

Caring for Customers

May 2007



FRIENDS PROVIDENT

To be the standard
by which all other
providers are judged

Introduction

Friends Provident is one of today's leading financial services groups, serving more than 2.5 million customers. In 2007 we celebrate 175 years of providing help to families facing misfortune or to those seeking a more secure financial future. We pay out more than £6 million every working day to our customers.

A caring company

The strong ethical values that underpin our operations can be traced back to our Quaker origins, and continue to be a clear point of distinction for us today. We have long recognised our responsibility to society at large and are committed to conducting business in a responsible manner, considering not only economic factors but also our impact on society and on the environment.

We publish an annual Corporate Social Responsibility Report, available on our website at www.friendsprovident.com/reports

A reputation for excellent service

Across our business we are investing time, talent and energy into setting new standards of service for all those who deal with us. This is in line with Friends Provident's vision, which is:

To be the standard by which all other providers are judged

The vast majority of our business comes from our products and services being recommended to our customers by their financial advisers. Over recent years we have earned a reputation for providing excellent service to financial advisers, evidenced by the key industry awards that we won last year, including:

- Voted Life Insurer of the Year at the British Insurance Awards
- Winning the top Customer Care Award at the British Insurance Awards
- Ranked as a provider of 5 Star excellent service – the highest ranking in our industry – for Life & Pensions for the third consecutive year, and for Investments for the first time*
- Voted Overall E-commerce Company of the Year*.

* Financial Adviser Practiv Service Awards, 2006

Our products also attract numerous awards every year, including three Gold Standard Awards from Incisive Media.



Setting our sights still higher, towards the end of 2006 the Board set a new Vision for the Group, which is 'To be the standard by which all other providers are judged'. We believe this properly reflects our desire and determination to take a lead in lifting standards in our industry and so help restore the confidence of consumers.

Sir Adrian Montague, Chairman





Business ^{the}

Community



Life Insurer of the Year



Customer Care Award

Enhancing our service to customers

Because so many of our customers deal with us through their financial advisers, it is often difficult for us to demonstrate our good service in a way that customers can see. We therefore set out in this Report information about the things we have done and are continuing to do, which are focused on 'setting a new standard' of customer service.

Many of the initiatives listed in this Report represent our support for the following two major industry campaigns:



The Financial Services Authority's 'Treating Customers Fairly' initiative, designed to challenge the traditional ways of doing business and to ensure that the needs and expectations of customers are kept front-of-mind.



The Customer Impact Scheme organised through the Association of British Insurers. We are one of 28 companies that have signed up to support this initiative and, in so doing, we commit ourselves to:

- developing and promoting products and services that meet the needs of our customers
- providing customers with clear information and good service when they buy our products
- maintaining an appropriate and effective relationship with our customers, providing them with a good service after they have bought a product.

As part of this scheme, the Association of British Insurers arranges for hundreds of our customers to be surveyed, and we feature some of the key results later in this Report.

Looking back

We list here some of the initiatives we have already taken to enhance our service to customers.

- Reviewed the majority of our standard customer letters and changed them where necessary to make them more clear.
- Produced company-wide guidelines for how to produce clear and fair communications to customers.
- Treating Customers Fairly online training rolled out to all customer services staff and also now included in new staff induction.
- The Board has agreed our Customer Proposition, which provides a clear vision of the positive experience we want our customers to have, and which will underpin all future 'customer contact' activities.
- Our Customer Information Centre is no longer measured on the number of calls handled, as is the case in the vast majority of call centres, but on the quality of the customer experience.
- Revised our product development process to embody the Treating Customers Fairly principles, getting input from our customers on how we can best meet their needs, as well as the quality of our literature.

- Quality audits have been redefined (some areas only currently) to measure not only technical accuracy but also customer experience.
- Online financial planning tools and financial education made available on our website, aimed at helping customers who are members of one of our pension schemes.
- Created a link from our website to the online customer tools provided by our Regulator, the Financial Services Authority.
- Virtually all customer service processes reviewed to identify what is frustrating to customers, with steps being taken to effect improvement.
- Reviewed our complaints handling processes, annual statements, language and layout of documents against the Association of British Insurers' 'Good Practice' guides, identifying actions to close any gaps.

