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OFFSHORE SECTOR
Canada Life International

FINANCIAL STRENGTH ASSESSMENT

Analysis by **AKG Financial Analytics Ltd**
Accessible • Comparative • Independent

AKG



ABOUT THIS FINANCIAL STRENGTH ASSESSMENT

This AKG report and the analysis and ratings contained within it provide assessment of financial strength and associated considerations. Financial Strength is focused on the ability of a company to deliver ongoing operational capability in the interest of its customers and in line with their fairly held expectations. AKG's perspective in the assessment of financial strength is wholly that of a customer of a product or service. From that foundation, this analysis is specifically designed to inform financial advisers and assist in their required understanding of a company's operational financial strength.

Given the underlying customer perspective, the financial strength of companies needs to be focused at an operational level, specifically on the company that is effecting the product or service that a customer is selecting. This is important, because from the customer's perspective it is that company that needs to survive in a form that maintains the requisite operational characteristics to meet their fairly held requirements. And it is thus at this level that the selection needs of the customers' advisers must be met. This contrasts to credit rating, which will be undertaken at group or parent company level where investment or debt placement etc. is made.

Further details on how analysis is undertaken is provided at the end of this report and may also be obtained from AKG.



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Rating & Assessment Commentary



RATINGS

Overall Financial Strength



Additional Financial Strength and Supporting Ratings

	Non Profit Financial Strength	Unit Linked Financial Strength	With Profits Financial Strength	Service	Image & Strategy	Business Performance
Canada Life International Ltd	★★★★★	★★★★★	■	★★★★★	★★★★★	★★★★★
CLI Institutional Ltd	■	★★★★★	■	★★★★★	★★★★★	★★★★★
Canada Life International Assurance (Ireland) DAC	■	★★★★★	■	★★★★★	★★★★★	★★★★★



SUMMARY

- Canada Life operates its international business on the Isle of Man (since 1987) and in the Republic of Ireland (since 2013) via the companies assessed in this report
- 2022 saw strong sales growth in the international business
- Canada Life International remains committed to the offshore market and continues to be a leading offshore provider with a 23% UK cross border market share at the end of December 2022, and combined assets under administration of £20.3bn at the same point
- Offshore market volumes have increased over the last few years, while the number of providers has reduced. Underlying fundamentals are still good, with continuing growth opportunities for business lines
- The UK international and onshore business is progressing through a transformation programme which sees it increasingly managed in an integrated way as a retirement focused Wealth platform
- The pension proposition continues to be developed as a flagship product, with onshore and offshore bonds provided within one combined Wealth proposition, with commensurate underlying technology
- Integration has already seen the adoption of the single Canada Life brand and management, and the business is now pursuing increased activity in brand promotion, which it anticipates will see its recognition trending steadily up, to both better reflect its existing propositional footprint and support further growth
- Parental support remains strong, the group continuing to provide for long term strategic resilience



COMMENTARY

Financial Strength Ratings

Canada Life International Ltd

Canada Life International Ltd (CLI) has been established for over 30 years in the Isle of Man and remains amongst the leading offshore providers. It is profitable, pays regular dividends and notwithstanding that dividends have been paid in excess of profits in 2019 - 2022, it maintains a healthy level of solvency.

Parental strategy and support remains an important enabler as the business looks to maintain and potentially further develop or adjust its positioning. The international offering remains integral to the wider UK market proposition and part of the ongoing transformation strategy.

At present CLI remains well capitalised with mortality business heavily reinsured with Swiss Re and Gen Re. Management is actively monitoring expense levels, lapse activity, new business volumes and the level of fee income as these will have a bearing on earnings and solvency coverage in the medium term.

Unit linked business represents the company's core focus, with unit linked assets of £11.9bn [2021: £12.5bn]. Unit linked liabilities as at 31 December 2022 were £11.7bn, and these enjoy the support of the Canada Life Group, Great-West Lifeco and ultimate parent Power Corporation of Canada (PCC). CLI is well capitalised for a unit linked operation, with a SCR coverage ratio of 172.0% [163.7%].

CLI Institutional Ltd

In 2022 CLI Institutional Ltd (CLII) wrote no new premiums again, so the business flows reflected claims only and therefore a net outflow of £30.6m, a decrease on 2021's net outflow £107.6m.

With profits of £1.1m [2021: £1.0m] and no dividend payment, capital increased. Solvency coverage was 244%, up from 190% at the end of 2021, and was a good position for a unit linked operation.

The company remains an integral part of the Canada Life International proposition, offering a niche proposition to supplement wider business retention. AKG understands that when the group assesses the capital requirements to cover operational risks in CLI, it extends this to cover the needs of CLII also, and as such it is AKG's view that CLII would receive any support necessary from its immediate parent, CLI, or the wider Great-West Life Group.

Canada Life International Assurance (Ireland) DAC

With new business volumes increasing by 55% from £558m to £865m in 2022, CLIAI recorded a profit before tax of £1.5m [2021: loss £2.3m]. Foreign exchange gains in the period totalled £1.3m [2021: loss of £1.5m], underlying administration expenses of £8.0m were down by 8% on 2021. Overall, administration expenses decreased to £6.7m [2021: £10.2m].

Market value losses on unit linked assets and surrenders contributed to the decrease in AuA, to £7.4bn at the end of 2022 [2021: £7.7bn].

CLIAI's strategy, within the wider UK Wealth platform transformation strategy, involves a combination of continued growth in fee income and ongoing expense management to drive profitable growth.

Solvency coverage increased to 149% [2021: 144%], and continued to exceed both the internal minimum and target levels of CLIAI.

AKG anticipates that any further support will be made available by its parent if required; Canada Life remains demonstrably committed to the offshore market and behind the transformation and integration of the UK proposition.

Service Rating

Canada Life International's vision is to be the international life office of choice for advisers and customers. A stated people-led culture of placing the customer at the heart of business practices underpins this commitment which is supported by a

market facing service charter that sets out service standards together with financial penalties that apply should these not be met.

Customer services are now under central ownership within the shared service model. The international business is proactive in promoting its technical service expertise, which has consistently been a core part of its overall service approach. The company is highly regarded in the intermediary market, both winning awards and having established a reputation which helps to differentiate it, for this technical support.

Along with the UK and in line with the business transformation process, a more digitally enabled strategy, with both product and servicing developments, is being actively pursued by the business.

