Customer Impact Scheme

Report for 2010

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 customer 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 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 2009/10. Here is an update on these:

Search for a further 13,000 customers who we have recorded as 'gone aways'

We have:

- actually investigated over 34,000 gone away customers in 2009
- enhanced our tracing processes further to maximise the number of customers we trace
- received positive feedback from customers on the gone away work we do.

"I would recommend you for the simple reason that I've just been contacted by Zurich from a policy that I had taken out 20 years ago, which I had completely forgotten about and didn't even realise I still had. So anybody that can find things like that out definitely deserves a mention."

Introducing more after sale communications

We have:

- continued to remind customers of the implications of remaining contracted out of the State Second Pension and made them aware of the abolition of contracting out in 2012
- mailed our customers to let them know of the new, increased ISA limits.

Launching new investment funds and products

We have:

- launched a new Zurich Banking Group product – Zurich Equity Linked Growth Account, which offers investors a simple and secure solution for saving, with the potential to earn 80% of any percentage growth of the FTSE 100 Index
- added Shariah funds to our pensions products so that we offer a way of investing that complies with Islamic Shariah principles
- launched a new global protected profits fund to complement our existing range of protected profit funds so giving customers more choice.

Issuing specific communications to with-profits customers with guarantees

We:

- warn and inform customers when they are considering doing something that could put their valuable guarantees at risk.

Continuing to help our customers during the recession by giving them access to the information they need

- The recovery of the stock market during the second half of 2009 and beginning of 2010 has brought about different issues for customers who may want to review their attitude to risk. To help them, we have been reminding advisers of the need to make sure customers are appropriately invested.

Helping our customers make appropriate decisions in the context of pension regulatory changes due in 2010/11

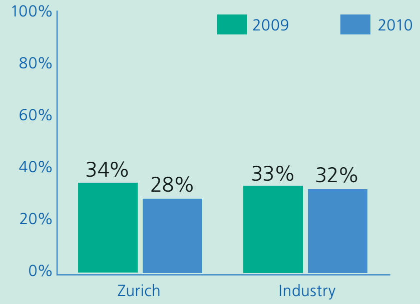
We have:

- written to customers aged 50-55 to remind them of the change in minimum retirement age and its potential impact upon them
- as we approached the deadline of the 5 April 2010, we moved extra staff to our pension claims areas to handle late requests.

How we measure our progress

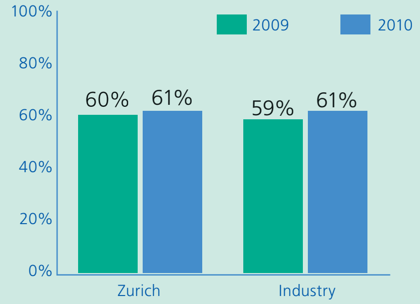
Each year, as part of the Customer Impact Scheme, an independent survey is carried out to get feedback from customers of member companies. Our results in the three key areas that link to the customer commitments are:

Develop and promote products and services



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

Give clear information and good service at point of sale



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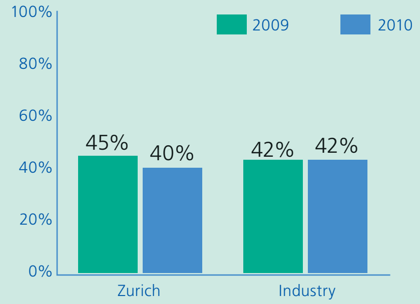
Maintain effective relationships



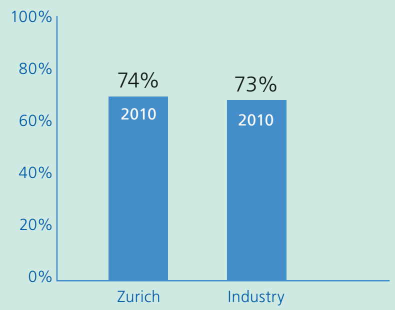
Percentage of respondents who scored very good or excellent from an aggregated range of questions.

While two of our scores have fallen this year compared with our 2009 score, this needs to be considered in the context of the wider financial situation and the nature of the products we offer compared to the industry. The ABI outline this in their Industry report on the Customer Impact Survey results:

> "When responding to the survey most customers will be commenting on their experiences during the first half of the year when the FTSE 100 was at its lowest over the last four years.
>
> Analysis of survey data shows that some customer satisfaction is heavily influenced by how expectations on return on investment are managed. Given the link on investment returns and satisfaction, it is likely this had an impact on scores for products with an investment element."

