

ISSUED
August 2009

COMPANY PROFILE	&	FINANCIAL STRENGTH
R E P O R T S		

Reliance Mutual

AKG

Accessible - Comparative - Independent

Analysis by AKG Actuaries & Consultants Ltd

Background

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

This is a FULL report.

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

PLEASE NOTE: This report should be read in conjunction with AKG's User Guide to AKG's Company Profile & Financial Strength Reports, a copy of which is available on-line at www.akg.co.uk

About AKG

AKG is an actuarially based consultancy specialising in the provision of ratings, information and market assistance to the financial services industry.

Assistance to Provider Companies

AKG assists providers in:

- Financial strength analysis, ratings and presentation
- Data and information provision
- Actuarial consultancy
- Distribution consultancy

Assistance to Financial Intermediaries

AKG assists intermediaries in:

- Financial strength analysis
- Best advice panel services
- Data and information provision
- Actuarial and technical support

Information Products

AKG also provides other regularly updated information products to assist providers and intermediaries, including:

AKG's Offshore Profile & Financial Strength Reports

Available free of charge to IFAs registering online at www.akg.co.uk

AKG's UK Life Office With Profits Report

Designed to provide further depth in the assessment of with profits funds.

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

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Overview

Reliance Mutual is a small mutual insurance group that in recent years has established a reputation at the smaller end of the consolidator market.

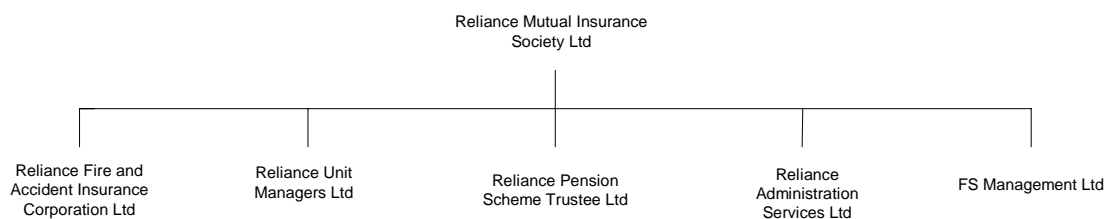
The group consists of a number of companies: Reliance Fire and Accident Insurance Corporation Ltd - a general insurer in run off since the 1970's; Reliance Unit Managers Ltd - a unit trust manager managing the British Life Unit Trust; Reliance Pension Scheme Trustees Ltd - trustee for the staff pension scheme; Reliance Administration Services Ltd - the intermediary for personal lines business sold in the past by the sales force; FS Management Ltd - a Third Party Administration company acquired as part of the Hearts of Oak acquisition. The British Life Office, previously part of the group but effectively a shell company since its business was transferred into Reliance Mutual, was sold in January 2009.

Recent years have seen the group focus on rebuilding solvency allied to a policy of reducing unit costs. At the same time it has pursued a strategy of acquiring small closed books of business. It has also looked to develop niche new business areas, most notably the launch of its smoker annuity product in September 2001, initially through its then subsidiary British Life Office Ltd.

Business acquired by Reliance Mutual in recent years include:

Criterion Life Assurance Ltd (Oct 2003 - part of which was sold on in Jan 2005), with profits business of Family Assurance Friendly Society Ltd - mainly business written by Time Assurance and Templeton Life (Sep 2004), life business of EuroLife Assurance Company Ltd (Jul 2005), SEB Trygg Life (UK) Ltd (Sep 2006), University Life Assurance Society (Jun 2007), Hearts of Oak Friendly Society (Aug 2007) and the tax exempt business of Time Assurance (Jul 2008).

