

ISSUED 10 December 2025

PROVIDER SECTOR
Pru

FINANCIAL STRENGTH ASSESSMENT

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

AKG



ABOUT THIS FINANCIAL STRENGTH ASSESSMENT

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

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

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



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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
Prudential Assurance Company Ltd	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★
Prudential Pensions Ltd	☐	★★★★★	☐	★★★★★	★★★★★	★★★★★



SUMMARY

- M&G plc (M&G) was formed, initially as M&G Prudential plc, in 2017 through the merger of Prudential plc's UK and Europe savings and insurance operation and M&G Investments, its wholly-owned international investment manager
- In October 2019, M&G completed its demerger from Prudential plc and was listed on the London Stock Exchange; in 2021 it launched the new brand, Pru
- With profits focus remains a unique selling point and Prudential Assurance Company Ltd (PAC) has the largest with profits portfolio in the UK (£130bn as at 30 June 2025) including its PruFund offering (£65bn), a market leading with profits proposition
- PAC returned to the Bulk Purchase Annuity (BPA) market in 2023, and has written c. £1.5bn new business to date; whilst modest compared to market leaders, the launch of the Value Share BPA positions PAC with an innovative proposition for pension de-risking
- The group consolidated all of its long-term business written in Europe (excluding the UK) into Prudential International Assurance plc (PIA) in 2019
- M&G acquired Ascentric, rebranded as M&G Wealth, in September 2020, bringing with it platform capabilities; and the full range of PruFunds have been available on the M&G Wealth Platform since 2023
- Towards the end of 2024, M&G's Wealth and Life Businesses were brought together under the leadership of Clive Bolton into a single Life segment
- Assets under Management and Administration (AuMA) in the group were £355bn as at 30 June 2025
- At the same point, M&G's shareholder Solvency II coverage ratio increased to 230% with a £4.7bn surplus [31 December 2024: 223%]



COMMENTARY

Financial Strength Ratings

M&G is listed on the UK Stock Exchange and is a FTSE 100 savings and investments business, serving over 4.5m retail customers and providing investment solutions to more than 900 institutional clients, with a current market cap of around £6bn. The group operates internationally through 39 offices and distributes its products across 26 markets.

The group has continued to evolve its management and reporting structure, and revised its segments during 2024, simplifying its model by bringing Wealth and Life together into a single Life segment.

At the year end 2024, on a Shareholder view basis, M&G plc had surplus Own Funds of £4.7bn [2023: £4.5bn] and a Shareholder Solvency II coverage ratio of 223% [203%]. Own Funds reduced from £8.9bn to £8.5bn, with total own funds generation of £0.5bn offset by dividends and capital movements totalling £0.9bn. The SCR reduced from £4.4bn to £3.8bn, the largest elements of the reduction being market movements decreasing the SCR by £0.2bn and changes to the prospective modelling of the with profits fund which decreased the SCR by £0.2bn. The group Shareholder Solvency II coverage ratio increased to 223% as at 31 December 2024, and increased further to 230% as at 30 June 2025.

The regulatory Solvency II coverage ratio for the group, which combines the shareholder position and the With-Profits Fund but excludes all surplus within the With-Profits Fund, was 168% as at year end 2024 [2023: 167%] and increased to 170% as at 30 June 2025.

In September 2024, M&G announced an upgrade to its three year cumulative operating capital generation target for 2022-2024, to £2.7bn, and consequently generated £2.75bn over the period. It also completed deleveraging actions to reduce its debt by £461m which resulted in a lower Solvency II leverage ratio of 33%. A new target of £2.7bn has been set for cumulative operating capital generation over the three years 2025-2027 (excluding the new business strain of the Life business that it expects given strategic plans over this period).

Prudential Assurance Company Ltd

As one of the UK's largest and strongest life companies, PAC continues to show significant resilience in the wake of challenging economic, legislative and regulatory conditions. It has retained focus and increased its market share, whilst continuing to demonstrate its appetite for key segments of the UK market, specifically the Pre- and Post-Retirement space. PAC completed three Bulk Purchase Annuity (BPA) transactions during 2024, for a combined premium of c.£0.9bn, and has written c. £1.5bn of new business since re-entering this market in 2023.

At 31 December 2024, PAC had Own Funds of £9.7bn [2023: £9.2bn]. With an SCR of £6.2bn [2023: £6.0bn], the SCR coverage ratio increased to 157% [2023: 154%].

PAC has the ability to call down support under a Parental Support Agreement with M&G plc under certain defined circumstances, which provides additional solvency protection. While it is considered unlikely that such support will be required, the arrangements are intended to provide additional comfort to PAC and its policyholders.

PAC is one of a handful of companies that remain highly committed to with profits and it is dominant in this market in the UK. It has the largest with profits portfolio in the UK, and it continues to write new UK with profits business in volumes that dwarf all others in the market. The inherent strength of its with profits fund remains apparent.

In respect of its With Profits Fund, PAC's Solvency II coverage ratio was reduced to 284% in 2024, from 403% in 2023, with the surplus reducing by £1.4bn. This was partly due to a £1bn distribution of excess surplus from the With Profits inherited estate, which saw Own Funds reduce from £9.5bn to £8.9bn after other net adjustments. The reduction in surplus was also due to an increase in the SCR driven by a re-build of the prospective with profits modelling. Taking advantage of the strong solvency position, the re-build is intended to allow management some freedom to protect the long term interests of policyholders in extreme stress scenarios, and that flexibility increased the capital requirements of the with profit fund, with the SCR rising from £2.4bn to £3.1bn, and hence the reduced coverage year on year. The fund retains a substantial solvency buffer and there are no changes to policyholder outcomes.

Prudential Pensions Ltd

Whilst smaller in size than its immediate parent, PAC, Prudential Pensions Ltd (PPL) is an important component of the UK operation.

The SCR coverage ratio continues to be managed in line with the company's risk appetite and has increased steadily over recent years, to 315% as at 31 December 2024 [2023: 267%].

AKG would expect the company to receive full parental support should this prove necessary. Indeed, it can call down funds under a Capital Support Agreement provided by PAC if its SCR coverage ratio or Economic Capital Requirement ratio fall below 105%.

