ISSUED 21 November 2023

PROVIDER SECTOR
Standard Life

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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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

AKG B+
FINANCIAL STRENGTH RATED
PROVIDER SECTOR VERY STRONG
PHOENIX LIFE LTD

Additional Financial Strength and Supporting Ratings

	Non Profit Financial Strength	Unit Linked Financial Strength	With Profits Financial Strength	Service	Image & Strategy	Business Performance
Phoenix Life Ltd	★★★★★	★★★★★	★★★★	★★★★	★★★★★	★★★★★

SUMMARY

- The Phoenix Group (Phoenix) is the UK's largest long-term savings and retirement business, with a broad range of both Heritage and Open products totalling around 12m customers and £269bn of assets under administration (AuA) at 30 June 2023
- Phoenix acquired Standard Life Assurance Ltd (SLAL) and subsidiaries, including Standard Life International DAC (SLIDAC), from abrdn plc (abrdn) on 31 August 2018
- In July 2020, Phoenix acquired ReAssure Group plc, including ReAssure Ltd (RAL) and ReAssure Life Ltd (RLL) from Swiss Re Group and MS&AD Insurance Group
- In April 2023, Phoenix acquired Sun Life Assurance Company of Canada (U.K.) Ltd (SLOC)
- Originally very much a vehicle for structural insurance consolidation, Phoenix has, particularly since the Standard Life acquisition, now assumed a new business focus, with substantial further evolution and broadening of the proposition underway. With this development also being part of the newly articulated pursuit of an increased societal purpose
- Phoenix has stated that the end state operating model will have one UK life company legal entity, Phoenix Life Ltd (PLL), with two business segments (Heritage and Open) and a European business considered as part of the Open segment
- In October 2023, the entire long-term insurance business of SLAL, Standard Life Pension Funds Ltd (SLPF) and Phoenix Life Assurance Ltd (PLAL) was transferred into PLL. RAL, RLL, SLOC, SLIDAC and Phoenix Life Assurance Europe DAC (PLAEDAC) remain as separate entities
- The Standard Life brand is now owned and controlled by Phoenix
- Standard Life was highly regarded by intermediaries historically, and the business has sought to maintain this reputation under Phoenix's ownership
- Phoenix has also adopted sustainability as a key strategic priority. As part of the Group, PLL aligns to this strategy
- abrdn took a 19.98% equity stake in Phoenix on completion of the acquisition, which has since reduced to 10.70%
- As part of further integration into the Group, the business which was within SLAL is expected to migrate existing policies onto Tata Consultancy Services' digital platform (the TCS BaNCS platform) by 2025
- At 30 June 2023, PGH had a Solvency II surplus of £3.9bn and a 'Shareholder view' coverage ratio of 180% [31 December 2022: £4.4bn and 189%]

COMMENTARY

Financial Strength Ratings

All business written under the Standard Life brand, the lead open brand within the Group, is now written into PLL, following the transfer in of the business from SLAL, which had previously been the focus entity of this assessment. This structural change sees no material diminution of the financial strength and related experience for Standard Life customers. The financial numbers that appear throughout this Report are based on reporting periods before SLAL and SLPF had been transferred into PLL. However, the overall ratings take account of this activity.

Phoenix previously had a strategy based upon a consolidation philosophy. The acquisition of SLAL marked a change to this, enabling the aspiration of evolution from being a heritage business to one that extends to open business, enhancing the sustainability of the Group.

2021 saw Phoenix's Open business deliver annual organic growth that, for the first time, more than offset the natural run-off of its Heritage book and has continued to do so over 2022 and in H1 2023.

Phoenix is Europe's largest long-term savings and retirement business, with £269bn AuA as at 30 June 2023 [31 December 2022: £259bn]. At the same date, PGH had a Solvency II surplus of £3.9bn and a 'Shareholder view' coverage ratio of 180% [31 December 2022: £4.4bn and 189%].

Following the acquisition of the business from Standard Life, Phoenix operated two PRA approved Internal Models, a Phoenix Internal Model covering all the pre-acquisition Phoenix entities and a Standard Life Internal Model covering SLAL and SLPF. The Irish entity, SLIDAC, determines its capital requirements in accordance with a Partial Internal Model. Phoenix submitted an application for the Group's Internal Model Harmonisation to the PRA, which was approved, with the new model effective from 30 September 2021. The Group now operates a single harmonised Partial Internal Model, with the Internal Model covering all entities of the Group except SLIDAC, which operates a Partial Internal Model, and SLOC, PLAEDAC and the ReAssure entities, which remain on the Standard Formula.

Phoenix has evolved significantly as a Group in recent years. The ReAssure, Standard Life and SLOC acquisitions provide significant additional scale. The Standard Life acquisition also provides an open business that now operates alongside Phoenix's historical closed model. The Group's fortunes moving forwards will be very much aligned to how successful Phoenix is in making the transition to a business that has an open proposition, and how much more effectively the overall proposition can be run, now that the Standard Life branding, adviser distribution and marketing have been brought in-house. The Open business delivering annual organic growth that, for the first time in 2021, more than offset the natural runoff of its Heritage book and which has continued since then, is a positive indicator here.

The Group will benefit from any cost and capital synergies that consolidation brings, building on those already made through recent acquisitions.

Phoenix Life Ltd

PLL's total assets on a Solvency II basis reduced by 14% in 2022 to £61.1bn [2021: £71.1bn]. The transfers in from SLAL and PLAL have more than tripled the size of the company in terms of assets.

The SCR coverage ratio reduced slightly in 2022 to 161%, based on Own Funds of £3.7bn and a SCR of £2.3bn [2021: 162%, £4.3bn, £2.7bn]. PLL however focuses on the 'shareholder capital coverage ratio' (which excludes the SCR and the own funds relating to unsupported with profits funds) - it stood at 173% at the end of 2022 [2021: 197%].

If the Scheme had been implemented on 30 June 2023, the post-Scheme capital resources of PLL would have covered its SCR with a ratio of 173% on a Reported basis and 219% on a Shareholder basis (PLL 157% and 175%, PLAL 156% and 230%, SLAL 155% and 183%, respectively). Both of the post-Scheme Solvency Coverage Ratios for PLL are higher than the pre-Scheme values other than the PLAL ratio on a Reported basis. Post-Scheme, the Adjusted Shareholder Solvency Coverage Ratio for PLL of 209% is materially above the estimated revised capital policy target of 138%.