Corporate Structure (simplified)



Ratings

Company	Financial Strength Ratings				Supporting Ratings		
	Overall	With Profits	Non Profit	Unit Linked	Service	Image & Strategy	Annual Review
Reliance Mutual Insurance Society Ltd	B	★★★	★★★	★★★	★★★	★★★	★★★

Corporate Data

Ownership	Mutual
Open to New Business?	Yes
Year Established	1911
Head Office	The Great Hall Mount Pleasant Road Tunbridge Wells Kent TN1 1RG
Tel:	01892 510033
Fax:	01892 510676

Administration Office As above

Website - Consumer www.RelianceMutual.co.uk
Website - IFA www.RelianceMutual.co.uk

Key Personnel

Chairman	S Creedon
Chief Executive	M Goodale
Chief Actuary	C Mills
Head of Strategy Implementation	P G Bowden
Head of Operations	C J Lerpiniere
Investment Manager	R E Cuming
Head of Risk and Corporate Governance	R C Eastwood
Financial Controller	C A Whatford
Actuarial Function Holder	T Birse
With Profits Actuary	R J Houlston

Company Background

Reliance Mutual started in 1911 as the Farringdon Reliance Friendly Collecting Society, an offspring of the Reliance Fire and Accident Insurance Corporation. In 1951, Farringdon Reliance converted to mutual status, as the Farringdon Reliance Mutual Insurance Society Ltd. It changed its name to Reliance Mutual Life Insurance Society in 1952 and to Reliance Mutual Insurance Society Ltd in 1959. Previously marketing its products through a direct salesforce and a network of tied agents, the company closed its main distribution channels to new business in 1999, downsizing and carrying out a significant restructure. This followed a strategic review that concluded an industry move towards lower charges was inconsistent with the then distribution strategy, whilst at the same time the costs of the Pensions Review were continuing to mount. As a result, solvency had come under some pressure.

Following its significant downsizing in 1999 the company has followed a strategy of acquiring small closed blocks of business. All acquired business has now been consolidated into the Society.

Overall Financial Strength

B

Capital resources reduced during 2008 and with it Pillar 1 solvency. Pillar 2 also came under pressure but remained positive. The rescue of the distressed Hearts of Oak business saw the Society have to inject £3.6m into the fund. Whilst the Society sees the need for further acquisitions as central to its longer term independence, there is increasing competition at the smaller end of the market, as there is also in the impaired annuity market. The need to conserve and manage capital is central to this and the Society cannot afford the financial pressure of another Hearts of Oak situation.

Reinsurance

Approach

There are three main reinsurance arrangements in place. Smoker annuity business is reinsured 37.5% quota share to Trans Re Zurich, a subsidiary of Transatlantic Holdings, Inc. and 37.5% quota share to London Life Insurance Company, a Canadian based subsidiary of Great-West Lifeco Inc. Premiums totalled £13.8m in 2008. Credit Life business written in Germany is reinsured 50% with DbV Winterthur, with £1.4m of reserves deposited back with the company. There is also an 85% quota share arrangement with Hannover Re in respect of former Hearts of Oak non profit pension annuity business. Under this arrangement reserves of £9.4m are deposited back with the company.

The company does not have any reinsurance financing arrangements.

Analysis of Reserves	2006 £000's	2007 £000's	2008 £000's
Gross reserves	1,118,295	1,546,412	1,356,410
Reinsurance ceded - external	17,002	35,006	28,442
Reinsurance ceded - internal	0	0	0
Net mathematical reserves	1,101,293	1,511,406	1,327,968

Non Profit Business

General

New non profit business is written in the main with profits sub fund, where the majority of non profit business already sits. Reserves comprise primarily pension annuity business, of which £337.5m represents net reserves for the smoker annuity (a further £10.5m is reinsured). Annuity reserves were strengthened in 2007. Overseas business is credit life.

Non Profit Reserves	2006 £000's	2007 £000's	2008 £000's
UK Life	42,217	52,642	53,422
UK Pensions	287,558	372,645	414,566
Overseas	5,438	5,273	4,725
Total net NP reserves	335,213	430,560	472,713

Non Profit Financial Strength

★★★

Non profit business is primarily held in the with profits fund and as such directly benefits from the support of that fund. Non profit business financial strength is good.