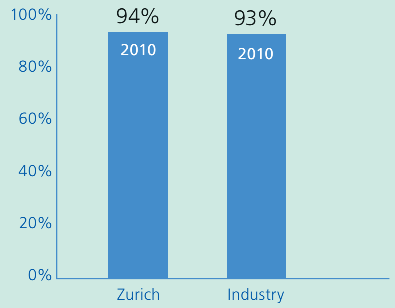
Our product mix is heavily based on products with an investment element and we believe this has had an impact on our 2010 results. When you widen the scores to show those that rated us as 'excellent', 'very good' and 'good', you can see we compare favourably with the industry.

Develop and promote products and services



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

Give clear information and good service at point of sale



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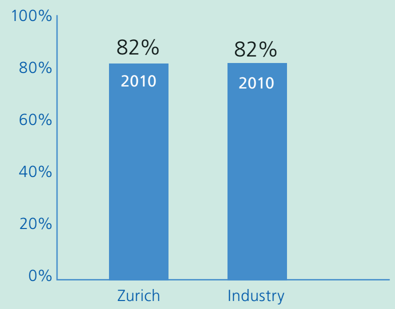

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However, we still believe we can do even more to help set and manage our customers' expectations of their products with us. We are working hard to focus on our customers and treat them fairly, as you will see in our plans for delivery of the scheme's commitments.

Our progress towards the scheme commitments

We remain committed to further improvement for the benefit of our customers. As well as those items mentioned in last year's plan, we:

- Widened the range of investment choices available under our Self Invested Personal Pension (commitment 1).
- Monitor and maintain our fund range adding or removing funds as necessary to meet the needs of our customers as market and economic changes occur (commitment 1).
- Announced in August 2009 that guaranteed critical illness premiums would be reduced where an exclusion is applied for cancer or multiple sclerosis. We believe that reducing premiums where we exclude cancer or multiple sclerosis is a positive change and the right thing to do (commitment 1).
- Extended the age range for our term protection offer to make it available to a wider range of customers (commitment 1).
- Reduced the time it takes us to place investment into pension funds under our self-invested personal pension from six days to 48 hours (commitment 2).
- Utilised advanced medical screening techniques to speed up our underwriting process (commitment 2).
- Launched a new customer guide last year 'Here to help at every step'. This booklet for our protection customers gives a great deal of useful information in easy-to-understand language from underwriting through to how to claim. It sets out our commitment to customers over the term of the plan and demonstrates what *Zurich HelpPoint* means in practice and highlights the real benefit of our service (commitments 2 & 3).
- Met 814 critical illness claims totalling £62.3 million, paid 117 new income protection claims and paid out £18.2 million of income protection in total, and met 1,795 protection death claims at a total of £105.1 million (commitment 3).
- Sought customer feedback to help us improve and recognise good service (commitment 3).
- Used a competency based framework to ensure we recruited the right people and rewarded them for demonstrating the right behaviours (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 both in absolute terms and relative to the industry.

We were honoured to be awarded 'Life Insurer of the Year' at the 2009 British Insurance Awards. The award was given in recognition of the tremendous focus we place on both our customers and the community – drawing special attention to how we have implemented the Treating Customers Fairly (TCF) guidelines, our customer centric approach, the innovative products we design as well as our quality of customer service. The award was judged by a distinguished panel consisting of industry experts, representatives from professional bodies and members of trade press organisations.

Our areas of focus for 2010/11 include:

- testing a customer magazine, which could give us another method of communicating with our customers on topics relevant to them
- contacting customers who have small value pension accounts to make them aware that charges might erode the value of their fund and letting them know their options
- reviewing our default annuity provider to give an even better offer to our customers
- increasing fund choice for our existing customers
- contacting customers five years before retirement suggesting they review their attitude to risk and consider their investment strategy
- developing a new convertible term protection product
- reviewing projection rates on illustrations – moving away from standard Financial Services Authority rates to rates more appropriate to the funds customers have chosen
- moving our indexation rates from being driven by the soon to be defunct Average Earnings Index to the Average Weekly Earnings, which the National Office of Statistics says is a more appropriate index
- introducing a new corporate savings proposition, which will give employees access to a wide range of savings options within a single facility.

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

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