ISSUED
28 January 2016

COMPANY PROFILE & FINANCIAL STRENGTH REPORTS

Just Retirement

AKG

Accessible - Comparative - Independent

Analysis by AKG Financial Analytics Ltd

Background

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

This is a FULL report.

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

PLEASE NOTE: This report should be read in conjunction with the supporting explanatory information which is available on-line at www.akg.co.uk .

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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 and in the delivery of key value added financial information to support the wider financial services sector and its customers.

Regular Reports

AKG publishes the following additional reports to assist Providers and Intermediaries:

AKG Offshore Profile & Financial Strength Reports - covering offshore life companies.

AKG Platform Profile & Financial Strength Reports - covering platform operators.

AKG UK Life Office With Profits Reports - providing further depth in the assessment of with profits funds.

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Group Overview

Just Retirement Ltd was launched in August 2004 as a provider of niche products for people at-or-in-retirement, having been established with financing from Langholm Capital Partners LLP, a private equity capital fund. In December 2006 Just Retirement carried out a successful IPO, with just over 20% of its issued shares being placed on AIM, raising an additional £56m in capital. At the same time the group launched its distribution business, Just Retirement Solutions Ltd. In October 2010 the group acquired The Open Market Annuity Service Ltd (TOMAS), a move designed to improve Just Retirement's presence in the annuity platform space.

In November 2009 Avalon Acquisitions Ltd (renamed Just Retirement Group Holdings Ltd in August 2013), a newly incorporated company owned by Avallux Sarl, itself controlled by private equity funds advised by Permira Advisers LLP, acquired Just Retirement, valuing the group at £228m. Avalon subsequently injected a further £25m into the group. At the same time the AIM listing was withdrawn. In June 2013, Just Retirement Group plc was established as the new group holding company in anticipation of an IPO. On 15 November 2013 the group was admitted to the London Stock Exchange, valued at around £1.1bn. Permira and other shareholders sold 19m shares equal to 3.8% of the shares on offer and the group raised around £280m after costs, to be used to strengthen its balance sheet and fund its growth strategy. Permira was founded in 1985 as a number of country-specific separate businesses operating under the Schroder Ventures brand. In 1996, the UK, French, German and Italian teams joined together to create Schroder Ventures Europe and raised their first pan-European fund. In 2001, the firm was renamed Permira - a Latin word meaning 'surprisingly different'. Permira funds invest in five broad sectors - Consumer, Healthcare, Financial Services, Industrials, and Technology.

In August 2015, the Boards of Just Retirement Group plc and Partnership Assurance Group plc announced an all share merger, to create JRP Group plc. The merger is expected to complete in the first quarter of 2016 and to result in Just Retirement and Partnership shareholders owning 60% and 40% respectively of JRP Group. Partnership Assurance shareholders will be entitled to 0.834 new Just Retirement shares for each Partnership Assurance share held. Additionally, in November 2015 Just Retirement and Partnership Assurance announced their intention to raise £150m of additional capital to cover integration and transaction costs, provide further comfort for Solvency II and to support future growth. £101m of this was raised by Just Retirement in October 2015, at which point Avallux's ownership reduced to 48.4%.

Corporate Structure (simplified)

Ratings

Company	Financial Strength Ratings				Supporting Ratings		
	Overall	With Profits	Non Profit	Unit Linked	Service	Image & Strategy	Annual Review
Just Retirement Ltd	B	▤	★★★★	★★★★	★★★★★	★★★	★★★★

Corporate Data

Company Type	Life Insurer
Ownership	Just Retirement Group plc
Open to New Business?	Yes
Year Established	2004
Head Office	Vale House Roebuck Close Bancroft Road Reigate Surrey RH2 7RU
Tel:	01737 233296
Website	www.justretirementgroup.com