Unit Linked Business

Approach

The company maintains a range of 12 life and 7 pension unit linked funds, which represent the consolidation of a larger range of funds emanating from the transfer in of various closed blocks of business. Funds range in size from £0.1m in the Assured Lifestyle Fund, to £370m in the Pension Managed Fund. There are a number of cross holdings within funds.

The £244m British Life Unit Trust (BLUT), one of the oldest unit trusts on the market, is the only vehicle that invests directly into equities. The Life and Pensions unit linked equity funds invest exclusively in BLUT units.

Performance is steady, generally second or third quartile over 3 and 5 years. The BLUT was consistently third quartile during 2008, whilst the Life Tax Exempt Fund (£13m) was consistently first quartile.

The company does not actively market unit linked business. Business that is written comprises incremental pensions business and DWP rebates.

Linked Reserves	2006	2007	2008
	£000's	£000's	£000's
UK Life	207,967	234,115	181,535
UK Pensions	399,060	587,687	423,166
Overseas	0	0	0
Total net linked reserves	607,027	821,802	604,701

Unit Linked Financial Strength

★★★

Unit linked funds comprise slightly less than 50% of the company's reserves and have the support of the free assets and the with profits fund. Unit Linked financial strength is reasonable.

With Profits Business

Approach

The main with profits fund is the Reliance Mutual With Profits Sub fund (RMWPSF), into which all new business is written (non profit only - the company no longer writes with profits business). The company maintains five other subfunds, all of which result from the various transfers the company has taken in. These include ex-Criterion (WPSF2), ex-Family Life (WPSF3), ex-Family Pension (WPSF4), ex-University Life (WPSF5) and ex-Hearts of Oak (WPSF6). Only the latter includes unitised business.

With Profit Reserves	2006	2007	2008
	£000's	£000's	£000's
UK Life	31,664	49,645	44,889
UK Pensions	127,389	209,399	205,665
Overseas	0	0	0
Total net WP reserves	159,053	259,044	250,554

Profit Sharing Philosophy

As a mutual office, all profits belong ultimately to the various groups of policyholders i.e. all funds are 100/0. WPSF2 to WPSF6 are being managed in order to distribute all assets by the time the last policy terminates. For the RMWPSF, where there is non profit business that will outlast the with profits business, there is a need to retain some capital to support the business. The RMWPSF provides capital as required for acquisitions.

Asset Allocation

The funds vary in size and liability profile and the asset allocations reflect this. Equities are held through BLUT. Guaranteed benefits are matched by gilts and debentures. WPSF6 holds some properties, which will be sold, but does not hold equities due to its condition.

Distribution of Surplus	2006	2007	2008
	£000's	£000's	£000's
To Policyholders	9,925	11,741	11,864
Other Transfers	0	0	0

Realistic Balance Sheet

Due to the small size of its with profits funds the company does not publish a Realistic Balance Sheet.

With Profits Financial Strength

★★★

The RMWPSF has excess assets of just under 2%. The position for the other funds varies considerably with excess assets ranging from 2% to over 40%. The exceptions are WPSF 5, which has a deficit of approximately 3% and WPSF6, the ex-Hearts of Oak portfolio had a deficit of almost 6%. In 2008 the WPSF6 fund received actual support from the RMWPSF of £3.6m to maintain positive capital resources in the light of GAOs held within the fund. [Note that the percentages quoted above relate to the whole subfund in question, rather than the with profits portion of the fund.]

Key Financial Data (for y/e: 31/12/08)

Capital Resources	2006	2007	2008
	£000's	£000's	£000's
Core tier one capital	108,818	122,664	81,216
Tier one waivers	0	0	0
Other tier one capital	0	0	0
Tier one deductions	-1,100	-7,508	-11,217
Total tier one capital	107,718	115,156	69,999
Tier two capital	0	0	0
Adjustments and deductions	-4,484	-7,351	-6,933
Total Capital Resources	103,234	107,805	63,066
CR outside the fund	0	0	0

Capital resources were significantly impacted by the market turbulence in 2008.

