

Caring for Customers

May 2008



FRIENDS PROVIDENT

Caring for Customers

Introduction

The Caring for Customers report is a summary of the results of the Customer Impact Scheme for Friends Provident in 2007. In the report, we want to assure you of the seriousness with which we take our commitments under the Scheme. We demonstrate this through examples of the initiatives we have been undertaking over the past year, and will be working on in the future, in order to support the commitments and ensure that you receive the best possible experience when dealing with us.

We want you to be confident in Friends Provident as your financial provider. We know that you, our customers, are the reason we exist, and we value the feedback that the survey gives us, and the opportunity this offers for us to focus on the areas of greatest importance to you. We hope that you will personally benefit from at least some of the initiatives we are putting in place to enhance your experience of Friends Provident.

Awards

We have a reputation amongst financial advisers for excellent service, as evidenced by the many awards we received during 2007, including:

- Professional Adviser Award for Best Product Provider Website
- Mortgage Strategy Award for Best Mortgage Protection Provider
- Financial Adviser Life and Pension Award for Group Pensions Provider of the Year
- Professional Pensions UK Pensions Award for Life Assurance Company of the Year
- Cover Excellence Award for Treating Customers Fairly – Highly Commended
- Bankhall Award for Technology Provider of the Year
- 5 Star Service Provider (the top category) for the 4th year running in the Financial Advisor Awards

The majority of our business comes from our products being recommended to customers by their financial advisers and therefore these awards are important to us. We recognise, however, that it is just as important for us to leave you, our end customer, feeling good about the service you have received and indeed, for you to recognise that the products meet your needs. Importantly, we want you to have confidence in what we provide and your experience of us at this time of need.

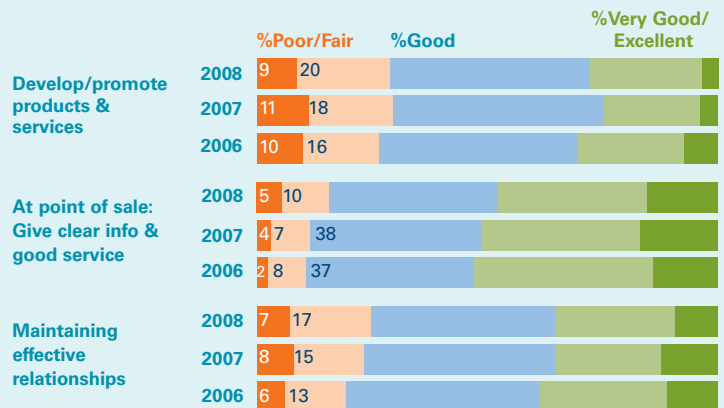


Customer Impact Scheme

Once again in 2007, we took part in the Customer Impact Scheme organised through the Association of British Insurers. This explores our customers' perceptions of the products and service we provide, and shows us where we rank in comparison with the industry as a whole, and within a peer group of similar competitors. The survey is not perfect as it is influenced by the type of product and the closeness of the ongoing relationship. It does however enable us to probe into those areas you value and those that are causing concerns.

By signing up to the scheme, we subscribe to the three key customer commitments: -

- 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.

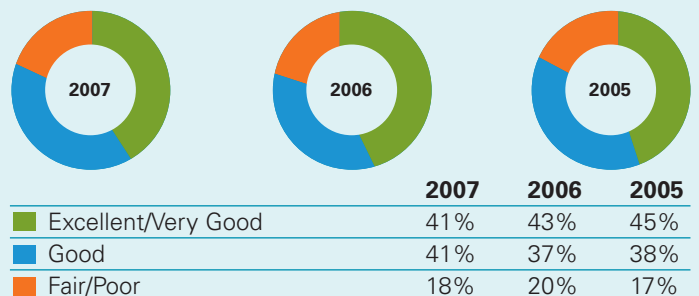


The charts above show how a sample of you rated us against each of the three key customer commitments. Although the majority of our respondents rated us as Good, Very Good or Excellent, there has been a slight decline in ratings year on year.

It is disappointing that our scores have not improved, given the work we have been doing to focus on our customers and enhance the experience you receive. We take these results extremely seriously and while some of the impact on our scores relative to our peers results from our mix of business, we are keen to understand where we can make a positive difference to you.

The following charts show our performance against various high level indicators in comparison with previous results. These have been chosen out of the complete set of results to appropriately reflect the key areas of focus. While these show that only a small percentage of you feel that we don't treat you fairly, don't care about you, or make it difficult for you to do business with us, a higher proportion feel we have work to do in the areas of communication and products.

