



AN ASSESSMENT OF FINANCIAL STRENGTH & CORPORATE PROFILE

B&CE GROUP OF COMPANIES
(TRADING AS B&CE BENEFIT SCHEMES)

NOVEMBER 2011

AKG

Accessible – Comparative – Independent

Analysis by AKG Actuaries & Consultants Ltd

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I INTRODUCTION

I.1 BACKGROUND

This Report has been prepared for the B&CE Group of companies, trading as B&CE Benefit Schemes (The Client, B&CE).

I.2 AKG'S ASSIGNMENT

AKG's assignment can be broadly summarised as *'to produce a confidential independent assessment of B&CE Benefit Schemes, taking account of AKG's generic experience of the requirements of leading IFAs and Employee Benefit Consultants, and including elements from the format of AKG's annual Company Profile & Financial Strength Reports for UK Life Offices'*.

I.3 INFORMATION SOURCES

AKG has been supplied with the following information:

- a) Building and Civil Engineering Holidays Scheme Management Ltd – Report & Accounts 31 March 2011
- b) B & C E Insurance Ltd – Report & Accounts 31 March 2011
- c) B & C E Insurance Ltd – FSA Returns 31 March 2011
- d) B & C E Financial Services Ltd – Report & Accounts 31 March 2011
- e) Building & Civil Engineering Benefits Scheme Trustee Ltd – Report & Accounts 31 March 2011
- f) B&CE Crisis Management Team Plan Ver. 16

In addition AKG held an initial meeting with the following employees of B&CE: Paul Murphy, Director of Customer Development and Sam Stedman, Financial Controller. A further meeting was held with Paul Murphy and Sam Stedman together with Richard Cole, IT Manager and Patrick Heath-Lay, Director of Finance and Decision Support.

Further information on B&CE, available at www.bandce.co.uk and www.easybuildpension.co.uk, was also utilised.

Information in respect of other companies in the market was obtained from AKG's internal library of information, which is maintained both by regular direct contact with product providers and by other channels of market intelligence.

I.4 RELIANCES AND LIMITATIONS

Much of the information upon which AKG's comments are based has been supplied directly by the Client. AKG has made every effort to ensure the accuracy of the content of this report and to ensure that the information contained is as current as possible at the date of issue, but AKG (inclusive of its directors, officers, staff and shareholders and any affiliated third parties) cannot accept any liability to any party in respect of, or resulting from, errors or omissions.

Assessments of financial strength, etc. are generally based upon analysis of the annual Accounts and Statements of the companies concerned.

All analysis is based on the assumption that prospective policyholders (and their advisers) will wish to take a cautious approach to risk in respect of financial strength issues, etc. in the selection of appropriate product providers.

AKG personnel are available to expand upon the comments in this report, if required.

Whilst many aspects underlying AKG's comments are likely to change only slowly, the financial services industry is a competitive and dynamic marketplace, with new products and developments being announced regularly. As a result, AKG cannot guarantee that any particular comment will remain appropriate at any future date. In particular, future developments such as product changes, or company restructuring, could have significant impact upon the comments.

AKG information, comments and opinion, as expressed in the form of its analysis and ratings, do not establish or seek to establish suitability in any individual regard and AKG does not provide, explicitly or implicitly, through this report and its content, or any other assessment, rating or commentary, any form of investment advice or fiduciary service.

I.5 CONFIDENTIALITY

This report has been produced for the Client's sole consideration.

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Prior arrangement of the content, context, duration and volume of such reproduction and of any reference, explicit or implicit, to AKG's involvement in producing this report; and

Payment of such additional fees as may be mutually agreed between AKG and the Client.

2 ASSESSMENT CRITERIA

2.1 FINANCIAL STRENGTH AND CORPORATE PROFILE

A prime criterion in assessing financial service providers is that of Financial Strength and Corporate Profile. AKG invariably recommends the exclusion from consideration product providers who do not rate highly enough in this respect, regardless of other considerations.

AKG consistently emphasises the need to evaluate 'Financial Strength and Corporate Profile' in the context of the product type under consideration. In AKG's experience, it is not uncommon for a single company to have quite different Financial Strength ratings for different types of product. Thus, for example, AKG may rate a company very 'strong' for Non Profit products, but extremely 'weak' for With Profits products.