Long Term Business Admissible Assets	2006	2007	2008
	£000's	£000's	£000's
Fixed Interest	477,787	660,762	662,544
Equities	73,981	91,509	58,440
Property	0	17,353	10,163
Linked	603,721	803,529	576,124
Other	76,480	100,033	117,077
Total Assets	1,231,969	1,673,186	1,424,348

The table above shows how the asset pool has changed during 2008 with a higher proportion of fixed interest and declining equities and linked business. Whilst direct property holdings are being run off, the Society purchased an office property that is intended to be a new head office when existing leases expire.

Free Assets	2006	2007	2008
	£000's	£000's	£000's
Free Assets (Exc Fin Eng)	74,543	65,930	19,339
Financial Engineering	0	0	0
Free Assets (Published)	74,543	65,930	19,339

Free Asset Ratios	2006	2007	2008
	%	%	%
FAR (Exc Fin Eng)	6.1	3.9	1.4
FAR (Published)	6.1	3.9	1.4

CRR Coverage Ratios	2006	2007	2008
	%	%	%
CRRCR (Exc Fin Eng)	359.8	257.4	144.2
CRRCR (Published)	359.8	257.4	144.2

Whilst remaining positive, free assets saw a sharp decline over 2008. Coverage for the Capital Resource Requirement is also much reduced.

Long Term Business Liabilities & Margins	2006	2007	2008
	£000's	£000's	£000's
Non Linked Non Profit	335,213	430,560	472,713
Non Linked With Profits	160,493	245,295	236,905
Accum'lg With Profits	0	15,068	14,790
Linked	607,027	821,802	604,701
Surplus c/f	3,023	3,046	2,981
Other liabilities	30,311	54,914	34,864
Investment Reserves	95,903	102,496	57,397
Total Liabilities/Margins	1,231,969	1,673,186	1,424,348

The table shows with profits declining and unit linked impacted by market falls. Having strengthened its annuity valuation basis in 2007 it was unchanged in 2008. However, changes to the credit default assumptions increased liabilities by £16.7m. The company holds GAO reserves totalling £37.1m.

Key Revenue Items	2006	2007	2008
	£000's	£000's	£000's
INCOME			
Premiums	70,548	69,588	86,422
Investment Income	46,888	63,869	65,339
Investment Increase	24,577	19,430	-230,327
EXPENDITURE			
Commissions	9,034	6,079	4,006
Policy claims	98,675	116,624	121,713
Expenses	5,069	11,777	6,444
BUSINESS TRANSFERS			
TRANSFER to P&L	0	0	0
INCREASE in fund	26,280	410,021	-183,687

Whilst the 2007 revenue account was somewhat distorted by the transfers in during that year, 2008 shows an increasing premium income trend with the success of the smoker annuity. The business transfer in 2008 is the Time Assurance tax exempt business transferred in from Family. Claims are impacted by increasing levels of maturity payments and annuities.

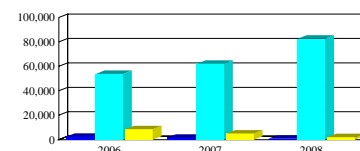
Expense Ratios	2006	2007	2008
New business (% APE)	176.6	112.8	60.1
Renewal (% reg premiums)	24.1	68.0	35.0
Renewal (% p.a. of mean fund)	0.37	0.76	0.38

The tight control of unit costs is central to the Reliance Mutual business model. Whilst expenses peaked in 2007, impacted by the Hearts of Oak transfer, they returned to more normal levels in 2008. The new business expense ratio benefited from the increased level of new business.

