ISSUED 07 AUGUST 2019

PROVIDER SECTOR
Talbot and Muir

FINANCIAL STRENGTH ASSESSMENT

Analysis by AKG Financial Analytics Ltd
Accessible • Comparative • Independent

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.

TABLE OF CONTENTS

Rating & Assessment Commentary 3
Ratings 3
Summary 3
Commentary 3
Group & Parental Context 6
Background 6
Group Structure (simplified) 6
Company Analysis: Talbot and Muir Ltd 7
Basic Information 7
Operations 8
Strategy 9
Key Company Financial Data 11
Guide 13
Introduction 13
Rating Definitions 13
About AKG 16

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Rating & Assessment Commentary

RATINGS

Overall Financial Strength

AKG B-
FINANCIAL STRENGTH RATED
PROVIDER SECTOR SATISFACTORY
TALBOT AND MUIR LTD

Additional Financial Strength and Supporting Ratings

	Non Profit Financial Strength	Unit Linked Financial Strength	With Profits Financial Strength	Service	Image & Strategy	Business Performance
Talbot and Muir Ltd	▣	▣	▣	★★★★★	★★★★	★★★★

SUMMARY

- Talbot and Muir is a long-standing pension scheme administrator, with the founders still actively involved and leading its further development
- Originally a SSAS business, it launched its first SIPP in 2000 and now has over 5,000 SIPPs and 775 SSASs, £2.9bn Assets under Administration and Management (AuA/AuM) at the end of June 2019
- Prides itself on strong client servicing and staff development, with over 60 employees and a move to new offices in Nottingham was completed in 2019
- The business has a long track record of positive financial performance, and is warm to further acquisitions especially with ongoing consolidation in the SIPP market
- Healthy capital position with a coverage ratio of 175% at the end of June 2019

COMMENTARY

Financial Strength Ratings

Talbot and Muir Ltd

Talbot and Muir is an established provider of SIPP and SSAS administration services, authorised and regulated by the FCA.

Whilst not of the scale of some market participants, Talbot and Muir is growing at a reasonable pace, has a recognisable face as a niche provider within the market and is operating profitably. It has maintained a healthy surplus above its regulatory capital requirement.

The business met its minimum capital requirement as at 31 December 2018 entirely from Qualifying (Tier 1) capital, despite the applying new accounting treatment that required the deferral of income.

The company moved offices during 2019, which is expected to facilitate future expansion plans and accommodate anticipated new business flows.

Service Rating

Talbot and Muir prides itself on the strong service it provides to financial advisors which comes in the form of both new business and technical support functions, with dedicated Advisor Support and Pension Administration teams. This is regularly recognised with awards that reference the strength of service provided.

Staff development is seen as critical and all incoming staff undergo a programme of training and competence (T&C) which is supplemented with in house practical training. Staff are also encouraged to gain relevant industry professional qualifications.

The Compliance Department carries out file checks on a regular basis to ensure service standards are being upheld, and all staff are actively encouraged to discuss any concerns or suggestions for improving existing processes and procedures with their Head of Department.

With growing staff numbers and continued plans for expansion, the business relocated offices in 2019 and this is expected to be positive in terms of team management, and for IT and other support systems, in respect of delivering a strong client service. There are no call centres, instead a focus is on a high level of personal service.

Access via the website was improved / enhanced in 2018 with a suite of upgrades to aid advisers and provide more functionality. These include improved online applications, more data feeds from fund managers and video guides to assist with applications. The company remains dedicated to streamlining the administration of SIPPs and SSASs.

Image & Strategy Rating

After the acquisition of the SSAS business of Oval Financial Services Ltd in July 2014, Talbot and Muir stated it remained "acquisitive and with the upcoming changes to the capital adequacy requirements for SIPP and SSAS firms, we anticipate that more books of business will be sold". Subsequently in August 2016 Talbot and Muir acquired the Attivo Group book of SIPPs and SSASs and has stated since that, in addition to organic growth, it remains acquisitive for clean books of business that complement its own.

