and the end customer.

Key to distribution is availability through The Exchange and Assureweb intermediary portals.

Service Standards & Awards
Hodge Lifetime has a history of winning awards. In 2013, it was awarded 5 star ratings in the FTAdviser.com Online Service Awards in the 'Life & Pensions' and 'Mortgage' categories. This was retained in the Mortgage category in 2014. It also obtained a 4 star award in the 2013 and 2014, reduced to 3 stars in 2015, Financial Adviser Service awards - Mortgages, albeit only 2 stars since 2013 as a Life & Pensions provider. It was also Highly Commended in the 'Most Competitive Annuity Provider' category for the Moneyfacts Life and Pensions Awards 2015. In 2011 it was awarded a 4 star rating in the FTAdvisor.com Online Service Awards in the 'Mortgage Lender and Packager' category.

Albeit still relatively young in terms of track record establishment, the company's feedback from customer research is largely very positive.

Outsourcing
Some loan servicing activity for the Retirement Mortgage is outsourced to Capita Mortgage Services (formerly Crown Mortgage Management), a specialist mortgage outsourcer based in Ipswich.

Pension annuity payments are outsourced to Equiniti, a specialist pension and annuity administrator based in Crawley.

Investment

Overall Approach
Hodge Life invests a significant proportion of its assets in equity release assets (home reversion plans and lifetime mortgages), with the remainder predominantly held as cash.

Funds Under Management
Hodge Life remains very small in market terms, having long term assets of £411m [2014: £355m], of which £78m [2014: £81m] comprises property investment. Julian Hodge Bank's total assets increased by 27% to £999m [2014: £785m] as at 31 October 2015.

Annual Review ★★★★

Hodge Lifetime has continued to pursue its stated strategy, albeit 2015 was a challenging year. Hodge Life's new business reduced as the company felt the effect of the introduction of Pension Freedoms, but have since recovered.

The company made a much increased pre-tax profit of £15.9m [2014: £6.9m], benefiting from strong house prices, enhanced rates of maturity on reversion plans, positive mortality experience against assumptions on legacy portfolios, and higher margins from its in-force portfolio. No dividend was paid [2014: nil]. Long term assets increased by 16% to £411m. Pillar I capital resources in excess of the capital resources requirement increased by 11% to £52.1m, although solvency coverages reduced as the capital resources requirement also increased, by 24%.

Hodge Life increased its holdings of lifetime mortgages to a total of £290m, purchasing mortgage assets of £16.3m [2014: £61.9m] over the year from Julian Hodge Bank.

The immediate parent, Julian Hodge Bank Ltd, which recorded a 7th consecutive year of profit growth, made an improved pre-tax profit of £5.0m [2014: £4.3m], driven by successful business generation, particularly in the commercial lending division and further growth in commercial and residential property prices. No dividend was paid [2014: nil] and the Tier 1 capital ratio reduced to 22.1% [2014: 25.5%]. As at 31 October 2015, Julian Hodge Bank had £639m of equity release mortgage assets under management, including £416m for other financial institutions. 2015 saw the bank's deposit base increase by 34%, to £849m.

At Group level, The Carlyle Trust Limited saw consolidated pre-tax profits increase from £11.6m to £27.0m, paying a dividend of £2.1m [2014: £1.6m]. The Gateway Hotel Dunstable Ltd was sold for a profit of £3.3m.

Good progress has been made in developing additional governance, which should equip the business for further growth and maturity. Whilst there are also different challenges for its key business lines, this strengthening of its operational credentials, together with growth to date and a widening product range but continued agility, affords Hodge Lifetime options for continued future development.

2015 saw Hodge Lifetime celebrate its 50th anniversary.

Financial Strength Ratings - Introduction

The aim of AKG's financial strength ratings is to assist advisers and others to assess the relative strengths of individual provider companies. AKG's concept of 'financial strength' starts with the fundamental issue of a company's ability to meet all of its guaranteed payments to policyholders, but extends beyond this by aiming to factor in the degree to which a policyholder's expectations are likely to be met - or even exceeded - in the long-term. For performance-related products, where the eventual return generally depends largely upon a company's success in consistently delivering superior investment performance, and in containing expense charges, a company's ability to meet expectations is likely to be heavily dependent upon whether or not it is able to sustain its operations in the relevant market, and whether or not it can maintain, or improve, its competitive position.