PLL is now clearly positioned as the Group's main UK Life company, following the business transfers from SLAL and PLAL. As such it should be capitalised to the level required to meet its business objectives as evidenced by capital contributions of £307min 2022 [2021: £375m], which were received to cover the initial solvency strain of the Bulk Purchase Annuity (BPA) transactions.

It is very likely that the business within RAL, RLL and SLOC will be transferred-in in due course.

PLL provides assistance as required to each of its with profits funds, with 10 in existence in 2022. As at 31 December 2022, support of £9m was provided to one fund, the Britannic WP fund.

Service Rating

Service remains core to the overall proposition, with PLL aiming to deliver market leading service.

Standard Life was highly regarded for service. Whilst deepening its level of service in key distribution areas to reflect an emphasis on relationship rather than transactions, Standard Life had also increased its digital capabilities to connect the different elements of SLAL's offering aiming to ensure it continues to meet ever changing customer needs. This continues within PLL.

The business and the wider Group has also reported the maintenance of a strong service performance during the COVID-19 pandemic to date, continuing to deliver a full suite of services to customers and maintaining high customer satisfaction ratings.

SLIDAC and PLAEDAC serve existing European customers and SLIDAC writes new business in Ireland, Germany and Austria.

Image & Strategy Rating

Phoenix has two main life and pensions business segments: Heritage and Open, with Standard Life positioned as the Group's lead brand within the Open segment.

The Heritage business segment comprises products that are no longer actively marketed to customers, for example with profits and many legacy unit linked life and pension products. Open business comprises products that are actively marketed to new and existing customers and includes products sold under the Standard Life and SunLife brands. European business is also considered within the Open segment.

The acquisition of SLAL and its subsidiaries, was described by Phoenix as being 'transformational for Phoenix adding significant additional scale to our business and extending both the quantum and duration of our cash generation. It also changed Phoenix into a biped with both Heritage and Open business channels and our product range under the Standard Life brand that is market-leading across workplace, retail pensions and Wrap products'.

Following the acquisition, Phoenix no longer describes itself as purely a 'closed' business but as a consolidator of both open and heritage life businesses and Phoenix has now achieved its previously stated aspiration of being able to match its inherent run-off with new business. It is also now developing a more outward societal purpose in product provision, which given its scale and markets such as workplace, could be significant.

Previously, abrdn retained the Standard Life brand and licensed it to Phoenix, but following an agreement in 2021, this is now owned and controlled by Phoenix. A Standard Life brand refresh has also recently taken place.

In November 2019, an enlarged strategic partnership with Phoenix's technology and service provider, Diligenta Ltd (TCS Diligenta), a subsidiary of Tata Consultancy Services Ltd, was announced which will support the delivery of a hybrid Customer Services and IT operating model. The partnership brought together the strengths of SLAL, Phoenix and TCS Diligenta and enables further digital and technology capabilities to be developed. During 2020, an agreement was signed with TCS Diligenta, that involved SLAL outsourcing policy administration in order to support growth plans for Open business. 2021 and 2022 saw SLAL and TCS Diligenta progress this.

It was originally proposed that Phoenix would retain ReAssure's proprietary administration platform ALPHA, and the ReAssure Group brand as Phoenix set out the strategy for the future of the combined businesses. However, in February 2023, the Group announced that a further 3m policies, currently administered on the ReAssure Alpha platform, would be transitioned to the TCS BaNCS platform by 2026. Phoenix has stated that 'combining ReAssure and Phoenix, and the expertise of both companies, will create a business that is committed to great customer service, adds value to shareholders and is well positioned for future growth'.

During 2021 and 2022, Phoenix evolved its sustainability strategy, stating a focus on delivering for its customers and investing its AuA in a sustainable manner. There are three areas of focus: investing in a sustainable future; engaging people in better financial futures and building a leading responsible business. This strategy is embedded into business activities and is how the Group interacts with its stakeholders. The Group has set both a long-term net zero target for 2050, along with short-medium term progress targets for 2025 and 2030.

Business Performance Rating

PLL reported a reduced pre-tax loss of £133m in 2022 [2021: £246m]. However, adjusted operating profit, which is the main measure of performance, increased by £150m to £545m [2021: £395m].

Own Funds and SCR were £3.7bn and £2.3bn giving a coverage ratio of 161% [2021: £4.3bn, £2.7bn and 162%, respectively].

Total shareholder's equity remained relatively steady at £1,964m [2021: £1,966m] with the loss for the year of £135m being mostly offset by net capital contributions of £133m. No dividends were paid [2021: nil].

PLL continued its activities in the BPA market, completing BPA transactions with a combined premium of £4,757m. The transactions entered into and agreed in the year included the fourth and final Buy-In tranche with the Pearl Pension Scheme, a related party of the Company. For all of the BPA transactions, reinsurance was effected, transferring the majority of the associated longevity risk. 2022 saw the company receive capital contributions of £307m [2021: £375m] to cover the initial solvency strain of these transactions.

Phoenix described 2022 as another year in which it has delivered both 'clear strategic progress and strong financial performance'. The Group reported:

- Cash generation of £1,504m [2021: £1,717m], which exceeded its 2022 target range of £1.3bn to £1.4bn
- Solvency II surplus of £4.4bn as at 31 December 2022 [2021: £5.3bn] with a Shareholder Capital Coverage Ratio of 189% [2021: 180%]
- Group adjusted operating profit of £1,245m [2021: £1,230m]
- Incremental new business long-term cash generation of £1,233m [2021: £1,184m]
- AuA of £259bn [2021: £310bn]

Phoenix also delivered management actions of £739m. This included £570m of actions from BAU activities including the ongoing delivery of balance sheet efficiencies, further illiquid asset origination and the optimisation of the liquid credit portfolio. A further £169m of M&A synergies was also realised from the ReAssure acquisition, as Phoenix delivered the integration programme across the ReAssure Group Functions and Finance & Actuarial teams, to deliver further synergies in line with plan.