The spectre of 'toxic' assets and Talbot and Muir's policy of maintaining a permitted investment list has increased their regard as a 'safe pair of hands', helping with mandates.

Talbot and Muir feels it has the right products to significantly enhance its market share for both SIPPs and SSASs. Its aim in the short to medium term is to increase name awareness and highlight its capabilities within these product arenas. In addition to director's endeavours, a network of four Business Development Consultants operate throughout the country, distributing the product range and maintaining relationships with existing supporters and cultivating new distribution channels, and the business plans to continue to grow its Adviser Support function through business development as well as technical support and backup, with new roles created in this respect in 2017.

The target market continues to be the high quality, pension oriented FCA regulated firms active in the SSAS and SIPP markets serving 'mass affluent' or 'high net worth' clients. Talbot and Muir has increased its penetration into this market with the launch of its new SIPP product, and continues to seek ways to work with more investment partners to access additional adviser firms.

It also has a strong presence in the SSAS marketplace, where it sees activity split between the takeover of existing schemes and the writing of brand new arrangements. It is active in promoting its SSAS administration abilities to intermediaries and is regularly approached to consider opportunities to acquire books of SSASs from other smaller providers looking to exit the market for a variety of reasons.

Business Performance Rating

2017 accounts were restated due to a review of the accounting policy for revenue recognition of SIPP renewal fees, and subsequent change to a straight line basis over a 12 month period.

A more informative measure is to present 2017 with full year's SIPP income as opposed to only 3 months, to enable insightful comparison. On this basis, total income increased to £3.9m [2017 restated: £3.7m] following deferred income. Administration costs increased by 7% to £2.9m [2017 restated: £2.7m]. PBT decreased slightly to £0.9m [2017 restated: £1.0m], and PAT decreased to £0.7m [2017 restated: £0.9m] as tax was only payable on £3m of SIPP profit in 2017.

TML's total shareholder funds at the end of the period increased to £4.5m [2017 restated: £4.1m].

At 30 June 2019, the CRR position has improved to 175% demonstrating a healthy surplus. All regulatory capital is Tier 1.

Group & Parental Context

BACKGROUND

Talbot and Muir is one of a small number of owner-managed SSAS and SIPP operators in the UK. It was created in 1993, when the founders J B Talbot and G M Muir formed a pensions consultancy and administration company offering specialist services to owner-manager companies and their advisers. The company Talbot and Muir Ltd (TML) was established as a specialist SSAS provider at that time.

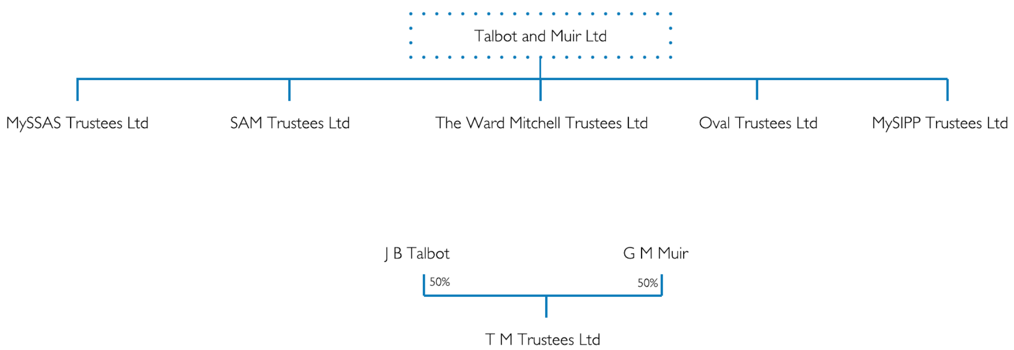
Talbot and Muir launched its first SIPP product in 2000 with the new SIPP business managed alongside the existing SSAS business, through a new entity established for SIPP administration; Talbot and Muir SIPP LLP (TMS) was a limited liability partnership under the control of its four designated members which included Messrs Talbot and Muir.

