ISSUED 12 September 2022

PROVIDER SECTOR
Just

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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CONTACT INFORMATION

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Rating & Assessment Commentary

RATINGS

Overall Financial Strength

AKG B+
FINANCIAL STRENGTH RATED
PROVIDER SECTOR VERY STRONG
JUST RETIREMENT LTD

AKG B+
FINANCIAL STRENGTH RATED
PROVIDER SECTOR VERY STRONG
PARTNERSHIP LIFE ASSURANCE COMPANY LTD

Additional Financial Strength and Supporting Ratings

	Non Profit Financial Strength	Unit Linked Financial Strength	With Profits Financial Strength	Service	Image & Strategy	Business Performance
Just Retirement Ltd	✩✩✩✩	✩✩✩✩	▣	✩✩✩✩✩	✩✩✩✩	✩✩✩✩
Partnership Life Assurance Company Ltd	✩✩✩✩	▣	▣	✩✩✩✩✩	✩✩✩✩	✩✩✩✩

SUMMARY

- Just Group plc (renamed from JRP Group plc on 18 May 2017) was formed on 4 April 2016, following the merger of Just Retirement Group plc and Partnership Assurance Group plc
- The recent key focus has been capital self-sufficiency, resilience, and providing optionality to deploy surplus capital
- The focus in 2021 shifted to sustainably growing the business after Just completed its programme to strengthen its capital position in 2020, including delivering positive underlying organic capital generation for the first time
- The capital position of the Group was further strengthened during the year as it built its Solvency II capital coverage ratio to 164% [2020: 156%], aided by £51m of underlying organic capital generation
- New business volumes grew by 12% in 2020 and by 25% in 2021
- Just remains highly regarded for service in the intermediary market and was named as Company of the Year at the Financial Adviser Service Awards for 2021
- Product innovation continues, illustrated by the recent development of the Secure Lifetime Income platform proposition, Destination Retirement (an automated advice tool for those with modest savings) and the DB partnering arrangement
- Two senior management appointments were made in quick succession; David Richardson, who has been with the business since 2013 and was Deputy CEO from merger in April 2016 to May 2019, as Group Chief Executive Officer (firstly as interim in May 2019 and permanent in September 2019) and Andy Parsons as Group Chief Financial Officer in January 2020.
- Further appointments have been: Paul Fulcher as Group Capital Management and Investment Executive (February 2021); Lisa Davis as Chief People Officer (February 2022) and Pretty Sagoo as Managing Director DB Solutions (April 2022)
- Just Retirement Ltd (JRL) is the Group's main life insurance company both in terms of size and new business written
- Partnership Life Assurance Company Ltd's (PLACL) principal activities are the run-off of life assurance and annuities and the writing of new UK Care business. As at 31 December 2021, PLACL accounted for 21% of the Group's insurance reserves
- At 31 December 2021, JRL's and PLACL's SCR coverage ratios were 156% and 146% respectively [2020: 150% and 162%]

COMMENTARY

Financial Strength Ratings

Just was formed by the merger of Just Retirement and Partnership, a logical move, which brought advantages in terms of market presence, strategic development and improving long-term prospects following the introduction of Pension Freedoms and allowed the group to avoid the accompanying negative repercussions that would have been faced by both as standalone operations.

Just has since faced further challenges introduced by the PRA, which relate to equity release mortgages which significantly impacted its capital position. Recognising this, the Group's key focus has been on capital self-sufficiency, resilience and providing optionality to deploy surplus capital.

The focus in 2021 shifted to sustainably growing the business after Just completed its programme to strengthen its capital position in 2020, including delivering positive underlying organic capital generation for the first time.

The capital position of the Group was further strengthened in 2021 as it built its Solvency II capital coverage ratio to 164% [2020: 156%], aided by £51m of underlying organic capital generation

At 31 December 2021, the Group held £1,167.7m [2020: £1,071.2m] of Excess Own Funds representing a regulatory capital coverage ratio of 164%, including the impact of recalculating TMTP, [2020: 155%, 156% following a notional recalculation of TMTP].

Excess Own Funds were £742.1m [2020: £673.8m] and £222.0m [2020: £334.5m] and capital coverage ratios were 156% [2020: 150%] and 146% [2020: 162%] for JRL and PLACL respectively.

In September 2021, the Group restructured its Tier 1 debt capital with the issuance of £325m of perpetual Sustainability Restricted Tier 1 bonds with a coupon of 5.0% and tendered for, and repaid all of the existing £300m 9.375% Tier 1 debt.

Over the past three years, the Group has reduced the exposure and sensitivity of its Solvency II balance sheet to UK house prices, through a combination of no-negative equity guarantees (NNEG) hedging, Lifetime Mortgages (LTM) portfolio sales and reducing the LTM backing for new business. Just has completed three NNEG risk transfer hedges totalling £1.4bn and with the third LTM portfolio sale announced in February 2022, it has also completed its planned programme of portfolio sales (totalling £1.6bn of LTM).

Just can point to demonstrable progress with regard its focus on its capital position, putting it in a strong position to selectively grow its business and create value for shareholders. For example, Just met its commitment to strengthen its capital position by attaining capital self-sufficiency and delivering positive organic capital generation in 2020. The Group was also able to recommence the payment of dividends, with £10m paid in May 2022 and a further £5m paid in September 2022.

The Group plans to continue to strengthen its capital position, in order to support the new business franchise over the next five years, through organic capital generation and has continued to de-risk its balance sheet. As such it should be well positioned to take advantage of the strong fundamental drivers for growth in its core markets.

The Group had an undrawn revolving credit facility of up to £200m for general corporate and working capital purposes available until 15 May 2022. Interest was payable on any drawdown loans at a rate of SONIA plus a margin of between 1.50% and 2.75% per annum depending on the Group's ratio of net debt to net assets. During the first half of 2022, the Group entered into a new five-year revolving credit facility, with improved commercial terms. The facility has increased from £200m to £300m, with flexibility for this to grow as the balance sheet expands over time. Interest is payable on any drawdown loans at a rate of SONIA plus a margin of between 1.00% and 1.50% per annum depending on the Group's unsecured issuer rating provided by any of Fitch, S&P and Moody's.

Just Retirement Ltd
JRL is the Group's main life insurance company both in terms of size and new business written and has looked to build its capital base in recent years in response to regulatory developments.

Compared to prior years, 2021 saw fewer management actions, as JRL focused on executing its strategic priorities including sustainable and profitable growth. The business is now capital self-sufficient, underpinned by growth in underlying organic capital generation.

At 31 December 2021, JRL had excess assets over liabilities of £1,508m [2020: £1471m]. Excess Own Funds and the SCR coverage ratio were £742m [2020: £674m] and 156% [2020: 150%].

JRL saw a further increase in its SCR coverage ratio in 2021, which remained more in line with its competitors. Prior to 2020, the ratio had been at a relatively low level.

Whilst JRL and the wider Group have faced a number of regulatory challenges in recent years, they have reacted in a focussed and positive way and are now in a position where they are capital generative, a position which should augur well for the future success of both JRL and the Group.