Key Personnel

Chairman	T Cross Brown
Chief Executive	R M Cook
Group Finance Director	S Thomas
Group Chief Actuary	S P Deighton
Group Regulatory & Audit Director	S W B Kyle
Group Chief Operating Officer	C M Berryman
Group Distribution & Marketing Director	D P Cooper
Chief Risk Officer	A Duncan
Group HR Director	A Ridge
Medical Director	Dr T Crayford
Managing Director, Just Retirement Ltd	H B McKee
Group Director, Business Development	P J Turner
Actuarial Function Holder	P M Whitlock (Towers Watson)

Company Background

The company was established in 2004 with an initial capitalisation of £25m from Langholm Capital. Around 20% of the group was floated on AIM in December 2006, raising an additional £56m. November 2009 saw the group acquired by Avalon Acquisitions Ltd, a company established by private equity advisers Permira and now renamed as Just Retirement Group Holdings Ltd. Admitted to the London Stock Exchange in November 2013, early 2016 will see the merger of Just Retirement with Partnership.

Overall Financial Strength B

The year ending June 2015 saw the company continue to grow against the background of a difficult market, with long term assets increasing by 7% to £8.4bn.

The 2013 IPO raised £280m net of costs, £175m of which was made available to the company, £50m as equity [2013: £25m] and £125m as Tier 2 debt [2013: £54m]. This increased the CRR coverage from 170.5% in 2013 to 235.7% in 2014. This healthy position was somewhat overshadowed by the March 2014 Budget statement with its significant implications for the decumulation market and the role of annuities within it and resulting in significant share price falls for annuity providers. Indeed, the company saw its CRR coverage reduce in 2015 to 165.5%, with losses and a reduction in reinsurance financing exceeding a capital injection of £10m and a subordinated loan of £31.0m of which £12.3m was eligible for solvency purposes. Solvency levels have since been boosted by a capital injection of £30m in August 2015 and a loan of £10m in September 2015.

Whilst not without its own challenges, a successful merger and capital raising with Partnership will bring advantages in terms of strategic development as well as providing significant comfort over long term prospects.

Reinsurance

Approach

The company has quota share reinsurance treaties and longevity swaps for individually underwritten business. The quota share reinsurance treaties are with Hannover Re, Reinsurance Group of America (RGA), Nomura Re and Achmea Re. Historically, JRL had reassured approximately 66% of qualifying new business and since 1 January 2015, the remaining quota share reinsurance treaty open for new business was with Hannover Re (21% quota share). Some earlier underwriting years have been recaptured. These treaties provide for a capital contribution of typically 3% based on the premiums reinsured. At 30 June 2015 the company had utilised reinsurance financing of £77m [2014: £98m]. Furthermore, JRL has entered into a longevity swap with SCOR Global Life for 45% of qualifying new business - this became operational in March 2015 with the first policies underwritten by PrognoSys.

In September 2015, JR had entered into a quota share reinsurance treaty with Nomura Re for part of the back-book for individual annuities. Furthermore, the treaty with Hannover Re was restructured which included the recapturing of some of the underwriting years now reassured by Nomura Re and new reassurance for the underwriting years 2004/5 to 2006/7 (33% quota share). As of 1 January 2016, all quota share reassurance treaties are closed for new business.

Defined benefit business is reinsured via a 55% quota share longevity swap, 95% of which is with RGA Global Reinsurance Company Ltd and 5% with RGA Reinsurance International Company Ltd (UK Branch).

Immediate needs annuity business is reinsured with General Reinsurance, London Branch, under a 90% quota share longevity swap.

Analysis of Reserves	**2013 £000's**	**2014 £000's**	**2015 £000's**
Gross reserves	6,243,855	7,455,788	8,087,322
Reinsurance ceded - external	3,522,325	3,681,792	2,644,926
Reinsurance ceded - internal	0	0	0
Net mathematical reserves	2,721,530	3,773,996	5,442,396

Non Profit Business

General

Non profit business represents the overwhelming majority (91%) of net reserves. As at 30 June 2015 it related entirely to annuities in payment, with gross reserves of £7.5bn.