For the evaluation of '*Financial Strength and Corporate Profile*', AKG's general aim is to assess a company's ability to support its business over the long-term, taking the following main criteria into account:

- Available capital
- Parental strength (and likely attitude towards supporting the company)
- Company size
- Corporate structure
- Operational capability and governance
- Distribution image
- Future strategy

AKG has rated B&CE B (Strong) for overall financial strength.

This rating is based on a mix of criteria, according to a balanced scorecard approach, with key aspects reflected in the assessment outlined in this report.

The rating and supporting assessment is comparable (i.e. shares the common rating currency) with those ratings for entities covered by AKG's Company Profile & Financial Strength Reports.

3 BACKGROUND

3.1 THE GROUP

B&CE is the UK's largest provider of financial benefits to the construction industry's employers and employees. Since its launch in 1942, all efforts have gone towards achieving one goal: improving the needs of everyone working in construction, including a stakeholder pension scheme, annuities, accident cover, life cover, holiday pay, personal injury insurance and employee healthcare schemes.

B&CE is a 'not-for-profit' organisation whose primary concern has, historically, been employers and employees in the construction industry. Its aims have been:

- To give construction employees financial protection while in employment and financial security in retirement, and
- To provide a wide range of attractive benefits that help construction employers recruit and retain high quality, committed people at low cost.

This has remained the Group's focus over many years. However, more recently, the Group has faced a number of challenges. Whilst new business levels have held up reasonably well, given the economic background, the group has seen a fall off in the number of employer groups as well as a decline in those members making their own contributions.

AKG's 2010 Company Profile and Financial Strength Report relating to B & C E Insurance Limited, the insurance company in the group, stated the following:

Given the challenges the company faces in the next few years, it has made some tangible headway. Premium income is increasing, boosted by new annuity sales, expenses appear under control and solvency has improved. The company is very exposed to the downturn in the building trade, notwithstanding the, not entirely unexpected, fall in new regular premium business and a decline in the number of active policies resulting from changes in CIJC (Construction Industry Joint Council) contribution rules. The Government's introduction of auto enrolment in 2012, and the ability of the company to provide a credible alternative in its core market, will have a crucial bearing on the future of the company.

It is the Group's response to its various challenges that form the basis for this report.

3.2 REGULATION

The regulatory landscape for financial services providers of all shapes and sizes has changed significantly in recent years and continues to change.

National Insurance concession

Historically, the Group's original core product (the Holidays-with-Pay Scheme) was predicated on the concession that all amounts paid into the scheme were exempt from employers' National Insurance contributions. In October 2007, the Government announced the immediate withdrawal of the concession for all industries, except for the construction industry, where the concession would finally expire in October 2012.

It is unclear to what extent this change, of itself, will have on future business volumes but given other pressures on employers and the introduction of auto-enrolment, it is likely that contributions to the holiday pay scheme will fall post 2012.

The Pensions Act 2008

The Pensions Act 2008 imposed compulsory workplace pensions for most employees. Workplace pension schemes, incorporating auto enrolment, must adhere to certain 'qualifying' standards and are subject to a phased implementation between 2012 and 2017. This is very much the space in which the Group's EasyBuild pension scheme operates and as such represents both a threat and an opportunity to the Group. Contributions to the EasyBuild product are set through the CIJC Working Rule Agreement whereby employers contribute a minimum of £5 per week and match employees' contributions up to £10 per week. CIJC changes, which have been largely successful, were designed to avoid setting up small value policies. CIJC contributions going forward will be higher than the minimum required under the Pensions Act.

Solvency II

Solvency II is a fundamental review of the capital adequacy regime for the European insurance industry. It aims to establish a revised set of EU-wide capital requirements and risk management standards that will replace the current solvency requirements. Originally intended to be effective from 1 January 2013, it has now been delayed until 1 January 2014. In the run up to implementation, insurance companies, including B&CE Insurance Ltd, are thoroughly assessing the risks within their businesses and taking steps accordingly. The Group's decision to stop writing annuities and to refer them to Partnership Assurance is a direct response to Solvency II.