A restructure in the Wealth Sales team was implemented in 2021 to better focus distribution channels on strategic market segments and align management oversight of the field and telephone based teams.

Canada Life International reports that it continues to meet its Service Level targets and track a low volume of complaints. In order to become more customer centric, it is selecting and rolling out customer surveys it to report better on customer satisfaction, and therefore drive further continual improvement. Although regulatory initiatives such as Consumer Duty and Vulnerable Customers are not directly applicable in international territories, the International business is aligning with the UK regulated companies, further developing a 'One Canada Life' experience and outcomes that are consistent across all channels.

Image & Strategy Rating

The key and ongoing focus in recent years has been on a consistent presence and offering in the core market of the UK. As the market changes further, the business is pursuing a key strategic development to present an integrated product proposition (joining up customer needs in pre and post retirement) via platform technology. The opportunity for the international business to develop its offering making use of its UK organisational reach, broader component competencies (such as in investment management), and parental position should position it well within this.

At a parental level, the aim is for Canada Life's European businesses to be the leaders in their chosen markets of personal pension provisions, group protection and wealth management, benefiting from leveraging Great-West Life's extensive experience in North American group insurance and wealth management.

The Canadian group companies - the Great-West Life Assurance Company (Great-West Life) and its subsidiaries, London Insurance Group Inc., London Life Insurance Company, Canada Life Financial Corporation, and The Canada Life Assurance Company amalgamated into one company, The Canada Life Assurance Company and a single Canada Life brand on 1 January 2020, and the international business saw a brand refresh in line with this during 2020.

Notwithstanding (and perhaps in part a result of) its uncommon ownership structure, the group continues to provide for long term strategic resilience; parental support remains strong and its subsidiaries have been well supported in testing conditions.

Integration has already seen the adoption of the single Canada Life brand and management, and the business is now pursuing increased activity in brand promotion, which it anticipates will see its recognition trending steadily up, to both better reflect its existing propositional footprint and support further growth.

Business Performance Rating

Canada Life International maintained a strong level of international bond sales (between CLI, CLII and CLIAI) with a total of £1.6bn, equating to a market share of 24% [2021: £1.3bn].

Offshore Assets under Administration (AuA) increased overall to £20.3bn as at 31 December 2022.

Both CLI and CLII continued to trade profitably. CLIAI, which had made significant but expected losses in past years, reported a profit of £1.5m before tax [2021: loss £2.3m] driven by sales of bonds. All three operating companies saw their solvency coverage increase from 2021, and were maintained at a good level.

Overall Canada Life International continues to deliver as a key component of the UK Canada Life offering, supported by a well-capitalised and stable international parent; The Canada Life Assurance Company reporting a LICAT (Life Insurance Capital Adequacy Test) ratio of 120% as at 31 December 2022 [2021: 124%].

Group & Parental Context



BACKGROUND

Incorporated in 1925, Power Corporation of Canada (PCC) is an international management and holding company that focuses on financial services in North America, Europe and Asia. Its core holdings are leading insurance, retirement, wealth management and investment businesses, including a portfolio of alternative asset investment platforms. It wholly owns Power Financial Corporation (PFC). In 2020, a reorganisation took place to simplify the corporate structure, and refocus strategy. During this period Pansolo Holding Inc., a corporation controlled by the Desmarais Family Residuary Trust, acquired 50.6% of all voting shares of PCC.

PFC, a wholly owned subsidiary of PCC, is an international management and holding company with interests in financial services and asset management businesses in Canada, the United States and Europe. It also has significant holdings in a portfolio of global companies based in Europe. PFC has been an important participant in the consolidation of financial services in Canada. PFC seeks to maintain a balance between Canadian and non-Canadian earnings, firstly through the American and European operations of Great-West Lifeco Inc. (in which it owns the controlling stake) and secondly through its investment in Pargesa, a European-based holding company.

Great-West Lifeco Inc. is an international financial services holding company with interests in life insurance, health insurance, retirement and investment services, asset management and reinsurance businesses. Great-West Lifeco has operations in Canada, the United States and Europe through Canada Life, Irish Life, Empower Retirement and Putnam Investments. At 31 March 2023, it had AuA of Can\$2.6trn and a market capitalisation of Can\$36bn.

In September 2020, Great-West Lifeco Inc. subsidiary Empower Retirement (Empower) announced it had reached a definitive agreement to acquire the retirement services business of Massachusetts Mutual Life Insurance Company, strengthening Empower's position as the second largest player in the U.S. retirement market. The total transaction value was approximately US\$3.35bn, and completed in January 2021, expanding Empower's reach to more than 12.2 million retirement plan participants and assets to US\$834 billion on behalf of 67,000 plans.

In Canada, the company has moved its three Canadian life insurance companies, The Great-West Life Assurance Company, London Life Insurance Company and The Canada Life Assurance Company, to one brand in Canada: Canada Life. Following the required approvals, the company also proceeded with the amalgamation of Great-West Life, London Life and Canada Life, and their holding companies, Canada Life Financial Corporation and London Insurance Group Inc., into a single life insurance company, The Canada Life Assurance Company (CLAC). This amalgamation was effective from January 2020 and is expected to create operating efficiencies and simplify the company's capital structure to allow for more efficient use of capital.

In Europe, CLAC operates via branch offices and subsidiaries to provide a focused range of insurance and wealth management products and services. These operations are based primarily in the UK (CLL and CLP), the Isle of Man (Canada Life International Ltd and CLI Institutional Ltd), the Republic of Ireland (Canada Life Re Ireland DAC, Irish Life Assurance plc and Canada Life International Assurance (Ireland) DAC - formerly Legal & General International (Ireland) Ltd and acquired in July 2015) and Germany. On 1 January 2015, as part of the reorganisation of Canada Life's European operations, The Canada Life Group (U.K.) Ltd (CLG) acquired Canada Life International Assurance Ltd and Canada Life International Re Ltd from Canada Life International Holdings Ltd. On 1 January 2016 the life assurance business of Canada Life International Assurance Ltd, renamed as CL Abbey Ltd, was transferred to Canada Life International Assurance (Ireland) DAC. In December 2018, Canada Life Re Ireland dac (CLRel) acquired Canada Life Dublin dac (CLD - formerly Canada Life International Re Ltd). At the same time, the business of CLD was transferred to CLRel, allowing CLRel to focus on life and non-life retrocession business from the EU and UK. As part of Brexit preparations, March 2019 saw ownership of Canada Life International Assurance (Ireland) dac, CL Abbey Ltd and Canada Life Re Ireland dac transfer from CLG to its Irish holding company subsidiary Canada Life Irish Holding Company Ltd.