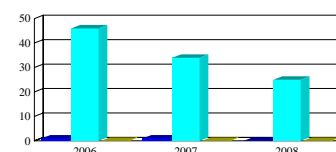
New Business Data (for y/e: 31/12/08)

		Single £000's	Regular £000's
Investment			
Bonds	With Profits	0	0
	Unitised WP	0	0
	Unit Linked	19	0
Endowment	With Profits	0	0
	Unitised WP	0	0
	Unit Linked	0	0
Guaranteed Bonds		0	0
ISA / tax exempt		0	0
Annuities		357	0
Miscellaneous		0	0
Protection			
Whole Life	With Profits	0	0
	Unitised WP	0	0
	Unit Linked	0	0
Term	Ordinary	0	0
	Pension	0	0
IP	Individual	0	0
Critical Illness		0	0
Long Term Care		0	0
Miscellaneous		0	0
Pensions			
Individual	With Profits	439	0
	Unitised WP	20	0
	Unit Linked	7,615	25
CPA		74,563	0
Bulk Transfer Annuities		0	0
Miscellaneous		0	0
Group Business			
Pension		0	0
Life		2,409	0
IP		0	0
Critical Illness		0	0
Miscellaneous		0	0
TOTAL DIRECT BUSINESS		85,422	25
Overseas Direct (inc above)		2,076	0
External Reins (exc above)		0	0
Intra-Group Reins (exc above)		0	0
Industrial Branch (inc above)		0	0

New Single Premiums	2006 £000's	2007 £000's	2008 £000's
UK Life	2,404	1,596	709
UK Pensions	53,798	62,154	82,637
Overseas	8,559	5,041	2,076
Total (Direct + External Reins)	64,761	68,791	85,422
Growth Rate	2.4%	6.2%	24.2%
Reins Accepted (Intra-Group)	0	0	0



New Regular Premiums	2006 £000's	2007 £000's	2008 £000's
UK Life	1	1	0
UK Pensions	46	34	25
Overseas	0	0	0
Total (Direct + External Reins)	47	35	25
Growth Rate	-70.8%	-25.5%	-28.6%
Reins Accepted (Intra-Group)	0	0	0



New business is now very much dominated by sales of annuities, which in turn comprise mainly smoker annuities (£56m) for which it was a record year. DWP rebates totalled £7.5m. Life and overseas new business was primarily credit life, a market that again saw a decline in 2008, impacted particularly in the UK by the ongoing OFT review.

New regular pension business continues to decline, and is mainly incremental business.

Distribution

Method

In 1999, Reliance Mutual closed its two sales channels (direct sales and tied agents) and ceased to seek new business from new clients, although it continued to write incremental business for existing clients. In 2001, it started marketing niche products via IFAs with its smoker annuity product and whilst it has also been selling credit life business since 2003, this is a market that has seen a marked decline in the UK following the OFT review.

The company's strategy is to look to develop relationships with partners who can provide distribution.

Distribution Split	Regular Premium %	Single Premium %
IFAs	0.0	0.0
Existing policyholders	100.0	0.0

Image and Strategy



The Society's mission is to offer fair value life insurance and investment products to individuals, and to provide fair treatment, security and cost effective services to all policyholders, including those acquired from other companies.

Reliance Mutual has a clear two pronged approach to strategy.

Its product strategy is to concentrate on individual life products in niche markets where margins are good. This includes protection products, annuities and credit life business. However, it will only write business to volumes within the constraints of its capital positions, controlling volumes through price and an appropriate level of marketing activity.

The second strand to the strategy is the acquisition of appropriate blocks of business, concentrating on the smaller end of the market, very much under the radar of the larger consolidator operations. This helps to maintain critical mass to the organisation and is a vital component in maintaining and reducing unit costs. Indeed the company believes that the maintenance of low unit costs gives it a clear competitive advantage. The company has established a good reputation for acquiring small blocks of business and continues to consider further blocks of the appropriate size as they become available.

Products

Overall Product Philosophy

In 2001, Reliance Mutual launched a smokers' annuity product and it has plans to develop this further. It started to write other business including credit life from 2003. There has also been growth in sales of annuities to maturing policyholders.