In the lead up to Solvency II the Group is also investigating other options, including reinsurance and Part VII transfers, in order to reduce the capital burden on the Group, specifically in respect of the, now closed, annuity portfolio.

The Retail Distribution Review

The Retail Distribution Review (RDR) comes into force on 31 December 2012. It is a key part of the Financial Services Authority's (FSA) consumer protection strategy, specifically relating to retail investment products. It incorporates a number of significant changes in market regulation relating to the provision of advice, the costs incurred in terms of fees (as opposed to commissions) and the qualifications of advisers. Given the nature of the B&CE operation, it does not pay commission and generally distributes corporate products through fee based intermediaries, the direct impact of the RDR on the Group is potentially positive. Commissions will still be receivable from both Partnership Assurance and Westfield Health.

4 THE PROPOSITION

In the last twelve months the Group has reviewed its strategy in respect of its proposition offering and target market.

As part of this it has sought to respond to the opportunities afforded by auto enrolment and the wider changes within the pensions' landscape, as well as internal Group changes and capability. It is also the case that some response, given the nature of the changes in the market, was necessary, given the trends within the business itself, to ensure the longer term future of the Group.

Its plan is to relaunch EasyBuild, its core proposition, re-branded as The People's Pension. This will be a Master Trust based Auto Enrolment compliant pension scheme. It will not be written within the insurance company as is the case with the current EasyBuild product. Alongside this project B&CE are also liaising with the regulators about the possibility of transferring existing EasyBuild policies over to the new scheme. The rationale for transferring existing business out of the life office and into the new trust arrangement centres on financial consideration, such as lower administration costs and less stringent solvency requirements, all of which should be reflected in lower costs to customers.

The Group has been successful in establishing EasyBuild as the scheme of choice for construction workers. It claims coverage of employers representing over 50% of all construction workers, rising to 75% when looking at the major construction companies. Whilst contributions have fallen in recent years, reflecting the general economic downturn, this extensive industry footprint is seen as a significant opportunity post 2012 as auto-enrolment 'unlocks' a potential very significant step up in contribution payments.

In addition, the Group sees clear additional opportunities post the introduction of auto enrolment for targeting a wider range of potentially transient low to moderate low paid occupational groups. This will embrace the whole market, but specific targets will include retail, hospitality, manufacturing, transport, and facilities management, as well as construction workers and the associated groups and trades that form part of the wider construction industry but have hitherto fallen outside the group's target market.

The Group's revised strategy is very much a combination of a response to regulatory change and a response to the dynamics within the Group in recent years.

For reasons outlined elsewhere in this report, The People's Pension product is key to the Group's future providing as it does an opportunity to maintain critical mass in what is the Group's core business area.

See also section 5.5 'Image & Strategy' for further comment.

5 B&CE GROUP

5.1 CORPORATE STRUCTURE

There are a number of companies in the B&CE Group. See Appendix 1 for a structure chart.

The companies are:

Building and Civil Engineering Holidays Scheme Management Limited

This is the Parent Company within the Group. It is limited by guarantee and has no share capital.

Building and Civil Engineering Holidays Scheme Management Limited administers the Building and Civil Engineering Holidays-with-Pay Scheme. It also administers the Building and Civil Engineering Benefits Scheme and the Building and Civil Engineering Accident Benefit Scheme.

Whilst it does not publish its own profit and loss account, AKG understands that the company generated a pre tax profit of approximately £8m in 2010/11.

B & C E Financial Services Limited

B & C E Financial Services Limited is a subsidiary of Building and Civil Engineering Holidays Scheme Management Limited. It administers a unit trust based personal pension scheme (the TUTMAN B&CE Contracted-out Pension Scheme, BCECOPS) and an employee life cover scheme, the Employee Life Cover (ELC) from B&CE. It is also the promotional and marketing arm of the Group, distributing any third party products that B&CE offers in partnership with other financial services providers.

Whilst operating profit for the company fell in 2011, to £311k from £916k on increased turnover, this fall was entirely due to a fundamental re-attribution of distribution costs and administrative expenses across the Group. Costs are now allocated across the group based on the activity of each company and the activity of the company has increased significantly: historically the majority of costs were borne by the Management Company.

Pre tax profits fell from £858k to £367k (the 2010 results having been after a £0.5m bad debt provision). The company had net assets of £6.4m.