Following the absorption of the four other UK life subsidiaries into PAC in recent years, there must be a strong possibility that the business of PPL will also be transferred into PAC in the near future.

Service Rating

PAC continues to report progress on its transformation programme to improve customer experiences and outcomes, support growth, boost efficiencies and further improve stability. Overall service has continued to improve it seems with the client Net Promoter Score (NPS) increasing from +15 in December 2023 to +22 in December 2024.

The company's strategic outsourcing partnership with Diligenta, the FCA-regulated subsidiary of Tata Consultancy Services (TCS) continues to enhance its service for UK savings and investment customers. Whilst generally performing well, Pru's results in external service awards have fluctuated over recent years. It received 3 stars at the 2024 Financial Adviser Service Awards in both the Investment and Pensions & Protection categories. Additionally in 2024, the M&G Wealth Platform received 3 stars [2023: 2 stars] and M&G Wealth Investments received 3 stars for Investments and 5 stars in the DFM category. These are steady but not market-leading positions, reflecting ongoing challenges in service consistency. In the Professional Paraplanner Awards 2025, M&G Wealth won in the Best Technical Support and Best Provider Website categories.

PAC states that it is committed to being a client-centric organisation, with its purpose, strategy, governance, leadership, processes and people aligned to achieving this goal. During 2024 PAC completed its Consumer Duty programme, covering both open and closed book products, with all key processes, digitisation, frameworks and governance reviewed to ensure these were driving good customer outcomes. The PAC board approved its annual customer outcomes report, which concluded that PAC was complying with Consumer Duty regulations and that retail customers generally receive good outcomes, but nonetheless identified further areas for improvement, in respect of customer support and outcome monitoring for instance; PAC acknowledged this and continues to further embed and evolve its approach to delivering great customer outcomes.

The merger of the Wealth and Life business brings together end-to-end responsibility for the proposition and customer servicing of all legacy books, some of which remain open to top-up investments.

Image & Strategy Rating

M&G's strategy for its Pru brand is highly focused in terms of specifically identified target product sectors for its UK operation, with M&G having transitioned from a worldwide operation to a narrower positioning concentrated on the UK and Europe markets. In the UK, Pru's operations are structured to meet the needs of retail life and pensions customers. The group believes that it can deliver current UK initiatives in specific opportunity sets, through this structurally narrowed focus.

In Europe, the priority is to leverage existing local presence and relationships with global banks to extend distribution reach, in particular, to distribute with profits outside the UK. The product, Future+, was made available for wholesale distribution through the first third party distributor in early 2022. In 2023, PIA obtained its first bancassurance partner in Poland.

The emphasis is on higher margin products. In the retail life and pensions market the group had concentrated on annuities. Post the introduction of Solvency II, however, and the introduction of Pension Freedoms, Pru had withdrawn from the annuity market. However, Pru re-entered the BPA market in 2023 with some success. In October 2024, PAC completed its first Value Share BPA transaction, an approach which builds on the existing BPA capability but allowing the scheme trustee and scheme sponsor to share in any potential upside of the transaction; this was considered an important evolution

as the business looks to broaden its product range and bring innovative solutions to the market. A fixed term annuity was launched in 2025. PAC's ability to maintain its propositional balance, while navigating regulatory obligations and competitive pressures from larger BPA providers and more technology-driven rivals, will be important in sustaining its differentiated position in the UK market.

In line with its intention to become a lower cost digital organisation, M&G has developed Pru with a significant investment in technology/digital enablement to deliver more at-retirement options, including low risk multi-asset products, which utilise the group's experience in asset allocation. There has been a renewed emphasis on with profits in recent years and this strategy has been successful in delivering a profitable differentiated market position and new business flow, with the full PruFund range now available on platform, with plans to extend this to other platforms. Also, the acquisition of Sandringham increased M&G's UK adviser base and has brought further opportunities for PAC.

As part of transforming the business following a strategic review, M&G decided that Wealth should be more closely aligned to its Life business and simplified its operating model by bringing together Wealth and Life under the leadership of Clive Bolton, allowing it to concentrate its resources, complementing PruFund with life insurance solutions, reducing duplication and improving operational efficiency. Underpinning these decisions was an ongoing drive to deliver improved client outcomes. Life is well placed for future growth in its chosen segments, based on its financial strength, its brand and its diversified and balanced distribution model. The repositioned Life business aims to accelerate its current positive momentum and position the with profits fund to be the primary writer of new business beyond PruFund. Future focus will be on continuing to grow the distribution of its own solutions through its restricted advice channel and independent advisers, and making its propositions more accessible on third party platforms.

M&G remains committed to the UK retail market and refined its three strategic pillars in 2024 as:

- Maintain its financial strength
- Simplify its business
- Deliver profitable growth

Pru remains a strong and important part of the M&G family of brands, but in September 2025 the group announced changes to its M&G Wealth and M&G Wealth Advice brands, which it is changing to M&G and M&G Advice Partners respectively, with the associated logos and identities refreshed to create a more contemporary look.

Business Performance Rating

PAC's profit before tax (PBT) was £310m, down from £390m in 2023. An increased adjusted operating profit (AOP) before tax of £789m was impacted by non operating losses of £479m, reflecting short term fluctuations on investment returns largely (loss £452m) and transformation costs of £27m (down from £30m in 2023). During the year, PAC completed three BPA transactions, for a combined premium of c.£0.9bn, and this included the launch of a Value Share BPA proposition (premium c. £450m). PruFund AuMA increased to £64.0bn [2023: £61.3bn], with net client outflows of £0.9bn [2023: inflows £1.0bn] impacted by the high interest rate environment which saw client funds attracted to cash and guaranteed solutions, although this improved over the second half of 2024.

Total dividends of £650m were paid [2023: £500m]. A final dividend in respect of 2024 of £383m was approved in March 2025, which is not recognised in the 2024 financial statements.

PPL's PBT increased from £1.2m to £4.6m, mainly due to a reduction in administrative expenses (2023 had contained a one-off cost for accounting implementation). This was offset by higher unrealised losses on the UK gilt valuation. No dividend was paid [2023: nil] although post the year end, in February 2025, noting the strong solvency position of PPL, the directors approved a dividend of £20m, which was not recognised in the 2024 financial statements.