Non Profit Reserves	**2013 £000's**	**2014 £000's**	**2015 £000's**
UK Life	7,280	8,789	18,186
UK Pensions	2,660,154	3,623,906	4,946,292
Overseas	0	0	0
Total net NP reserves	2,667,434	3,632,695	4,964,478

Non Profit Financial Strength ★★★★

As the major business line, non profit business enjoys the support of the reinsurance arrangements in addition to the capital resources within the company and the group. It will benefit further by the merger of Just Retirement and Partnership and the associated capital raising.

Unit Linked Business

Approach
The company does not write property linked investment business. There has, however, historically been a small amount of index linked business, relating entirely to index linked annuities in payment. Entry into the Defined Benefit market has seen this business grow in significance, with £293m out of a total single premium of £609m of bulk transfer business written on an index linked basis in the year to 30 June 2015. As at 30 June 2015, there were £554.9m of gross and £477.9m of net reserves for index linked business. The net position accounted for 8.8% of total reserves [2014: 3.7%].

Linked Reserves	2013 £000's	2014 £000's	2015 £000's
UK Life	0	0	0
UK Pensions	54,096	141,301	477,918
Overseas	0	0	0
Total net linked reserves	54,096	141,301	477,918

Unit Linked Financial Strength ★★★★
The index linked business represents a small but increased proportion of the company's liabilities. AKG considers that similar considerations apply as to the non profit line, which remains more dominant.

With Profits Business

The company does not have any With Profits business, so this section does not apply.

Key Financial Data (for y/e: 30/06/15)

Long Term Business Admissible Assets	2013 £000's	2014 £000's	2015 £000's
Fixed Interest	3,695,140	4,118,335	4,199,084
Equities	0	0	0
Property	0	0	0
Linked	54,096	137,201	477,918
Other	2,733,019	3,536,149	3,693,097
Total Assets	6,482,255	7,791,685	8,370,099

Around 50% of the assets are fixed interest (reflecting the nature of the liabilities), with the majority of the balance, shown as 'Other' in the table above, comprising some £3.5bn [2014: £3.3bn] of lifetime mortgages and £52m [2014: £93m] of additional linked assets.

LT Capital Resources	2013 £000's	2014 £000's	2015 £000's
Core tier one capital	404,710	562,669	501,609
Tier one waivers	0	0	0
Other tier one capital	0	0	0
Tier one deductions	-41,191	-57,589	-119,012
Total tier one capital	363,519	505,080	382,597
Tier two capital	54,000	179,000	191,300
Adjustments and deductions	-6,152	-8,527	-17,708
Total Capital Resources	411,367	675,553	556,189
CR outside the fund	87,549	256,245	193,672

Total capital resources, which had increased significantly in 2014, reduced by £119m in 2015, impacted by retained losses of £71m, which exceeded capital injections and loans totalling £41m and restrictions of £18.7m. Capital resources have since been increased by further capital injections and loans totalling £40m, subject to any restrictions.

LT Free Assets	2013 £000's	2014 £000's	2015 £000's
Available Capital Resources	411,367	675,553	556,189
Capital Resources Req't (CRR)	241,294	286,585	336,065
Free Assets (Published)	170,073	388,968	220,124
Financial Engineering	94,380	98,194	76,721
Free Assets (Exc Fin Eng)	75,693	290,774	143,403

LT Free Asset Ratios	2013 %	2014 %	2015 %
FAR (Published)	2.6	5.0	2.6
FAR (Exc Fin Eng)	1.2	3.7	1.7

LT CRR Coverage Ratios	2013 %	2014 %	2015 %
CRRCR (Published)	170.5	235.7	165.5
CRRCR (Exc Fin Eng)	131.4	201.5	142.7

Both the free asset ratio and CRR coverage reduced in 2015, with a CRR coverage of 165.5%. The group economic capital ratio reduced slightly from 178% to 176%, remaining well ahead of the target of 140%.