B & C E Insurance Limited

B & C E Insurance Ltd a subsidiary of Building and Civil Engineering Holidays Scheme Management Limited. It is a composite insurance company, established in 1995, with the objective of offering appropriate insurance-based products to all who work in the construction industry. The company has to date been predominantly life business – 2011 gross earned life premiums of £72.6m [2010: £91.1m] were substantially more than general business earned premiums of £1.5m [2010: £1.2m]. Similarly whilst gross assets are in excess of £800m, a significant proportion of this, £693m, is reinsured into Legal & General Assurance (Pensions Management) Limited, leaving a Long Term Fund of just £124m. General Business technical provisions, comprising unearned premiums and outstanding claims, were very low, at £279k.

2011 saw pre tax profits fall to £11.5m, from £19.3m the previous year.

In the Long Term Business Fund, solvency improved with increased free assets of £19m and a Capital Resources Requirement Coverage of 275% [2010: 215%]. In the General Business Fund free assets also rose, to £20.9m, giving a combined surplus of £40m.

The Building & Civil Engineering Charitable Trust

Launched in 1991, the trust offers financial assistance to construction workers and their families who are suffering hardship, principally to ease the financial distress that illness or changes to domestic circumstances can cause.

The board of Building and Civil Engineering Holidays Scheme Management Limited has agreed to donate up to £1.5m to the Building & Civil Engineering Charitable Trust to fund the charity's activities. At the year end (March 2011) £1,439,102 in total had been transferred to the Trust.

The Trust is administered by Building and Civil Engineering Holidays Scheme Management Limited.

Building and Civil Engineering Benefits Scheme Trustee Limited

The company acts as Corporate Trustee to the Benefits Scheme (encompassing the LSRB Scheme, the AVC Scheme and the Death Benefit Scheme), the ELC Scheme and the Accident Benefit Scheme, all of which are schemes established for the provision of death, retirement and accident benefits. Through its Board of Directors the company exercises general oversight of the Benefit Schemes' operations. Its primary role is to provide suitable and appropriate financial management, to ensure assets are managed appropriately to achieve funding objectives, specifically the Lump Sum Retirement Benefit Scheme and the AVC Scheme.

The company produces financial statements under the small companies' regime of the Companies Act. For the year ended March 2011 the company reported turnover of £52,346 offset by operating charges of £52,346. Assets and liabilities were nil. The company is limited by guarantee.

The trust is administered by Building and Civil Engineering Holidays Scheme Management Limited.

5.2 PARENTAL STRENGTH AND ATTITUDE

With assets under management of £1.8bn, 2010/11 saw improving income streams, and consolidated pre tax profit across the Group of £19.9m. Consolidated operating expenses fell for the third year in a row and, at £14.3m, were 9% down on the previous year, albeit the previous year expenses had been inflated by a bad debt provision of £0.5m. The Group prides itself in its expense control and in a recent survey (Money Management October 2011 – as extracted in the Financial Times September 24/25 2011) was shown to have the lowest 'true cost' of charges for its personal pension.

Total available capital resources increased to £85.1m [2010: £64.3m], of which £22.9m [2010: £20.9m] was deemed by the Group as Unrestricted Capital, in that of the £85.1m, amounts of £52.8m and £5.6m are held in B & C E Insurance Ltd and B & C E Financial Services Ltd respectively and are restrained by regulatory requirements.

The year also saw the Group sell £38.9m of investments to ensure adequate liquidity cover for anticipated withdrawals of holiday funds following the end of the NI concession.

The Group has various income streams. These include Management Fees, which in 2011 increased to £6.4m [2010: £6.2m], whilst EasyBuild Fees also increased, up from £4.3m to £5.5m. The year saw two new income streams: commissions from Partnership Assurance (£0.2m) and contributions from the new Employee Accident Cover product (£0.5m).

Investment income increased slightly, up from £8.5m to £8.7m.

5.3 PRODUCTS

The B&CE Employee Benefits Plan is the core offering within the Group and is made up of a number of products. At March 2011 there were 5,184 employer groups operating B&CE schemes covering 205,849 individuals [2010: 5,459 and 213,871 respectively].