M&G plc reported amongst its 2024 key performance measures:

- AuMA increased slightly to £345.9bn [2023: £343.5bn]
- Net outflows from open business of £1.9bn [2023: £1.7bn inflow]
- AOP before tax of £837m, up by 5% from £797m in 2023, driven by a strong Asset Management result, which was up by 19%
- Total capital generation of £1,108m, up significantly from £358m in 2023 due to positive market movements and the impact of removing the eligible own funds restriction in 2023.

- Operating Change in Contractual Service Margin (CSM) of £294m [2023: £355m]
- IFRS loss after tax of £347m [2023: profit after tax (PAT) £309m]

As at December 2024, M&G operated across three operating segments: Asset Management, Life and Corporate Centre. The Asset Management segment, with £159.8bn external AUMA as at 31 December 2024 [2023: £154.2bn] includes both Wholesale and Institutional business. The new Life segment (comprised of the previous Life and Wealth businesses) with AuMA of £185.1bn [2023: £188.0bn] predominantly comprises the PruFund and traditional with profits business as well as annuities, corporate pensions, platform and advice. The Corporate Centre carries central corporate costs and debt costs. There were further Corporate assets of £1bn also managed, so total AuMA was £346bn as at 2024 year end, and had risen to £355bn as at 30 June 2025.

The AOP before tax of £837m comprised £289m from Asset Management [2023: £242m] driven by a 1% increase in revenue to £1,008m and a 2% reduction in operating costs to £774m. The Life segment contributed £746m, down by £9m on 2023 largely due to decreases in with profits and shareholder annuities. The Corporate Centre loss of £198m was an improvement of £2m on 2023.

The Operating Change in CSM was introduced on the adoption of IFRS17 by the group in 2023 and gives a wider representation of the drivers of performance including the impact of new business and management actions. The operating change to CSM in 2024 was £294m, a decrease of £61m on 2023, due to reductions in with profits partly offset by shareholder annuities, which benefited from assumption changes.

An IFRS loss after tax of £347m [2023: profit £309m] was the result of the AOP before tax of £837m being offset by losses on non-operating items, predominantly from short term fluctuations in investment returns (negative £643m) and increased loss in the mismatches from applying IFRS17 (negative £333m). Restructuring costs of £106m [2023: £141m] included £44m for cost base reduction actions and £21m to build out capacity in the Asset Management business.

Group & Parental Context



BACKGROUND

M&G plc was formed in 2017 following the merger of Prudential plc's UK and European savings and insurance operations with M&G Investments, and was subsequently demerged from Prudential plc in 2019 to become an independent FTSE 100-listed entity.

Today, M&G operates as a diversified savings and investment group comprised of two main subsidiaries which own the majority of the group's regulated entities: PAC, an insurance company providing life and savings products to retail customers; and M&G Group Ltd, holding company of the group's asset management business, M&G Investments.

M&G has investment capabilities, an international distribution network and five customer brands: Pru, M&G Investments, M&G Real Estate, M&G Wealth (moving to just M&G) and Infracapital. The group operates internationally through 39 offices and distributes its products across 26 markets, serving its savings and insurance customers under the Pru brand in the UK and Europe, and under the M&G Investments brand for asset management clients globally.

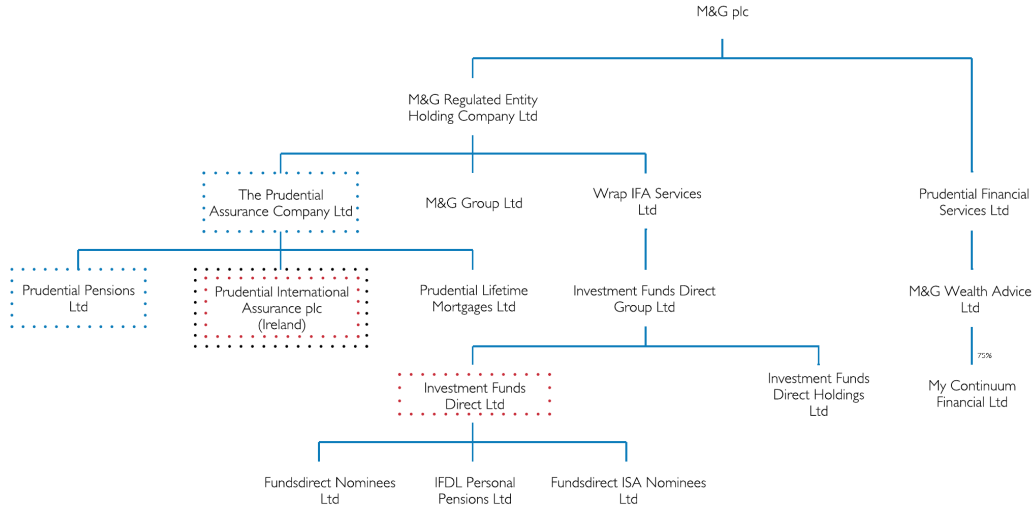
M&G consolidated all of its long-term business written in Europe (excluding the UK) into PIA in 2019. Based on the underlying strength of the wider organisation and the PruFund capability, the offshore business delivers niche proposition variants to specific markets, including the UK.

The group's UK-focused life operation is centred on PAC and its subsidiary PPL, distributed under the Pru brand. M&G provides advice with distribution through its own restricted advice channel and independent advisers, giving individuals access to its multi-asset solutions including MPS and PruFund, and continues to make its own propositions more accessible on third party platforms. The group has its own platform capabilities through the M&G Wealth platform (formerly Ascentric) which it acquired in 2020 but confirmed in 2023 it was to exit the platform business as part of wider strategy.

The Wealth and Life segments of M&G were brought together in 2024 under single leadership, as Life, simplifying reporting lines and aligning strategic priorities.