In October 2017 a restructure was agreed with FCA approval, to transfer all business to the limited company (TML) merging the businesses to simplify the business model and reflect the fact that it is managed as a single business. TMS was discontinued with effect from October 2017. Messrs Talbot and Muir remain the largest shareholders in TML.

Trustee services for the SIPP schemes are mainly provided through an associated company, T M Trustees Ltd (TMT). TMT holds such SIPP assets for the benefit of and on behalf of each member, each under a supplemental deed to a Master Trust. TMT is a bare trustee - the company has no assets, does not undertake any operator duties, and is not regulated by the FCA. Messrs Talbot and Muir each hold 50% of the TMT issued shares. Trustee services are also provided through several non-trading subsidiaries of TML on a similar basis, and exist independently from the SIPP and SSAS business.

In 2019 the business moved to new offices in Nottingham, into a 10,500 sq ft facility allowing for a better working environment and capacity for managed growth.

GROUP STRUCTURE (SIMPLIFIED)



Key:
• • • • • Subject of this Assessment

Company Analysis: Talbot and Muir Ltd

BASIC INFORMATION

Company Type
Non-insured SIPP Operator

Ownership & Control
Brian Talbot and Graham Muir are the main shareholders (41% each), with David Bonneywell holding 18%.

Year Established
1993

Country of Registration
UK

Head Office
55 Maid Marian Way, Nottingham, NG1 6GE

Contact
www.talbotmuir.co.uk

Key Personnel

Role	Name
Director	J B Talbot
Director	G M Muir
Director	D Bonneywell
Director of Admin	P A Darvill
Head of Compliance	J A Lane
Head of SIPP	P Moran
Head of SSAS	T Hickling
Head of Adviser Support	C Hall

Company Background
Talbot and Muir Ltd was established in 1993 as J.B. Talbot Ltd and changed to TML is 1994. It has been the SIPP scheme provider and operator since October 2017 when it became authorised and regulated by the FCA. Prior to this the SIPP was provided by TMS, and TML operated the SSAS.

Talbot and Muir's first SIPP product was launched in 2000, with the TMS entity established in 2004 and called TM SIPP Services LLP.

In August 2016 Talbot and Muir acquired a SIPP book from consolidator Attivo Group, that was no longer considered core to Attivo's main advice focus, for an undisclosed sum. This added around 1,064 SIPPs and a small number of SSASs to the business. The Attivo acquisition and that of 200 SSAS schemes from Oval Financial Services Ltd in 2014 took SIPPs to around 3,600 and SSASs to 700, and Assets under Management rose to £1.8bn in total. AuA/AuM is £2.9bn with 5,000 SIPPs and 775 SSASs managed as at 30 June 2019.

OPERATIONS

Governance System and Structure
Governance is well considered within the business with responsibility lying ultimately with the board of directors and the key principals.

An Investment Governance Committee was established in 2016 to report directly to the board to ensure the firm continued to have sufficient resource and expertise to manage its requirements in respect of non-standard investments (NSA), to support its existing book and manage any incidental transfer-in of NSAs.

Increased amounts, and sophistication of, management information helps the business keep a tight focus on a range of business internal elements including a monthly view of capital adequacy.

Talbot and Muir has an autonomous compliance department whose role is maintaining business standards and ensuring that regulatory procedures are followed and inline with FCA rules, and a compliance officer who reports directly to the board every month.

Risk Management
Talbot and Muir only accepts new business applications on an advised basis, and this requirement applies to both the scheme and proposed underlying investments. Execution only business is only considered exceptionally and only if certain criteria are met, with such cases recorded accordingly by them.