Partnership Life Assurance Company Ltd
PLACL's SCR coverage ratio has reduced in recent years.

PLACL's capital coverage ratio, including a recalculation of TMTP, was 146% at 31 December 2021 compared to a ratio of 162% at 31 December 2020 and 178% as at 31 December 2019. The decrease in the ratio in 2021 was primarily driven by the payment of a dividend of £169m during the financial year [2020: £90m]. Other movements include surplus emerging from in-force business, positive mortality and property experience offset by amortisation of TMTP and debt interest payments.

Since the 2021 year end, PLACL has paid a dividend of £50m. If this had been foreseen on 31 December 2021, the SCR coverage ratio would have been 135%.

The company intends moving to an Internal Model basis for calculating its Solvency II capital requirements during 2023. This ought to prove beneficial, as should any consolidation with JRL.

Considerations similar to JRL apply to PLACL and whilst it is not the primary life company in the Group, it is still an important component part.

Service Rating
Both Just Retirement and Partnership had stressed a customer focused, service orientated philosophy within their respective businesses and both were highly regarded in the intermediary market for service delivery. Whilst this excellence and similarity is a strength of the merged business, the tasks of integration and maintaining service excellence during the merger process have been no less significant. Following the integration, Just undertook a three year £10m investment programme to power diversification developments and new innovation, which included further digitalisation, product launches and service enhancement.

Just has for some time and continues to receive strong recognition for its service. At the heart of the service credentials is an integrated approach to continuous improvement in customer experience. This includes:

- The active use of the Temkin model of Customer Experience to develop all aspects of processing and communicating to ensure the three dimensions of outcome, effort and emotion are considered
- An extensive programme of training and coaching on Customer Centric Call Taking to develop mastery skills for telephone support staff
- A network of Customer Champions who specialise in areas of customer vulnerability such as dementia, physical impairment and mental emotional distress with a view to educating staff and adapting processes to accommodate these customer needs
- A balanced scorecard which accentuates customer outcomes and staff development over historic operational performance measures

The business also places an emphasis on plain English to support better understanding of its offering by customers and thus benefit the ease of service excellence.

Protecting the welfare of its colleagues and ensuring the delivery of critical services to customers have been clear priorities driving Just's response to the pandemic, with the needs of its customers at the forefront when setting its goals.

Many of its customers are in vulnerable groups and Just was able to maintain the delivery of all its services to customers during the disruption. In addition, Just made a number of changes to its products and services to help support its customers through a difficult period, including introducing procedures to help people with the constrained conveyancing and advice process, reducing interest rates on LTM in certain circumstances and implementing a temporary capital guarantee feature for long-term care products in the first year of the policy.

Image & Strategy Rating

Just has the following strategic aims:

> *Improve our capital position*
>
> *Transform how we work*
>
> *Get closer to our customers and partners*
>
> *Generate growth in new markets*
>
> *Be proud to work at Just*

Of these, Just's main focus is on capital. Capital preservation was the main priority in 2019. 2020 saw the Group deliver positive organic capital generation, while in parallel 'developing other strategic and business options to enhance shareholder value'. In 2020, with a transformed new business franchise and a greater level of surplus capital following the various management actions, Just grew premiums by 12%. The focus in 2021 was to maintain a sustainable capital model to 'maximise opportunities available to us'. 2021 saw the Group reduce its exposure to property, refresh its SCR calculation model, refinance debt and eliminate its cost overrun.

This priority shifted to 'grow sustainably' in 2022, taking advantage of the growth opportunities available, whilst being capital generative. The Group states that it will continue to reduce its property exposure, maintain its focus on capital and seek to grow shareholder returns.

Just's longer term ambitions look to be achievable now it has reached its desired capital position and if it remains in a position where it is consistently capital generative.

Now under the single and simplified Just brand, the business is able to demonstrate a clear and established retirement solutions market position.

The operational strategy remains focused firmly on the at and in-retirement market where Just seeks to leverage its experience, specific expertise and intellectual property (which has the potential of being further developed and delivering further differentiation and diversified growth, post the combination of the two businesses' IP sets). An example of diversified growth has been the establishment and maturity of the buy-out/buy-in proposition. This side of the business has become increasingly important and has grown significantly in terms of its scale and contribution in a relatively short space of time. Ongoing development of this business line includes a recent extension into the over £250m segment, via a partnering approach, which sees Just leverage its expertise to participate more widely and generate fee income, rather than deploying capital.

Just has a strong social purpose: helping people achieve a better later life. 2020 saw Just further strengthen its sustainability credentials, becoming the first UK insurer to issue a Green Bond and the first to provide a green lifetime mortgage. The Green Bond enshrines Just's commitment to supporting the transition to a low-carbon global economy as all the proceeds are earmarked to be invested in green buildings, renewable energy and clean transportation.

Just became the first UK and European insurer to issue a Sustainability Restricted Tier 1 bond in 2021. The Group has provided a commitment to invest the gross issuance proceeds of £325m in eligible green and social assets. When combined with the 2020 Green Bond commitment, the Group has committed to allocating a minimum of £575m towards these eligible assets before September 2024.

Just is aiming for its operations to be carbon net zero in terms of emissions by 2025. In 2019 its carbon intensity per employee was already the lowest in the FTSE 350 life insurance sector. Since then, it has reduced its operational carbon intensity per employee by 85%, retaining this position.

Business Performance Rating

The Group's primary focus in 2021 was to capture profitable growth opportunities. The focus having shifted to sustainably growing the business after it completed the programme to strengthen its capital position in 2020.

Underlying organic capital generation increased by £33m in 2021 to £51m [2020: £18m] despite writing higher new business volumes during the year. The Group exceeded its target of doubling the 2020 result by 2022 one year early. The capital strain from writing new business reduced to 1.5% of new business premium [2020: 2.2%] reflecting continued pricing discipline and risk selection, together with the increased proportion of low capital strain DB deferred business in 2021.

IFRS adjusted operating profit was broadly unchanged at £238m [2020: £239m] as the increased new business profit was offset by lower assumption changes and reduced in-force profit (with 2020 boosted by increased credit spreads). Rising interest rates led to IFRS losses from hedges used to protect the Solvency II balance sheet. Sales of LTM portfolios to reduce the sensitivity of the Solvency II balance sheet to UK house prices, resulted in a loss of £161m. These two elements offset operating profit, resulting in an IFRS post tax loss of £16m.

In-force operating profit was down 8% to £90m [2020: £98m] including a 10% reduction to £87.3m for the Insurance segment, with 2020 profit inflated due to the elevated credit spreads following the onset of COVID-19. Aside from this, the Group's in-force operating profit benefited from a growing in-force book of business and higher surplus assets.

New business operating profit was up 13% to £225m [2020: £199m] driven by the increase in Retirement Income sales.

IFRS loss before tax of £21m [2020: £237m, profit] impacted by the rise in interest rates during the year.

Management expenses decreased by 7% to £147m [2020: £159m] with a formal three-year cost reduction programme concluding at the end of 2021.