GROUP STRUCTURE (SIMPLIFIED)



Key:
 ••••• Subject of this Assessment
 ••••• Subject of another AKG Assessment
 ••••• Non UK

Company Analysis: Prudential Assurance Company Ltd



BASIC INFORMATION

Company Type

Composite Insurer

Ownership & Control

M&G plc

Year Established

1848

Country of Registration

UK

Head Office

10 Fenchurch Avenue, London, EC3M 5AG

Contact

www.mandg.com/pru/customer/en-gb/existing-customers/contact-us

Key Personnel

Role	Name
Chair, M&G	Sir E Braham
Chief Executive Officer, M&G	P A Rossi
Chief Finance Officer, M&G	K McLeland
Group Chief Risk & Compliance Officer	S Gamble
Chief Information Technology Officer	C Cochrane
Chief Executive, M&G Life	C G Bolton
Chief Risk Officer, M&G Life	G N Barton
Chief Actuary, PAC	J R Hughes
With Profits Actuary, PAC	J Gillman
Director of PruFund Proposition	K Wright
Managing Director, Individual Life & Pensions	A Mittal
Managing Director, International Life	M Robinson

Company Background

The company began life in 1848 as the Prudential Mutual Assurance Investment and Loan Association, becoming the Prudential Assurance Company Ltd (PAC) in 1867, and for many years it was the UK's largest life company. All long-term business from four previous UK life subsidiaries was transferred into PAC: PruHolborn and Pru (AN) (2010), Prudential Annuities Ltd (2014), and Prudential Retirement Income Ltd (PRIL) (October 2016).

PAC consists of the With-Profits Fund and the Shareholder business. The With-Profits Fund is the largest of its kind in the UK. It is made up of two ring-fenced with-profits sub-funds: the With-Profits Sub-Fund (WPSF) and the Defined Charge Participating Sub-Fund. Previously, the With-Profits Fund included the Scottish Amicable Insurance Fund (SAIF). In April 2021, SAIF merged into the WPSF.

PAC's subsidiary in Ireland, PIA, plays a key part in the group, following the transfer in, in 2019, of all the long-term business of PAC written in Poland, France and Malta, Germany and Ireland.



OPERATIONS

Governance System and Structure

There were no material changes to the role and structure of the M&G plc and board committees during 2024. Two additional Independent Directors were appointed during the year and the acting Senior Independent Director was formally appointed to that role.

The M&G plc Board has responsibility for the oversight, governance, direction, long-term sustainability and success of the business and affairs of the group and is responsible to shareholders for creating and delivering sustainable shareholder value. Key subsidiaries have their own separate Boards recognising their obligation to take decisions independently in the interest of their customers and clients, as well as to meet relevant legal and governance responsibilities.

The PAC board has responsibility for the oversight, governance, direction, long-term sustainability and success of PAC and is authorised to exercise all the powers of PAC subject to complying with the Group Governance Framework (GGF).

The GGF defines the group's approach to governance and internal controls to ensure the business meets internal and external requirements and standards. It also sets out the respective roles and responsibilities between M&G plc and its subsidiaries, allowing for the management of potential conflicts of interest, as well as the required interactions and two way flow of information and escalation of issues.

The group's governance is designed to support a clear understanding and delivery of its strategy. Compliance with the GGF, including the Risk Management Framework (RMF), is attested to annually.

M&G is committed to embedding sustainability across everything it does and to achieving net zero emissions as a business by 2050.

During 2024 PAC completed its Consumer Duty programme, covering both open and closed book products, with all key processes, digitisation, frameworks and governance reviewed to ensure these were driving good customer outcomes. The PAC board approved its annual customer outcomes report, which concluded that PAC was complying with Consumer Duty regulations. The merger of the Wealth and Life business brought together end-to-end responsibility for the proposition and customer servicing of all legacy books, some of which remain open to top-up investments.

Risk Management

The group has a comprehensive approach to identifying, assessing, managing and reporting risks (the risk management cycle), supported by an embedded risk culture and strong risk governance. This is set out in the RMF which, supported by a suite of risk policies and standards, provides a disciplined and structured process for the taking and management of risk. The RMF is designed to manage risk within agreed appetite levels, which are aligned to delivering the group strategy for shareholders and customers.

The group's risk governance is based on a Three Lines of Defence model. First line business areas identify and manage risks, including complying with regulatory requirements, and are overseen by the second line Risk and Compliance function. The second line Risk and Compliance function is structurally independent of the first line, providing risk oversight, advice and challenge, as well as compliance monitoring and assurance. Third line Internal Audit is empowered by the Audit Committees to audit the design and effectiveness of internal controls, including the risk management system.

The most significant risks for M&G plc and PAC are market risks (primarily credit risk and equity risk) and longevity risk.

Administration

M&G's 10 year outsource agreement with Diligenta to administer its life and pensions contracts and some of its internal IT infrastructure remains positive. The wider M&G transformation programme has delivered cumulative cost savings of £188m to end of 2024 and the business has upgraded its three year cost saving target to £230m by the end of 2025. The aim of the transformation remains on supporting better outcomes for clients, modernising the technology estate and improving operating effectiveness.

Heritage policies have been migrated onto a single, modern platform solution, which offers a better and more digital customer experience, and the MyPru online servicing portal allows customers to access policies online, dramatically reducing the time it takes to withdraw money from bonds. These improvements are reflected in increasing NPS scores for the business.

Benchmarks

Pru has worked hard to achieve greater recognition and its service and perception had improved in recent years, and was awarded 3 stars at the 2024 Financial Adviser Service Awards in both the Investment and Pensions & Protection categories.

Pru has been awarded 5 Stars by Defaqto for its Retirement Account (Personal Pension category) and for its Onshore Portfolio Bond (Onshore Bond category). It received Gold Service Ratings for its Pension Service, Onshore Bond Service and International Bond Service.

M&G Wealth in 2025 received the Professional Paraplanner Awards for Best Technical Support to Paraplanners, for the 9th year in a row, and also was winner of the Best provider Website.

Outsourcing

PAC uses outsource and third party supply providers to allow it to focus on its core business strengths, reduce costs and manage its delivery risks. Over recent years PAC has increasingly adopted an outsourcing model for its business, including a growing amount of offshoring (to India) and this approach and its operation is now relatively mature. The company has material external and intra-group outsource providers. Material intra-group outsourcing comprises fund/asset management provided by M&G Investments and treasury services provided by PruCap. A range of services including finance and capital management, compliance, risk, HR, actuarial and internal audit, and IT services, are provided across the group on a shared service basis.