In January 2018, CLG completed the acquisition of Retirement Advantage (including MGMA and Stonehaven UK Ltd), niche providers of retirement income and equity release propositions. In 2019 court approval was received to transfer the insurance business of MGMA (since renamed CLP), a wholly-owned subsidiary of CLG, across to CLL. On 1 January

2020, the scheme effective date, the company completed the business transfer. This resulted in the transfer of £2,894m of assets and £2,832m of liabilities covering 32,000 pension and equity release customers.

MGMA was formed in 2013 under the ownership of funds managed by TDR Capital LLP (TDR) to acquire the new business franchise of Marine and General Mutual Life Assurance Society, a long established mutual life office. In January 2014, TDR also acquired Stonehaven UK Ltd, a specialist equity release provider. In May 2015 MGM Advantage and Stonehaven came together under a single brand, Retirement Advantage, subsequently rebranded as Canada Life in October 2018.

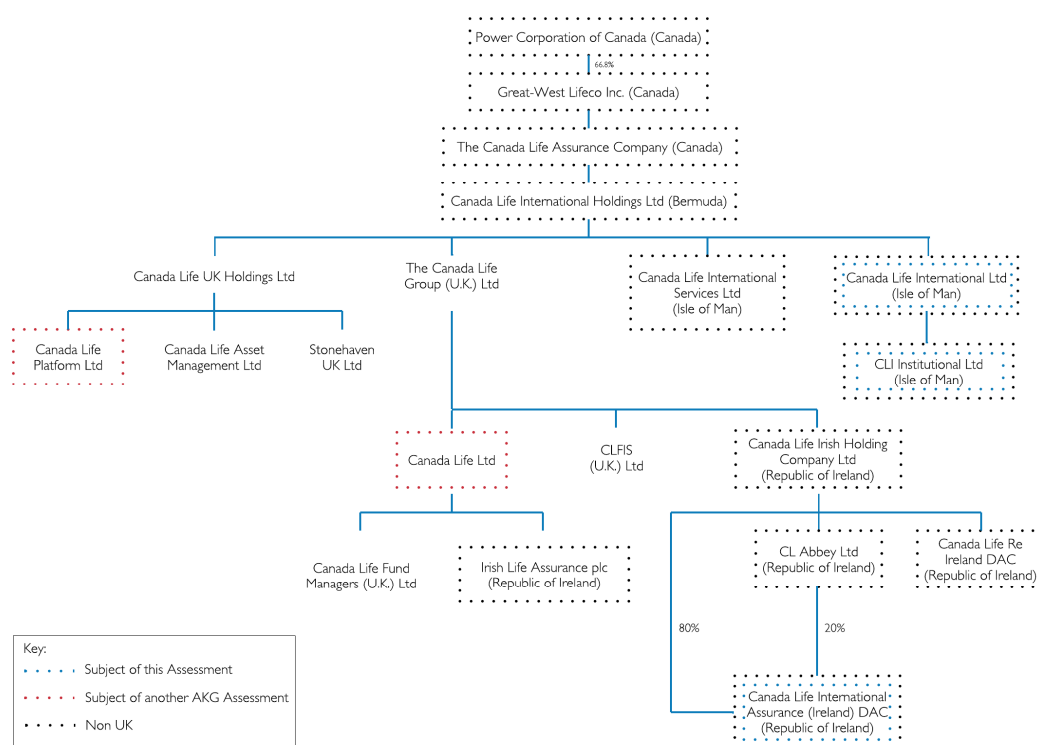
In May 2023, Canada Life reported that it had agreed to sell its individual onshore protection business to Countrywide Assured plc, a subsidiary of Chesnara plc. Around 47,000 customer policies will transfer subject to the completion of a court-approved transfer, and follows the announcement from Canada Life that it closed its UK individual protection to new business in November 2022.

In June 2023, Canada Life repositioned FCA-regulated entities Canada Life Platform Ltd, Stonehaven UK Ltd and Canada Life Asset Management Ltd under Canada Life UK Holdings Ltd, to enable improved governance processes and division-wide oversight.

At the end of 2022, Canada Life (CLAC) overall had consolidated AuA totalling Can\$497bn. As at 31 March 2023, Canada Life's London investment team, Canada Life Asset Management, had overall responsibility for managing funds of £37bn.



GROUP STRUCTURE (SIMPLIFIED)



Company Analysis: Canada Life International Ltd



BASIC INFORMATION

Company Type

Life Insurer

Ownership & Control

Canada Life International Holdings Ltd (based in Bermuda). Power Corporation of Canada (Canada) is the ultimate parent company, itself owned by the Desmarais Family Residuary Trust through Pansolo Holdings Inc. which holds 50.6% of PCC's shares.

Year Established

1987

Country of Registration

Isle of Man

Head Office

Canada Life House, Isle of Man Business Park, Douglas, Isle of Man, IM2 2QJ

Contact

www.canadalife.co.uk/contact-us

Key Personnel

Role	Name
Non-Executive Chairman	I Gilmour
MD & Executive Director, Wealth Management, CEO CLI	S D Christian
MD Canada Life International Division	R Keenan
CEO, Canada Life Ltd, Executive Director CLI	L C Rix
Head of Finance	S Edwards
Director of Compliance and Regulatory Affairs	T Woodward
Distribution Director, Wealth Management	D Bond
Customer Services Director	D Sutton
Head of Actuarial Function, Canada Life International	D Brosnan
Head of Compliance	M Quine
Head of Investment Operations	M Callow

Company Background

Canada Life International Ltd (CLI) was established as Albany International Assurance Limited in 1987 and was part of the Metropolitan (UK) group of companies sold to Canada Life in 1997. Albany International changed its name to Canada Life International on 5 November 1999, the same date that Canada Life Financial Corporation was formed, following the demutualisation of The Canada Life Assurance Company, Canada's oldest life assurance company at the time, established in 1847.

In 2003, the company launched a subsidiary, CLII, to meet the demands of those third parties whose clients are Ultra High Net Worth individuals.

The international business and its component companies now sit operationally with the wealth proposition division of the UK, with a new MD appointed with effect from September 2021 to oversee the next stage of its development and digital transformation.