Group & Parental Context

BACKGROUND

Phoenix is the UK's largest long-term savings and retirement business, with 12m customers and £269bn of AuA at 30 June 2023. It was included in the FTSE 100 on 18 March 2019. Phoenix Group Holdings, previously Pearl Group was originally formed on 2 January 2008 under the laws of the Cayman Islands as a special purpose acquisition company. On 2 September 2009, Phoenix Group Holdings completed the acquisition of the Pearl Group of companies which had themselves been established through a series of acquisitions of closed life companies under the 'Pearl Group' and 'Resolution' banners. Phoenix Group achieved a premium listing on the London Stock Exchange in July 2010. At this time, the Group included the closed life books of many well know insurance businesses including Pearl Assurance, London Life, National Provident Institution, Scottish Mutual, Scottish Provident, Britannia Assurance, Royal and Sun Alliance and Allianz Cornhill. A new UK-based company, Phoenix Group Holdings plc, became the top company on 13 December 2018, following the completion of the onshoring of the Group from its previous Cayman Island location. On 1 November 2016, AXA Wealth's pensions and protection businesses were acquired from AXA UK plc. This brought a distribution business, SunLife, into the Group. On 30 December 2016, Abbey Life Assurance Company Ltd was acquired. Phoenix has simplified the business through a series of Part VII transfers which have moved business into two companies - PLL and PLAL. These transfers included:

- With effect from January 2010, £1.2bn of Conventional With-Profits pension business was transferred from National Provident Life Ltd (NPLL) to Pearl Assurance (now PLAL)
- With effect from January 2011, the business of Phoenix & London Assurance Ltd (PALAL) was transferred to PLL
- With effect from January 2012, all of NPI Ltd's business and NPLL's annuities in payment that commenced on or after 1 January 2000 were transferred to the PLL's Non-Profit Fund
- In March 2012, Pearl Assurance's non-life business was transferred to BA (GI) Ltd
- In September 2012, Pearl Assurance was renamed as PLAL and the business of London Life Ltd was transferred to PLAL
- In June 2015 the entire remaining business of NPLL was transferred to PLAL
- In December 2017, all AXA Wealth Ltd policies were transferred to PLL
- In December 2018, all the business of Abbey Life Assurance Company Ltd was transferred to PLL
- Additionally, ReAssure completed the Part VII transfer of the L&G business during 2020

As well as the internal restructuring, PLL and PLAL have disposed of two tranches of annuities in payment. In July 2012, PLL and PLAL transferred approximately £5bn of annuities in-payment liabilities to Guardian Assurance Ltd, initially via reinsurance, but replaced by a formal transfer in September 2013. A second tranche covering £1.7bn of annuity in-payment liabilities was reinsured in July 2014, effective from January 2014. This business formally transferred to ReAssure Ltd in December 2016.

Phoenix completed the acquisition of the Standard Life Aberdeen (now abrdn) life insurance businesses, including SLAL and SLIDAC, on 31 August 2018 for a consideration of £2.9bn. In addition, abrdn took an initial 19.98% equity stake in the enlarged Group on completion and the two Groups entered into a strategic partnership. abrdn's shareholding has since reduced to 10.70%. Phoenix's other major shareholders are MS&AD Insurance Group Holdings, Inc. (14.50%) and BlackRock, Inc. (7.39%). Abrdn also provides investment management services for circa 40% of Phoenix's AuA. The UK retail platforms, including Wrap and Elevate and the financial adviser business, previously owned by SLAL, were retained by abrdn. The ongoing relationship, between SLAL and abrdn, which was implemented relatively swiftly in 2018, has in large part appeared to proceed as intended and relatively smoothly. Although, within its June 2020 results disclosures Phoenix announced that there had been some disagreements over aspects including transitional services agreements and client service and proposition agreements. Albeit, and also as stated by both businesses, such disagreements are not necessarily uncommon and do not always result in legal escalation. In February 2021, Phoenix and abrdn entered into a new binding agreement which significantly simplified the arrangements of their Strategic Partnership, enabling Phoenix to control its own distribution, marketing and brands, and focusing the Strategic Partnership on using abrdn's asset management services in support of Phoenix's growth strategy. Under the terms of the transaction, Phoenix sold its SLAL UK investment and platform-related products to abrdn, and acquired ownership of the Standard Life brand. Phoenix received £115m of cash consideration for this transaction.

The Life Insurance Company of Scotland was founded in Edinburgh in 1825. It was renamed as The Standard Life Assurance Company (SLAC) in 1832 and reincorporated as a mutual assurance company in 1925. Standard Life entered the offshore market with the launch of the Dublin based subsidiary, Standard Life International Ltd, now SLIDAC, in January 2006. Following the demutualisation of SLAC and the flotation of Standard Life plc on the London Stock Exchange on 10 July 2006, SLAL operated in the UK alongside its now considerably smaller subsidiary, SLPF.

As part of its Brexit preparations, Phoenix made a capital injection of £250m into SLIDAC in readiness for a Part VII transfer completed on 29 March to transfer to SLIDAC the SLAL business of euro-denominated insurance policies written in Ireland and Germany through its Irish and German branches, and in Austria through its Austrian sales office. New funds have been established in SLIDAC. In addition, SLAL and SLIDAC entered into reinsurance arrangements, which reinsured the transferring with-profits business back to SLAL, novated to PLL. SLIDAC will act as a base from which to serve Standard Life's existing European customers and to write new business in Ireland and Germany.

In July 2020, Phoenix completed the acquisition of ReAssure Group plc from Swiss Re Group and MS&AD Insurance Group Holdings Inc. for a total consideration of £3.1bn. As part of this transaction, Phoenix acquired further business in Ireland and continental Europe. In November 2021, Phoenix sold Ark Life Assurance Company dac to Irish Life Group in a deal worth £197m. Ark Life had been acquired as part of the acquisition of ReAssure, but as a closed book business, was deemed surplus to requirements.

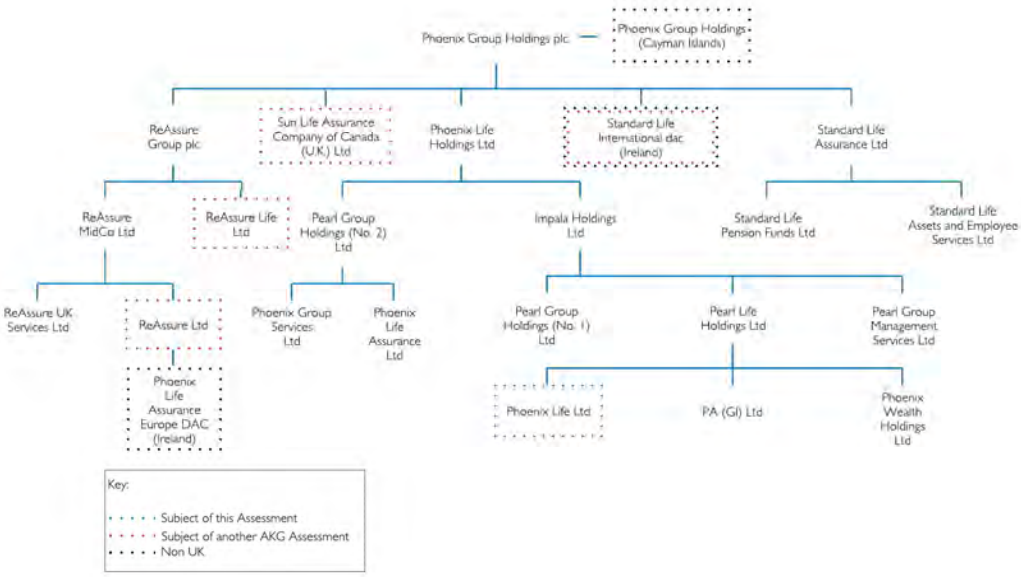
Phoenix submitted an application for the Group's Internal Model Harmonisation to the PRA, which was approved, with the new model effective from 30 September 2021. This model excludes RAL, RLL and SLOC currently.