A Third Party Risk Management Policy is used to manage third party risk across the group. The approach set out in the policy addresses third party risks through the framework of a risk management lifecycle, including requirements to:

- Consistently identify and categorise areas of third party risks
- Incorporate third party arrangements into strategic and operational business planning
- Consistently assess third party risks in line with applicable policies, standards and procedures
- Utilise scenario analysis to assess the impact and consequences of third party failures on operational resilience and continuing viability, with risk assessments linking the potential impact of risks to customer outcomes
- Monitor the third party risk profile relative to risk appetite
- Disclose applicable third party risks in financial reporting and to other relevant stakeholders
- Regularly inform relevant boards and risk committees of the aggregated third party risk profile, policy compliance and associated regulatory requirements

The outsourcing partnership with Diligenta continues strongly for the administration of life and pensions contracts and services to PAC's annuities business. PAC has continued to deepen its strategic outsourcing relationship with Diligenta for the provision of legacy policy administration services and with TCS for IT hosting and infrastructure management services, with TCS assuming responsibility for the operation of some of PAC's internal IT infrastructure with the aim of enabling the IT operations function to deliver greater flexibility in the provision of services to the businesses within the group and enabling PAC to focus efficiently on its digital transformation.

PAC has an agreement with HSBC for the provision of fund accounting, custody and regulatory reporting for the company's life funds.

PAC's other external outsourcing arrangements include RR Donnelly, who now manage its UK Document Management infrastructure, Capita Life & Pensions, who also have responsibility for administration of its offshore business out of Dublin, and Hazell Carr, who administer the majority of its Defined Benefits pension scheme business.



STRATEGY

Market Positioning

M&G operates as a diversified savings and investment group with c.£356bn of Assets under Management and Administration (AuMA) at 30 June 2025, serving over 4.5m retail customers and more than 900 institutional clients. The group continues to drive its transformation into a stronger, simpler and more efficient business, one that is customer-focused whilst targeting growing customer demand for comprehensive financial solutions in the retirement and savings markets.

The group has a balanced operating model comprising an international asset management business and a UK-focused life operation. The latter is centred on PAC and PPL, supported by the Pru brand. Wealth and Life were brought together in 2024 under single leadership, simplifying reporting lines and aligning strategic priorities.

M&G has continued to build its advisory capabilities to offer a better and more cost effective proposition to the UK, including PAC's clients. M&G aims to make financial advice more accessible and, in line with the growth strategy, it is transforming and simplifying operations, and investing in digital capabilities to become more efficient. Through multi-channel advice offering, PAC combines digital journeys with access to human-based advice. PAC also reports continued progress on its transformation programme to improve customer experiences and outcomes, support growth, boost efficiencies and further improve stability, largely through significant investment in new administration systems and digitalisation in order to deliver on the high service expectations arising from advances in digital technology.

Pru distributes life products through four UK channels: Intermediaries (dedicated account managers and sales support), Business to Business (corporate pensions business primarily with consulting actuaries and benefit consultants), Partnerships (arrangements with banks, insurers and other distributors), and Direct to Customer, where there is a growing advice capability through M&G Wealth Advice Ltd - this direct business currently evolving with a mix of employed and self-employed advisers and greater use of digital technology. The M&G Wealth Advice Academy is supporting advisers as it seeks to narrow the investment and advice gap.

Intermediaries are seen as a key component in the distribution strategy and PAC continues to focus on deepening its relationships with intermediaries. An important part of its service offering is the ongoing hands-on support from its account managers, sales support, technical helpline and specialist team.

Recent years have seen a contraction in the overall intermediated market with reduced sales of PAC's with profits bonds. However, developments that enable the investment proposition in terms of its delivery via external technology (platforms in particular) and wrappers means that it is envisaged that the with profits offering can be extended to more customers and now features in the advice solutions of more advisory firms. Following the decision to sell/wind down the M&G Wealth Platform, Pru continues to seek to achieve this through external platforms.

PAC's positioning within the M&G group Overall reflects wider UK sector trends. Bulk annuity demand continues to grow, with industry volumes recorded as over £47bn in 2024, across almost 300 transactions, and PAC's selective re-entry into the market is timely, though its current scale is modest compared with leading participants. Adviser demand for multi-platform access has led to PruFund being extended beyond proprietary distribution, broadening reach but creating greater reliance on third-party platforms. Embedding Consumer Duty across a large heritage book remains a significant challenge, while the ability to deploy with-profits capital into private and sustainable assets provides differentiation in a market where scale and investment capability are increasingly valued.

Proposition

PAC's proposition remains defined by its scale and heritage in the UK with-profits market. The company manages the largest with-profits fund in the UK at around £130bn, including £65bn in PruFund. This gives PAC a unique position in a sector where most other participants have materially reduced or withdrawn their exposure. The smoothing mechanism within PruFund continues to appeal to advisers and customers seeking more predictable investment outcomes in volatile markets, although the capital intensity of maintaining such a fund remains a distinguishing feature.

Distribution strategy has shifted in recent years. The full PruFund range is now available on the M&G platform and has begun to be rolled out to third-party platforms, improving adviser access and reflecting broader market expectations.

PAC has returned to the BPA market, writing c. £1.5bn of new business since 2023. While this is relatively small compared to the leading BPA providers, the introduction of a Value Share BPA structure in 2024 demonstrates a willingness to compete selectively and to bring some product innovation. A fixed-term annuity was also introduced in 2025 to broaden retirement options, though this remains a niche element of the overall proposition.

Investment in digital capability continues, primarily to improve operational resilience and deliver a more streamlined at-retirement offering. PAC has also had to adapt its transformation programme to meet Consumer Duty requirements across both open and closed books, an area where the scale of its back book presents additional challenges.

Sustainability is stated as being at the forefront of M&G's strategy. As part of this, M&G has made company-wide commitments to both diversity and inclusion and climate change, including a pledge to reach carbon net zero as a corporate entity by 2030 and to achieve net zero carbon emissions on its total book of assets under management and administration by 2050 - in line with the Paris Agreement. As part of this, M&G plc has committed to phase out thermal coal from its public investment portfolios by 2030 for OECD and EU countries, and by 2040 for developing countries. As part of the M&G Group, PAC shares the same commitments for its investment portfolio, which are now informing the investment policy and asset allocation decisions of PAC's With-Profits Fund and the pension savings and annuity books.