As a result, AKG believes that, ideally, the evaluation of 'financial strength' should depend upon the type of product under consideration. A particular company may be judged as very strong in the context of one particular product line, but it may be weaker in another context. An illustration of this concept is a company that currently only markets unit linked business, but which has a very small closed block of with profits business, written many years ago. Such a company may be judged as 'good' for unit linked business, whilst considered 'poor' in respect of with profits business.

Since the inception of AKG's Company Profiles and Financial Strength Reports, AKG has consistently promoted and developed the concept of providing financial strength ratings separately for each of the three major product categories - With Profits, Non Profit and Unit Linked.

All AKG's financial strength ratings should be used with care, since even the more detailed approach described above represents something of a simplification. To illustrate this point, for example, the 'Non Profit' category covers a multiplicity of different products. It is clear that slightly different criteria should be used for, say, short-term policies with fully guaranteed terms (e.g. Guaranteed Bonds), than for longer-term policies with terms that can be varied at the company's discretion (e.g. Renewable or Reviewable Term).

AKG assesses financial strength using consistent methodology and objective measures wherever possible, and based on the detailed analysis of the company's particular strengths and weaknesses. The objectives and criteria for each of the financial strength ratings are summarised below:

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, 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).

✰✰✰✰✰	Excellent
✰✰✰✰	Very good
✰✰✰	Good
✰✰	Adequate
✰	Poor
▤	Not rated

The main criteria taken into account are: capital base and free asset position, with profits realistic balance sheet position, 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 Report.

Non Profit Financial Strength Rating

The objective is to assess the company's ability to meet all guaranteed payments arising from such contracts as term plans, annuities etc.

The main criteria taken into account are: free assets, structure (and size) of funds within the company, parental strength (and likely attitude towards supporting the company), and image and strategy.

✰✰✰✰✰	Excellent
✰✰✰✰	Very good
✰✰✰	Good
✰✰	Adequate
✰	Poor
▤	Not rated

Unit Linked Financial Strength Rating

Whilst this is essentially a non profit line, and the primary objective is to assess the company's ability to meet all guaranteed payments arising, AKG also seeks to take into account the extent to which the company is likely to be able to sustain its unit linked operations, and whether or not it is likely to be able to maintain, or improve, its competitive position. Thus strategic issues are also relevant, because of their bearing on the quality of investment management offered, and because of companies' rights to increase charges etc.

The main criteria taken into account are: free assets, structure (and size) of funds within the company, parental strength (and likely attitude towards supporting the company), typical fund performance achievements, and image and strategy.

☆☆☆☆☆	Excellent
☆☆☆☆	Very good
☆☆☆	Good
☆☆	Adequate
☆	Poor
▤	Not rated

Overall Financial Strength Rating

The objective is to provide a simple broad-brush indication of the general financial strength of a company. In addition to an assessment of the company's ability to meet all of its guaranteed payments to policyholders, AKG also aims to factor in the degree to which policyholders' expectations are likely to be met - or even exceeded - in the long-term. This involves an assessment of a company's ability to survive in its current form for the long term. The overall rating inherently reflects the mix of business in-force within the company, since different types of policyholder have different expectations, and the company's particular strengths and weaknesses in respect of its key product areas.

The rating takes into account those of the following criteria which are relevant (depending upon the company's mix of business in-force): capital base and free asset position, with profits realistic balance sheet position, structure (and size) of funds within the company, parental strength (and likely attitude towards supporting the company), typical fund performance achievements, and image and strategy.

A	Superior
B+	Very strong
B	Strong
B-	Satisfactory
C	Weak
D	Very Weak

Supporting Ratings - Introduction

Supporting ratings are provided only in full reports, and are assessed at the brand level. AKG assesses three key supporting areas, using consistent methodology and objective measures wherever possible. The aim is to assist advisers and others to consider the relative merits of the brands that they deal with. AKG's objectives and criteria for each of these ratings are summarised below:

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.

☆☆☆☆☆	Excellent
☆☆☆☆	Very good
☆☆☆	Good
☆☆	Adequate
☆	Poor
▤	Not rated

Image and 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.

☆☆☆☆☆	Excellent
☆☆☆☆	Very good
☆☆☆	Good
☆☆	Adequate
☆	Poor
▤	Not rated

Annual Review Rating

This is an end of year view for the last year for which Report and Accounts, returns to the PRA, etc., are available, together with comment on any significant post-balance sheet events. It is an assessment of how the brand has fared against its peers, and how it is perceived externally.

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.

☆☆☆☆☆	Excellent
☆☆☆☆	Very good
☆☆☆	Good
☆☆	Adequate
☆	Poor
▤	Not rated

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