In January 2023, PLL and ReAssure Life Ltd transferred certain European policies to PLAEDAC, a company established in December 2020. In April 2023, Phoenix completed the acquisition of SLOC, a closed book UK life insurance company, for £248m funded from existing cash resources.

Phoenix has stated that the end state operating model will have one UK life company legal entity (PLL) with two business segments (Heritage and Open) and a European business (SLIDAC) considered as part of the Open segment.

In October 2023, the entire long-term insurance business of SLAL, SLPF and PLAL was transferred into PLL.

GROUP STRUCTURE (SIMPLIFIED)



Company Analysis: Phoenix Life Ltd

BASIC INFORMATION

Company Type
Life Insurer

Ownership & Control
Phoenix Group Holdings plc

Year Established
1971

Country of Registration
UK

Head Office
1 Wythall Green Way, Wythall, Birmingham B47 6WG

Contact
www.standardlife.co.uk/help

Key Personnel

Role	Name
Phoenix Group:	
Chairman	A Barbour
Chief Executive Officer, Group and PLL	A D Briggs
Chief Financial Officer	R Thakrar
Chief Executive Officer, Savings and Retirement UK & Europe	A B Curran
Chief Investment Officer	M J Eakins
Corporate Development Director	A Franekova
Corporate Affairs & Investor Relations Director	C Hawkins
Chief Executive, Heritage Division	B M Meaney
Chief Operating Officer	J Noakes
Chief Risk Officer	Dr J R Pears
PLL:	
Finance Director	P K Mayes
MD Pensions and Savings	C Williams
MD Retirement Solutions	T Ground
Chief Actuary	A D Rendell
With Profits Actuaries	J A R Peat, B J Murray, C M Stewart Roper

Company Background

Founded in 1971 as Lloyd's Life Assurance Ltd, the company was renamed Royal Heritage Life Assurance Ltd in 1986 following its acquisition by Royal Insurance. It was renamed Royal & Sun Alliance Linked Insurances Ltd in 1998 following the merger of Royal with Sun Alliance and business from various companies in the enlarged group was transferred in. It closed to new business in September 2002 and was acquired by its current immediate parent company, Pearl Life Holdings Ltd (then named Resolution Life Ltd) in September 2004.

In December 2005, the company was renamed Phoenix Life Ltd (PLL).

In May 2008, Impala Holdings Ltd, a 75% subsidiary of Pearl Group Ltd (PGL), acquired Resolution plc. In September 2009, PGL was acquired by Liberty Acquisitions Holdings (International) Company of the Cayman Islands, which then renamed itself Pearl Group Ltd. Following extensive capital restructuring, the Cayman Islands registered ultimate parent changed its name to Phoenix Group Holdings in March 2010, became listed on the London Stock Exchange, and moved its principal place of business to Jersey. In January 2018, the Head Office (and tax jurisdiction) was moved to the UK. A new UK-based company, Phoenix Group Holdings plc (PGH), became the top company in December 2018, following the completion of the group's onshoring.

PLL has been the Group's main vehicle for consolidations. Transfers-in include:

- 1998 - Royal Life (Unit Linked Pension Funds) Ltd, Royal Life (Unit Linked Assurances) Ltd, Sun Alliance Pensions Ltd, Sun Alliance Linked Life Insurance Ltd, Property Growth Assurance Company Ltd
- 2005 - Phoenix Assurance Ltd, Swiss Life (UK) plc and Bradford Insurance Company Ltd
- 2006 - Alba Life Ltd, Britannic Assurance plc, Britannic Retirement Solutions Ltd, Britannic Unit Linked Assurance Ltd, Century Life plc and Phoenix Life & Pensions Ltd
- 2009 - Scottish Mutual Assurance Ltd and Scottish Provident Ltd
- 2011 - Phoenix & London Assurance Ltd
- 2012 - NPI Ltd and certain annuity policies from National Provident Life Ltd
- 2016 - AXA Wealth Ltd (initially via reinsurance, full transfer completed in December 2017)
- 2017 - Abbey Life Assurance Company Ltd (initially via reinsurance of nearly all risks and rewards of that company's non-linked, non-profit business), full transfer completed on 31 December 2018, with all with profits policies being converted to non profit with guaranteed bonuses

PLL transferred £3.4bn of annuity liabilities to Guardian Assurance Ltd in July 2012 (initially via reinsurance, then transferred fully in 2013). A further £1.7bn of annuity liabilities were transferred to Guardian in July 2014 (initially via reinsurance, and then transferred fully to ReAssure Ltd at the end of December 2016, when the whole business of Guardian Assurance Ltd was transferred to that company).

Whilst PLL's life and pensions business has been almost entirely in run-off for many years, vesting pension annuity business and increments on in-force business continued to be written. In October 2023, the entire long-term insurance business of SLAL, SLPF and PLAL was transferred into PLL, at which point PLL became the entity into which all new business is written, including the continuation of protection business written under the SunLife brand.

Because of the range of prior business transfers into some of the acquired companies listed above, PLL now contains business originally written by well over 100 different insurers, and it now maintains 17 separate with profits funds.

All of the Irish, German, and Icelandic business in PLL was transferred to a new Irish company, PLAEDAC on 1 January 2023. Following this transfer there is no longer any requirement for PLL to maintain the third country branch in the Republic of Ireland and it was de-authorised in August 2023.

There remains a branch in Hong Kong.

Subsidiaries include SunLife Ltd and Phoenix Unit Trust Managers Ltd.

OPERATIONS

Governance System and Structure

PLL operates under the governance and risk management frameworks of the Group. PLL, RAL, RLL and SLOC (together the Life Companies) operate joint Boards of Directors, Audit Committees and Risk Committees, which operate under the Group's frameworks whilst having responsibility delegated to them for oversight of policies and activities that only impact the Life Companies.