Holiday-with-Pay Scheme

This was the original financial services product, launched by the Group in 1943. Amounts of holiday pay deposited by employers were historically exempt from National Insurance contributions – a concession that expires in 2012. At June 2011 the scheme had a balance of £80m.

EasyBuild

A unit linked stakeholder pension scheme launched in April 2001 and issued by B & C E Insurance Limited. The unit funds are reinsured to Legal & General Assurance (Pensions Management) Limited.

AKG rates Legal & General Assurance (Pensions Management) Limited A (Superior) for financial strength.

At March 2011 there were 503,282 [2010: 503,071] EasyBuild policies of which 112,562 [2010: 129,865] were receiving contributions. Approximately 24,000 individuals were making their own contributions. Total contributions to EasyBuild policies fell to £59.2m from £66.5m the previous year, reflecting the downturn in the construction industry.

Employee Life Cover from B&CE

Launched in October 2010, the Employee Life Cover Scheme (ELC) is a death benefit only occupational pension scheme, for which Building & Civil Engineering Benefits Scheme Trustee Limited acts as trustee. B & C E Financial Services Limited acts as administrator, for which it receives a fee of £0.12 per individual per week [2011: £0.5m]. The scheme is not insured.

Employee Accident Cover from B&CE

Launched in October 2010, the Employee Accident Cover Scheme (EAC) is provided by B & C E Insurance Limited.

At March 2011 there were 198,027 individuals covered under ELC and EAC.

In addition there is a range of discontinued products

Death Benefit

Providing discretionary tax-free death benefits (up to £23,000), as well as incapacity benefit and accident at work cover, the Death Benefit Scheme was replaced by the Employee Life Cover Scheme in October 2010.

Accident Benefit

Providing accident and disablement at work cover (up to £17,500), the Accident Benefit Scheme was replaced by the Employee Accident Cover Scheme in October 2010.

Lump Sum Retirement Benefit

Introduced in 1982, this is an approved occupational pension scheme that pays a one off tax free lump sum at age 65. It closed to new members on the launch of EasyBuild.

Additional Voluntary Contributions

Launched in 1986 as a top up arrangement for the Lump Sum Retirement Benefit Scheme, it closed to new contributions when EasyBuild was launched.

B&CE Annuity

B & C E Insurance Limited launched B&CE Compulsory Purchase Annuity in April 1997, followed by a Protected Rights Annuity product in December 2008. Future annuities will be written under the arrangement with Partnership Life Assurance Limited.

RapidCash

Launched in 1997 but not currently promoted, RapidCash is a low cost injury insurance product.

Term Assurance

Written by B & C E Insurance Limited, the product is no longer sold.

Personal Accident

Providing benefits up to £50,000 for accidental death, the product is no longer sold.

TUTMAN B&CE Contracted-out Pension Scheme (BCECOPS)

A unit linked personal pension, launched in 1988, enabling a member to elect for their, and the employer's, NI contributions to be paid into their own pension arrangement. Previously called the Building and Civil Engineering Contracted-out Pension Scheme, it was renamed on 1 July 2010 when B & C E Financial Services Limited retired as Manager to the Scheme.

The product is not actively marketed and numbers are declining. Policies totalled 10,681 at March 2011 [2010: 11,391]. Receipts fell from £9.6m in 2010 to £8m in 2011. The fund value stood at £239m.

The Group offers a number of products through arrangements it has with various third party 'best of breed' providers. These include:

Partnership Annuities

In December 2010 B&CE started referring annuity business to Partnership Life Assurance Company Limited, a specialist annuity provider. B&CE Financial Services Ltd receives commission of 2% on this business, with a further 1% reflected in improved annuity rates. In the period December 2010 to March 2011 some 345 annuities were set up under this arrangement.

AKG rates Partnership Life Assurance Company Limited B (Strong) for financial strength.

Employee Healthcare from B&CE

Launched in February 2009, this product is written by Westfield Health Limited and provides cash benefits against various everyday health costs. This is a relative minor business line, with 3,356 individuals covered as at March 2011 [2010: 1,668]. B & C E Financial Services Limited receives commission of 10% on premiums paid.

5.4 DISTRIBUTION

The platform for distribution has traditionally been direct through the building and construction sector. This has provided the Group with expertise in auto-enrolment and weekly, as well as monthly, collection.