The With-Profits Fund is a cornerstone investor in M&G's £5bn sustainability-oriented private asset strategy, Catalyst, which invests in private companies that are working to contribute to a more sustainable economy. At year end 2024, Catalyst had deployed over £2bn of capital, with further committed capital to investments of c£0.5bn. From a propositions perspective, PAC's PruFund Planet range offers policyholders access to smoothed returns (similar to PruFund) while also aiming to achieve positive social and environmental outcomes.

To keep customers informed about these developments, PAC publishes an annual Task Force on Climate-related Financial Disclosures (TCFD) report, the latest of which was published in June 2025. Product TCFD reports are also published, and PAC is signatory to the Stewardship Code and publishes a report showing how customers money is put to work.



KEY COMPANY FINANCIAL DATA

Last 3 reporting periods up to 31 December 2024

Assets

	Dec 22 £m	Dec 23 £m	Dec 24 £m
Fixed interest	45,030	44,932	44,474
Equities	9,879	9,518	9,089
Collectives	9,946	7,815	6,355
Property	6,877	6,354	5,685
Linked	6,095	5,770	5,403
Derivatives	2,551	1,403	806
Loans and mortgages	20,053	14,051	12,582
Reinsurance recoverables	5,481	5,753	5,677
Cash	748	715	849
Other	57,950	66,162	68,386
Total Assets	164,610	162,471	159,308

Liabilities

	Dec 22 £m	Dec 23 £m	Dec 24 £m
Technical provisions - non-life	121	64	0
Technical provisions - life	124,780	125,374	135,293
Other	12,472	9,706	8,551
Total Liabilities	148,294	146,092	143,844
Excess of assets over liabilities	16,316	16,379	15,464

Total assets reduced by 2% in 2024 to £159.3bn [2023: £162.5bn]. Total liabilities also reduced by 2% to £143.8bn [2023: £146.1bn], including a provision of £122m [2023: £140m] relating to pension mis-selling.

The excess of assets over liabilities decreased by £0.9bn to £15.5bn [2023: £16.4bn].

Life Technical Provisions

	Dec 22 £m	Dec 23 £m	Dec 24 £m
Insurance with profit participation			107,020
Index-linked and unit-linked insurance			10,707
Life annuities			16,759
Non-life annuities			0
Other life insurance			812
Health insurance			(5)
Total life and health technical provisions	135,701	136,321	135,293

Life Expenses

	Dec 22 £m	Dec 23 £m	Dec 24 £m
Insurance with profit participation			731
Index-linked and unit-linked insurance			161
Life annuities			113
Non-life annuities			0
Other life insurance			4
Health insurance			0
Other expenses			0
Total life and health expenses	1,063	1,057	1,009

Due to changes in SFCR reporting templates applicable to firms with a 31 December 2024 year end and beyond, prior year figures are not available on a comparable basis. As a result, the corresponding table columns above have been left blank.

With profits business accounted for 79% [2023: 73%] of technical provisions, reflecting PAC's increasing commitment to this line.

Net operating expenses were £717m [2023: £749m]. Net operating expenses included £598m [2023: £608m] related to administration expenses, £142m [2023: £130m] related to acquisition costs and amortisation/impairment of deferred acquisition costs, and income of £23m [2023: expenses of £11m] related to reinsurance commissions and profit participation. Investment expenses and charges are comprised of investment management expenses of £316m [2023: £283m], the decrease mainly due to a reduction in rebates compared to the prior year.

Administration expenses, which are principally recharged from Prudential Distribution Ltd, a service company within the group, decreased by £10m mainly due to decreased operating expenses and project costs in 2024.

Solvency Capital Requirement (SCR)

	Dec 22 £m	Dec 23 £m	Dec 24 £m
Market risk	5,345	5,513	5,276
Counterparty default risk	102	83	76
Life underwriting risk	1,493	2,009	2,089
Health underwriting risk	0	0	0
Non-life underwriting risk	0	0	0
Diversification	(1,449)	(2,558)	(2,713)
Intangible asset risk	0	0	0
Operational risk	1,298	2,647	2,593
Capital add-ons already set	0	0	0
Other items	(530)	(1,724)	(1,128)
Solvency capital requirement	6,258	5,969	6,192

Eligible Own Funds

	Dec 22 £m	Dec 23 £m	Dec 24 £m
Tier 1 unrestricted	9,226	8,827	9,298
Tier 1 restricted	0	0	0
Tier 2	0	0	0
Tier 3	392	387	400
Eligible own funds to meet SCR	9,618	9,214	9,699
Excess of own funds over SCR	3,360	3,245	3,507
SCR coverage ratio (%)	153.7	154.4	156.6

PAC has approval by the PRA to calculate its SCR based on its internal model.

Own funds eligible to cover the solvency capital requirement (SCR) and minimum capital requirement (MCR) were £9.7bn and £9.3bn respectively [2023: £9.2bn and £8.8bn respectively] and were predominantly Tier I unrestricted own funds, although there was a net deferred tax asset (tier 3) of £400m [2023: £387m].

PAC's Solvency II surplus increased to £3,507m [2023: £3,245m], predominantly reflecting the operating capital generation over the year partially offset by the impact of market movements over 2024 and the payment of the dividend of £650m to M&G plc [2023: 500m].

PAC also reports its Solvency II position on a 'shareholder' basis, which recognises both the exposure to the with profits fund by including the present value of future expected shareholder transfers within own funds, and the risk associated with those shareholder transfers within the SCR. This calculation results in the same Solvency II surplus of £3.5bn, but results in a higher SCR of 214% [2023: 190%].

PAC employs the transitional measure for technical provisions and the matching adjustment. If these are excluded, own funds reduce to £9.0bn, whilst the solvency capital requirement increases to £8.8bn, leading to a coverage ratio of 102% [2023: £8.2bn; £9.2bn and 89% respectively].

Gross Life Premiums Written By Line of Business

	Dec 22 £m	Dec 23 £m	Dec 24 £m
Insurance with profit participation			5,664
Index-linked and unit-linked insurance			392
Life annuities			879
Non-life annuities			0
Other life insurance			156
Health insurance			11
Total gross life premiums written	6,766	8,247	7,102

Gross Life Premiums Written By Country

	Dec 22 £m	Dec 23 £m	Dec 24 £m
Home country	5,953	7,442	6,515
Country 1	735	719	582
Country 2	54	62	0
Country 3	22	21	0
Country 4	1	0	0
Country 5	0	0	0
Other countries	0	3	5
Total gross life premiums written	6,766	8,247	7,102

Gross written premiums decreased by £1,145m in 2024, to £7,102m.