There is a uniform model across the Group, albeit one which has drawn from best practice from its constituent acquisitions, such as the Reassure addition. This sets the responsibilities of each Board and which also stipulates the matters reserved for each Board. Each Board has the power to manage the relevant subsidiary company in accordance with legislation (Companies Act), regulations (including the Listing, Prospectus and Disclosure Transparency Rules and the regulations of the FCA and the PRA), constitution (Memorandum and Articles of Association), and Governance Code (UK Corporate Governance Code). This also involves referral of certain matters to shareholders for approval.

Therefore, each Board:

- Where relevant has the power to manage the insurance subsidiaries in accordance with laws and regulations
- Sets 'Matters Reserved' which is a schedule of items which must go to that Board for approval. This operates as an escalation route to ensure that relevant matters are referred up through the appropriate Board structures
- Delegates powers to Board committees through terms of reference
- Delegates powers to Executive Directors and management through Delegations of Authority

Management oversight committees support management in making decisions under the Delegations of Authority (and are also used to review proposals before they go to the Boards). A system of Solvency II key functions (Actuarial, Internal Audit, Risk and Compliance) operates within the Group, reporting to both management oversight committees and Board committees accordingly.

In addition, the Internal Audit function reports directly to the Board Audit Committees. There are also a number of other key functions in the Group including Group Finance, Human Resources, Corporate Affairs and Investor Relations, Asset Management, Operations and General Counsel.

During 2021, the Boards of PLL, PLAL and SLAL merged with the Boards of RAL and RLL to form the collective Life Company Boards. The Life Company Boards, together, are currently comprised of eleven Board members - including: the Chairman; five Executive Directors (with variance in Executive Director membership for PLL versus RAL and RLL and SLOC) and five independent NEDs.

Risk Management

Phoenix's risk management framework (RMF) aims to embed proactive and effective risk management across the Group. It seeks to ensure that all material risks are identified, assessed, controlled, monitored and managed within approved risk appetites and reported through agreed governance routes in line with delegated authorities and that the Group is appropriately rewarded for the risks it takes.

The Group's RMF has nine components: Risk Strategy and Culture; Risk Appetite; Risk Universe; Risk Policies; Governance and Organisation; Emerging Risk; Strategic Risk Management; Risk & Capital Models; and Risk and Control Processes and Reporting.

The RMF sets out a three lines of defence model with clearly defined roles and responsibilities for all components. Management of risk is delegated from the Board to the Group Chief Executive Officer, Executive Committee members and through to business managers (Line 1). The first line is responsible for implementation of the RMF, ensuring risks to the Group and its customers, shareholders, colleagues and society are identified, assessed, controlled, monitored, managed and reported. Independent oversight of risk management is provided by the Group Risk Function (Line 2) through advice, guidance, review, challenge, opinion and assurance; their views are regularly reported to the Board Risk Committee. Independent verification of the adequacy and effectiveness of internal controls and risk management is provided by the Group Internal Audit Function (Line 3), reporting their output to the Group Board Audit Committee.

Administration

Standard Life has for some time been highly regarded for service. Service remains core to the overall proposition, with Phoenix aiming to deliver market leading service. An emphasis, which appears to have been maintained under its new ownership, with particular evidence for this coming through its COVID-19 experience and continued high customer satisfaction ratings.

In November 2019, SLAL, as part of the Phoenix Group, announced an enlarged partnership with technology and service provider TCS Diligenta to support growth plans in the UK market.

The enlarged partnership was designed to bring together the strengths of SLAL, The Phoenix Group and TCS Diligenta and thus build on the strong innovation and customer service excellence to which the partners have stated their commitment. This should enable further digital and technology capabilities to be developed.

The creation of this single, digitally enabled, open architecture ecosystem, now within PLL, was expected to take around three years in total to complete.

Technology, including a growing use of digital, now plays a demonstrable part in Standard Life's current offering and future ambitions, with priorities including a further increase in automation through migrating tasks to digital solutions and development of 'self-service'. Phoenix has continued to develop the relationship with TCS Diligenta in order to move towards a digital ecosystem offering a strong policy administration platform for servicing policyholders and to bring new products to market more quickly. An Innovation Lab has been launched, which enables collaboration with clients and advisers to design, deliver and deploy innovation solutions to sit alongside and complement its service. Digital journeys are being moved across to TCS Diligenta technology. Several customer journeys have already moved within its Customer dashboard and the business has migrated, journeys on the Workplace hub, the employer Workplace Join Journey. SLAL migrated around 440k annuity policies to Diligenta's BaNCs platform in May 2022. These continued to be administered by SLAL staff until February 2023, when they transferred to Diligenta.

The business has introduced enhanced 'voice of customer' technology to constantly improve the way it handles and makes use of customer feedback. This gives customers the option to leave feedback following transactions with Standard Life whether via telephone or digital. The 'Recover' programme is also in place which carries out a triage of negative feedback received from customers and ensures that customer contact is made in any case where feedback indicates a poor customer outcome during a telephony or digital interaction.

The Group customer function focuses on driving operational and experience delivery across the whole Group to ensure there is a consistent drive and approach to delivering the best possible service.

SLAL continued to provide a full suite of services to customers throughout the COVID-19 pandemic to date. There was no significant impact on SLAL's ability to deliver service and customer satisfaction ratings remained high (above 90%) throughout the period for both phone and digital channels.

There have been improvements made to the customer app and dashboard to allow customers to do more digitally and a review of claims processes, including life insurance claims, carried out to ensure that processes are as smooth as possible for customers. Customers now utilise secure channel communications, for non-urgent queries, and log-ins via a mobile device is now the predominant method of accessing policy details.

Standard Life reports that its app has seen significant engagement from its customers and, in 2022, a 94% customer satisfaction score for Standard Life digital journeys.

To date PLL has seen around 500k policies across eight systems migrated to TCS Diligenta, with the remaining policies expected to transfer during 2023 and 2024.