Sales growth in 2021 led to a 13% increase in new business profit, to £225m, with sales of £2,674m up 25% [2020: £2,145m] and a new business margin of 8.4% [2020: 9.3%]. Within this:

- DB sales were £1,935m [2020: £1,508m], an increase of 28%
- Guaranteed Income for Life (GIfL) sales increased by 17% to £688m [2020: £586m]
- Care Plan sales were level at £51m [2020: £51m]

Additionally, Lifetime Mortgage advances increased by 3% to £528m [2020: £512m].

Drawdown sales were £1.1m [2020: £1.0m]

For the six months ended 30 June 2022, Just reported:

- Underlying operating profits up 15% to £74m [H1 21: £64m], driven by higher in-force operating profit and lower finance costs
- Retirement Income sales down 3% to £879m [H1 21: £909m], as DB sales increased by 3% and retail sales fell 14%
- Largest DB transaction to date signed in July, a £0.5bn Buy-in insuring c4,800 members. Around 50% of the liabilities are reinsured with a DB partner. It adds £24m of new business profit (post 30 June 2022) and is capital generative
- An actively quoting DB pipeline of more than £5bn. Just Group expects to be very busy in the second half of 2022 as it executes on the opportunities available
- It is on track to originate over £1bn of other illiquid assets (including infrastructure, income strips and ground rents, private placements, commercial mortgages) to back its new business and optimise the assets backing the inforce book, or around twice the amount of LTM origination expected in 2022
- Improved capital coverage ratio of 184% [31 December 2021: 164%]. Organic capital generation contributed 2 percentage points to the ratio - interest rate increases added 12pp and other economics a further 6pp
- Underlying organic capital generation increased to £31m [H1 21: £25m], driven by continued outperformance in new business capital strain, which at £11m, represents only 1.3% of sales [H1 21: £17m and 1.9%]
- IFRS loss after tax was £226m [H1 21: loss £70m] as economic variances, driven by the increase in interest rates and the loss on the sale of the third LTM portfolio led to investment and economic losses of £353m [H1 21: £174m]

Group & Parental Context

BACKGROUND

Just Group plc is a FTSE-listed specialist UK based financial services company created following the merger of Just Retirement Group and Partnership Assurance Group in April 2016, with former Just Retirement and Partnership shareholders initially owning 60% and 40% respectively of the Group.

The Group has over 650,000 customers and 1,100 employees. Its principal operating subsidiaries are:

- Just Retirement Ltd (JRL)
- Partnership Life Assurance Company Ltd (PLACL)
- Just Retirement Money Limited (JRML)
- Hub Financial Solutions Ltd (HFSL)

JRL was launched in August 2004 having been established with financing from Langholm Capital Partners LLP. In December 2006 Just Retirement carried out an IPO, with just over 20% of its issued shares being placed on AIM, raising an additional £56m in capital. At the same time Just Retirement launched its distribution business, Just Retirement Solutions Ltd. In October 2010 Just Retirement 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 £25m into the group. The AIM listing was also 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.

PLACL came into operation at the end of September 2005, established by Phoenix Equity Nominees Ltd (Phoenix) using their Phoenix Equity Partners Fund IV. On 30 September 2005, The Pension Annuity Friendly Society Ltd demutualised and its business was transferred to PLACL. On 5 August 2008, Cinven Ltd became the principal owner taking a 77% ownership, having agreed to buyout the Phoenix Equity Partners' holding. The remainder stayed under management ownership. On 26 February 2013 Partnership Assurance Group plc (renamed Partnership Assurance Group Ltd in June 2017) was incorporated, becoming the holding company, ahead of its listing on the London Stock Exchange on 12 June 2013, a flotation, valuing the group at around £1.5bn, which raised £125m.

JRML was established in 2016 to take on all lifetime mortgage lending conducted under the Just Retirement brand. Its sole focus is providing lending products for those people at or approaching retirement.

HUB Financial Solutions Ltd arises from the combination of Just Retirement Solutions Ltd and The Open Market Annuity Service Ltd in 2017. The HUB businesses focus on delivering corporate solutions to employee benefit consultants, financial advisers, pension schemes, other UK businesses and to their members, customers and clients.

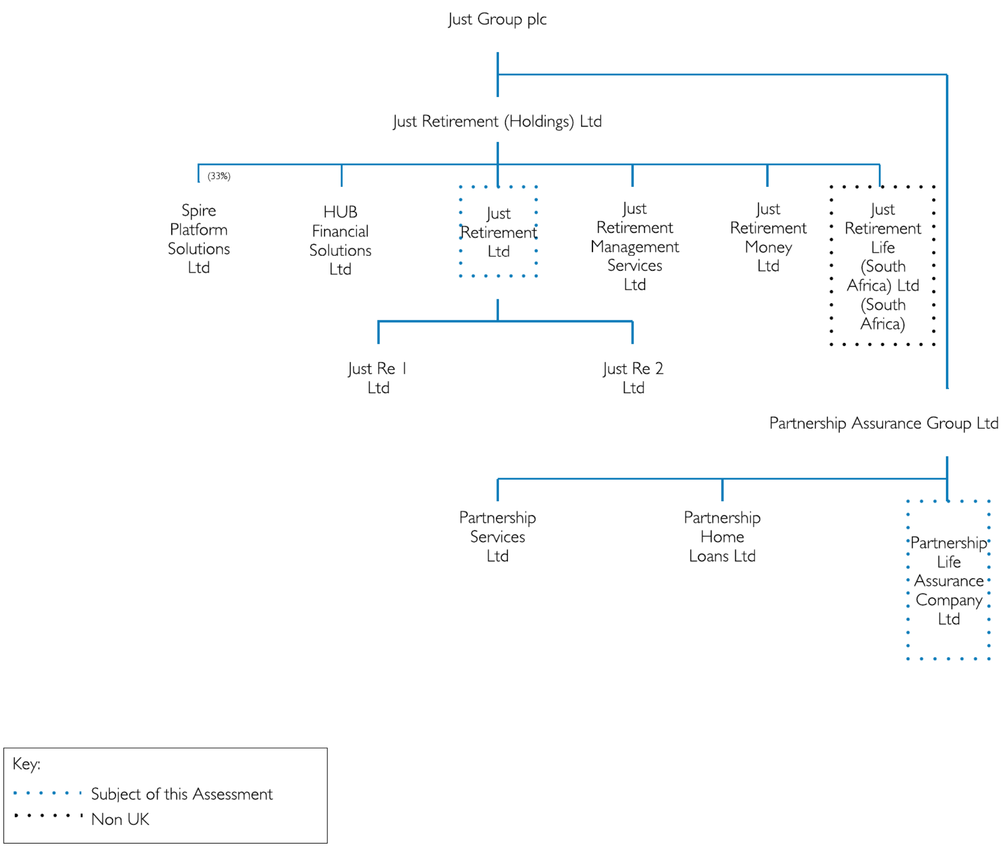
In September 2021, the Group acquired the remaining 25% of the ordinary share capital of the holding company of Corinthian Pension Consulting Ltd (renamed and rebranded as HUB Pension Consulting Ltd in June 2020) at a cost of £0.1m, having acquired a 75% shareholding August 2018. HUB Pension Consulting specialises in providing professional advisory services to DB pension scheme trustees and scheme sponsors undertaking bulk scheme exercises. HUB Pension Consulting became an authorised representative of HUB Financial Solutions Ltd. In January 2022, it was agreed that all new income and relevant expenditure earned by HUB Pension Consulting would be transferred to HUB Financial Solutions Limited, with a view to closing down HUB Pension Consulting by the end of December 2023. A separate business, HUB Pension Solutions, which was established in 2018 to provide a digital platform enabling advisers to support scheme transfer exercises by generating transfer value analysis for individual scheme members, ceased trading during 2020.