Looking forward

We list here some of the initiatives that are underway now, and what we are aiming to achieve through these activities.

- Customer Committee now in place to champion the needs of the customer, consider priorities and monitor the impact of improvement initiatives.
- Our internal FRIENDS Experience programme continues to run across our business, with each area seeking to improve the experience of their customers in a measurable way.
- We are reviewing our disclosure questions on our applications to make them as clear as possible, so that customers fully understand what their policies cover.
- Treating Customers Fairly principles (and other customer-focused areas) have been incorporated in a new staff competencies framework, being rolled out in 2007.
- We have initiated a review of the end-to-end customer 'journey' to improve what we offer and so enhance the customer experience.
- We plan to conduct research to understand why customers might stop or surrender their policies, so we can serve them better.
- Our staff Performance Management process has been amended to encourage our people to consider their impact on customers and so drive appropriate behaviours, being rolled out in 2007.
- New telephone system being introduced to improve customer service, ensuring our people have the right data (as well as the right skills) to answer immediately 80% of customer questions and requests.
- New technology being introduced to improve our fax/email service.
- We plan to review our customer website to improve consistency and quality of information and how easy it is to access.
- We are working towards all inbound telephone calls to be answered within 20 seconds (currently 82%).
- We are now measuring how many of our customer enquiries are dealt with completely, without the need to transfer them to other parts of our organisation.
- We plan to devise more robust measures that truly capture what is important to our customers.



Life & Pensions



Investments



Overall E-commerce Company of the Year



Pensions



Life Protection



Fund Management

It's all about Experience

In addition to the initiatives outlined above, we are rolling out the FRIENDS Experience campaign to all of our people. We can only be successful if the customers we already have choose to stay with us, and we continue to attract new customers and keep them too. We know that for this to happen, we must ensure that everyone who deals with us feels uplifted by that experience. The FRIENDS Experience campaign is all about finding ways to make the customers' experience of dealing with Friends Provident ever better.

The survey says...

These are the key results from the 2006 Customer Impact scheme survey of our customers, compared with 2005 results. Overall, the great majority of our customers assess Friends Provident as good or better than good, but it is disappointing that the latest results show a general decline. We recognise, however, that the impact of the initiatives outlined in this report are only just beginning to be felt and, allowing for the infrequency of contact with most customers, changing perceptions will take time. But this is our challenge, and we are determined and committed to ensuring that our service to customers receives the same recognition as our industry-leading service to intermediaries.

How would you rate the overall quality of the life, pensions or savings products and service that Friends Provident provides?



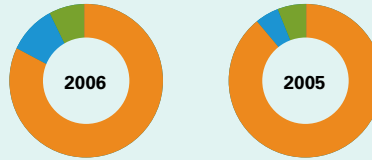
	2006	2005
Excellent/Very Good	43%	45%
Good	37%	38%
Fair/Poor	20%	17%

Would you agree or disagree that Friends Provident really cares about its customers?



	2006	2005
Strongly agree/Agree	70%	74%
Neither agree nor disagree	18%	16%
Strongly disagree/disagree	12%	9%

Would you agree or disagree that Friends Provident is easy to do business with?



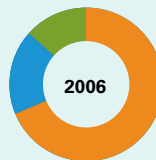
	2006	2005
Strongly agree/Agree	83%	89%
Neither agree nor disagree	10%	5%
Strongly disagree/disagree	7%	6%

Would you agree or disagree that Friends Provident treats customers fairly?



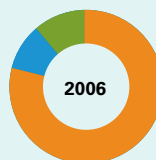
	2006	2005
Strongly agree/Agree	78%	88%
Neither agree nor disagree	12%	7%
Strongly disagree/disagree	10%	5%

Would you agree or disagree that Friends Provident is a company you feel good about?



	2006	2005
Strongly agree/Agree	68%	N/A
Neither agree nor disagree	18%	N/A
Strongly disagree/disagree	13%	N/A

Would you agree or disagree that Friends Provident is a company you feel confident dealing with?



	2006	2005
Strongly agree/Agree	79%	N/A
Neither agree nor disagree	10%	N/A
Strongly disagree/disagree	11%	N/A

Overall, how would you rate the life, pensions or savings product that you purchased from Friends Provident?