Benchmarks

Standard Life has a reputation for winning awards and accolades. Highlights including in 2022:

- UK Pensions Awards 2023 and 2022: DC Pension Provider of the Year
- Pension Age Awards 2023: At-Retirement Solutions Provider of the Year
- Workplace Savings and Benefit Awards 2023; Pension Provider of the Year
- Workplace Savings and Benefit Awards 2023 and 2022; Benefit Communication Initiative of the Year
- UK Pensions Awards 2022: 25 Years Excellence in Defined Contribution
- Pensions Age Awards 2022: Master Trust Offering of the Year
- Corporate Adviser Awards 2022: Best Provider Decumulation Proposition
- European Pensions Awards 2022: Pension Fund Communication Award
- PLSA Retirement Living Standards 2022: Overall winner
- UX Customer Experience Awards 2022: Customers at the Heart of Everything (Financial Services) Gold Award
- MoneyAge Awards 2022: Pension Provider of the Year
- CCA Awards 2022: Most effective Vulnerable Customer Strategy
- UK Customer Service Excellence Awards 2022: Fight Against Fraud Winner

Internal metrics are as follows:

- Customer satisfaction score: the 2022 result for SLAL was 91% (2021: 92%), SLAL aims to maintain a customer satisfaction score which is consistently above 90%
- Financial Ombudsman Service (FOS) overturn rate, an independent view of how SLAL is handling complaints: the 2022 result for the company was 16% [2021: 7%], which is better than the industry average of 37% and the 'Decumulation, Life and Pensions' category average of 26%
- The 2022 customer satisfaction percentage for the Phoenix Life division (comprising the PLL and its then subsidiary PLAL), was 96% [2021: 95%]. PLL aims to maintain a customer satisfaction score which is consistently above 90%
- The FOS overturn rate: the 2022 result for the Phoenix Life division was 17% [2021: 16%], which is better than the industry average of 37% and the 'Decumulation, Life and Pensions' category average of 26%

Outsourcing

Phoenix's Sourcing and Procurement Policy sets the minimum operating standards that all business entities (including PLL) must comply with for all suppliers and third-party service providers. The policy documents that PLL retains responsibility for meeting all relevant regulatory and legal requirements and includes the requirement for the implementation of appropriately robust governance structures. The policy also highlights that customer outcomes must be considered at the outset and throughout the lifecycle of any externally provided service.

SLAL used a number of outsourcing partners to operate and deliver core systems, capabilities and processes.

Policy administration was outsourced to Standard Life Assets and Employee Services Ltd (SLAESL), one of the service companies within the Group, which, in turn, has sub-contracted some administration most significantly to TCS Diligenta. Under the company's agreements with SLAESL, the majority of costs are levied on a per policy basis thereby mitigating expense risk.

Asset management is outsourced to a diversified range of providers, of which the most significant is Standard Life Investments Ltd (SLI), a member of the abrdn Group, which was a related party until February 2021.

Investment administration was primarily outsourced to SLI and custody services are primarily outsourced to Citi Global Transaction Services and HSBC. SLAL transferred all fund-accounting services to HSBC, enlarging and enhancing its current partnership. Migration of £40bn of with profits and shareholder assets from Citi to HSBC completed on 31 August 2021, with remaining assets transferring during 2022.

In the wider Phoenix Group the most significant outsourcing arrangement is with TCS Diligenta for policy administration services.

STRATEGY

Market Positioning

Standard Life is now positioned as the lead open brand within the Phoenix group.

Phoenix has existed in the insurance world since 1782. It is the UK's largest long-term savings and retirement business. The main focus has recently been on closed life fund consolidation, and the Group specialises in the acquisition and management of closed life insurance and pension funds, via its Heritage business. Alongside this, the Group now has an Open business, which manufactures and underwrites new products and policies to support people saving for their futures. The Phoenix Group's vision is to 'grow a strong and sustainable business to help more people on their journey to and through retirement, across our Heritage and Open divisions'.

Phoenix's brands are Phoenix Life (PLL), Phoenix Ireland (PLL), SunLife (PLL) Phoenix Wealth (Phoenix Wealth Services Ltd), ReAssure (RAL and RLL), Standard Life (PLL and SLIDAC) and Sun Life Financial of Canada (SLOC).

There are three strategic priorities as follows:

- Optimise in-force business
- Grow organically and through M&A
- Enhance its operating model and culture

Phoenix sees four major market trends which represent significant growth opportunities for the Group: insurers disposing of their Heritage books through mergers and acquisitions; corporates de-risking through BPAs; auto-enrolment and responsibility for retirement planning shifting to individuals.

Phoenix remains the market leader in the UK Heritage consolidation market and while this remains its priority for mergers and acquisitions, Phoenix would also consider the acquisition of Open books of business if they offer a clear strategic fit.

The Heritage business is focused on the safe and efficient management of insurance policies and comprises products that are no longer actively marketed to customers. This business has been built through the consolidation of over 100 legacy insurance brands. The Heritage business is considered the bedrock of the Group, delivering predictable levels of cash that both fund its dividend over the long-term and generate surplus cash to reinvest into organic Open business growth and inorganic growth through M&A. The most recent development here being the acquisition of SLOC.

Within its Open business, Phoenix is looking to deliver growth by strengthening its proposition, deepening the engagement with its existing customer base and acquiring new customers through its Workplace and BPA businesses, all of which is now enhanced by its ownership of the Standard Life brand, marketing and distribution. The Open business comprises products that are actively marketed to new and existing customers and has five separate business units:

- The Workplace pensions and Customer Savings & Investments units operate under the Standard Life brand and manufacture long-term savings and retirement products to support people saving for their future
- The Retirement Solutions unit includes both vesting annuities and the BPA business
- A range of financial products specifically for the over 50s market through the SunLife brand
- The European business unit which spans Ireland, Germany and the International Bond segment in the UK and operates under the Standard Life brand

PLL conducts Phoenix's Open business in areas such as workplace pensions and self-invested personal pensions and continues to offer products to new and existing customers under the Standard Life brand. In the UK, products and services are offered through three broad channels: UK Open, UK Heritage and Europe (including Irish, German and Austrian business reinsured to PLL from SLIDAC).

This Open business is supported by the strategic partnership with abrdn. In February 2021, abrdn and Phoenix announced a simplification of their strategic partnership:

- Phoenix continues to partner with abrdn for investment services
- Phoenix has taken full ownership of the Standard Life brand
- abrdn to acquire two Standard Life Wrap platform products from Phoenix that are used by financial advisers - Wrap Self-Invested Personal Pension and Wrap Onshore Bond in 2023. There was no change to other Standard Life SIPP products

Proposition

Standard Life's workplace pension proposition is designed to meet the needs of employers and trustees, encompassing pension & flexible benefits. The proposition has been developed upon the principle of relevance and ease of use for both employers and customers, complementing employers existing systems and processes. The primary aim of the offering is a reduction in complexity and value proven solutions for employers, with continued delivery of relevant and positive member outcomes through their savings and guided retirement journeys.