For SIPPs, a Permitted Investments List is published based on the Standard Asset List introduced by the FCA after its thematic review in 2013. Talbot and Muir do not consider NSIs suitable for the type of mainstream SIPPs it administers, and residual SIPP AuA comprising of NSIs is 1% of total SIPP AuA . This compares favourably to the wider industry reducing capital adequacy requirements, reputational damage, complaints and the resources required to service the administration around this. The company states it has limited exposure to unregulated collectives having reduced a small legacy book further although did inherit some in the Attivo acquisition.

Although SSASs are not regulated by the FCA, Talbot and Muir broadly applies these same principles of investment suitability to them.

Across the SIPP and SSAS books (including those acquired from Attivo) Talbot and Muir reports that it holds over 2,000 commercial properties as at June 2019, with 1,120 held via SSASs and 936 in SIPPs.

In respect of its relationships with DFMs/Investment Managers, Talbot and Muir requires them to adhere at all times to its Permitted Investment List and will only accept in and make payments out via the scheme bank account. A formal agreement in this respect is set out between Talbot and Muir and the DFMs, separate from any agreement between the client/IFA and the DFM.

Administration
The Talbot and Muir SIPP offers an online applications process where advisers can enter their client's details online and submit the SIPP application to Talbot and Muir, although wet signature (downloadable Declarations form) is still required.

Talbot and Muir has a dedicated Advisor Support Team of seven providing illustrations, quotes and the processing of new business. Pension administrators deal with day to day queries, with SIPP and SSAS Administration Managers responsible for the implementation of these duties and with additional responsibility for the validation of the records and procedures. More technical queries are dealt with by the Technical Team headed up by Paul Darvill, Director of Administration and Technical, supported by a small team who specialise in both investment technical and pension fund structure.

The back office SIPP and SSAS administration databases are supplied by Delta Financial Systems Ltd. These databases, known as SIPP Pro and SSAS Pro, are modular in design and at the core of the systems are the administration modules that fulfil the administrative and HMRC responsibilities of a Scheme Administrator. Substantial upgrades were made to the core IT system during 2018.

An external IT Consultant who had been working with Talbot and Muir became its in-house, full time IT Manager in November 2016 and now manages the ongoing development of the IT systems to ensure they keep pace with business growth and aid greater streamlining and efficiencies where possible. Delta expects to upgrade all SIPP Pro and SSAS Pro users to a new web based platform known as Platinum Pro; originally due to roll out during 2017, Delta has experienced some problems and delays with the new software, and this has pushed back Talbot and Muir's migration Q3 2019 and Q2 2020 for SSAS/SIPP respectively.

Benchmarks
Talbot and Muir are consistently recognised for the service, brand and products they provide. This has resulted in recognition above some more established competitors and a list of recent awards indicating increased positive awareness for the business in the wider market are as follows:

- Winners of 'Best SIPP Service' for second successive year at the 2019 Retirement Planner Awards
- Shortlisted for 'Best SIPP Provider' & 'Best SSAS Provider' at the 2019 Investment Life & Pensions Moneyfacts Awards (awards ceremony September 2019)
- Shortlisted for 'Best Pension Provider' at the 2019 Financial Planner Service Awards (awards ceremony September 2019)
- Nominated for 'Best SIPP Provider' at the 2019 Money Marketing Awards
- Winner of 'Best Small Provider' at the 2018 Professional Paraplanner's Awards
- Finalytiq Financial Stability 'Good' rating in 2018
- Defaqto 5* SIPP and 4* SSAS rated
- Defaqto Gold Pension Service Award rating

Outsourcing
No significant outsourcing is undertaken in respect of key business or administration functions. A limited amount of marketing and website functions are outsourced to ClientsFirst.

STRATEGY

Market Positioning
Talbot and Muir has historically targeted what it considers to be good quality regional financial intermediaries with a desire to provide a high level of service to their clients. This continues with an increasing footprint amongst those firms and is now increasingly extending to a number of national intermediaries. This positioning should also be helpful in mitigating any effects from the market wide pressure which has been growing in terms of claims management activity on the sector. A factor which has negative operational as well as reputational implications for SIPP providers in general. White labelling opportunities also exist and over time are seen likely to also form an important part of the business mix.