Long Term Business Liabilities & Margins	2013 £000's	2014 £000's	2015 £000's
Non Linked Non Profit	2,667,434	3,632,695	4,964,478
Non Linked With Profits	0	0	0
Accum'lg With Profits	0	0	0
Linked	54,096	141,301	477,918
Surplus c/f	323,818	419,308	362,517
Other liabilities	3,436,907	3,598,381	2,565,187
Investment Reserves	0	0	0
Total Liabilities/Margins	6,482,255	7,791,685	8,370,099

The extent, albeit reducing, to which the company makes use of reinsurance is clear, with "Other liabilities" including £2.5bn of reinsurance deposited back, which represents 30% of the total liabilities and margins [2014: 44%]. There was an increase in the company's Pillar 1 corporate bond default assumptions (64bps to 81bps). The company has experienced no defaults to date. The company has been granted a PRA waiver allowing it to use an asset valuation rate more appropriate to its matched position.

Key Revenue Items	2013 £000's	2014 £000's	2015 £000's
INCOME			
Premiums	794,484	1,054,073	1,984,890
Investment Income	175,600	204,506	193,064
Investment Increase	117,913	419,552	-154,329
EXPENDITURE			
Commissions	35,354	25,662	16,142
Policy claims	153,896	215,665	272,377
Expenses	78,358	86,999	81,743
Transfer to P&L	0	0	-70,000
Increase in fund	754,273	1,147,956	1,611,609

Gross premiums reduced by 10% on the back of lower new business volumes. The reinsurance recapture, reported as negative premiums, led to negative reinsurance premiums of £837m, which meant that net premiums increased by 88% to £2.0bn. Commissions reduced, largely due to the RDR, by 37%. Expenses fell by 6% as reduced acquisition expenses (down 16%) more than offset increased maintenance and one off expenses (up 12% and 17% respectively). There was a transfer into the long term fund in 2015 to support the losses. Claims relate almost entirely to annuity payments and are growing in line with the underlying business.

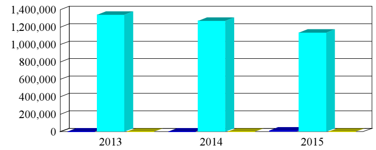
Expense Ratios	2013	2014	2015
New business (% APE)	69.8	66.7	57.6
Renewal (% reg premiums)	n/a	n/a	n/a
Renewal (% p.a. of mean fund)	0.34	0.39	0.39

The new business expense ratio reduced in 2015 as initial costs reduced by more than the associated new business volumes. The renewal expense ratio, expressed as a percentage of the mean fund, remained at a similar level.

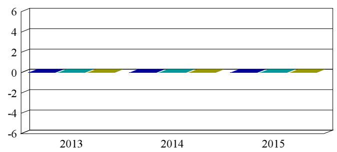
New Business Data (for y/e: 30/06/15)

		Single £000's	Regular £000's
Investment			
Bonds	With Profits	0	0
	Unitised WP	0	0
	Unit Linked	0	0
Endowment	With Profits	0	0
	Unitised WP	0	0
	Unit Linked	0	0
Guaranteed Bonds		0	0
ISA / tax exempt		0	0
Annuities		0	0
Miscellaneous		0	0
Total Investment		**0**	**0**
Protection			
Whole Life	With Profits	0	0
	Unitised WP	0	0
	Unit Linked	0	0
Term	Ordinary	0	0
	Pension	0	0
IP	Individual	0	0
Critical Illness		0	0
Long Term Care		12,054	0
Miscellaneous		0	0
Total Protection		**12,054**	**0**
Pensions			
Individual	With Profits	0	0
	Unitised WP	0	0
	Unit Linked	0	0
CPA		0	0
CPA (Impaired Life)		478,074	0
Bulk Transfer Annuities		608,875	0
Miscellaneous		49,145	0
Total Pensions		**1,136,094**	**0**
Group Business			
Pension		0	0
Life		0	0
IP		0	0
Critical Illness		0	0
Miscellaneous		0	0
Total Group Business		**0**	**0**
TOTAL DIRECT BUSINESS		**1,148,148**	**0**
Overseas Direct *(incl above)*		0	0
External Reins *(excl above)*		0	0
Intra-Group Reins *(excl above)*		0	0
Industrial Branch *(incl above)*		0	0