The emphasis in future will be to widen the Group's focus to other sectors outside of its traditional base utilising that expertise.

To facilitate this, the distribution targeted market will expand from direct to include third parties and intermediaries such as Employee Benefit Consultants (EBCs), large IFAs and accountancy practices.

With this in mind, the organisation has set up a sales team of 12 largely set up geographically and it is anticipated that this will increase to approximately 20 in number by 2013.

All business will be on a non-commission basis with fee-charging by the intermediary being a key factor.

5.5 IMAGE & STRATEGY

The Group is not widely known, when compared with the more mainstream pension providers operating in the intermediated (IFA and EBC) sector or directly with consumers. However, within its historic sector niche, the construction industry, and in terms of a target market of relatively transient 'blue collar' workers, with incomes in a low to moderate bracket, B&CE can be considered as having established a definite degree of market traction and experience.

In large part its strategy for expansion seeks to utilise this image basis, with a proven track record of delivery, together with the catalyst of pension regulatory developments, to expand its target market. Thus it seeks to additionally encompass a similar profile of workers across a broader industry base, thereby reducing its reliance on one economically sensitive sector of industry.

A strategy of expansion sees the organisation working with fee based advisers (including EBCs and Accountants) and directly with employers to offer improved Auto Enrolment compliant pensions.

Crucially the strategy is segmented in terms of target increases in volume. With larger employers being in scope for its first phase e.g. the organisation will not be proactive to the whole market in the first instance, very much in line with the staged roll out of auto enrolment. Rather it will focus on a smaller number of relationships delivered through volume employers, either directly or via EBCs and accountants, as above.

The organisation has allocated resources to promotional activity to support its expansion. In addition to establishing two new functions recently, namely Customer Development and Customer Solutions, the group has also strengthened its Key Accounts/Relationships Dept.

The more micro end of the market is intended to be satisfied through a more transactional approach in the longer term, with plans in place for 2014.

November 2011 will see the group relaunch its EasyBuild product under a new brand: 'The People's Pension'.

5.6 SERVICE

The organisation sets itself a requirement to deliver service excellence as part of an approach which espouses an ability to make things easier for its customers.

To this end it utilises an infrastructure which, whilst built for volume, has to date only utilised a fraction of its capacity.

Leveraging this infrastructure at scale is therefore the current intention. However, the organisation will still require careful management of its human resourcing alongside its capacity for greater data handling and its existing governance structures.

Systems are proprietary having been substantially refreshed 5 years ago and more recently have been further enhanced through upgrades to the EasyBuild product and online capability.

Since then, there has been an increase in client firm own-service capability via an online offering. The takeup on this facility has now passed the 50% mark, helped by a disproportionately high takeup by larger schemes.

Service metrics are consistently high and the organisation reports very low complaint levels.

To date the organisation's experience of data quality has included a full spectrum from highly professional delivery to the more patchy quality experienced from the small firms end of the construction sector. This has the advantage of having provided the organisation with experience in coping with this variance and having implemented the systems checks to manage it.

5.7 REINSURANCE

The extent to which a provider and its proposition rely on external reinsurance will usually form part of AKG's overall assessment. Whilst The People's Pension will not be written into the group's insurance company, and hence there is no 'reinsurance' as such, AKG understands that Legal & General Investment Management Limited will again be the preferred investment manager. AKG has no concerns regarding the financial strength of Legal & General Investment Management Limited, part of the Legal & General Group plc. Other investment managers may be appointed in future as appropriate.

6 CONCLUSION

B&CE faces a number of challenges which of late have seen declining levels of business within its somewhat narrow historical target market.

The implementation of the Pensions Act represents a significant challenge to a range of different sectors of the working population and none more so than those occupational groups that comprise transient low to moderate weekly paid blue collar workers.

Against this background, and empathising very strongly with these sectors, B&CE appears to be demonstrating a very clear and focused strategy to a market it understands and to which it is committed. Its proposed strategy represents an opportunity to widen its footprint and maintain critical mass by diversifying into related or similar employer groups and reducing its reliance on the construction industry.