In August 2018, Just announced it had launched a new joint venture, Spire Platform Solutions, with Spire Financial Ltd, a business consultancy and technology firm. The new business focuses on 'modernising financial services propositions for the rapidly changing marketplace of retirement income'. Just Group plc has made a strategic investment into Spire Platform Solutions Ltd, and in February 2019, Secure Lifetime Income (SLI), a guaranteed income for life solution that can be held as an asset within a client's SIPP was launched onto the Novia Financial platform. In May 2022, 7IM became the second platform to incorporate SLI

2019 saw the closure to new business of Just's embryonic US Care unit as part of its focus on achieving capital self-sufficiency.

2019/2020 saw significant change at Group Board level. David Richardson replaced Rodney Cook as CEO. Andy Parsons was appointed as CFO. Further appointments have been: Paul Fulcher as Group Capital Management and Investment Executive (February 2021); Lisa Davis as Chief People Officer (February 2022) and Pretty Sagoo as Managing Director DB Solutions (April 2022).

GROUP STRUCTURE (SIMPLIFIED)



Company Analysis: Just Retirement Ltd

BASIC INFORMATION

Company Type
Life Insurer

Ownership & Control
Just Group plc, whose significant shareholders include: Aegon N.V. (5.2%), Credit Suisse Group AG (3.7%) and Norges Bank (3.0%).

Year Established
2004

Country of Registration
UK

Head Office
Enterprise House, Bancroft Road, Reigate, Surrey, RH2 7RP

Contact
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Key Personnel

Role	Name
Group Chair	J P Hastings-Bass
Group Chief Executive Officer	D L Richardson
Group Chief Financial Officer	A M Parsons
Group Marketing and Distribution Director	D P Cooper
Group Chief People Officer	E C Davis
Group Chief Risk Officer	A Duncan
Group Capital Management and Investment Executive	P Fulcher
Group Chief Digital Information Officer	G Offen
Managing Director, Defined Benefit Solutions	P Sagoo
Managing Director Retail	P J Turner
Group Chief Actuary	P M Jolly
Chair JRL and PLACL	J T Perks

Company Background
JRL was established in 2004 with a 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, April 2016 saw Just Retirement merge with Partnership and the formation of Just Group plc (formerly JRP Group plc).

JRL is the group's main life insurance company, now writing around 95% of the Group's principal products.

OPERATIONS

Governance System and Structure

Just Group's system of governance is applied across all UK regulated subsidiaries of the Group, including the insurance regulated entities JRL and PLACL. The Just Group plc Board aspires to high standards of corporate governance, and focuses primarily on strategic, policy and governance issues, acting in accordance with the best interests of policyholders and shareholders as a whole.

The Group Board has delegated responsibilities for oversight of specific activities of the Group and its subsidiary undertakings to its Board Committees. The Boards of JRL and PLACL delegate specific matters to their own separate Audit Committees and Investment Committees. To ensure independence from the Group Board, the Chair of the JRL and PLACL Boards is not a Director of Just Group plc.

The aim is then to have governance embedded via the established three lines of defence model. The first line of defence is line management who devise and operate the controls over the business. The second line functions are Risk Management, Compliance and Actuarial Assurance, which oversee the first line, ensure that the system of controls is sufficient and is operated appropriately, and also measure and report on risk to the Group Risk and Compliance Committee. The third line is Internal Audit who provide independent assurance to the Board and its Committees that the first and second lines are operating appropriately.

2019/2020 saw significant change at Group Board level. David Richardson replaced Rodney Cook as CEO. Andy Parsons was appointed as CFO. There were also Non-Executive appointments at Group, JRL and PLACL level. Chris Gibson Smith retired as Group Chair and was replaced by John Hastings-Bass.

The Group states a commitment to improving its gender diversity and that it is on track to achieve its own internal target that 33% of senior leadership roles should be held by women by 2023, with gender diversity across senior roles increasing by three percentage points in 2021 [2020: five percentage points].

Just has developed a Sustainable Investment Framework (SIF), to formally integrate ESG considerations into its investment portfolio and decision-making process. Just reported a 20% reduction in its carbon footprint in 2021 [2020: 75%; 2019: 41%].

Just Group has formally adopted a carbon emissions reduction target, and is aiming to achieve net zero from its operations by 2025. Over the past two years, the Group's operational carbon intensity per full time employee has fallen by 85% remaining the lowest level in the UK life insurance industry in the FTSE 350. Furthermore, the Group is targeting a reduction to net zero in its investments/supply chain by 2050, with a 50% reduction milestone by 2030, in line with the ABI climate change roadmap, published in July 2021.

Risk Management

The Group's risk management framework is based on an enterprise-wide approach in which all the risks are considered along with their inter-relationships and risk management is embedded in all activities within the Group. The risk management processes are integrated into the Group's organisational structure and decision-making processes. Integration is assisted by, in particular, the Group's internal control system as set out in the Group Internal Control policy.

The Group's Own Risk and Solvency Assessment (ORSA) embeds comprehensive risk reviews into the Group management processes. The annual ORSA report is a key part of the business cycle and informs strategic decision making. ORSA updates are prepared each quarter to keep the Board appraised of the Group's evolving risk profile.

Risk identification is performed continuously, and is embedded in the ORSA process. The primary risks to which Just is exposed arise through its regulated insurance entities JRL and PLACL.

The key risks are:

- Market risk comprising exposure to interest rate risk affecting the current value of future cash flows, credit risk and residential property risk which affects the value of NNEG provided within lifetime mortgages
- Underwriting risk arising through the exposure to longevity, mortality and morbidity risks
- Regulatory risk and uncertainties - in particular, the valuation of NNEG, managing investment risk and climate change risk

Just has developed a strong and central risk management approach, with significant evolution having taken place in recent years. The risk management framework seeks to align overall business strategy with financial and non-financial risk exposures, capital allocation and sustainable growth. Central to this has been work to engage all employees in making more effective decisions which incorporate a better understanding of risk. Within this, alongside business outcomes, Just articulates the following in terms of desired stakeholder outcomes:

> *'Investors: By managing our resources effectively we generate profits in excess of our cost of capital. We manage our capital conservatively and are focused on increasing our organic capital generation*
>
> *Individual Customers: We help our customers enjoy a better quality of life in retirement by making their savings and property wealth go further through medical underwriting*
>
> *Corporate Clients: We create opportunities and solve problems for companies using our scalable retirement focused solutions*
>
> *Trustees and Scheme Sponsors: We provide member security and de-risk pension liabilities*
>
> *Communities: We are a significant local employer in our communities of Reigate and Belfast. Our communities benefit from job creation, our tax payments and community outreach activities*
>
> *Colleagues: We develop, recognise and reward our colleagues to secure a skilled and motivated team'*

Administration

Since the launch of both constituent businesses, management philosophy has been that the quality of service to the intermediary is a key driver to long-term success, along with an ability to deliver such in a cost effective and consistent manner; with both operations having constructed appropriate infrastructure to do this and consequently developing positive reputations in this area.