New Single Premiums	2013 £000's	2014 £000's	2015 £000's
UK Life	2,122	2,181	12,054
UK Pensions	1,341,758	1,272,008	1,136,094
Overseas	0	0	0
Total (Direct + External Reins)	1,343,880	1,274,189	1,148,148
Growth Rate	12.5%	-5.2%	-9.9%
Reins Accepted (Intra-Group)	0	0	0



New Regular Premiums	2013 £000's	2014 £000's	2015 £000's
UK Life	0	0	0
UK Pensions	0	0	0
Overseas	0	0	0
Total (Direct + External Reins)	0	0	0
Growth Rate			
Reins Accepted (Intra-Group)	0	0	0



Total group sales in the year, including lifetime mortgages, reduced by 17% to £1.46bn.

Overall sales shown in the tables reduced by 9.9% from £1.3bn to £1.1bn. The company reports that sales of individual annuities reduced by 57% to £478m as expected as retirees either deferred their decision or opted for drawdown and also early signs of an improvement in the market. Care sales increased by over 450% to £12.1m in the product's first full year. Defined benefits sales also performed strongly, increasing by over 500% to £608.9m.

Sales of capped drawdown reduced by 34% to £48.7m, the prior year having been boosted by demand from savers wanting to defer their decision until the introduction of pension freedoms and there being a natural slow down as the new regime approached.

At 38%, the company claims the largest share of the individually underwritten annuity market, the largest share (around 25%) in the Open Market Option (OMO) market and the third largest share (10%) in the overall annuity market.

New lifetime mortgage advances, not shown here, reduced by 35% to £308.1m as Just Retirement managed down the ratio of such sales to overall annuity volumes. The company is the UK's second largest lifetime mortgages provider, with a market share of around 21%.

Distribution

Method
The primary focus remains on the intermediary market although the company is seeking, and will continue to seek, to widen and re-balance its distribution through the development of other complementary channels. In particular this widening has seen a successful entry into the Defined Benefit de-risking market. Buy-out and Buy-in support delivered in this sector is a key avenue for growth, particularly post the introduction of Pension Freedoms. Alongside the 'mainstream' intermediary channel other distribution partnerships are also being developed. These include relationships with other life companies, aggregators and media organisations.

Within its two core product sectors Just Retirement maintains a spread of distribution outlets. In the individually underwritten annuity market it is seeking to maintain its connection with Networks and Specialists whilst growing the relationships with Regional intermediaries and the important EBC sector (where the DB offering provides further impetus). In the lifetime mortgage market again Specialists will remain key whilst the Regional Intermediaries and Networks are targeted for growth.

Underpinning development has been the increasing use of technology, including tele-interviewing and electronic CQF (Common Quotation Form). The Open Market Annuity Service (TOMAS) is also seen as a prime enabler, including with corporate pension schemes to enable simplified advice to members.

2006 saw the group launch Just Retirement Solutions Ltd, its own direct distribution arm used to support the wider distribution capabilities referred to above and which has established key relationships with organisations such as Saga.

Distribution Split	Regular Premium %	Single Premium %
IFAs	0.0	100.0

Image and Strategy ★★★
The company's strategy remains focused firmly on the at and in-retirement market where it seeks to leverage its experience, specific expertise and intellectual property. The individually underwritten annuities and lifetime mortgages sectors continue to be the prime emphasis but the group is intent on some diversification around, and building on, this market focus. An example having been the launch of the buy-out/buy-in proposition. As above, this side of the business has become increasingly important and has grown significantly in terms of its scale and contribution to the business in a relatively short space of time. Future pipeline activity is also reported to be strong and the market potential is considered to be very significant.

