

ANNUAL REPORT 2010



PHOENIX GROUP

customer
impact

Welcome to our fifth annual Customer Impact Scheme report.

The Phoenix Group of companies is the largest UK consolidator of closed life assurance funds, specialising in the management and acquisition of closed life and pensions funds.

The Phoenix Group is made up of two core business segments. These are Phoenix Life, which has over 6 million customers, and IGNIS Asset Management, which has around £67.5 billion assets under management (as at 31 December 2010).

Phoenix Life consists of seven regulated life companies, and includes well-known brands such as Phoenix, Pearl, Scottish Mutual, London Life and NPI, all of which have been acquired over the years since the Phoenix was first established in 1782.

In the year since the last report, we have welcomed aboard a new Group Chief Executive, Clive Bannister. Clive joined the Group in February 2011. Clive was formerly Group Managing Director of Insurance and Asset Management at HSBC, where he led the global insurance business and its 8,500 employees.

This report focuses on the opinion of customers from Pearl Assurance Limited, London Life Limited, NPI Limited, National Provident Life Limited, Phoenix Life Limited and Phoenix and London Assurance Limited (now included in Phoenix Life). Our international brands and IGNIS are not included in this survey.

The Customer Impact Scheme is run by the Association of British Insurers (ABI), with the objective, shared across the financial services industry of improving customers' experiences and outcomes. Thirty-five Life Assurance companies are currently members of this scheme.

At the Phoenix Group, we keep our customers at the heart of everything we do and we aim to provide a responsible, fair and helpful service, whilst also delivering our commitments to improve outcomes for all our customers.

Listening to the views of our customers is key and alongside our own research, this Customer Impact Survey helps us to do that.



**Clive Bannister,
Group Chief Executive**

Customer Impact Scheme commitments

The objective of the Customer Impact Scheme is to measure customer experience against three customer commitments. By following these clear objectives, we aim to improve our customers' all round experience.

These are:

- 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.

As a specialist in closed funds, we are unable to participate in questions relating to commitment two, 'providing customers with clear information and good service when they buy products', as we no longer sell our own products. We are however, committed to providing all our customers with access to financial advice and new products through a range of carefully selected partners.

Conducting the survey

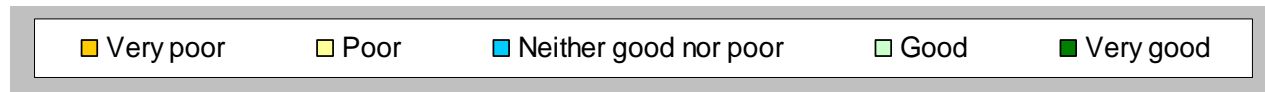
As always, an independent research company carried out the telephone surveys. These took place between August and November 2010. They spoke to 2,493 customers across all of our companies and from our full product range. A big thank you to you, if you were one of our customers that took part in this survey - your feedback continues to be invaluable to us.

The survey itself consisted of 28 core questions, and these covered all areas that affect our customers. The main areas were around product satisfaction, image, communication (written and verbal), claims handling, customer service and reputation. The research company looked at these responses to ascertain how we were performing against the two relevant commitments.

The customers that were surveyed were asked to score us on whether they thought we were very poor, good, neither good nor bad, good and very good for each of the 28 questions they were asked. The overall customer experience of those customers surveyed is shown as a percentage (%).

A change from last year

During 2010, the ABI agreed to change the scale used in the Customer Impact Survey from one where there were four positive categories and one negative category to one where there was an equal number of positive and negative categories plus a neutral category. This change was made to increase clarity and drive improvements in customer outcomes, which is the key objective of the Customer Impact Scheme. The new scale is shown below:



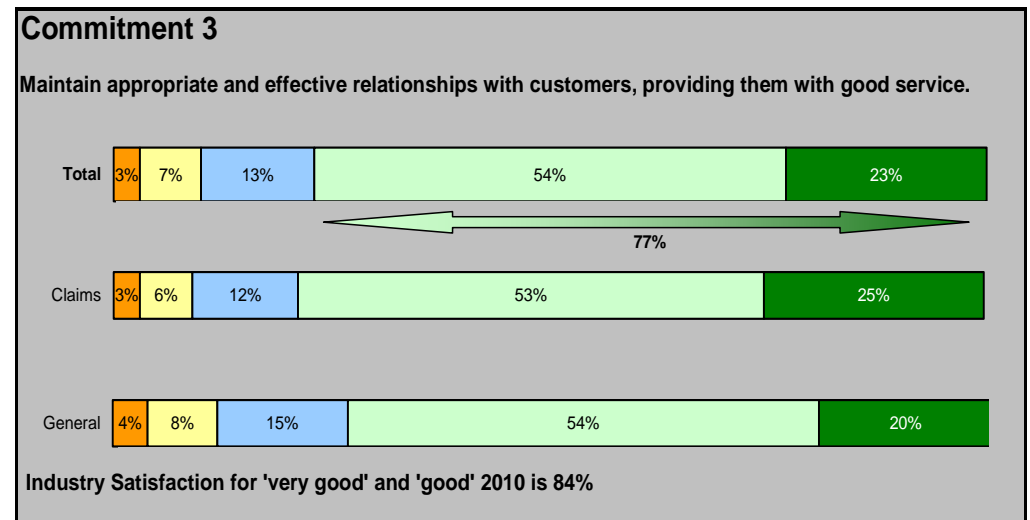
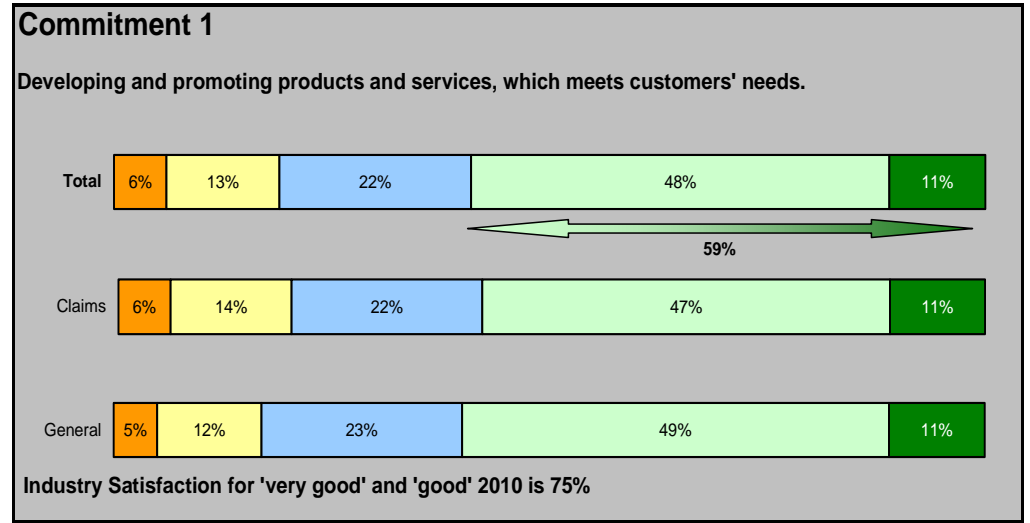
It is therefore not possible to make a like-for-like comparison between the two scales. However, whilst this years results cannot be directly compared to those of the past, the results from the new scale are easier to interpret, and therefore easier for us to action. This will help us to continue to make improvements for all our customers, as it provides a clearer differentiation between satisfied and dissatisfied customers.

All scores across the industry relate to customers that have made claims, received payments and those with a more general experience. This gives us the ability to compare and then benchmark ourselves against the industry.

What the survey told us

Summary

Our results this year suggest that our customers are generally happy with the service they receive from us. They did tell us they would have liked better returns on their investments and to understand better what Phoenix was doing to maximise those returns. They also feel that we could do more to manage their expectations in relation to likely payout values. This gives us a clear area of focus.



Improvements we have made since last year

At Phoenix it is really important to us to know and understand our customers' opinions. We listen to our customers in a variety of ways such as the results from the Customer Impact Survey, our own in house surveys and what our customers tell us when they complain. By reviewing this valuable feedback, we constantly look at our processes and communications with a view to improving both the experience and outcomes of all of our customers. Listed below are some of the areas where we have made improvements over the last year to do just that:

- We have further reduced the processing times on our Open Market Options (OMO) from an average of 20 days at the start of 2010 to an average of 9 days by the end of 2010. This was helped by our continued involvement with Origo, the industry approved initiative to help improve such processing times.
- We recognised that the ways in which we verify who our customers are before we make payment to them needed to be improved, so we have made several changes to our processes to improve and speed up this experience for our customers. This included some of our Customer Service Centres implementing an electronic process, which removed the need for hard copy identification to be provided. These improvements will be rolled out to another of our Customer Service Centres during 2011.
- Our customers have complained about the timeliness of our post delivery, so we have taken steps to change many of our key mailings and communications to first class deliveries, and we will continue to review this.
- During 2010, we carried out a review of our Annual Statement mailings schedule, which has resulted in over one million of our customers receiving their statements much earlier in the year.
- We have reviewed our entire complaints process based on feedback from our customers and we now encourage our Complaint Handling staff to use the telephone more, to provide greater confidence and better communication with customers from the start of their complaint right through to its resolution. We have also acknowledged that some of the standard wordings that we used in our responses to complaints could have been more sympathetic so we have taken steps to improve the empathy and tone of our letter-writing.

Our future plans

- How we communicate with our customers is very high on our agenda. We are reviewing some key mailings this year, such as our Annual Statements and the letters we send to our customers six months before they are due to retire. These are key pieces of communication, which inform customers, to help them make the right decisions. It is essential that we are as clear as possible in the messages that we give, removing unnecessary jargon so customers understand what they need to do.
- We understand from both the Customer Impact results, and from our own customer surveys, how important it is to manage our customers' expectations in respect of likely pay out values. We are continually reviewing our processes and communications to make sure that we make them as clear and easy to understand. This will continue this year with a full review being undertaken of our Annual Statement communications to make sure that our messages are clear, giving our customers as much information as possible so that they can make informed decisions every step of the way throughout their policy ownership. We will also look to incorporate these important messages within other communications that we send to our customers.
- Whilst we have recently reviewed our complaints process, and made a number of significant changes, which will improve the experience our customers have when things do go wrong, we will continue to test ourselves and listen to our customers to make sure that we learn from the feedback we receive. A key part of this during 2011 will be the research we do with those customers that have complained, to understand what we did well during the complaints resolution process, and what we could do better.
- We are expanding the Management Information we produce on complaints, looking specifically to understand where we might have gone wrong, to put things right and to make sure we don't make the same mistakes again. This helps us continually focus on what is important to our customers and ensures that we treat them fairly.
- We will continue to review all of our processes to make sure that we deal with all of our customers in a timely, responsible, helpful and fair manner to ensure improved outcomes and experience.