This is a sector of the market that many established pension providers may find it difficult to operate in, both operationally and economically. More specifically these providers may not be geared for administering weekly payments of low premiums from a potentially very transient population.

Notwithstanding its wider ambitions, the Pensions Act also represents an opportunity for the Group to significantly increase contributions from its core market, the construction industry.

B&CE has the requisite experience, having successfully administered a low cost auto enrolment operation in precisely this sector of the marketplace for the past ten years.

B&CE, through its 'not for profit' business model, has the financial resources to fund and support any necessary infrastructure development.

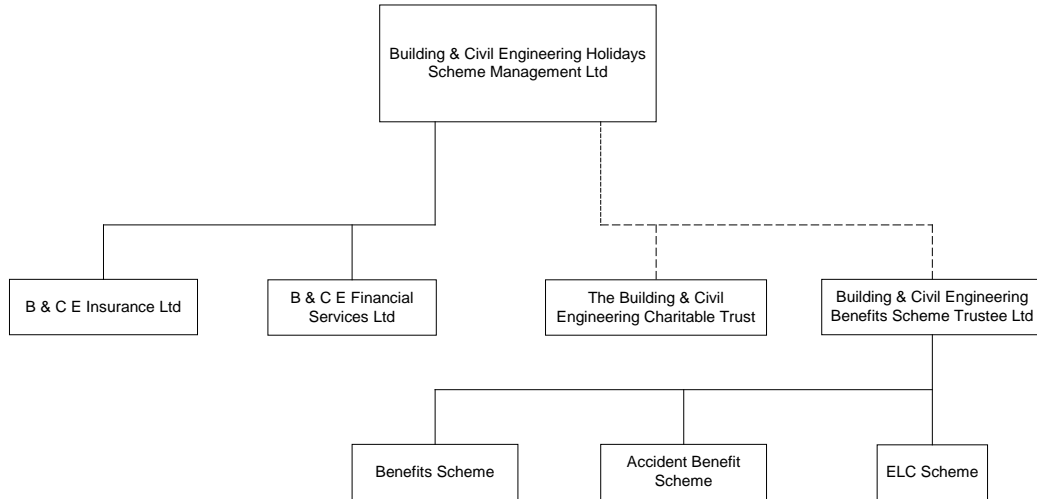
Whilst there will undoubtedly be competition in the pensions market as auto enrolment is introduced, B&CE, with its demonstrable experience and commitment in a sector of the market that may not appear that attractive to other, more mainstream, providers, appears very well placed. With its ten years of experience with EasyBuild there is an element of "been there – done that" and B&CE ticks many of the boxes that advisers would look for in an auto enrolment pension provider for appropriate groups of employees.

AKG has rated B&CE B (Strong) for overall financial strength.

AKG's assessment indicates that B&CE should be considered as:

- Demonstrating a level of capital support and availability consistent with the peer group.
- Maintaining a prudent approach to business written and risk management.
- Delivering a strategic plan with proactive growth for the maintenance of its position, at the upper end of its peer group.
- Demonstrating appropriate governance and management capability.

APPENDIX I CORPORATE STRUCTURE



APPENDIX 2 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.

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

APPENDIX 3 INFORMATION ABOUT AKG

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

A wide range of Clients

Within a specialist focus on the financial services industry, AKG has developed a broad, complementary range of clients including: Intermediaries (IFAs and EBCs), Life Companies, Friendly Societies, IFA Networks, Regulators, Fund Managers, Trade Bodies, Service Providers, Banks, and Building Societies.

Support for Product Providers

AKG assists Providers in:

- Financial Strength Analysis and Presentation
- Data and Information Provision
- Actuarial Consultancy
- Distribution Consultancy

Assistance to Financial Intermediaries

AKG assists Intermediaries in:

- Financial Strength Analysis and Ratings of Product Providers
- Best Advice Panel Services
- Data and Information Provision
- Actuarial and Technical Support

Regular Reports

AKG publishes the following reports to assist providers and intermediaries:

- **AKG Company Profile & Financial Strength Reports**
(Covering UK life assurance companies)
- **AKG Offshore Profile & Financial Strength Reports**
(Covering Offshore life assurance companies)
- **AKG Platform Profile & Financial Strength Reports**
- **AKG UK Life Office With Profits Report**

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