Within the workplace pensions proposition, Standard Life offers Master Trust, Own Trust and Contract solutions for large employers, complemented by an SME contract based solution known as the 'Good to Go' proposition for small employers. As of July 2020, workplace members of Standard Life's DC Master Trust can access the full flexibility of Pension Freedoms from within their existing plan. As of May 2021, this capability has been extended to GFRP, Standard Life's modern workplace contract product. All other workplace members access Pension Freedoms through Standard Life's 'Active Money' Personal Pension. Both solutions include a digital and telephony based guidance service for members in need of further support.

The Workplace Proposition is a key component for the growth of Standard Life's customer book. Customer strategy is focused on engaging customers through relevant support and guidance 'to and through' retirement, across all channels, maintaining valuable relationships for longer. Key recent innovations to enhance the customer experience and drive better outcomes have been the Standard Life app and a new financial wellness app, 'Money Mind Set', which supports customers at different life stages, providing an aggregated view of assets, budgeting and spending, with interactive tools and guidance. Further product development for delivery through the channel is in train, in line with the aspiration for its growth.

Standard Life also continues to offer a Retail SIPP, primarily to advised clients, where advisers and their clients have access to a range of flexible product features, including flexible access drawdown and tailored drawdown, and a wide range of investment options, including insured funds, Discretionary Fund Managers and stocks and shares. Standard Life also offers an Onshore Bond to advised clients, which provides access to a range of insured funds. The adviser proposition is also supported by a range of digital services, including, online fund switches and quote and apply on Adviserzone (its adviser facing website). Standard Life also provides the Wrap SIPP and Wrap Onshore Bond products via abrdn's Wrap platform, but announced plans in 2021 to sell these products to abrdn. These changes reflect a further step in the evolution of the relationship between the businesses.

Significant propositional development is underway within the business, to both deliver a broadened proposition to advisers via greater use of digital technology platforms and experience, and also through increased digital capability and data use to customers directly and via the workplace. With this development all taking place within an overarching context of better meeting the needs of an underserved population in an efficient and effective manner for societal benefit and thus delivering the substantial commercial opportunity afforded by it.

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KEY COMPANY FINANCIAL DATA

Last 3 reporting periods up to 31 December 2022

Assets

	Dec 20 £m	Dec 21 £m	Dec 22 £m
Fixed interest	18,824	22,086	18,469
Equities	111	119	130
Collectives	359	460	477
Property	312	338	300
Linked	21,301	21,380	18,419
Derivatives	1,416	965	344
Loans and mortgages	3,795	3,986	3,875
Reinsurance recoverables	7,367	9,125	8,485
Cash	332	311	193
Other	13,373	12,349	10,360
Total Assets	67,190	71,119	61,052

Liabilities

	Dec 20 £m	Dec 21 £m	Dec 22 £m
Technical provisions - non-life	0	0	0
Technical provisions - health (similar to life)	78	72	61
Technical provisions - life	28,617	32,143	26,095
Technical provisions - linked	27,139	28,144	24,664
Other	6,243	6,031	6,139
Total Liabilities	62,077	66,391	56,959
Excess of assets over liabilities	5,113	4,728	4,093

Total assets, which reduced by 14% in 2022 to £61.1bn [2021: £71.1bn], are primarily fixed interest (30% of the total) and unit linked (30%) [2021: 31% and 30% respectively], reflecting the nature of the liabilities and the company's general aversion to risk in respect of its with profits funds. Other assets are mainly holdings in subsidiaries of £9.0bn [2021: £11.8bn].

The transfers in from SLAL and PLAL bring total assets of around £128bn and £11bn respectively, similarly liabilities of around £124bn and £9bn.

As at 31 December 2022, Phoenix had AuA of £259.0bn [2021: £310.4bn] across both its Heritage and Open businesses. The decrease was largely driven by £45.7bn of adverse market movements.

Life & Health SLT Technical Provisions

	Dec 20 £m	Dec 21 £m	Dec 22 £m
Insurance with profit participation	10,859	10,064	7,661
Linked insurance	25,445	26,401	23,192
Other life insurance	17,757	22,073	18,429
Annuities - from non-life health	0	0	0
Annuities - from non-life non-health	0	0	0
Health insurance	78	72	61
Health reinsurance	0	0	0
Life reinsurance	1,694	1,749	1,479
Total life & health SLT technical provisions	55,834	60,360	50,821

Life Expenses

	Dec 20 £m	Dec 21 £m	Dec 22 £m
Health insurance	3	3	5
Insurance with profit participation	60	59	53
Linked insurance	141	163	230
Other life insurance	261	298	358
Annuities - from non-life health	0	0	0
Annuities - from non-life non-health	0	0	0
Health reinsurance	0	0	0
Life reinsurance	0	0	0
Other expenses	0	0	0
Total life expenses	464	523	645

Total technical provisions reduced by 15% in 2022 and related mainly to with profits (15% of the total), unit linked (46%) and other life insurance (36%) [2021: 17%, 44% and 37%, respectively].

PLL held provisions totalling £290m in respect of Guaranteed Annuity Options (GAOs) [2021: £665m], of which £243m were held in the with profits funds [2021: £568m].

Solvency Capital Requirement (SCR)

	Dec 20 £m	Dec 21 £m	Dec 22 £m
Market risk	2,641	1,662	1,797
Counterparty default risk	202	340	239
Life underwriting risk	1,794	1,453	952
Health underwriting risk	0	0	0
Non-life underwriting risk	0	0	0
Diversification	(1,302)	(745)	(714)
Intangible asset risk	0	0	0
Operational risk	357	378	378
Capital add-ons already set	0	0	0
Other items	(287)	(431)	(378)
Solvency capital requirement	3,405	2,656	2,275

Eligible Own Funds

	Dec 20 £m	Dec 21 £m	Dec 22 £m
Tier 1 unrestricted	4,740	4,309	3,624
Tier 1 restricted	0	0	0
Tier 2	202	0	0
Tier 3	0	0	42
Eligible own funds to meet SCR	4,942	4,309	3,665
Excess of own funds over SCR	1,537	1,653	1,390
SCR coverage ratio (%)	145.0	162.3	161.1

On 14 September 2021 the PRA approved the company's Solvency II Internal Model application. This brought PLL, PLAL and SLAL onto a single harmonised Internal Model, which went live on 30 September 2021. The company uses Transitional Measures and a Matching Adjustment.

In December 2017, PLL received a capital contribution of £155m [2016: £227m] to facilitate the reinsurance of nearly all risks and rewards of Abbey Life Assurance Company Ltd's non-linked, non-profit business. Further capital contributions [2018: £101m, 2019: £98m, 2020: £228m, 2021: £375m, 2022: £307m] have been received to cover the initial solvency strain of the BPA transactions. The company received further capital contributions of £201m and repaid capital contributions of £375m in 2022.