The ongoing Just strategy is to utilise the benefits of technology to improve the quality of its service and proposition and establish a much more digitally based operation whilst also controlling costs. Overall the company regards service quality and customisation to be key factors for selection in each of 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.

Just reported that, due to a rapid rollout of new technology and other equipment in March 2020, 99% of its staff were able to work from home shortly after the onset of the pandemic, with the delivery of all its services to customers maintained and a number of changes made to its products and services.

The delivery of a significant technology upgrade across the Group in 2020 was seen as a critical enabler to Just's ability to respond to COVID-19 impacts. There is a continued commitment to improve processes in order to become more efficient and productive.

2021 saw the transition of employees from homeworking in light of COVID-19, to hybrid ways of working.

Benchmarks

Both Just Retirement and Partnership have gathered a wealth of service awards and standards over many years. Including Financial Adviser 5 Star Service Awards for both businesses over many consecutive years leading up to the merger and since, and other awards such as Moneyfacts for annuity service. Now operating as Just, the Group has continued to win Financial Adviser 5 Star service awards in both the Pensions & Protection (renamed from Life & Pensions in 2020) and Mortgages categories. 2019 also saw it win the Outstanding Achievement Award in recognition of fifteen consecutive 5-star accolades in the Life & Pensions category. 5 stars were retained in the Pensions & Protection category in 2020, with 4 stars awarded for Mortgages. Just was named as Company of the Year at the Financial Adviser Service Awards for 2021as well as achieving five star awards in both the Pensions & Protection and Mortgages categories.

Just has consistently featured highly in the Investment Life & Pensions Moneyfacts Awards including winning Best Annuity Service in 2018, 2019, 2020 and 2021. Just was also awarded 5 stars in the 2018 Moneyfacts Equity Release Star Ratings.

JRML won the award for 'Equity Release Lender of the Year' at the 2019 MoneyAge Awards.

Importantly as it matures and extends its offering in the sector, Just DB Solutions won the 'Pension Insurance Firm of the Year' at the 2019 European Pensions Awards and 'Risk Management Provider of the Year' at the 2019 and 2022 Pensions Age Awards.

Just won the 'Best Innovation in Retail Finance' award at the 2019 Retail Asset Management Awards in specific recognition of the flexible 'Just for You' mortgage range and the 'Customer Focus Award - Large Enterprise' at the 2019 ICS UK Customer Satisfaction Awards.

Outsourcing

As a result of the merger of Just Retirement and Partnership Assurance, there was an increase in the number and range of material outsourced arrangements reflecting the companies' different operational strategies.

The principal activities that are outsourced are:

- Investment Management - outsourced by JRL to service providers in the UK, the Netherlands and the USA. Another two investment managers, based in the UK, have their headquarters in Australia. By PLACL to service providers in the UK
- Defined benefit (buy out/buy in) policy administration - outsourced to Marsh
- Administration of Post Completion policies - outsourced by PLACL to Capita Hartshead (annuities) and Direct Group Ltd (life protection)

Also in South Africa, annuity administration, investment management and most underwriting is outsourced to a range of local third parties.

STRATEGY

Market Positioning

Just is a specialist UK financial services group focusing on certain segments of the UK retirement income market and considers itself to be a disrupter on behalf of its customers, aiming to do this through innovation.

Its purpose is to be there when needed, and in respect of which, if it is successfully able to demonstrate delivery, should help position the brand positively in terms of key differentiation in coming years.

The radically different decumulation landscape from 2015 drove the formation of Just Group plc. This was a welcome development from the constituent positions of the previous Partnership Assurance and Just Retirement businesses. The Group, which moved to operate under the single Just brand in January 2017, has three areas of strategic focus:

- UK Retail (retirement income, lifetime mortgages and long-term care)
- UK Defined Benefit De-risking
- International (South Africa retirement income, launched in 2015 and now with around 53 FTEs)
- HUB group of businesses (offering regulated financial advice and guidance services for individuals and a range of business services tailored to corporate clients)

Just has a specialist but increasingly balanced distribution strategy. This sees a balance between the DB solutions arena, which draws on the recent strengths and growth of both businesses, and the strong specialist position of each in the retail space.

Within this overall balance there is then further balance sought within the retail space. Here the primary focus of the merged business remains on the intermediary market, although the company continues to seek to widen and re-balance its distribution through the development of other complementary channels and opportunities overseas. Alongside the 'mainstream' intermediary channel, other distribution partnerships include relationships with other life companies, such as Phoenix Life, Prudential and Zurich, aggregators and media organisations. Further, Just is able to provide a range of options and components for the B2B2C market, including white labelling and outsourcing of advice, software and database support.

In July 2017, the business of The Open Market Annuity Service Ltd (TOMAS) was transferred to Just Retirement Solutions Ltd, a sister company. Just Retirement Solutions Ltd was then renamed as HUB Financial Solutions Ltd. HUB Financial Solutions is seen as a prime enabler, including with corporate pension schemes to enable simplified advice to members and offers Retirement Income Services and Equity Release Advice Services for a number of different audiences, as well as software and consultancy services that are provided to businesses and their employees.

In 2019, the Secure Lifetime Income (SLI) platform proposition was launched in partnership with Spire Platform Solutions. At launch, the SLI solution was made available via the Novia Platform. SLI is being extended to other platforms with 7IM added in May 2022, enabling financial advisers to blend guaranteed income alongside their drawdown investment portfolios.

In its retail markets Just has introduced Destination Retirement (via HUB Financial Solutions) an automated advice service which has been developed to help close the financial advice gap for people in middle Britain with more modest pension savings.

Just continues to invest for growth by developing new solutions which are aimed at positively disrupting its market and to deliver better outcomes for customers. 2020 saw the company complete a pilot transaction to advance the DB partnering model, which is to originate a regular flow of DB de-risking transactions on behalf of a partner, utilising the partner's available capital. This proposition is targeted at the above £250m transaction size segment and is therefore complementary to Just's core DB business, which is focused on the below £250m size segment. The first new DB partnering contract was completed in 2021. Just's largest DB transaction to date was signed in July 2022, a £0.5bn Buy-in insuring c4,800 members. Around 50% of the liabilities are reinsured with a DB partner.

Proposition

Just is a leading specialist provider of retirement income products and services to both individuals and corporates, and a major provider of lifetime mortgages (LTM). With its strategy firmly focused on the approaching and at-and-in-retirement impaired and enhanced life market, Just has four core products with JRL focusing on providing retirement income products to individual and corporate clients and lifetime mortgages and PLACL on care products. In addition, HUB Financial Solutions offers a drawdown proposition, which is administered on the Embark platform following the transfer of that business in 2019.

