

Customer Impact Scheme

Report for 2009

Putting customers at the heart of our business and treating them fairly are key to us.

Putting customers at the heart of our business and treating them fairly are of foremost importance for us as a company. As part of our continuing commitment to customers, we take part in the Association of British Insurers' (ABI) Customer Impact Scheme. We are committed to delivering excellent service and continuous improvement in a way that makes us easy to do business with.

The Customer Impact Scheme

The objectives of the scheme can be summed up by **three continuing customer commitments**:

1. Developing and promoting products and services which meet the needs of customers.
2. Providing customers with clear information and good service when they buy products.
3. Maintaining appropriate and effective relationships with customers, providing them with a good service after they have bought a product.

In addition to our own focused activities, we work with advisers to deliver these commitments. We fully recognise the importance of advisers in building and maintaining effective customer relationships.

Update on last year's plans

In last year's report we outlined our areas of focus for 2008/2009. Here is an update on these:

- Widen the range of electronic services that we offer to make it easier for advisers to help their customers. We have:
 - increased new business and servicing links to third-party systems used by advisers
 - updated the adviser site to make it more user-friendly
- Send yearly statements to customers. We have:
 - introduced yearly statements to a further 100,000 customers with protection policies. Since we began our programme, an additional 1 million customers now receive a yearly statement.
- Trace customers who haven't told us they've moved, but who we have recorded as 'gone away' in our records. We have:
 - investigated over 60,000 addresses to help find customers new contact details – we have found new addresses, and verified and updated our records accordingly for over 20,000 customers
 - added a reminder to yearly statements to say how important it is to keep us up to date with address changes.

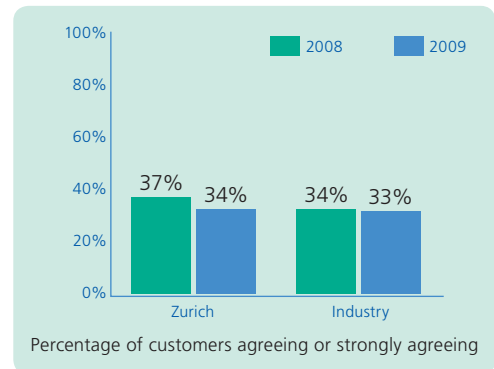
- Further improve the information we provide about taking benefits from retirement plans. We have:
 - introduced a new pension maturity letter that we send to customers eight months before retirement. This outlines the process that is about to begin, signposts sources of further information, stresses the importance of financial advice and highlights decisions that need to be made.
 - developed a more informative range of letters that we send to customers six weeks before retirement, that explain in full the choices available to them.
 - introduced a new version of our Pensions Choices Booklet, having responded to customer research.
- Issue specific mailings to customers to tell them about product options or regulatory changes that affect them. For example, we provided customers who are contracted out of the State Second Pension with information to help them decide whether they want to remain contracted out. We have had almost 100,000 customers take action on their contracted out pension following our communication.
- Further extend the range of products and funds we offer. We have:
 - focused on solutions for the growing number of cautious investors, including the launch of new protected profits funds and guaranteed accounts.
 - widened the range of options available by increasing our ethical fund links and adding more European and US based funds.
- Review and improve the information we make available to customers who are considering buying our products. We have:
 - developed new key features documents which are now even better at helping our customers to make informed decisions
 - carried out a review which has helped us create documents that are more customer focused, more engaging and easier to read and understand.
- Providing further offers of Guaranteed Accounts.
 - We have launched several more Guaranteed Accounts during 2008 and 2009.

How we measure our progress

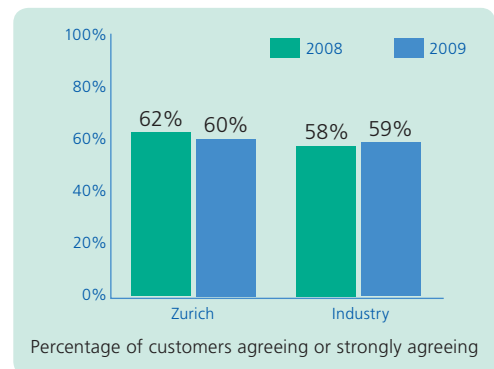
Each year, as part of the Customer Impact Scheme, an independent survey is carried out to obtain feedback from customers of member companies. Our results in the three key areas that link to the customer commitments are:

