

**customer
impact**

PEARL GROUP

Annual report

2008

Welcome to our third annual Customer Impact Scheme report and the first for our enlarged Pearl Group following the acquisition of the Resolution companies in 2008.

The 'enlarged' Pearl Group is made up of several life companies*; Pearl Assurance plc, London Life Limited, NPI Limited, National Provident Life Limited, Phoenix Life Limited (which now includes Scottish Provident Limited and Scottish Mutual Assurance Limited**), Phoenix & London Assurance Limited and Scottish Mutual International Limited***. As a group, we now look after more UK closed funds than any other company. We have 6.5million customers across the group and manage over £60billion of funds. This makes us a top 10 UK life company.



Jonathan Moss
Group Chief Executive
Pearl Group

The Customer Impact Scheme is run by the Association of British Insurers (ABI), with the objective of improving outcomes for customers of the UK's life, pensions and investment industry. The scheme is part of our industry's commitment to improve customers' experiences and to hold us accountable for our performance. Companies participating in the Customer Impact Scheme have committed to put customer needs at the heart of how they do business.

The scheme carries out an annual survey, which provides us with a real opportunity to find out what our customers think. We have identified considerable learnings each year and we aim to continue to put these into practice and improve the service we provide to you.

This report will highlight how you feel we are measuring up, how we compare to last year and the steps we are taking to improve our service to you.

Customer Impact Scheme commitments

There are currently 33 life, pensions and investment companies who have signed up to the three core commitments of the Customer Impact Scheme. The aim is to improve customer experiences against these three 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.

We are committed to introducing measures to meet these aims and to being measured against them. We also make an undertaking to keep our customers informed about how well we are meeting these commitments. As a specialist in closed funds we are unable to participate in questions relating to commitment 2 – 'providing customers with clear information and good service when they buy products' – as we no longer sell our own products to new customers. However, we are committed to providing our customers with access to financial advice and new products through a range of carefully selected partners.

Customers of Pearl and Phoenix have participated in the survey since 2006. NPI and London Life customers have participated in the survey since 2007. For 2008, our results cover the combined position for customers within the Pearl Group.

* Within this report any mention of Phoenix refers to Phoenix Life Limited and Phoenix & London Assurance Limited. Any mention of NPI refers to National Provident Life Limited and NPI Limited.

** Scottish Provident branded protection business (Self Assurance and Pegasus) was not included in this survey as most of this business was transferred to The Royal London Mutual Insurance Society Limited in December 2008.

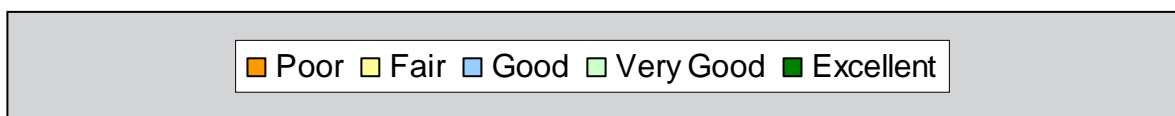
*** As an international company belonging to the Pearl Group, Scottish Mutual International Limited was not included in the survey.

How did we conduct the survey?

An independent survey company carried out the telephone survey in October and November 2008, from a random sample of our customers. This included Pearl Assurance, NPI, London Life and Phoenix customers. In total 1,996 customers were surveyed. This included customers from our full range of products and from each stage of their product lifecycle.

25 questions were included in the survey, which covered areas such as, customer service, our performance, how we handle complaints and how we communicate with customers. All responses were analysed independently, which provided us with information on how we are performing against the two relevant commitments.

We asked those surveyed if they thought we were Poor, Fair, Good, Very Good or Excellent in response to each question asked.

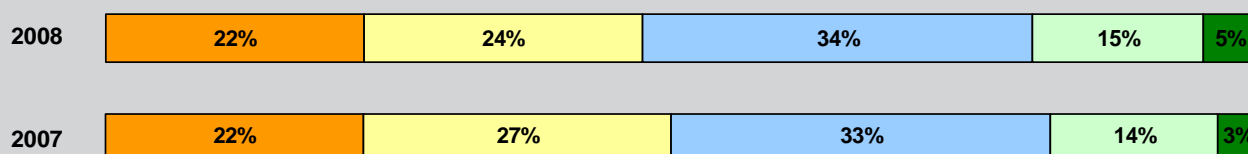


Results from this year were then compared to last year's to measure our progress on customer satisfaction. The overall experience of our survey participants is shown as a percentage (%). All industry scores relate to claims and payments and general customers to ensure a like for like comparison with our customers.

What did the survey tell us?

Commitment 1

Developing and promoting products and services which meet customers' needs.



Industry satisfaction score for 'very good' and 'excellent'

2008: 30%*

2007: 31%

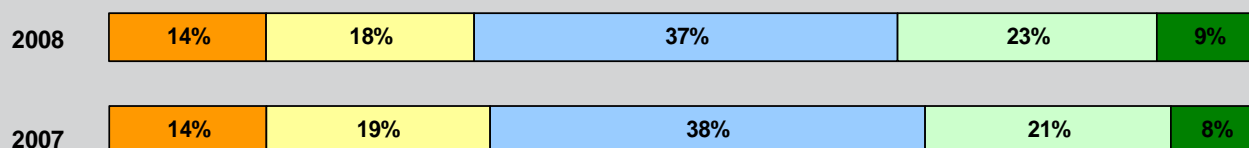
Pearl Group - 3% point increase from 17% to 20%**

*The inclusion of 'good' scores would show the industry score for 2008 as 73%

**The inclusion of 'good' scores would show the Pearl score as 54%

Commitment 3

Maintain appropriate and effective relationships with customers, providing them with good service after they have bought a product.