	2006	2005
Excellent/Very Good	34%	37%
Good	39%	38%
Fair/Poor	27%	25%

How would you rate the statements and personalised letters that you have received from Friends Provident in the last 12 months?



	2006	2005
Excellent/Very Good	38%	40%
Good	39%	42%
Fair/Poor	23%	19%

Thinking about the service you received from Friends Provident, how satisfied or dissatisfied are you with them?



	2006	2005
Extremely/Very satisfied	46%	49%
Quite satisfied	43%	41%
Not very/Not at all satisfied	11%	10%

If someone asked you to recommend an insurance company, how likely would you be to recommend Friends Provident?



	2006	2005
Extremely/Very likely	49%	52%
Somewhat likely	29%	32%
Not very/Not at all likely	23%	16%

These represent the high level results. The Customer Impact survey also provides a much more detailed analysis of the differing views of customers, depending on the products they hold and how long they have held them. We use all of this data to identify the improvements we need to make to fulfil our ambition of setting the standard for service in our industry.

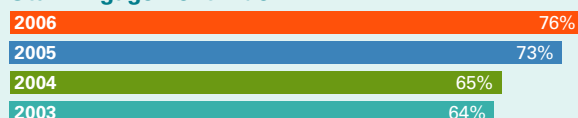
We are identifying measures to ensure we understand what 'setting the standard' means, and we are also developing a method of tracking progress that will ensure, from the Board down, we retain our focus on customers.

We also recognise that the views of our customers will be influenced not only by the service they receive but also by our track record for investment performance. We are as committed to improving investment performance as we are to maintaining high levels of service, and are investing accordingly.

A workforce that's up to the challenge

We know that the quality of our service, and how our customers feel about it, is in the hands of our people who daily contribute their talents and experience to the ongoing success of Friends Provident. We measure their level of engagement through a comprehensive annual survey, and it is consistently high and rising.

Staff Engagement Index



Through the same survey, we are able to compare two aspects of service against the Financial Services Industry generally, as follows:

We are continuously improving the quality of our service – Strongly agree/Agree



We act on comments we receive from our customers – Strongly agree/Agree



We've come far but have further to go

Through this Report we aim to show that focusing on our customers is a priority at Friends Provident, backed by actions as well as words. We are certainly not complacent, and know that there's a great deal more we can and will do, not only to go on improving our service, but also, and this takes longer, to change the perceptions of it.

Finally, our thanks to the many customers who write to thank us for how we have made them feel. Here are a few extracts:

"I want to tell you how impressed I am with Dean's level of customer service, In fact impressed isn't a sufficient enough word. He has been absolutely outstanding. Since my father's death I have had to deal with several companies and no-one holds a torch to Dean and Friends Provident."

"I am writing to you in order to thank you and Friends Provident for the very excellent service so far enjoyed through the years by myself and my wife. It is not unusual to receive good service from companies such as yours; but it is not a common thing to receive consistently efficient, pleasant and personal service all in one. We would not hesitate to recommend Friends to all our friends in England."

"I would like to let you know about a member of your customer service staff who, in my opinion, provided excellent service on Friday the 22nd of December in relation to the above-mentioned case."

Tania was an absolute star when I tried to put this plan in force on our last day in the office before the Christmas break. Apart from achieving what was asked, Tania was extremely professional and polite throughout and was determined that she was going to leave us as satisfied customers – and she achieved just that – and on a day when most people were looking to disappear as early as possible due to the Christmas break. Fantastic!"

"It is, unfortunately, becoming increasingly rare where Life offices cover themselves in glory from an admin and servicing point of view however this could certainly not be levelled at Friends where I cannot praise the assistance received highly enough."



I see service as the end result of everything else we do. It is what distinguishes us from others. It cannot be done well without investing in many things, but at heart, quality of service is a reflection of the people who deliver it, and our people are very good. What we do is worthwhile. Many rely on us. We must never lose sight of the power of the human touch.

Philip Moore, Group Chief Executive



The Board of Friends Provident Life and Pensions Limited believes this Report to be a true and fair reflection of our customer commitments and the related activities, progress and measures.

For the Board

Philip Moore, Group Chief Executive
Chairman, FPLP Board