JRL is the group's principal life company writing all new business in respect of annuities and DB de-risking contracts and the vast majority of residential lifetime mortgage business.

The following are written into JRL:

- Defined Benefit De-risking Solutions (DB)
- GIfL (Annuities)
- Secure Lifetime Income (SLI)
- Lifetime Mortgages (LTM)

Written by PLACL:

- Care Plans (CP)

Just's markets, which are all relatively attractive from a growth perspective, and where the business has an established track record, as well as highly developed relevant intellectual property in certain areas, are positioned to also form a complementary environment from a funding perspective.

Just continues to invest for growth by developing new solutions in order to positively disrupt its markets and deliver better outcomes for customers. Just's proposition in the DB buyout sector remains an important part of its offering and one that has been key to the business's success in recent years. Just has developed a capital light product known as DB partnering for de-risking transactions which exceed £250m in size, and to date has completed two transactions, in March 2020 and July 2022. Here, Just has the optionality to retain a larger transaction on its own balance sheet or to substantially reinsure all of the risks on all or part of the transaction, while earning a success based origination fee which can offset the capital requirement for the portion of the transaction that Just chooses to keep for itself. In its retail markets Just introduced Destination Retirement, an automated advice service which has been developed to help close the financial advice gap for people in middle Britain with more modest pension savings.

Consideration of the role of platforms is also central in further product development. Just has taken steps to make its specialist retirement components increasingly accessible via current adviser technology and practices. In May 2022, 7IM became the second platform to incorporate Just's Secure Lifetime Income proposition. This proposition has been specifically designed for SIPPs held on platform to provide an element of guaranteed income alongside a customer's chosen investment strategies. This opportunity in this regard would appear to be significant for both the company and the wider market.

2015 saw JRL upgrade its GIfL 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, Just has also invested heavily in its systems for appropriate underwriting, with current activity now benefiting from use of its PrognoSys system.

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

The Care Market has particular growth potential, but from a very low base and one which remains hampered by its dependency on long outstanding developments at government/legislative level. However, given broader change in this area and with other, including larger providers, looking at participation, it remains an opportunity. Just introduced a number of measures to support its customers through the pandemic including a new temporary capital guarantee feature for long-term care products, which will return the total premium less any income paid should the customer pass away within 12 months of the policy inception date and has further innovated by developing a domiciliary Care product, which utilises the customer's housing equity via a drawdown lifetime mortgage to provide Care in the home.

Lifetime mortgages complement the annuity business, with a controlled proportion of annuity proceeds invested in them. Lifetime mortgages 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 a Solvency II perspective, albeit the regulatory backdrop raises potentially negative issues here. In addition, the duration characteristics of Lifetime Mortgages are beneficial in matching annuity liabilities, particularly Defined Benefits, which tend to be of longer duration. A small proportion of the funds are invested in index-linked gilts to match indexed annuities.

Following the publication of PS 13/18, Just chose to be more selective in the lifetime mortgage market, with a focus on shorter duration loans to older borrowers, lower LTV business and customers with sufficient income to service interest on their borrowings.

The 'Just for You' mortgage range was launched in January 2019. The product includes standard features, then the customer decides with their advisor which additional options and flexibility suits their individual needs, and includes an interest serviced offering as part of the proposition.

In July 2020, Just launched the UK's first green lifetime mortgage as part of its latest product update. The green lifetime mortgage offers a small discount on their interest rate for new lifetime mortgage customers whose property has an A or B-rated Energy Performance Certificate.

KEY COMPANY FINANCIAL DATA

Last 3 reporting periods up to 31 December 2021

Assets

	Dec 19 £m	Dec 20 £m	Dec 21 £m
Fixed interest	7,271	8,061	10,402
Equities	0	0	0
Collectives	924	727	931
Property	0	0	0
Linked	0	0	0
Derivatives	266	746	654
Loans and mortgages	7,415	8,062	7,525
Reinsurance recoverables	691	(190)	(247)
Cash	200	1,250	302
Other	368	400	297
Total Assets	17,134	19,056	19,864

Liabilities

	Dec 19 £m	Dec 20 £m	Dec 21 £m
Technical provisions - non-life	0	0	0
Technical provisions - health (similar to life)	0	0	0
Technical provisions - life	14,195	16,057	17,054
Technical provisions - linked	0	0	0
Other	1,846	1,528	1,302
Total Liabilities	16,041	17,585	18,356
Excess of assets over liabilities	1,092	1,471	1,508

JRL's total assets and liabilities both increased by 4% in 2021. The excess of assets over liabilities increased by 3%.

JRL's main asset classes are fixed interest (52%) and lifetime mortgages (shown above as loans & mortgages - 38%), both reflecting the nature of the liabilities.

At 31 December 2021, on a Solvency II basis the Just Group had total assets of £25.4bn [2020: £25.1bn] and the excess of assets over liabilities amounted to £2.2bn [2020: £2.2bn]. JRL and PLACL had excess assets of £1,508m and £508m respectively [2020: £1,471m and £678m respectively].

Life & Health SLT Technical Provisions

	Dec 19 £m	Dec 20 £m	Dec 21 £m
Insurance with profit participation	0	0	0
Linked insurance	0	0	0
Other life insurance	14,195	16,057	17,054
Annuities - from non-life health	0	0	0
Annuities - from non-life non-health	0	0	0
Health insurance	0	0	0
Health reinsurance	0	0	0
Life reinsurance	0	0	0
Total life & health SLT technical provisions	14,195	16,057	17,054

Life Expenses

	Dec 19 £m	Dec 20 £m	Dec 21 £m
Health insurance	0	0	0
Insurance with profit participation	0	0	0
Linked insurance	0	0	0
Other life insurance	104	101	105
Annuities - from non-life health	0	0	0
Annuities - from non-life non-health	0	0	0
Health reinsurance	0	0	0
Life reinsurance	0	0	0
Other expenses	71	80	65
Total life expenses	175	182	170

Following the transfer of the unit linked Flexible Pension Plan products to a third party in 2019, JRL now has one line of business under Solvency II: 'Other life', in which all of its principal products are reported.

There are Index-linked technical provisions of £2.5m [2020: £1.3m], relating to Just Retirement South Africa, which are excluded under Solvency II.

Solvency Capital Requirement (SCR)

	Dec 19 £m	Dec 20 £m	Dec 21 £m
Market risk	1,148	1,327	1,340
Counterparty default risk	0	10	10
Life underwriting risk	740	736	625
Health underwriting risk	0	0	0
Non-life underwriting risk	0	0	0
Diversification	(444)	(496)	(443)
Intangible asset risk	0	0	0
Operational risk	35	83	92
Capital add-ons already set	0	0	0
Other items	(210)	(299)	(308)
Solvency capital requirement	1,268	1,361	1,315

Eligible Own Funds

	Dec 19 £m	Dec 20 £m	Dec 21 £m
Tier 1 unrestricted	778	1,170	1,213
Tier 1 restricted	194	250	250
Tier 2	388	512	498
Tier 3	190	103	96
Eligible own funds to meet SCR	1,550	2,035	2,057
Excess of own funds over SCR	282	674	742
SCR coverage ratio (%)	122.0	150.0	156.4

JRL calculates its Solvency II capital requirements using a full internal model. Just Group is on a Partial Internal Model, because the capital requirement for PLACL is assessed using the standard formula.