Percentage of respondents who scored very good or excellent from an aggregated range of questions

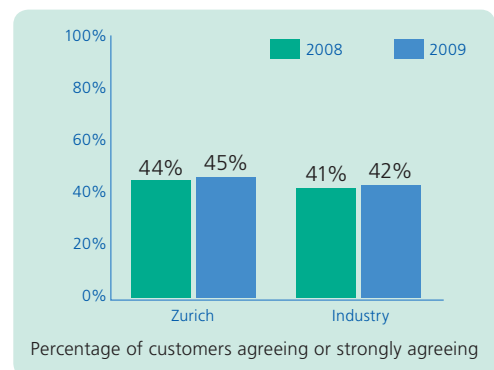
Develop and promote products and services



Give clear information and good service at point of sale



Maintain effective relationships



We are pleased with our results and the fact that we are slightly above industry average on all three customer commitments especially given that the survey was carried out in a time of uncertainty and instability in financial markets with many customers rightly concerned about the impact on their financial circumstances. The ABI themselves said in their Industry Report on the Customer Impact Survey results,

“In the 12 months since last year’s survey, the UK has experienced challenging economic conditions with a decrease in consumer confidence and the FTSE 100 index suffering a 31% fall in value. Fieldwork for this year’s survey took place between September and December 2008, a period of upheaval with the Government recapitalisation of the banking sector, the collapse of Icelandic banks and several high profile bankruptcies in various sectors of the UK’s economy.”

Our progress towards the scheme commitments

Our activities demonstrate sustained support of the scheme commitments which we referenced above. For example, as well as those items mentioned in last year’s plan, we:

- implemented a regular contribution facility to our pensions transfer proposition (commitment 1)
- helped prevent claims being turned down because a customer has failed to provide all the information we asked for. We achieve this by always sending a full copy of the applicant’s answers back to them, and asking them to check the information we have recorded is correct (commitment 2)
- have created a colour-coded Self-Invested Personal Pension plan application form to help customers easily identify the sections relevant to them, which in turn helps to cut down the time it takes to set up the plan (commitment 2)

- developed new marketing material under the Reviewing Pensions Fairly campaign to help advisers and customers consider what’s right for customers when it comes to pensions transfer options (commitment 2)
- responded to customer’s concerns regarding market volatility by extending opening hours on the call centre, increasing front line staff answering calls from worried customers, provided investment bulletins, and produced topical website updates. We also closed six funds due to performance concerns (relative to comparable funds) and communicated this to customers. A key theme in our communications is that we are one of the largest and most financially sound insurers in the world with an embedded culture of financial discipline – as shown by the strength of our balance sheet (commitment 3)
- used regular customer research as part of our communications design to make our communications easy to understand, especially by those who do not have a knowledge of financial matters (commitment 3)
- made sure our customers with low-value investment accounts are not losing out when their money could do better in a different form of savings account by offering them alternative investment options (commitment 3)
- introduced warning letters to customers when they try to take action on their plan that could result in them losing out. For example, transferring pension funds when this means that a guaranteed annuity rate will be lost (commitment 3)
- met 91% of critical illness claims (746 cases), totalling £58.5million and only declined 0.4% (3 cases) for the reasons given above under commitment 2. We already had one of the strongest critical illness claims payment records in the market in 2007.

We have also paid:

- £109.7 million on protection death claims
- £18.2 million on income protection claims (commitment 3)

Plans for the next few years

We believe as a result of our focus on customer centricity and treating customers fairly, we will see our scores improve in absolute terms and relative to the industry. Our areas of focus for 2009/2010 include:

- Attempting to find a further 13,000 customers who we have recorded as 'gone aways'.
- Introducing more after sale communications.
- Launching new investment funds and products.
- Issuing specific communications to with-profit customers with guarantees.
- Continuing to help our customers through the recession by giving them access to the information they need.
- Helping our customers make appropriate decisions in the context of pension regulatory changes due in 2010/2011.

We are committed to continuously improving the experience of our customers. Our participation in the Customer Impact Scheme is one of several ways we review and monitor our performance. We have completed actions to make sure that fair customer treatment is part of our usual day-to-day activity. A key element of this is senior management's engagement in the monitoring of product and service performance against qualitative and quantitative measures. We will continue to focus on these areas to make sure we continue to put customers at the heart of our business.

We look forward to building on our first three years in the scheme.