OPERATIONS

Governance System and Structure

Since 2016, each of the key functions have presented an effectiveness review at their relevant Board and/or Committee meeting. The governance arrangements are kept under continuous review, and refinements are made as appropriate, including responding to any future regulatory guidelines or emerging best practice.

The Board of Directors of each entity is responsible for the governance and oversight of risks in that company. The Boards have assigned key duties and responsibilities in relation to risk identification, assessment, measurement, monitoring and control to a Board Risk Committee in each case.

Each company also has a comprehensive Risk Management Framework in place for this purpose. The Board Risk Committee is responsible for providing advice to the Board in its oversight of each company's principal risks. The key role and function holders within each entity are subject to the appropriate regime and to evidence the appropriateness and effectiveness of their activity, roles may be preapproved by the appropriate regulatory body for that region.

CLI's latest ORSA process was carried out during 2022, which highlighted CLI's most material risks and indicated the measures in place to mitigate against such risks.

Risk Management

Canada Life International's objective in the management of risk is to minimise, where practicable, its exposure to such risk, except when necessary to support other objectives.

A 'Three Lines of Defence' risk governance model is operated. The first line of defence against risk is maintained by the functional areas of the business. The second line of defence is the oversight and control functions of the business which control, monitor and report risks within the group risk governance structure i.e. risk, actuarial and compliance. The third line of defence includes the independent assurance provided by the Internal Audit function.

Administration

The philosophy of the Canada Life International business is to offer an excellent level of service including delivery of a high-quality technical expertise, for which it has won and maintained a good reputation. Its 'iCan' support offering launched in 2011 is proactive in promoting its technical service expertise, and continues to see investment and emphasis as a core part of its overall service approach.

Back office administration for the Canada Life International business in IoM is outsourced to a sister company, Canada Life International Services Ltd (CLIS) also based in the IoM, with comprehensive legal agreements and service level agreements in place.

As the company assesses the changing market opportunities, technology looks set to play an increasing part, not least to deliver increased productivity at scale. Significant steps are ongoing and is a clear focus for the business, not least in pursuing the key strategic development to present an integrated product proposition (joining up customer needs in pre and post retirement) via platform technology.

Benchmarks

Canada Life International has regularly featured in industry awards. In 2022, the business won the Best International Portfolio Bond at the International Adviser awards. In the same year, the business won the International Investment Award for Best International Life group, having won 9 times from the last 10. At the same awards, Canada Life won Best International Trust (Wealth Preservation Account) and Excellence in Trust and Estate Planning.

In 2021, the group won the International Investment Award for Best International Life Group and also Best Portfolio Bond, among others.

In 2020, it won the International Adviser Global Financial Services Award for Best International Life Group (UK). At the 2019 International Adviser's Global Financial Services Awards, Canada Life received the Reader's Choice award for the Best International Life Company (UK Offshore) for the sixth year in a row, and also previously won the Best Regular Premium Investment Product, Best Single Premium Investment Product (UK Offshore), Protection Product (UK Offshore), Tax & Estate Planning Solutions, Best Online Proposition, and Best Overall Product Range.

Outsourcing

Certain administration and other services are subject to outsource arrangements (including services provided by other Canada Life Group companies). Administration including new business processing and portfolio management activities required by CLI, CLII and CLIAI are outsourced to CLIS in the IoM. Previously CLIAI outsourced policy administration to Irish Progressive Services International Ltd (IPSI) in Ireland. This outsourcing agreement was terminated in December 2018, with all administration of the International Portfolio Bond (IPB) migrating to CLIS in the Isle of Man.

Canada Life Asset Management Ltd (CLAM) is used by CLI in respect of the provision of investment management services in the UK. CLI also outsources the collection of medical evidence and initial underwriting.



STRATEGY

Market Positioning

Canada Life International has a predominantly UK focus, with some business also sold into the Isle of Man and the Channel Islands. Segmented intermediary distribution is maintained through a combined salesforce for both onshore and offshore individual business in the UK. It includes estate planning and tax specialists, who provide support to the Intermediary Distribution team, developing and maintaining relationships with targeted advisory businesses for the offshore proposition.

In recent years, the company has adjusted well to changes in the shape of the UK distribution environment, which has seen a reduction in the volumes afforded by the banking channel, but opportunities in the wider retail intermediary sector, such as with good quality advisory businesses, and via increased use of Discretionary Fund Managers (DFMs) in the market. Its DFM adoption was particularly strengthened by the acquisition of CLIAI, which had established a strong track record in this market segment since launch. As a result, Canada Life International has been able to maintain its market share in aggregate in a UK market that remains competitive. Canada Life International considers itself well positioned for any returning growth in bank channel volumes and to take advantage of growing case sizes in the mainstream market.

Canada Life International aims to offer value for money products with simple and transparent charging structures. Whilst sensitive to the need to deliver value for money products, the company remains committed to its high degree of technical competency, believing that technical support for advisers remains critical and the 'iCan' service is focused on delivering accessible technical support through a field and head office based team of tax and estate planning experts. The team works directly with adviser firms providing tailored support, often covering business generation ideas and training. The team is also heavily involved in ensuring that the company maintains its comprehensive range of offshore trusts and packaged estate planning solutions.

Product flexibility has been enhanced with the launch of the Dublin operation to add a jurisdictional option, alongside CLI and CLII characteristics, and further by the acquisition of CLIAI.

As part of a customer focused approach, the Canada Life proposition aims to be delivered via a single platform view. This will provide a consistent experience, where all of Canada Life's propositions and solutions can be accessed from one place supporting the whole end to end client journey. The International business plays an increasingly important part in providing the products and solutions offered under the Wealth Management division.

Proposition

A range of estate planning and savings and investment solutions is available from the Canada Life International business across its IoM and RoI dual jurisdictions. The key products are the Premiere / Premiere Europe Account (which includes a Capital Redemption Bond variant) and the Wealth Preservation / Wealth Preservation Europe Account. These offer full open architecture access to the market using a number of alternative approaches, including multi-manager, discretionary management via a selection of around 150 DFMs, single manager and multi-asset investments. It is also available via a range of over 40 platform providers. There is also an ability to appoint multiple managers/platform providers to the same policy.