Industry satisfaction score for 'very good' and 'excellent'

2008: 41%*

2007: 40%

Pearl Group - 3% point increase from 29% to 32%**

*The inclusion of 'good' scores would show the industry score for 2008 as 80%

**The inclusion of 'good' scores would show the Pearl score as 69%

Areas of improvement

Whilst we are pleased that there has been an increase in 'excellent' and 'very good' service scores, the percentage of customers rating their experience as poor remained the same as last year. This is something we will be aiming to improve each year.

As you can see we are behind the industry average and your feedback is important to us if we are to change the views you have of us.

Last year we reported that 'complaint handling' and 'return on investment' were the two 'hot spots' that had scored the poorest. Although this continues to be true in 2008, improvement in the percentage of customers rating their experience as 'Excellent' and 'Very Good' has been seen for both.

Complaint handling 3% point increase from 4% to 7%.

Return on investment 1% point increase from 16% to 17%

So, what are we doing about the 'hot spots'?

As the survey has highlighted that customers continue to have concerns regarding 'return on investment' and 'complaint handling', we thought we should provide some detail on what we are doing in these areas.

Return on investment

Perhaps not surprisingly, given the current economic environment, 'return on investment' continued to be one of customers' key concerns. At industry level the proportion saying that this was 'good', 'very good' or 'excellent' reduced to 62% from 64%.

For Pearl Assurance, our results improved, with our results increasing from 42% to 52%. Our Phoenix companies also had a 52% 'score, demonstrating a slight decrease, from 53%. The long-closed London Life and National Provident funds showed less satisfied customers, with only 37% of

customers rating 'their expectation on return on investment' in a positive light. This compares to 43% the previous year.

We recognise that we still have some way to go to achieve the levels of customer satisfaction we want.

As part of the acquisition of the Resolution companies in 2008, we acquired an investment manager, Resolution Asset Management, which was renamed Ignis Asset Management. We intend to couple Ignis' traditional investment management skills with the innovative risk and capital analysis skills of our existing Axial operation. Whilst we know the times ahead will be challenging, especially in this current economic climate, we will continue to review and refine our investment strategies.

Complaint handling

- We have been working hard creating a Complaints-Handling Guide, used by all of our companies. This will create consistency across the group and ensure that all complaints are handled consistently and correctly. This guide is 'overseen' by a centralised team to ensure, that throughout the complaints process, we are always fair to our customers.
- We are committed to assessing the quality of our processes every month, of which complaint handling is one. This means we listen to calls and monitor the way that customers have been dealt with. We provide feedback and follow up learning and issues. This is another step we have taken to ensure our customers are being treated in the right way.
- We provide analysis each month, following a review of the number of complaints received and the reason behind them. These reports are then reviewed by our management teams in a bid to learn from any mistakes we have made and ensure our customers comments are listened to at all levels of the organisation. We know that we have our work cut out and we know we have lots to do. However, we are getting to the bottom of these issues and with your honest feedback we will make further progress.
- We have comprehensive management information to monitor reasons for complaints. This is to identify the root cause behind a complaint and ensure we address the underlying cause rather than just fix individual complaints..
- We closely monitor how long we take to resolve your complaints.
- We ensure decisions on complaints are clearly communicated, in-line with our commitment to providing information in 'plain English'.
- We support ABI complaints work.
- We seek your feedback through monthly complaints surveys.
- To put this into context, Pearl Group handled almost 12.5 million transactions during 2008. Of these, 41,312 resulted in complaints, which is 0.33%. We know that we will never get to a situation where we have 'zero' complaints, but we are working very hard to try.

What improvements have we made since our last reports?

Pearl, NPI and London Life introduced internal customer satisfaction surveys to monitor and improve service. A further commitment was made to improve on service, based on these surveys.

Phoenix (including Scottish Mutual and Scottish Provident) committed to taking steps to ensure that all staff had a full understanding of Treating Customers Fairly (TCF).

Work in both of these areas continues, but now over the group as a whole.

Over the last twelve months we have made significant changes to the way we work in a bid to improve our service, and reflect our enlarged group.

- We have fully embedded TCF and continue to train staff and review knowledge with TCF top up courses and encourage TCF suggestions. Staff are tested regularly to demonstrate ongoing understanding.
- We have continued to monitor our fair treatment of customers on a monthly basis against the FSA's (Financial Services Authority) TCF customer outcomes.
- We are conducting research to hear directly from customers
- We have reviewed and improved key communications to ensure they are clearly explained which includes any options available to customers.
- For Phoenix, we have been awarded the 'All formats charter mark' from Queen Alexandra College, which shows our commitment to the visually impaired community, by providing them with access to documentation in a format they require.
- We appreciate that company history may seem complicated so we've provided a tool on our Phoenix and Pearl Group websites, called '**Who services my policy**'. This is to help customers identify the correct contact numbers and a contact point for those still at a loss.

So, what are we planning next?

- We have plans in place to provide further information on our websites, including more information on fund prices, and downloadable forms to help speed up processing times.
- Increase our customer survey activities, in particular telephone surveys, and review any underlying trends identified.
- Improve our service and processing times.

Thank you if you were one of our customers who participated in this year's survey. By reviewing your comments and ratings given, we are confident that we will be working towards meeting your needs and expectations. We look forward to hearing your views and opinions in our next Customer Impact survey which will take place in 2009.

For more information about the Association of British Insurers and the Customer Impact Scheme, please visit their website www.customerimpact.org.

Over the coming months, we plan to enhance our websites. In the meantime feel free to browse our sites:

www.pearlgrouplimited.co.uk

www.phoenixlifegroup.co.uk

www.npi.co.uk

www.london-life.com

www.pearl.co.uk

There are other sites for international business and those excluded from this survey. For further information please see www.pearlgrouplimited.co.uk.