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



charts continue on next page



Financial Technology Research Centre Excellence ratings



Financial Technology Research Centre Excellence ratings



Financial Technology Research Centre Excellence ratings



Professional Pensions UK Pensions Awards

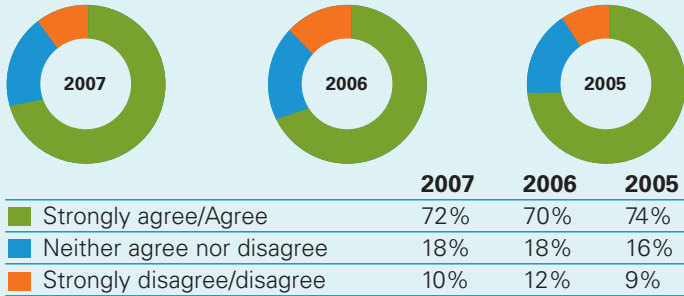


Financial Adviser Life & Pensions Awards

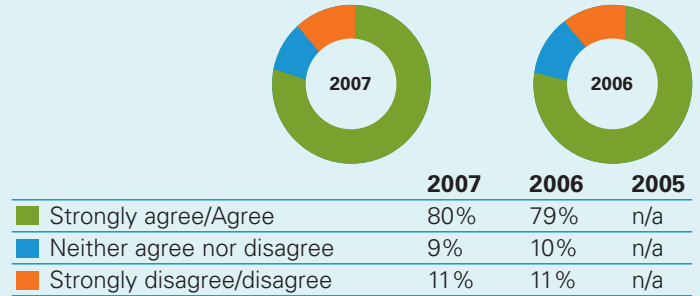


Gold Standard Award

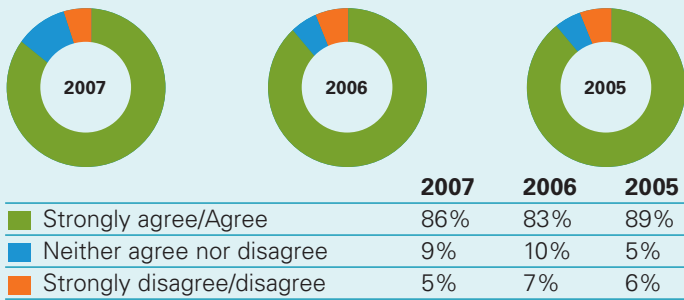
Would you agree or disagree that Friends Provident really cares about its customers?



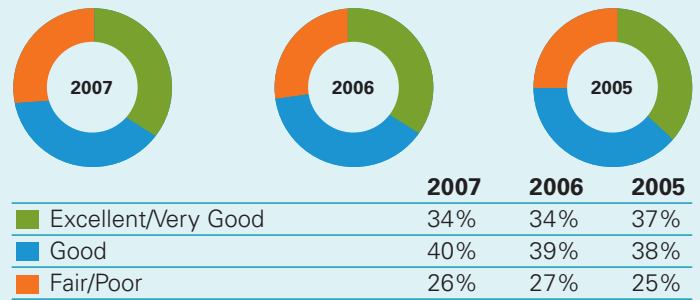
Would you agree or disagree that Friends Provident is a company you feel confident dealing with?



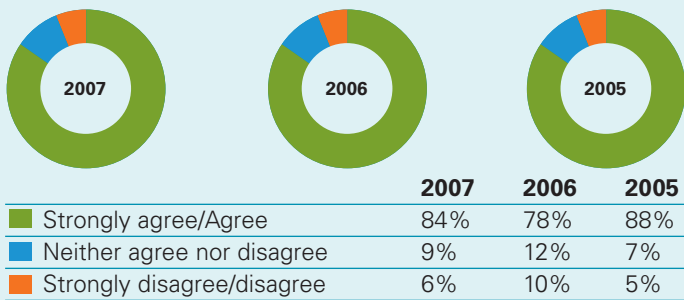
Would you agree or disagree that Friends Provident is easy to do business with?



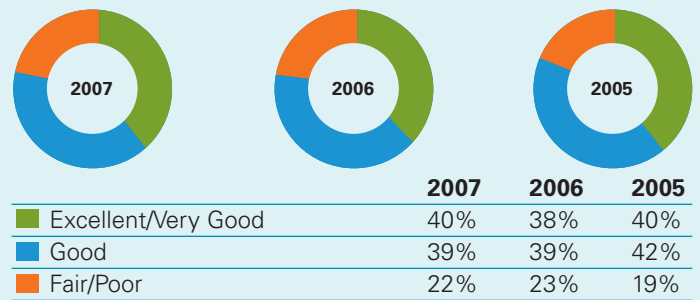
Overall, how would you rate the life, pension or savings product that you have purchased from Friends Provident?



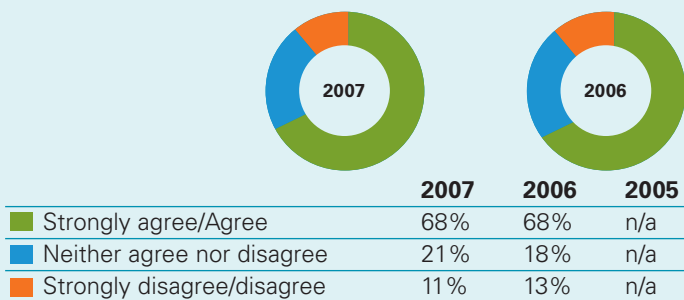
Would you agree or disagree that Friends Provident treats customers fairly?