JRL has looked to build its capital base in recent years in response to regulatory developments.

JRL's SCR coverage ratio increased to 156% at 31 December 2021 [2020: 150%].

Compared to prior years, in 2021, there were relatively fewer management actions, as JRL focused on executing its strategic priorities including sustainable and profitable growth. The business is now capital self-sufficient, underpinned by growth in underlying organic capital generation. The coverage ratio movement was driven by a number of items including:

- a further reduction in new business strain to 1.5% of premium [2020: 2.3%] due to continued pricing discipline and risk selection including adjusting the mix of DB business. DB deferred business is written at significantly better Solvency II new business strain thon pensioner in-payment DB and retail business
- continued adjustment of the asset mix backing the new business with a reduced LTM backing ratio, close monitoring of the capital characteristics of LTM originated, and investing in other illiquid assets
- non-operating items including property outperformance and credit spread narrowing offset by other economic movements including interest rates
- the implementation of several management actions over the period including asset portfolio optimisation and internal model update as approved by the PRA

JRL has approval to apply the matching adjustment and transitional measures on technical provisions (TMTP) in its calculation of technical provisions. TMTP was recalculated as at 31 December 2021 in line with requirements to recalculate it every two years. The 31 December 2021 regulatory position reflects this recalculation, with TMTP of £934.9m [2020: £1,218.1m].

Gross Life Premiums Written By Line of Business

	Dec 19 £m	Dec 20 £m	Dec 21 £m
Health insurance	0	0	0
Insurance with profit participation	0	0	0
Linked insurance	27	0	0
Other life insurance	1,816	2,029	2,560
Annuities - from non-life health	0	0	0
Annuities - from non-life non-health	0	0	0
Health reinsurance	0	0	0
Life reinsurance	0	0	0
Total gross life premiums written	1,843	2,029	2,560

Gross Life Premiums Written By Country

	Dec 19 £m	Dec 20 £m	Dec 21 £m
Home country	1,843	2,029	2,560
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	1,843	2,029	2,560

Sales growth in 2021 led to a 13% increase in new business profit for the Group, to £225m, with sales of £2,674m up 25% [2020: £2,145m] and a new business margin of 8.4% [2020: 9.3%]. Within this:

JRL's Retirement income sales increased by 26% to £2,560m [2020: £2,029m].

• DB sales were £1,934m [2020: £1,496m], an increase of 29%

• GIfL sales increased by 17% to £626m [2020: £533m]

Additionally, Lifetime Mortgage advances increased by 3% to £528m [2020: £512m].

JRL's gross written premiums increased on the back of higher new business volumes.

Profit

	Dec 19 £m	Dec 20 £m	Dec 21 £m
Profit (loss) before taxation	323	262	(68)
Taxation	(59)	(46)	13
Profit (loss) after taxation	263	215	(55)
Other comprehensive income	0	(1)	0
Dividends	0	0	0
Retained profit (loss)	263	214	(68)

Life Business Flows

	Dec 19 £m	Dec 20 £m	Dec 21 £m
Net life premiums earned	2,284	2,738	2,538
Net life claims incurred	(773)	(843)	(977)
Net flow of business	1,510	1,896	1,561

JRL reported an IFRS loss before tax of £67.9m in 2021 [2020: £261.6m profit] The main reason for the reduction in profit was investment and economic losses of £296.6m compared to investment and economic profits of £21.2m in 2020. JRL reported higher volumes of new business, albeit written at lower margins due to a change in sales mix, a lower LTM backing ratio and tighter, lower asset spreads. During 2021, JRL adjusted the DB new business to include a greater weighting of deferred lives (38% of DB soles compared to 2% in 2020). Operating experience and assumption changes combined to a profit of £7.6m as positive annuitant mortality was partially offset by LTM early redemptions and a strengthening of the LTM voluntary redemption assumption. Investment and economic lasses of £296.6m were driven by the £161m Group loss from the disposal of the LTM portfolio, which was largely applicable to JRL and losses due to adverse changes in the risk-free rote of £182.9m. JRL actively hedges its interest rate exposure to protect the Solvency II capital position, but in doing so accepts the accounting volatility that ensues. The negative effect from the increase in risk free rotes was partially offset by the impact of narrower credit spreads of £39.6m and positive property growth experience of £21.7m.

No dividend was paid [2020: nil].

JRL's net premiums reduced from £2,738m to £2,538m. Net claims increased from £843m to £977m. This resulted in a reduced net inflow of £1,561m [2020: £1,896m].

Net premiums in 2020 were boosted by reinsurance recaptures of £940m, not repeated in 2021.

Company Analysis: Partnership Life Assurance Company Ltd

BASIC INFORMATION

Company Type
Life Insurer

Ownership & Control
Just Group plc, whose significant shareholders include: Aegon N.V. (5.2%), Credit Suisse Group AG (3.7%) and Norges Bank (3.0%).

Year Established
2005

Country of Registration
UK

Head Office
Enterprise House, Bancroft Road, Reigate, Surrey, RH2 7RP

Contact
www.wearejust.co.uk/contact-us/

Key Personnel

Role	Name
See Just Retirement Ltd	

Company Background
PLACL was established in October 2005 to receive the business of the Pension Annuity Friendly Society (PAFS) following its demutualisation, the first ever by a UK Friendly Society. PAFS was founded in 1995 to provide financial services products for people with non-standard medical requirements. The Anderton Mortality Tables were constructed specifically for PAFS to assess the anticipated life expectancy for individuals with medical conditions. These were replaced with the Enhanced Mortality Tables (EMT) in 2004. 2008 saw the company change ownership, from Phoenix Equity Partners to Cinven Ltd. 2008 also saw a capital injection of £9.8m. There were also further drawdowns of its £16m subordinated debt arrangement with Lloyds Banking Group in 2008 and 2009 - at which stage it was fully drawn down. 2012 saw capital injections totalling £111.8m from funds raised partly by Cinven and partly by Lloyds Banking Group. This enabled the company to repay the subordinated debt and also, along with retained profits, substantially boost its solvency coverages. In October 2013, the company acquired B&CE's annuity portfolio. April 2016 saw the merger of Just Retirement with Partnership and the formation of JRP Group plc, now known as Just Group plc.

PLACL's principal activities are the run-off of life assurance and annuities and the writing of new UK Care business.