The business ceased accepting non-advised clients in April 2015 and it usually sees its advised clients fall mainly within the 'mass affluent' or 'high net worth' sectors, and to have requirements which are not met by a straightforward stakeholder or platform pension plan. Inroads have been made into the mass market via the TM SIPP product which has successfully targeted 'simple SIPPS' i.e. where there is a bank account and DFM; Talbot and Muir works closely with DFMs providing bespoke management of funds and has found a significant level of crossover in terms of target market.

The business does not support a 'call centre culture' and has consultants available to meet with intermediaries and their clients (and where appropriate, Talbot and Muir directors will be the consultants). Historically there has been no targeted approach to intermediaries in the North East of England and Scotland although Talbot and Muir continues to review the potential for the area. There are three dedicated consultants covering all other parts of England and Wales following appointments in London and the South West in 2016. A key development within the provision of consultant support to the market is the establishment of desk-based consultants to complement the face to face provision. Primarily using the telephone these staff provide a further choice in 'adviser support' and represent a component in enabling growth.

Talbot and Muir continue to develop brand awareness within the advisor community through social media, press coverage/profile and exhibitions/seminars. This is done both internally and through corporate communications consultancies.

Proposition

TMS until recently operated three SIPP products; the Elite Retirement Account (ERA, a bespoke product), the Flexible Retirement Account and a single asset SIPP called the Simple Retirement Account (SRA). The SRA offered one discretionary fund manager (DFM) portfolio from TMS's selected panel of fourteen DFMs.

In June 2016 Talbot and Muir announced a streamlining of its SIPP products, to bring the features of the ERA and SRA together as one SIPP called The Talbot and Muir SIPP. This is a lifetime pension product provided on a menu-based tiered administration fee. The SRA and ERA were closed to new business with effect from September 2016.

The new Talbot and Muir SIPP was developed to be easy to understand and explain. In terms of fees, a simple approach to product tiering has been adopted, rather than charging multiple separate fees for different facilities. The SIPP offers all the investments previously available under ERA, including property.

Talbot and Muir does not allow new non-standard assets to be invested in by new or existing clients. However, it has agreed with the FCA that it will support the transfer-in of existing NSAs if it chooses.

White label arrangements have previously been available, where advisers utilise Talbot and Muir's SIPP and administrative services but use their own branding; this is no longer marketed.

In November 2018, City Asset Management announced it had partnered with Talbot and Muir to create a DFM SIPP. This will provide financial adviser access to City Asset Managements investment proposition via their SIPP wrapper.

KEY COMPANY FINANCIAL DATA

Last 3 reporting periods up to 31 December 2018

Capital Resources Disclosures

	Dec 16 £000's	Dec 17 £000's	Dec 18 £000's
Available capital resources		2,241	2,199
Capital resources requirement (CRR)		1,485	1,526
Excess capital resources		756	673
CRR coverage ratio (%)		151	144

Talbot and Muir reports to the FCA in respect of its SIPP business in line with the rules for calculation of capital adequacy for SIPP operators introduced in September 2016, and this is shown in the table above.

During 2018 there was a change to the accounting treatment of income relating to the recognition of SIPP renewal fees over a 12 month period. This treatment and associated deferred income impacted on available capital resources, and there was a temporary reduction of the CRR coverage ratio to 144% [2017: 151%]. At 30 June 2019, the position had improved to 175%, demonstrating a healthy surplus.

All regulatory capital is Tier 1.

Statement of Financial Position

	Dec 16 £000's	Dec 17 £000's	Dec 18 £000's
Assets		5,102	6,095
Current liabilities		(782)	(1,569)
Long-term liabilities		(13)	(12)
Net assets		4,308	4,514

Statement of Changes in Equity

	Dec 16 £000's	Dec 17 £000's	Dec 18 £000's
Equity at start of period		1,252	3,997
Movement due to:			
Share capital and premium		2,591	0
Retained earnings		464	516
Other		0	0
Equity at end of period		4,308	4,514

2017 accounts were restated to reflect the review of the accounting policy for revenue recognition of SIPP renewal fees, and subsequent change to a straight line basis over a 12 month period. Figures in the tables above align with the published financial statements at that time. Due to the 2017 restatement, 2018 opening equity was £311k lower than 2017 closing equity.