CLI's pooled fund bond, the 'Delta Account' (together with its regular premium equivalent the 'Offshore Savings Account') provides policyholders with access to funds managed by some of the world's largest investment houses, available via an internal fund range known collectively as 'the Core range'. Canada Life International continually monitors the Core range adding and removing funds as necessary, in order to maintain the most suitable range for its policyholders. The Core range gives access to around 30 fund houses with over 150 funds being available. These range from standard linked funds managed by well-known fund managers to bespoke funds giving retail investors access to selected UK fund managers.

As part of ongoing strategic and technological change, the business has been looking at its product variants which have grown in number over the decades in which the business has evolved, and undertaken rationalisation to more simply and clearly fit with the needs of the market. This should now afford the organisation easier adoption by a wider spread of non-specialist intermediaries in the UK and crucially has not to date resulted in any fall out due to removed product familiarity in pockets of distribution.

The Segregated Portfolio service (SPS) for CLI Open Architecture products was introduced in 2019, as well as additional segments for the WPA product, for both existing and new business. The enhancement is expected to drive the strategy of growth within CLI's retail offering.

CLI's protection products continue to be an important part of the wider proposition and the Flexible Life Plan and CanProtect Whole of Life Plan remain products with strong sales flows.



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	71	72	69
Equities	0	0	0
Collectives	0	0	0
Property	0	0	0
Linked	11,192	12,501	11,877
Derivatives	0	0	0
Loans and mortgages	0	0	0
Reinsurance recoverables	1	5	13
Cash	38	55	32
Other	15	9	50
Total Assets	11,317	12,642	12,041

Liabilities

	Dec 20 £m	Dec 21 £m	Dec 22 £m
Technical provisions - non-life	0	0	0
Technical provisions - health (similar to life)	0	0	0
Technical provisions - life	0	0	(1)
Technical provisions - linked	11,018	12,325	11,719
Other	82	101	113
Total Liabilities	11,099	12,426	11,830
Excess of assets over liabilities	218	216	211

Assets decreased over the year by 5% to £12.0bn [2021: £12.6bn]. Unit linked business represents CLI's core focus representing the majority (98.6%) of assets. With liabilities of £11.8bn [2021: £12.4bn], there were excess assets of £210.7m [2021: £215.9m].

The unit linked liabilities benefit from the support of the Canada Life Group, Great-West Lifeco and its ultimate parent PCC.

Solvency Capital Requirement (SCR)

	Dec 20 £m	Dec 21 £m	Dec 22 £m
Market risk	52.2	57.6	57.3
Counterparty default risk	15.9	8.8	11.4
Life underwriting risk	95.7	100.3	85.2
Health underwriting risk	0.0	0.0	0.0
Non-life underwriting risk	0.0	0.0	0.0
Diversification	(38.0)	(36.2)	(35.9)
Intangible asset risk	0.0	0.0	0.0
Operational risk	7.8	8.4	8.2
Capital add-ons already set	0.0	0.0	0.0
Other items	(3.7)	(4.0)	(3.9)
Solvency capital requirement	129.8	135.0	122.3

Eligible Own Funds

	Dec 20 £m	Dec 21 £m	Dec 22 £m
Tier 1 unrestricted	224.0	221.0	210.7
Tier 1 restricted	0.0	0.0	0.0
Tier 2	0.0	0.0	0.0
Tier 3	0.0	0.0	0.0
Eligible own funds to meet SCR	224.0	221.0	210.7
Excess of own funds over SCR	94.2	86.0	88.4
SCR coverage ratio (%)	172.5	163.7	172.2

The main risks at the end of 2022 were life underwriting (predominantly lapse risk, plus mortality and expense risks), market risk (largely equity risk and interest rate risk) and counterparty default risk. The decreased SCR of £122.3m [2021: £135.0m] compared more favourably than the reduction own funds of £210.7m [2021: £221.0m] and resulted in the SCR coverage ratio increasing to 172.0% [2021: 163.7%].

CLI considers itself well capitalised for a unit linked operation, operating above the lower threshold of its preferred capital range of 150% of SCR, and maintaining dividend payments to its parent within expectations.

Gross Life Premiums Written By Line of Business

	Dec 20 £m	Dec 21 £m	Dec 22 £m
Health insurance	0.0	0.0	0.0
Insurance with profit participation	0.0	0.0	0.0
Linked insurance	493.2	745.9	836.1
Other life insurance	1.7	1.7	1.7
Annuities - from non-life health	0.0	0.0	0.0
Annuities - from non-life non-health	0.0	0.0	0.0
Health reinsurance	0.0	0.0	0.0
Life reinsurance	0.0	0.0	0.0
Total gross life premiums written	494.9	747.6	837.8

Gross Life Premiums Written By Country

	Dec 20 £m	Dec 21 £m	Dec 22 £m
Home country	490.5	747.4	817.9
Country 1	4.4	0.0	19.8
Country 2	0.0	0.1	0.1
Country 3	0.0	0.0	0.0
Country 4	0.0	0.0	0.0
Country 5	0.0	0.0	0.0
Other countries	0.0	0.1	0.1
Total gross life premiums written	494.9	747.6	837.8

Gross premiums written in 2022 increased by 12% to £837.8m [2021: £747.6m] and were almost entirely unit linked. The vast majority related to the UK, with the remainder written in IoM/Channel Islands, which increased to £19.8m in 2022 [2021: £nil] and the Rest of the World and other Western Europe (£0.2m).

Expenses incurred in 2022 reduced to £30.4m [2021: £31.5m].

Profit

	Dec 20 £m	Dec 21 £m	Dec 22 £m
Profit (loss) before taxation	17.8	11.2	13.1
Taxation	0.0	0.0	0.0
Profit (loss) after taxation	17.8	11.2	13.1
Other comprehensive income	0.0	0.0	0.0
Dividends	(20.0)	(25.0)	(15.0)
Retained profit (loss)	(2.2)	(13.8)	(1.9)

Life Business Flows

	Dec 20 £m	Dec 21 £m	Dec 22 £m
Net life premiums earned	475.2	727.3	816.4
Net life claims incurred	(410.8)	(472.9)	(447.6)
Net flow of business	64.3	254.4	368.8

CLI made an increased profit after tax of £13.1m [2021: £11.2m], and paid dividends in excess of this totalling £15.0m [£25.0m]. This led to a retained loss for the year of £1.9m [2021: £13.8m] which reduced shareholders' funds, from £28.2m to £26.3m.

With net premiums increasing by 12% and claims decreasing by 5%, there was an increased inflow of £368.8m in 2022 [2021: £254.4m].