The majority of PAC's, and hence M&G's, premiums relate to 'Insurance with profit participation' and principally relate to PruFund business. The PruFund net client outflows for 2024 were £1.0bn, which were more than offset by positive market movements [2023: net client inflows £1.0bn].

Profit

	Dec 22 £m	Dec 23 £m	Dec 24 £m
Profit (loss) before taxation	(1,861)	390	310
Taxation	448	(101)	(106)
Profit (loss) after taxation	(1,413)	289	204
Other comprehensive income	18	(19)	10
Dividends	(500)	(500)	(650)
Retained profit (loss)	(1,895)	(230)	(436)

Life Business Flows

	Dec 22 £m	Dec 23 £m	Dec 24 £m
Net life premiums written	6,067	7,531	6,303
Net life claims incurred	(12,000)	(12,706)	(13,793)
Net flow of business	(5,932)	(5,175)	(7,489)

PAC's adjusted operating profit before tax increased from £521m (restated) in 2023 to £789m and consisted of £489m [2023 restated: £296m] relating to the shareholder transfer from the with profits fund, £325m [2023: £240m] relating to the annuities business, and a loss of £25m [2023: £15m loss] on unit-linked and other business.

There was a non-operating loss of £479m, reflecting short term fluctuations on investment returns (loss £452m, up from £101m restated in 2023) and transformation costs (£27m, down from £30m in 2023). This led to a PBT of £310m, down from £390m in 2023, and PAT of £204m [2023 restated: £289m]. There was other comprehensive income of £10m, the result of actuarial gains of £15m on DB pension schemes, offset by deferred tax credits of £3m and a transfer to the FFA of £2m.

Total dividends of £650m were paid [2023: £500m]. A final dividend in respect of 2024 of £383m was approved in March 2025, which is not recognised in the Solvency II position at 31 December 2024.

Shareholders' funds reduced to £2,119m [2023: £2,555m]. The decrease of £436m consists of dividends paid of £650m partially offset by the comprehensive profit of £214m.

With net premiums decreasing to £6.3bn [2023: £7.5bn] and net claims increasing to £13.8bn [2023: £12.7bn] there was an increased net outflow of £7.5bn [2023: £5.2bn].

Company Analysis: Prudential Pensions Ltd



BASIC INFORMATION

Company Type

Life Insurer

Ownership & Control

The company is a wholly owned subsidiary of PAC, which, in turn, is a wholly owned subsidiary of M&G plc

Year Established

1970

Country of Registration

UK

Head Office

10 Fenchurch Avenue, London, EC3M 5AG

Contact

www.mandg.com/pru/customer/en-gb/existing-customers/contact-us

Key Personnel

Role	Name
See Prudential Assurance Company Ltd	

Company Background

Prudential Pensions Ltd (PPL) was established as a subsidiary of PAC in 1970. Its original purpose was to maintain the unit linked funds for PAC's corporate pension customers.

Upon Scottish Amicable's demutualisation and acquisition by Prudential at the end of 1999, the whole of the business of Scottish Amicable Pensions Investments Ltd was transferred into the company.

Nowadays, PPL accepts reinsurance of unit linked corporate pensions business from PAC and from external parties. In addition, it sells direct investment-only unit linked business to money purchase group pension schemes. Most of PPL's products are unit-linked but it also has a small book of non-profit pensions annuity business that is reinsured to PAC.



OPERATIONS

Governance System and Structure

As part of M&G, the company is subject to the group's internal control and risk management processes as detailed in the Group Governance Manual and associated Group Risk Framework. The control procedures and systems established within the group are designed to manage rather than eliminate the risk of failure to meet business objectives. The company takes on exposure to risks where such risks are adequately rewarded, and can be appropriately quantified and managed to safeguard the company's ability to meet commitments to customers, comply with regulations, and protect its reputation.

The PPL Board has responsibility for the oversight, governance, direction, long-term sustainability and success of PPL as a subsidiary of PAC and is authorised to exercise all the powers of PPL subject to complying with the Group Governance Framework. The PPL Board principal responsibilities include:

- Adopting the Group strategy, long-term objectives, annual budgets and business plan

- Monitoring PPL's risk management and internal control processes in line with the Group frameworks
- Approving any changes relating to PPL's solvency or financial condition

Risk Management

The Group Risk Management Framework (RMF) requires all entities within the group, including the company, to establish processes for identifying, measuring, managing, monitoring and reporting key risks. The RMF is designed to manage risk within agreed appetite levels which are aligned to delivering the Group and Company strategy. The RMF is approved by the Group Risk Committee and operates based on the concept of three lines of defence: (1) risk identification and management; (2) risk oversight, advice and challenge; and (3) independent assurance.

The most significant risks for PPL are underwriting risks (primarily expense risk and persistency risk).

Administration

See Prudential Assurance Company Ltd

Benchmarks

See Prudential Assurance Company Ltd

Outsourcing

See Prudential Assurance Company Ltd



STRATEGY

Market Positioning

PPL plays a supporting role within the UK operation, primarily administering unit-linked corporate pension business and maintaining a leading presence as AVC

provider to the majority of local authorities. With a Solvency II coverage ratio of 315% at year-end 2024, PPL remains well-capitalised and benefits from a parental

support agreement with PAC. Following the consolidation of other UK subsidiaries into PAC in recent years, there is a strong likelihood that PPL's business may also be transferred in due course, further simplifying the group structure.

Proposition

PPL's products are mostly unit linked, with some pension annuities.

PPL accepts reinsurance of unit linked corporate pensions business from PAC and from external parties. In addition it sells direct investment-only unit linked business to money purchase group pension schemes.

Approximately two thirds of unit linked assets are from business written directly with defined benefit trustees. The remainder being due to reinsurance of defined contribution corporate pension customers from PAC. The majority of the unit-linked corporate pension business written by PAC is reassured to PPL.