A more meaningful comparison uses the restated figures. Despite dividends of £174km [2017: £nil], TML's total shareholder funds at the end of the period increased to £4.5m [2017 restated: £4.0m] due to retained earnings (after dividend payment) of £516k [2017 restated: £154k].

Income Statement

	Dec 16 £000's	Dec 17 £000's	Dec 18 £000's
Revenue		2,077	3,859
Other operating income		908	0
Operating expenses		(2,391)	(2,915)
Operating profit (loss)		594	944
Other gains (losses)		5	6
Profit (loss) before taxation		598	949
Taxation		(134)	(259)
Profit (loss) after taxation		464	690
Other comprehensive income		0	0
Dividends		0	(174)
Retained profit (loss)		464	516

Financial Ratios

	Dec 16 %	Dec 17 %	Dec 18 %
Operating margin		29	24
Pre-tax profit margin		22	25
Employee costs as a % of revenue		46	45

The figures shown above reflect for 2017, 9 months of SSAS business and 3 months of combined SIPP and SSAS business (in the period October - December 2017). 2018 figures reflect the first full trading year of combined reporting with new accounting treatment which results in deferring a portion of income.

Figures in the tables above align with the published financial statements. A more informative measure is to present 2017 with full year's SIPP income as opposed to only 3 months, to enable insightful comparison. On this basis, total income increased to £3.9m [2017 restated: £3.7m] following deferred income changes. Administration costs increased by 7% to £2.9m [2017 restated: £2.7m]. Profit before tax decreased slightly to £0.9m [2017 restated: £1.0m], and profit after tax decreased to £0.7m [2017 restated: £0.9m] as in 2017 tax was only payable on £3m of SIPP profit.

The average number of employees during the year for SSAS Administration: 14 [2017 restated: 13] and SIPP Administration: 24 [2017 restated: 19], with all other functions making a total of 58 [2017 restated: 55].

Statement of Cash Flows

	Dec 16 £000's	Dec 17 £000's	Dec 18 £000's
Net cash generated from operating activities		290	1,736
Net cash used in investing activities		(2,719)	(133)
Net cash used in financing activities		2,855	(438)
Net increase (decrease) in cash and cash equivalents		426	1,165
Cash and cash equivalents at end of period		1,383	2,548

Assets under Administration (AuA)

	Dec 16 £000's	Dec 17 £000's	Dec 18 £000's
Assets at start of period			2,326
Inflows			
Outflows			
Net market and other movement			
Assets at end of period		2,326	2,750
Growth rate (%)			18
Net inflows as % of opening AuA			

In the first accounting period that TML has been required to produce a cash flow statement, increases can be seen in both operating and investing activities, with gross cash from operations increasing to £1.9m [2017 restated: £0.3m] and a reduction of purchases in intangible assets being respective drivers of increases. These increases have been partially offset by no share capital being issued in the year [2017 restated: £2.6m] and therefore total cash increased by £1.2m to £2.5m at the end of 2018.

Residual SIPP AuA comprising of NSIs is 1% of the total SIPP AUA and is reducing over time as investments mature.

Guide

INTRODUCTION

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

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

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

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

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

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

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

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

This is a participatory assessment.

RATING DEFINITIONS

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

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

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

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

With Profits Financial Strength Rating

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

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

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

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

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

Unit Linked Financial Strength Rating

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

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

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

Non Profit Financial Strength Rating

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

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

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

Service Rating

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

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

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

Image & Strategy Rating

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

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

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

Business Performance Rating

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

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

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

ABOUT AKG

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 to support the wider financial services sector and its customers.

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