Company Analysis: CLI Institutional Ltd



BASIC INFORMATION

Company Type

Life Insurer

Ownership & Control

Wholly owned subsidiary of Canada Life International Ltd. Canada Life International Holdings Ltd (based in Bermuda) is the holding company of the Isle of Man subsidiaries providing international business. Power Corporation of Canada (Canada) is the ultimate parent company, itself owned by the Desmarais Family Residuary Trust through Pansolo Holdings Inc. which holds 50.6% of PCC's shares.

Year Established

2003

Country of Registration

Isle of Man

Head Office

Canada Life House, Isle of Man Business Park, Douglas, Isle of Man, IM2 2QJ

Contact

www.canadalife.co.uk/contact-us

Key Personnel

Role	Name
See Canada Life International Ltd	

Company Background

Established as a subsidiary of Canada Life International Ltd in 2003, the company's target market is the Ultra High Net Worth individual. The minimum premium for products issued by CLI Institutional Ltd is £1m.

Designed with a particular category of policyholder in mind, CLII's constitutional documents, regulatory licence and operating procedures place constraints on the type of business that can be written and to whom policies can be issued. This is in order to make sure that policyholders are protected from certain business risks, which may be present elsewhere in the market.



OPERATIONS

Governance System and Structure

See Canada Life International Ltd

Risk Management

See Canada Life International Ltd

Administration

See Canada Life International Ltd

Benchmarks

See Canada Life International Ltd

Outsourcing

See Canada Life International Ltd

**STRATEGY****Market Positioning**

See Canada Life International Ltd

Proposition

The CLII proposition is geared towards Ultra High Net Worth individuals and offers bespoke solutions based on the underlying Canada Life International proposition outlined previously.

Currently the Elite Account is the primary vehicle for sales, this providing investment through DFMs and investment platforms for private wealth and institutional investors where policyholder protection is a key factor.

The Prestige Account is also offered, an open architecture investment bond. CLII retains custody of the assets and accepts investment instructions from the investor or their fund adviser regarding the underlying investments.

Whilst the rise in average case sizes for CLI has eroded the difference to that seen by CLII to some degree, the proposition remains valuably differentiated and is useful in adding a degree of future proofing for the wider international proposition.

**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	6	0	13
Equities	0	6	0
Collectives	0	0	0
Property	0	0	0
Linked	1,036	1,029	993
Derivatives	0	0	0
Loans and mortgages	0	0	0
Reinsurance recoverables	0	0	0
Cash	9	10	2
Other	2	0	2
Total Assets	1,053	1,045	1,011

Liabilities

	Dec 20 £m	Dec 21 £m	Dec 22 £m
Technical provisions - non-life	0	0	0
Technical provisions - health (similar to life)	0	0	0
Technical provisions - life	0	0	0
Technical provisions - linked	1,029	1,018	980
Other	0	1	4
Total Liabilities	1,029	1,019	984
Excess of assets over liabilities	24	26	27

Total assets in CLII decreased marginally in 2022 to £1,011m [2021: £1,045m]. There was a movement from equities to fixed interest due to a change in CLAM classifications.

Solvency Capital Requirement (SCR)

	Dec 20 £m	Dec 21 £m	Dec 22 £m
Market risk	6.2	6.7	7.1
Counterparty default risk	2.5	5.5	0.7
Life underwriting risk	6.7	7.0	6.7
Health underwriting risk	0.0	0.0	0.0
Non-life underwriting risk	0.0	0.0	0.0
Diversification	(4.2)	(5.6)	(3.3)
Intangible asset risk	0.0	0.0	0.0
Operational risk	0.1	0.2	0.2
Capital add-ons already set	0.0	0.0	0.0
Other items	0.0	(0.1)	(0.1)
Solvency capital requirement	11.3	13.7	11.2

Eligible Own Funds

	Dec 20 £m	Dec 21 £m	Dec 22 £m
Tier 1 unrestricted	23.9	25.9	27.2
Tier 1 restricted	0.0	0.0	0.0
Tier 2	0.0	0.0	0.0
Tier 3	0.0	0.0	0.0
Eligible own funds to meet SCR	23.9	25.9	27.2
Excess of own funds over SCR	12.5	12.3	16.1
SCR coverage ratio (%)	210.5	190.0	243.6

The main risks remained as market risk (largely equity risk), and life, with counterparty risk reducing significantly compared with the prior year. With own funds increasing to £27.2m [2021: £25.9m] against a reduced SCR of £11.2m [2021: £13.7m], CLI reported a SCR coverage ratio of 243.6% as at 31 December 2022 [2021: 190.0%].

Gross Life Premiums Written By Line of Business

	Dec 20 £m	Dec 21 £m	Dec 22 £m
Health insurance	0	0	0
Insurance with profit participation	0	0	0
Linked insurance	0	0	0
Other life insurance	0	0	0
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
Total gross life premiums written	0	0	0

Gross Life Premiums Written By Country

	Dec 20 £m	Dec 21 £m	Dec 22 £m
Home country	0	0	0
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	0	0	0

As a niche offering with a focus on growing profitable business rather than volume, no new premiums were written in the year, but work is underway to deliver new business premium in future years.

Profit

	Dec 20 £m	Dec 21 £m	Dec 22 £m
Profit (loss) before taxation	1.3	1.0	1.1
Taxation	0.0	0.0	0.0
Profit (loss) after taxation	1.3	1.0	1.1
Other comprehensive income	0.0	0.0	0.0
Dividends	0.0	0.0	0.0
Retained profit (loss)	1.3	1.0	1.1

Life Business Flows

	Dec 20 £m	Dec 21 £m	Dec 22 £m
Net life premiums earned	0.0	0.0	0.0
Net life claims incurred	(36.2)	(107.6)	(30.6)
Net flow of business	(36.2)	(107.6)	(30.6)

Profit after tax for the year increased from £1.0m to £1.1m, and with no dividend declared for the year [2021: £nil], this profit fed straight through into shareholders' funds.

Claims continue to be generated, with no premiums being earned, and there was a net outflow of £30.6m in this respect [2021: £107.6m].

Company Analysis: Canada Life International Assurance (Ireland) DAC



BASIC INFORMATION

Company Type

Life Insurer

Ownership & Control

The immediate parent company (80% holding) is Canada Life Irish Holding Company Ltd (CLIHC), the balance 20% is held by CL Abbey Ltd (formerly known as Canada Life International Assurance Ltd).