Since the March 2014 Budget, Just Retirement has persued a clear imperative to adjust and develop its proposition in the light of implications for annuity volumes. A cost base reduction was implemented to reflect reduced annuity new business volumes in the short to medium term whilst additional proposition development was undertaken and the business advanced its overseas strategic opportunities with Just Retirement Life (South Africa) starting to trade in Q3 of 2015. Its ability to prosper as an independent entity for the long term has been a question for stock market analysts and participants. The proposed merger with Partnership therefore marks a strategic reaction to a changed landscape.

Products/Proposition

Overall Product Philosophy
With its strategy firmly focused on the at-and-in-retirement market, the company has four core products; individually underwritten annuities, defined benefit scheme de-risking solutions, care plans and lifetime mortgages. The first product launched was an enhanced pension annuity backed by a streamlined underwriting process. The company adopts a 'relatively active' pricing policy focusing on optimising margins and volumes while remaining competitive. The company subsequently launched its lifetime mortgage products in October 2005.

A capped drawdown product, known as a fixed term annuity (FTA), was launched in June 2011. Having introduced the UK's first 'enhanced annuity conversion feature' into the FTA, allowing customers who become ill during the fixed term to convert into an individually underwritten annuity, the company subsequently extended the flexibility of the conversion feature in response to competition.

The company sees potential in extending its product reach whilst retaining its focus around its core offerings. Possible product variations include long term care, immediate needs annuities, as well as lifetime mortgages variations and investment linked annuities.

In late 2012 the company launched its Defined Benefit offering, targeted at small defined benefit schemes looking for de-risking solutions, with the first scheme completed in September 2013. This has been an area of successful growth and now represents a key replacement for lost individual business.

The More2Life Interest Serviced Mortgage was launched in December 2012, the same month in which sales of Just Retirement's Lifetime Income Plan ceased.

In August 2013 Just Retirement entered the long term care market, initially providing care annuities to financial intermediaries and strategic partners. It has also extended its proposition into underwritten lifetime mortgages.

A one year fixed term annuity was launched in response to the 2014 Budget, with further flexible pension solutions being developed since then.

Products Currently Marketed

Protection Products
Long Term Care

Pension Products
Individually Underwritten Immediate Annuities
Fixed Term Annuities
Flexible Pension Plan

Group Products
Bulk Purchase Annuities

Other Products
Lifetime Mortgages

Product Awards and Benchmarks
The company has won a number of product focused awards, including recently a Moneyfacts 5 star rating for its Roll Up Life Time Mortgage Plan and a Moneywise 2013 award for best individually underwritten annuity Provider.

Service ★★★★★

Approach
Since launch the management's philosophy is that it believes the quality of service to the intermediary is a key driver to its long term success. The RDR has accentuated the need for cost-efficient and transparent service offerings and Just Retirement believes that it is well placed, having constructed the appropriate infrastructure and developed a strong reputation, to thrive in the changed environment.

The strategy is to utilise the benefits of technology to improve the quality of its service and proposition whilst also controlling costs. Overall the company regards service quality and customisation to be key factors for selection in its chosen markets.

All areas of operations have published and measured service standards. The company compares well against these whether judged by customer satisfaction rates or by independent research.

The company has proved itself able to also cope with the rapid growth of DB scheme derisking, including a significant medically underwritten element.

e-Business
As above the use of technological solutions is seen by the company as a key part of enabling the development of the market and its own growth. As well as its own web presence the company continues to develop links with portal services and is keen to meet the requirements of its distributors as they evolve.

2006 saw the launch of a real-time annuity service for intermediaries, in partnership with the Exchange. 2009 saw the development of a web based annuity service and in 2010 the company acquired TOMAS.

2015 saw the company partner with GBST to deliver platform capability and enable a flexible pension plan proposition. Just Retirement also upgraded its IUA offering to include extended guarantees and taxable lump sums. The company also moved into regulated advice with the launch of an automated simplified advice proposition. In recent years the company has also invested heavily in its systems for appropriate underwriting, with current activity now benefiting from use of its Prognosys system.