The SCR coverage ratio reduced slightly in 2022 to 161%, based on Own Funds of £3.7bn and a SCR of £2.3bn [2021: 162%, £4.3bn, £2.7bn]. PLL, however, focuses on the 'shareholder capital coverage ratio' (which excludes the SCR and the own funds relating to unsupported with profits funds) - it stood at 173% at the end of 2022 [2021: 197%]. Own Funds exclude £427m [2021: £419m] of excess assets held within ring-fenced with profits funds.

PLL's Tier 2 Own Funds shown above in 2020 arose from £200m subordinated loan notes originally issued by Scottish Mutual Assurance Ltd. On 8 February 2021, PLL received £202m in full settlement of a loan provided to Pearl Life Holdings Ltd, which was used to redeem the loan notes in full on 25 March 2021. Tier 3 Own Funds in 2022 are deferred tax assets.

Solvency II surplus (the excess of own funds over the SCR) reduced by £263m, made up as follows:

- Organic surplus generation increased Solvency II surplus by £115m, primarily reflecting the run-off of capital requirements and risk margin, offset by the amortisation of TMTP
- New business strain reduced Solvency II surplus by £328m, primarily driven by £4.8bn of BPA transactions completed in the year
- Changes in demographic and expense assumptions resulted in an overall net £51m increase in Solvency II surplus
- Management actions increased Solvency II surplus by £357m, including continued optimisation of Matching Adjustment portfolios
- Economic variances reduced Solvency II surplus by £594m, primarily reflects the impact of the increase in yields over the year as well as updates to ERM valuations to reflect spreads on the most recent originations
- Other variances increased Solvency II surplus by £3m, primarily driven by the changes in TMTP calculation arising from ERM securitisation
- Capital support of £308m was received in support of BPA activity, and other capital contributions and dividend payments gave rise to net negative capital flows of £175m

Gross Life Premiums Written By Line of Business

	Dec 20 £m	Dec 21 £m	Dec 22 £m
Health insurance	14	13	12
Insurance with profit participation	70	44	28
Linked insurance	1,014	1,017	1,147
Other life insurance	3,449	6,512	5,637
Annuities - from non-life health	0	0	0
Annuities - from non-life non-health	0	0	0
Health reinsurance	0	0	0
Life reinsurance	74	61	54
Total gross life premiums written	4,621	7,647	6,878

Gross Life Premiums Written By Country

	Dec 20 £m	Dec 21 £m	Dec 22 £m
Home country	4,621	7,647	6,878
Country 1	0	0	0
Country 2	0	0	0
Country 3	0	0	0
Country 4	0	0	0
Country 5	0	0	0
Other countries	0	0	0
Total gross life premiums written	4,621	7,647	6,878

Gross written premiums reduced by 10% in 2022 to £6.9bn [2021: £7.6bn].

PLL continued its activities in the BPA market, completing BPA transactions with a total premium of £4.8bn [2021: £5.6bn]. The transactions entered into and agreed in the year included the fourth and final Buy-In tranche with the Pearl Pension Scheme, a related party of the company.

Profit

	Dec 20 £m	Dec 21 £m	Dec 22 £m
Profit (loss) before taxation	415	(246)	(133)
Taxation	(75)	35	(2)
Profit (loss) after taxation	340	(211)	(135)
Other comprehensive income	0	0	0
Dividends	(200)	0	0
Retained profit (loss)	140	(211)	(135)

Life Business Flows

	Dec 20 £m	Dec 21 £m	Dec 22 £m
Net life premiums earned	3,157	4,642	4,389
Net life claims incurred	(3,230)	(3,945)	(3,140)
Net flow of business	(73)	697	1,249

PLL reported a pre-tax loss of £133m in 2022 [2021: £246m loss].

Adjusted operating profit, which is the main measure of performance, increased by £150m to £545m [2021: £395m]. Adjusted operating profit includes expected returns, including the owners' share of with-profits bonus, of £238m [2021: £217m], changes in demographic assumptions of £47m [2021: £(47)m], demographic experience of £(101)m [2021: £(44)m], model and methodology changes of £102m [2021: £(20)m], new business profits of £225m [2021: £273m] and other operating variances of £34m [2021: £16m].

The payment of dividends to Group is a strategic objective as cash generation is a key metric for Phoenix, reflecting the generation of free surplus within the life companies and the benefit of management actions. No dividends were paid [2021: nil]. Cash and cash equivalents reduced to £242m [2021: £409m].

With net premiums reducing to £4.4bn [2021: £4.6bn] and net claims reducing to £3.1bn [2021: £3.9bn] there was an increased net inflow of £1.2bn [2021: £0.7bn]. Inflows in 2021 and 2022 have been driven by increased BPA activity, after 3 years of net outflows.

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/provider.

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

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

This is a participatory assessment.

RATING DEFINITIONS

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

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

The rating takes into account those of the following criteria which are relevant (depending upon the company's mix of business in-force): capital and asset position, expense position and profitability, structure (and size) of funds within the company, parental strength (and likely attitude towards supporting the company), operational capability, management strength and capability, strategic position and rationale, brand and image, typical fund performance achievements or product / service features, its operating environment and ability to withstand external forces.

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

With Profits Financial Strength Rating

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

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

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

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

Rating Scale	☆☆☆☆☆	☆☆☆☆	☆☆☆	☆☆	☆	▣
	Excellent	Very Good	Good	Adequate	Poor	Not Rated

Unit Linked Financial Strength Rating

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

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

Rating Scale	☆☆☆☆☆	☆☆☆☆	☆☆☆	☆☆	☆	▣
	Excellent	Very Good	Good	Adequate	Poor	Not Rated

Non Profit Financial Strength Rating

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

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

Rating Scale	★★★★★	★★★★	★★★	★★	★	▣
	Excellent	Very Good	Good	Adequate	Poor	Not Rated

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

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

Rating Scale	★★★★★	★★★★	★★★	★★	★	▣
	Excellent	Very Good	Good	Adequate	Poor	Not Rated

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

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

Rating Scale	★★★★★	★★★★	★★★	★★	★	▣
	Excellent	Very Good	Good	Adequate	Poor	Not Rated

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

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

Rating Scale	★★★★★	★★★★	★★★	★★	★	▣
	Excellent	Very Good	Good	Adequate	Poor	Not Rated

ABOUT AKG

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.

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