Power Corporation of Canada (Canada) is the ultimate parent company, itself owned by the Desmarais Family Residuary Trust through Pansolo Holdings Inc. which holds 50.6% of PCC's shares.

Year Established

2007

Country of Registration

Republic of Ireland

Head Office

Irish Life Centre, Lower Abbey Street, Dublin 1

Contact

www.canadalife.co.uk/contact-us

Key Personnel

Role	Name
Non-Executive Director & Chairman	H Snow
Managing Director, Canada Life International	R Keenan
CEO, Canada Life Ltd	L C Rix
Non-Executive Director	I Gilmour
Independent Non-Executive Director	S Cronin
Independent Non-Executive Director	V Sheridan
MD Wealth Management Division, Canada Life UK	S D Christian
Head of Actuarial Function, Canada Life International	D Brosnan
Director of Compliance and Regulatory Affairs	T Woodward
Distribution Director, Wealth Management	D Bond
Customer Services Director	D Sutton
Head of Compliance	I Wilson
Head of Finance	A Drohan
Chief Risk Officer	K Fox

Company Background

The company was established in Ireland as Legal & General International (Ireland) Ltd in May 2007 to provide international, or cross border, functionality to Legal & General's UK distribution activities as well as providing an avenue for future growth potential opportunities in other markets. Following its initial launch into the UK, the company commenced writing

new business in Italy in 2010 on a freedom of services basis. In July 2015, the company was acquired by CLG and, renamed as CLIAI, is a key component of the international business.

Due to the similarities of the business of CLIAI and CLIA, it was more efficient and cost effective to have the life assurance businesses of both companies carried on through a single entity in Ireland. Consequently, the business of CLIA was transferred into CLIAI on 1 January 2016, which now operates alongside Canada Life's other offshore operations, Isle of Man based CLI and CLII.

CLIAI is authorised and regulated by the Central Bank of Ireland (CBI). In March 2019, in preparation for Brexit, the group restructured its businesses and CLG transferred its shareholdings in CLIAI and CLA to CLIHC, an Irish holding company, following approval by the Central Bank of Ireland (CBI). The purpose of this restructure was to move all Irish Solvency II reporting entities under an EU based holding company (as CLG was registered in the UK).

Effective 1 January 2021 CLIAI is included in the group solvency II return of CLIHC for group return submission purposes to the CBI. Previously CLIAI was part of CLG and was subject to Group Supervision led by the PRA. This change in structure was completed to ensure all EU entities were part of a group return within the EU.



OPERATIONS

Governance System and Structure

See Canada Life International Ltd

In 2022, there were no material changes to the governance of CLIAI.

Risk Management

See Canada Life International Ltd

Administration

The launch of the Dublin based operation in May 2013 (enhanced by the acquisition of CLIAI), provided a further mechanism for the delivery of an international proposition which sits firmly with the consistent existing distribution and administration approach.

The administration for the Premiere Europe Account (PEA), the Wealth Preservation Europe Account (WPEA) and the International Portfolio Bond (IPB) is undertaken by CLIS, with the exception of the Flexible Investment Portfolio (FIP) which continues to be administered in CLIAI. The outsourcing agreement between CLIAI and IPSI for the administration of the International Portfolio Bond (IPB) terminated on 31 December 2018.

Benchmarks

See Canada Life International Ltd

Outsourcing

Administration is largely outsourced to CLIS, with the exception of the FIP which continues to be administered in CLIAI. Previously administration had been outsourced to IPSI for IPB and FIP. As part of a strategic review of the business and to allow consistency in customer experience, process and IS systems across the International business, changes in the outsourcing model were implemented in 2018. This included the migration of policyholder data (IPB & FIP) from IPSI to CLIS and the transfer of all remaining Third Party Administration (TPA) responsibilities to CLIS. The result is that the business has one single TPA for the administration of CLIAI business and the expected benefits include improved efficiencies and the removal of duplication of effort, enhanced customer experience for all CLIAI policyholders and cost and currency exposure enhancements to the business.

Investment management services are outsourced to CLAM. CLIAI also lists outsourcing agreements with: CLFIS (UK) Ltd for distribution services in the UK; Canada Life Group Services Ltd for tax, payroll and IT Services in Ireland; and Irish Life Group Services Ltd for HR, compliance and other administration services.



STRATEGY

Market Positioning

CLIAI is focused on long term investment business for high net worth clients.

CLIAI currently sells unit-linked life assurance bonds to UK residents through UK independent regulated intermediary channels. The main market for CLIAI is the UK.

CLIAI operated in Italy on a freedom of services basis. CLIAI closed to new business in the Italian market in May 2015. Additional 'top-up' investments to the FIP product continued to be accepted from existing policyholders until the 8th March 2019. The company is now closed to all business from the Italian market. In 2022, all in force policies of value have fully surrendered, bringing to an end the company's involvement in the Italian market.

In 2022, sales of the company's investment bonds increased by 55% when compared with 2021, building on the growth achieved in the prior year of 19%. This was driven by strengthening of some institutional relationships and improvements in service quality. These areas are integral to the positive outlook for the company on sales and earnings.

Proposition

CLIAI offered a number of products to its customers. These include: the PEA including a Capital Redemption Bond option, the Wealth Preservation Europe Account, and the International Portfolio Bond (IPB, closed to new business with effect from 29 March 2018). All products offer a wide range of investment options including investment in mutual funds and deposits.

These products are provided on an open architecture basis and so, in addition, policyholders are able to select the use of a DFM, or for their adviser to use a third party external platform.



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	24.2	22.7	22.9
Equities	0.0	0.0	0.0
Collectives	0.1	0.0	0.0
Property	0.0	0.0	0.0
Linked	6,715.5	7,655.9	7,438.7
Derivatives	0.0	0.0	0.0
Loans and mortgages	0.0	0.0	0.0
Reinsurance recoverables	0.0	0.0	0.0
Cash	16.8	20.0	19.5
Other	0.4	0.5	0.5
Total Assets	6,758.1	7,699.1	7,481.6

Liabilities

	Dec 20 £m	Dec 21 £m	Dec 22 £m
Technical provisions - non-life	0.0	0.0	0.0
Technical provisions - health (similar to life)	0.0	0.0	0.0
Technical provisions - life	0.0	0.0	0.0
Technical provisions - linked	6,703.8	7,636.9	7,422.6
Other	12.6	15.8	13.3
Total Liabilities	6,716.3	7,652.7	7,435.8
Excess of assets over liabilities	40.8	46.4	45.7

Assets decreased by 3% in 2022, driven by market value losses on unit linked assets and surrenders, partially offset by new business of £865m [2021: £558m]. Assets and liabilities predominantly relate to unit linked business. Cash decreased by £0.5m to £19.5m. The majority of shareholder bond investments are government bonds with a number of high quality

corporate bonds. An investment mandate is in place with CLAM which governs the management of the shareholder bond portfolio.