The Society has plans to develop an enhanced annuity product.

In addition to the current lines of business, there is a wide range of closed lines in force, including various blocks of with profits business.

Products Currently Marketed

Investment Products

- Annuities (PLA)
- Single Premium Bonds

Protection Products

- Credit Life

Pension Products

- Compulsory Purchase Annuities
- Smoker annuities (CPA)

Service



Approach

Reliance Mutual prides itself on a friendly and professional service built up over many years of experience.

In recent years the balance between expense curtailment (in part a response to past difficulties and a business shape with significant run off) and investment for process improvement and enhanced service experience has shifted a reasonable distance. Thus there has been increased activity and investment in core administration functions, most notably the introduction of imaging and developments towards workflow.

Staff retention is very good and the company appears to be making better use of management information to formalise knowledge flow, in what is a close knit professional environment.

e-Business

The company introduced a new website in 2009, which now better represents it externally and provides key information; albeit only really bringing it into line with intermediary and policyholder service expectations. This has been a clear improvement for Reliance Mutual.

Quotations are available to intermediaries on The Exchange.

Service Standards & Awards

The company has a relatively small footprint in the IFA market and consequently does not normally feature in industry awards.

Against its internal service standards the company deals with 95% of post within 10 days and 90% of telephone calls are "one and done".

Outsourcing

The company does not outsource any mainstream functions. Some IT support is outsourced, including the maintenance of its new website development.

Investment

Overall Approach

Investment management is carried out in house. Reliance Unit Managers manages a single UK equity unit trust, the British Life Unit Trust (BLUT), which the Society uses for all its UK equity investments.

The company maintains six sub funds, including five set up specifically to receive the transfers of business. Internal linked funds or unit trusts are held in respect of the unit linked business and fixed interest holdings are held for non profit business, e.g. annuities. With profits business is backed by a combination of fixed interest (backing guarantees and some future bonuses), and equities, mainly in the form of holdings in collective investment schemes.

Funds Under Management

At 31st December 2008, total group funds stood at around £1.5bn [2007: £1.7bn].

Annual Review



2008 saw the Society complete the transfer in of the tax exempt business of Time Assurance from Family Assurance, a move made possible by a recent change of legislation. The Society also completed the Hearts of Oak integration and the closure of its Leicester office. On a more negative note the Society found itself having to provide £3.6m of capital support to the ex-Hearts of Oak fund following an increase in the cost of the underlying guarantees.

New business was dominated by the Society's smoker annuity, with record sales up 49% on the previous year. Credit life sales fell back again and two large schemes closed during the second half of the year.

Financial Strength Ratings - Introduction

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

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

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

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

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

With Profits Financial Strength Rating

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

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

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

★★★★★	Excellent
★★★★	Very good
★★★	Good
★★	Adequate
★	Poor
☐	Not rated

Non Profit Financial Strength Rating

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

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

★★★★★	Excellent
★★★★	Very good
★★★	Good
★★	Adequate
★	Poor
☐	Not rated

Unit Linked Financial Strength Rating

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

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

★★★★★	Excellent
★★★★	Very good
★★★	Good
★★	Adequate
★	Poor
☐	Not rated

Overall Financial Strength Rating

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

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

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

Supporting Ratings - Introduction

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

Service Rating

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

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

★★★★★	Excellent
★★★★	Very good
★★★	Good
★★	Adequate
★	Poor
☐	Not rated

Image and Strategy Rating

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

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

★★★★★	Excellent
★★★★	Very good
★★★	Good
★★	Adequate
★	Poor
☐	Not rated

Annual Review Rating

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

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

★★★★★	Excellent
★★★★	Very good
★★★	Good
★★	Adequate
★	Poor
☐	Not rated



AKG

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AKG is an actuarially based consultancy specialising in the provision of information and market assistance to the financial services industry

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