Service Standards & Awards
The company is well recognised in service awards and measures, and continues to win 5 Star Financial Adviser Service Awards, plus Money Marketing Awards for Service in the annuity sector specifically and FT Adviser awards for the online component of its service offering. A strong performance is also recorded in external benchmark studies such as the LAMRA customer satisfaction survey and extensive internal exercises; a number of which were updated recently to capture new feedback at a transactional level.

Outsourcing
Whilst there is no significant outsourcing of administration processes in respect of individually underwritten annuities, the company does outsource aspects of lifetime mortgages administration; specifically title insurance and elements of post offer/completion work. Administration of acquired Defined Benefit schemes is outsourced to JLT.

Investment

Overall Approach
Since outset, the company had used Robeco, an investment house based in the Netherlands and experienced in the matching of liabilities with appropriate fixed interest investments, as the sole manager of the bond portfolio. This changed in 2012, when Just Retirement appointed an additional fund manager, BlackRock. BlackRock has since taken on further responsibility for specific sectors such as industrials and utilities within the public bond portfolio. Robeco and Blackrock manage £4.4bn in assets. In June 2014, MetLife was appointed to manage £250m in private bond issues, since extended to £350m. In June 2015, Westbourne was appointed to manage £250m in infrastructure related debt.

Lifetime mortgages products complement the annuity business, with a controlled proportion of annuity proceeds being invested in lifetime mortgages. In essence lifetime mortgages products are an investment of annuity funds on more favourable terms than normally available through corporate bonds, the more conventional investment medium for annuities. Whilst potentially providing a higher return, this diversifies the investment portfolio and is therefore beneficial from an ICA and a Solvency II perspective. A small proportion of the funds are invested in index-linked gilts to match indexed annuities.

Funds Under Management
As at 30 June 2015, the company had long term assets of £8.4bn [2014: £7.8bn].

Annual Review ★★★★

The year to June 2015 saw total new business volumes reduce by 17% as, not unexpectedly, Just Retirement was unfavourably impacted by pension freedoms. Whilst sales of individual annuities fell, this was offset to a large extent by a strong performance in the defined benefits market. There were capital injections and loans totalling £41m, with a further £40m since, maintaining solvency above management's target level.

The company retained its 5 star service ratings amongst other positive measures.

The company declared a pre-tax loss of £91.1m [2014: £132.7m profit] and again did not declare a dividend for the year [2014: nil].

Just Retirement Group plc reported an 11% fall in underlying pre-tax operating profit of £86.4m [2014: £96.7m]. The group embedded value increased from £959m to £1,019m.

Just Retirement has reacted positively to the prospect of a radically different decumulation landscape from 2015, which saw a fall in share price and a scaling back of operations. Furthermore, the announcement of the merger with Partnership is not unexpected given this changed landscape for specialist annuity providers.

Financial Strength Ratings - Introduction

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

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

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

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

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

With Profits Financial Strength Rating

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

☆☆☆☆☆	Excellent
☆☆☆☆	Very good
☆☆☆	Good
☆☆	Adequate
☆	Poor
▤	Not rated

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

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

Non Profit Financial Strength Rating

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

☆☆☆☆☆	Excellent
☆☆☆☆	Very good
☆☆☆	Good
☆☆	Adequate
☆	Poor
▤	Not rated

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

Unit Linked Financial Strength Rating

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

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

✩✩✩✩✩	Excellent
✩✩✩✩	Very good
✩✩✩	Good
✩✩	Adequate
✩	Poor
▤	Not rated

Overall Financial Strength Rating

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

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

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

Supporting Ratings - Introduction

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

Service Rating

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

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

✩✩✩✩✩	Excellent
✩✩✩✩	Very good
✩✩✩	Good
✩✩	Adequate
✩	Poor
▤	Not rated

Image and Strategy Rating

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

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

✩✩✩✩✩	Excellent
✩✩✩✩	Very good
✩✩✩	Good
✩✩	Adequate
✩	Poor
▤	Not rated

Annual Review Rating

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

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

✩✩✩✩✩	Excellent
✩✩✩✩	Very good
✩✩✩	Good
✩✩	Adequate
✩	Poor
▤	Not rated

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