OPERATIONS

Governance System and Structure
See JRL

Risk Management
See JRL

Administration
See JRL

Benchmarks
See JRL

Outsourcing
See JRL

STRATEGY

Market Positioning
See JRL

Proposition
See JRL

KEY COMPANY FINANCIAL DATA

Last 3 reporting periods up to 31 December 2021

Assets

	Dec 19 £m	Dec 20 £m	Dec 21 £m
Fixed interest	3,002	2,917	2,479
Equities	0	0	0
Collectives	519	378	395
Property	0	0	0
Linked	0	0	0
Derivatives	13	51	37
Loans and mortgages	1,832	1,904	1,729
Reinsurance recoverables	505	503	440
Cash	30	207	170
Other	85	38	36
Total Assets	5,986	5,997	5,287

Liabilities

	Dec 19 £m	Dec 20 £m	Dec 21 £m
Technical provisions - non-life	0	0	0
Technical provisions - health (similar to life)	0	0	0
Technical provisions - life	4,955	4,964	4,492
Technical provisions - linked	0	0	0
Other	291	355	287
Total Liabilities	5,246	5,319	4,779
Excess of assets over liabilities	740	678	508

Total assets and liabilities reduced by 12% and 10% respectively in 2021. The excess of asset over liabilities also reduced to £508m [2020: £678m].

The main asset classes are fixed interest (47% - reflecting the nature of the liabilities) and lifetime mortgages (33%).

Life & Health SLT Technical Provisions

	Dec 19 £m	Dec 20 £m	Dec 21 £m
Insurance with profit participation	0	0	0
Linked insurance	0	0	0
Other life insurance	4,955	4,964	4,492
Annuities - from non-life health	0	0	0
Annuities - from non-life non-health	0	0	0
Health insurance	0	0	0
Health reinsurance	0	0	0
Life reinsurance	0	0	0
Total life & health SLT technical provisions	4,955	4,964	4,492

Life Expenses

	Dec 19 £m	Dec 20 £m	Dec 21 £m
Health insurance	0	0	0
Insurance with profit participation	0	0	0
Linked insurance	0	0	0
Other life insurance	18	14	10
Annuities - from non-life health	0	0	0
Annuities - from non-life non-health	0	0	0
Health reinsurance	0	0	0
Life reinsurance	0	0	0
Other expenses	12	11	10
Total life expenses	30	25	20

PLACL has one line of business under Solvency II: 'Other life'.

Solvency Capital Requirement (SCR)

	Dec 19 £m	Dec 20 £m	Dec 21 £m
Market risk	405	420	372
Counterparty default risk	4	9	11
Life underwriting risk	221	244	223
Health underwriting risk	0	0	0
Non-life underwriting risk	0	0	0
Diversification	(121)	(134)	(123)
Intangible asset risk	0	0	0
Operational risk	22	22	20
Capital add-ons already set	0	0	0
Other items	(22)	(17)	(18)
Solvency capital requirement	510	544	485

Eligible Own Funds

	Dec 19 £m	Dec 20 £m	Dec 21 £m
Tier 1 unrestricted	690	628	458
Tier 1 restricted	50	50	50
Tier 2	167	200	199
Tier 3	0	0	0
Eligible own funds to meet SCR	907	878	707
Excess of own funds over SCR	397	335	222
SCR coverage ratio (%)	178.0	162.0	145.8

PLACL's capital requirement is currently assessed using the standard formula. Just intends to get approval for the use of an internal model for PLACL to enable the whole Group to use an internal model.

The SCR coverage ratio including a recalculation of TMTP was 146% at 31 December 2021 [2020: 162%]. The decrease in the ratio was primarily driven by the payment of a dividend of £169m. Other movements include surplus emerging from in-force business, positive mortality and property experience offset by amortisation of TMTP and debt interest payments.

The TMTP was last recalculated at 31 December 2021, and amounted to £722.4m at this date [2020: £880.9m].

After the 2021 year end, PLACL paid a dividend of £50m. If this had been foreseen on 31 December 2021, the SCR coverage ratio would have been 135%.

Gross Life Premiums Written By Line of Business

	Dec 19 £m	Dec 20 £m	Dec 21 £m
Health insurance	0	0	0
Insurance with profit participation	0	0	0
Linked insurance	0	0	0
Other life insurance	74	54	54
Annuities - from non-life health	0	0	0
Annuities - from non-life non-health	0	0	0
Health reinsurance	0	0	0
Life reinsurance	0	0	0
Total gross life premiums written	74	54	54

Gross Life Premiums Written By Country

	Dec 19 £m	Dec 20 £m	Dec 21 £m
Home country	74	54	54
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	74	54	54

PLACL stopped selling new GifL and DB contracts on becoming part of the Just Group in 2016, and is now solely focused on Care Plans.

Gross written premiums were broadly unchanged during the year. The Care market continues to be affected by COVID-19, with the run-rate remaining below the pre-COVID 19 level. The company reports that uncertainty regarding the Government's approach to funding long-term care costs has led to customer decisions being postponed.

Profit

	Dec 19 £m	Dec 20 £m	Dec 21 £m
Profit (loss) before taxation	88	20	79
Taxation	(15)	(2)	(14)
Profit (loss) after taxation	73	18	65
Other comprehensive income	0	0	0
Dividends	0	(90)	(169)
Retained profit (loss)	73	(72)	(104)

Life Business Flows

	Dec 19 £m	Dec 20 £m	Dec 21 £m
Net life premiums earned	73	53	52
Net life claims incurred	(161)	(163)	(160)
Net flow of business	(88)	(111)	(107)

IFRS profit before tax increased to £79.4m in 2021 [2020: £19.7m] largely due to investment and economic profits of £48.1m [2020: £11.8m loss]. The main items driving the investment and economic profits were property value outperformance (+£41.8m) and credit spread tightening (+£17.8m) and various other items (+£19.6m), partially offset by increased risk free rates during the year (-£35.6m). In 2020, the investment and economic losses were driven by a reduction in the property growth assumption, which resulted in a loss of £36.3m and changes to the bond hypothecation following downgrades resulting in a loss of £21.0m. These losses were partially offset by a positive impact of £42.6m from a decrease in risk free rates.

2021 operating experience and assumption changes were a positive £20.6m variance due to positive annuitant mortality experience, in particular from a number of large defined benefit case sizes. 2020 operating experience and assumption changes were a positive £16.2m, driven by positive annuitant mortality experience and mortality basis changes.

A dividend of £169m was paid in 2021 [2020: £90m]. Subsequent to the year end, the company approved a dividend of £50m.

With both gross written premiums reducing slightly from £54.1m to £53.7m and reinsurance premiums reducing from £1.4m to £1.2m in 2021, net earned premiums reduced from £52.7m to £52.4m. With net claims reducing by 2% to £159.6m [2020: £163.3m], there was a reduced net outflow of £107.1m [2020: £110.7m].

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/provider.

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

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

This is a participatory assessment.

RATING DEFINITIONS

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

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

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

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

With Profits Financial Strength Rating

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

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

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

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

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

Unit Linked Financial Strength Rating

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

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

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

Non Profit Financial Strength Rating

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

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

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

Service Rating

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

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

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

Image & Strategy Rating

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

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

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

Business Performance Rating

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

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

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

ABOUT AKG

AKG is an independent organisation. Originally established as an actuarial consultancy AKG has, for over 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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