A small block of non-profit pensions annuity business within the company is reinsured to PAC.

PPL's M&G Pooled Pensions UK Property Fund, which was deferred in May 2019, was closed to new money in September 2021, is currently selling down its holdings and paying out to investors ahead of closure.



KEY COMPANY FINANCIAL DATA

Last 3 reporting periods up to 31 December 2024

Assets

	Dec 22 £m	Dec 23 £m	Dec 24 £m
Fixed interest	16	16	27
Equities	0	0	0
Collectives	0	0	0
Property	0	0	0
Linked	5,699	6,093	6,233
Derivatives	0	0	0
Loans and mortgages	56	53	60
Reinsurance recoverables	1,619	1,681	1,066
Cash	13	4	19
Other	17	25	4
Total Assets	7,421	7,871	7,409

Liabilities

	Dec 22 £m	Dec 23 £m	Dec 24 £m
Technical provisions - non-life	0	0	0
Technical provisions - life	33	30	7,291
Other	30	24	35
Total Liabilities	7,343	7,793	7,326
Excess of assets over liabilities	78	78	84

Assets decreased by 6% in 2024 to £7.4bn [2023: £7.9bn] as net outflows exceeded investment performance.

The majority of assets and liabilities relate to unit linked business, in line with PPL's business profile. Reinsurance recoverables relate primarily to unit linked business reinsured in from external parties.

PPL has a small amount of non profit annuity business, the best estimate liability for which was £25.7m [2023: £30.2m] (gross of reinsurance and 0.35% of technical provisions at 31 December 2024). These annuities are fully reassured to PAC and PPL is closed to new pension annuity business.

The excess of assets over liabilities increased to £84m [2023: £78m].

Life Technical Provisions

	Dec 22 £m	Dec 23 £m	Dec 24 £m
Insurance with profit participation			0
Index-linked and unit-linked insurance			7,265
Life annuities			26
Non-life annuities			0
Other life insurance			0
Health insurance			0
Total life and health technical provisions	7,313	7,768	7,291

Life Expenses

	Dec 22 £m	Dec 23 £m	Dec 24 £m
Insurance with profit participation			0
Index-linked and unit-linked insurance			3
Life annuities			0
Non-life annuities			0
Other life insurance			(3)
Health insurance			0
Other expenses			0
Total life and health expenses	18	7	0

Provisions are almost entirely unit linked. Life reinsurance relates to unit linked reinsurance accepted.

Solvency Capital Requirement (SCR)

	Dec 22 £m	Dec 23 £m	Dec 24 £m
Market risk	23	16	19
Counterparty default risk	2	0	0
Life underwriting risk	10	12	14
Health underwriting risk	0	0	0
Non-life underwriting risk	0	0	0
Diversification	(11)	(6)	(13)
Intangible asset risk	0	0	0
Operational risk	15	14	14
Capital add-ons already set	0	0	0
Other items	(5)	(6)	(7)
Solvency capital requirement	34	29	27

Eligible Own Funds

	Dec 22 £m	Dec 23 £m	Dec 24 £m
Tier 1 unrestricted	78	78	84
Tier 1 restricted	0	0	0
Tier 2	0	0	0
Tier 3	0	0	0
Eligible own funds to meet SCR	78	78	84
Excess of own funds over SCR	44	49	57
SCR coverage ratio (%)	231.5	266.7	315.1

PPL employs an Internal Model for Solvency II purposes and is managed with a relatively low level of surplus, reflecting its relatively low risk profile. As a result of the PRA implementation of risk margin reforms at year end 2023, there was a material reduction in risk margin, and transitional measures reduced to nil; the TMTTP remained at nil for 2024.

The Solvency II capital surplus increased to £57.1m [2023: £48.8m] predominantly driven through the increase in Own Funds to £83.6m through operating capital generation partially offset by the impact of market movements over the year. The SCR decreased to £26.5m [2023: £29.3m], essentially through a £3m reduction from the partially offsetting impacts on capital of business running off and new business being written, plus an increase of £1m due to market movements, and a reduction of less than £1m from other operating changes (primarily updates to the risk distributions used).

Gross Life Premiums Written By Line of Business

	Dec 22 £m	Dec 23 £m	Dec 24 £m
Insurance with profit participation			0
Index-linked and unit-linked insurance			530
Life annuities			0
Non-life annuities			0
Other life insurance			0
Health insurance			0
Total gross life premiums written	562	678	530

Gross Life Premiums Written By Country

	Dec 22 £m	Dec 23 £m	Dec 24 £m
Home country	562	678	530
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	562	678	530

Premiums written, which are all single premium unit linked, reduced by 22% in 2024, from £678m to £530m. Within this, direct written business reduced by 42% from £357m to £207m, and gross reinsurance accepted reduced by 1% to £323m [2023: total £321m - external insurance accepted £50m + intra-group reinsurance accepted £271m].

Profit

	Dec 22 £m	Dec 23 £m	Dec 24 £m
Profit (loss) before taxation	(2.6)	1.2	4.6
Taxation	0.6	(0.5)	(1.1)
Profit (loss) after taxation	(2.0)	0.7	3.5
Other comprehensive income	0.0	0.0	0.0
Dividends	0.0	0.0	0.0
Retained profit (loss)	(2.0)	0.7	3.5

Life Business Flows

	Dec 22 £m	Dec 23 £m	Dec 24 £m
Net life premiums written	562	678	530
Net life claims incurred	(1,714)	(862)	(1,343)
Net flow of business	(1,153)	(184)	(813)

PBT increased from £1.2m to £4.6m, mainly due to a reduction in administrative expenses (2023 had contained a one-off cost for accounting implementation). This was offset by higher unrealised losses on the UK gilt valuation. No dividend was paid [2023: nil] although post the year end, in February 2025, noting the strong solvency position of PPL, the directors approved a dividend of £20m, which was not recognised in the 2024 financial statements.

Net premiums earned, the same as gross premiums, decreased to £530m, and with net claims increasing to £1,343m, there was an increased net outflow of £813m [2023: £184m].

Additionally, annuity payments of £3.4m [2023: £3.7m] were paid to policyholders, but this was fully recovered from PAC as part of a reinsurance agreement.

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>.

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	Effective	Challenged	Very Challenged	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

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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