The excess of assets over liabilities decreased from £46.4m to £45.7m in 2022.

Life & Health SLT Technical Provisions

	Dec 20 £m	Dec 21 £m	Dec 22 £m
Insurance with profit participation	0.0	0.0	0.0
Linked insurance	6,703.8	7,636.9	7,422.6
Other life insurance	0.0	0.0	0.0
Annuities - from non-life health	0.0	0.0	0.0
Annuities - from non-life non-health	0.0	0.0	0.0
Health insurance	0.0	0.0	0.0
Health reinsurance	0.0	0.0	0.0
Life reinsurance	0.0	0.0	0.0
Total life & health SLT technical provisions	6,703.8	7,636.9	7,422.6

Life Expenses

	Dec 20 £m	Dec 21 £m	Dec 22 £m
Health insurance	0.0	0.0	0.0
Insurance with profit participation	0.0	0.0	0.0
Linked insurance	13.5	12.9	11.2
Other life insurance	0.0	0.0	0.0
Annuities - from non-life health	0.0	0.0	0.0
Annuities - from non-life non-health	0.0	0.0	0.0
Health reinsurance	0.0	0.0	0.0
Life reinsurance	0.0	0.0	0.0
Other expenses	0.0	0.0	0.0
Total life expenses	13.5	12.9	11.2

In 2022, technical provisions relating solely to unit linked business decreased by 3%, whilst expenses decreased by 14%.

Solvency Capital Requirement (SCR)

	Dec 20 £m	Dec 21 £m	Dec 22 £m
Market risk	12.0	15.6	15.8
Counterparty default risk	0.7	1.1	0.6
Life underwriting risk	19.5	22.2	20.9
Health underwriting risk	0.0	0.0	0.0
Non-life underwriting risk	0.0	0.0	0.0
Diversification	(6.6)	(8.3)	(8.0)
Intangible asset risk	0.0	0.0	0.0
Operational risk	1.6	1.7	1.3
Capital add-ons already set	0.0	0.0	0.0
Other items	0.0	0.0	0.0
Solvency capital requirement	27.0	32.2	30.7

Eligible Own Funds

	Dec 20 £m	Dec 21 £m	Dec 22 £m
Tier 1 unrestricted	40.8	46.4	45.7
Tier 1 restricted	0.0	0.0	0.0
Tier 2	0.0	0.0	0.0
Tier 3	0.0	0.0	0.0
Eligible own funds to meet SCR	40.8	46.4	45.7
Excess of own funds over SCR	13.7	14.2	15.0
SCR coverage ratio (%)	150.8	144.1	149.0

CLIAI uses the Standard Formula to calculate its Solvency Capital Requirement. CLIAI's Basic Own Funds consist of the excess of assets over liabilities including paid-up share capital, share premium reserve and the reconciliation reserve.

Own funds decreased from £46.4m to £45.7m in 2022 and the SCR decreased from £32.2m to £30.7m. Around 56% of the basic (undiversified) SCR relates to life underwriting, and 42% to market risk.

Overall, the SCR coverage ratio increased from 144.1% to 149.0%, above the capital requirement of the business which is targeted to be maintained in the range 130-145% of SCR.

Gross Life Premiums Written By Line of Business

	Dec 20 £m	Dec 21 £m	Dec 22 £m
Health insurance	0.0	0.0	0.0
Insurance with profit participation	0.0	0.0	0.0
Linked insurance	468.4	558.0	865.0
Other life insurance	0.0	0.0	0.0
Annuities - from non-life health	0.0	0.0	0.0
Annuities - from non-life non-health	0.0	0.0	0.0
Health reinsurance	0.0	0.0	0.0
Life reinsurance	0.0	0.0	0.0
Total gross life premiums written	468.4	558.0	865.0

Gross Life Premiums Written By Country

	Dec 20 £m	Dec 21 £m	Dec 22 £m
Home country	0.0	0.0	0.0
Country 1	468.4	558.0	865.0
Country 2	0.0	0.0	0.0
Country 3	0.0	0.0	0.0
Country 4	0.0	0.0	0.0
Country 5	0.0	0.0	0.0
Other countries	0.0	0.0	0.0
Total gross life premiums written	468.4	558.0	865.0

New business volumes increased by 55%, from £558m to £865m in 2022, driven by the strengthening of some institutional relationships and improvements in service quality. All new business in 2022 was written in the UK (Country 1 in the above table).

Profit

	Dec 20 £m	Dec 21 £m	Dec 22 £m
Profit (loss) before taxation	(0.05)	(2.30)	1.49
Taxation	0.00	0.14	0.00
Profit (loss) after taxation	(0.05)	(2.15)	1.49
Other comprehensive income	0.00	0.00	0.00
Dividends	0.00	0.00	0.00
Retained profit (loss)	(0.05)	(2.15)	1.49

Life Business Flows

	Dec 20 £m	Dec 21 £m	Dec 22 £m
Net life premiums earned	468.4	558.0	865.0
Net life claims incurred	(231.3)	(293.6)	(285.3)
Net flow of business	237.1	264.4	579.7

The company reported a profit before tax of £1.5m [2021: loss £2.3m]. Due to the way business is written, with a high proportion of upfront charges received, offset by in force amortisation, CLIAI carries a deferred income reserve of £17.3m [2021: £17.6m]. Foreign exchange gains in the period totalled £1.3m [2021: loss £1.5m]. Administration expenses of £8.0m were down by 8% on 2021. The business continues to strategise the management of ongoing expenses to underpin profitable growth alongside increasing fee income.

As mentioned previously, premiums (which all related to new business) increased by 55% (up by £307m), while claims decreased by 3% (down by £8m). Overall, there was an increased net inflow of £579.7m [2021: £264.4m].

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/offshore>.

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.

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