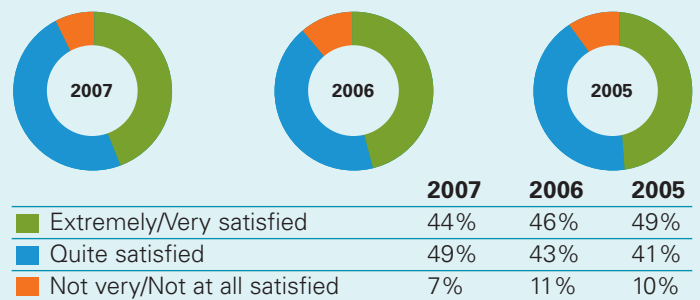
How would you rate the statements and personalised letters that you have received from Friends Provident in the last 12 months?



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



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





Financial Adviser Service Awards



Financial Adviser Service Awards



Highly commended - best ethical investment provider

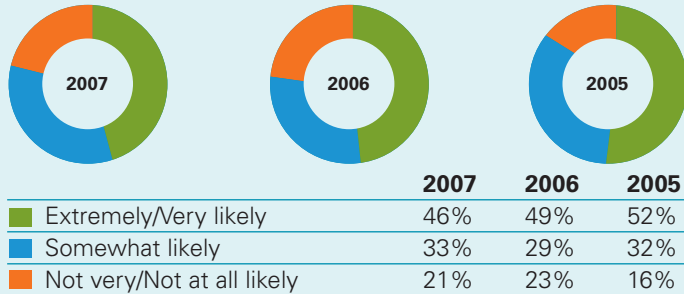


Best E-Commerce Provider



Best Product Provider Website

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



Despite a number of actions taken following last year's results, there has been no significant improvement in our scores, which concerns us, as our commitment to you remains as high as ever. This is a trend that we have seen across the industry as perceptions do take time to change (particularly given the infrequent contact that we have with many of you), but one that we are committed to change over the longer term.

The full Customer Impact Scheme report gives us a very detailed analysis of your opinions, according to the products you hold with us and the length of your relationship with Friends Provident.

In 2007, we established our Customer Committee, comprising senior people, to take responsibility for championing the needs of the customer, considering priorities and monitoring the impact of improvement initiatives. Naturally, the Committee would like to see forward movement in our scores, and is now looking at the latest results to identify any particular areas we need to address. The Committee is putting together a programme of actions, some of which are described later, which will help us address the gaps and underline our commitment to improve our ratings.

What have we been doing?

We have taken many actions since last year's report. Not all aspects impact all customers but we have set out some of the main initiatives below. Some are continuing this year.

- Treating Customers Fairly (TCF)

Fairness has always been a core value within Friends Provident, but over the last year we have been carrying out further training and development for staff to make it part of 'everyday thinking'. We have reviewed our claims procedures to ensure the options are clear and forms are required less often and are easier to complete.

As part of the survey, customers were asked about the extent to which they agree that Friends Provident treats its customers fairly. 84% rated us very good or excellent, compared with an industry average of 85%. Last year our score was 78% following a decline, so it is encouraging to learn that we are back on track.

- Changes to Income Protection claims process

We have improved our income protection claims process so that calls from customers now go directly to a claims assessor, who takes personal responsibility for managing the customer's claim. Previously, these calls went via the call centre, making the process, at a time when the customer is ill, unnecessarily drawn

out. We have also created a leaflet entitled 'A guide to claiming on your income protection policy'. This explains how the product works, what we do to assess claims and what you can expect throughout the process, again making things easier for the customer at a difficult time.

We are optimistic that the changes we have put in place will bring about a marked improvement for our customers, and we aim to improve upon our score for this area in next year's survey.

- Fair treatment of non-disclosure

We changed our stance on non-disclosure and announced publicly that we would make proportionate payments on Critical Illness and Death Claims even where there had been 'reckless' non-disclosure, which was unrelated to the cause of the claim. We were the first insurer to do this. We also had direct representation on the group that developed a new industry approach to non-disclosure. We embrace this new approach, which was set out in the January 2008 ABI guidance on non-disclosure, and changes the way in which we obtain medical histories from a claimant's doctors and how we categorise and treat non-disclosure in line with TCF principles.

- Improvements in Customer Services

Our Customer Services area has been focusing on service improvements over the past year, many of which you will experience in 2008. This includes incremental improvements to our 'one touch' approach to ensure that every customer query is dealt with by one person in a single 'touch'. As part of the survey, customers were asked to rate the customer service centre on the ability to resolve their queries in a single phone call. Although the percentage rating us as very good or excellent on this remained at 42%, the same as last year, the percentage rating us as poor has declined from 19% last year to only 9% this year. This is very encouraging, and we are confident of a further improvement as the effects of the changes we have made begin to be felt.

Our people are receiving mentoring and coaching on telephone techniques, so that you feel inspired after your 'Friends' experience over the phone. There are also process reviews taking place, focusing on how we can improve the top six queries that our customer services area receives daily. Internal processes have been redesigned from the customer perspective so that it should be easier for you to deal with us.

- Online services

We recognise that there is a greater demand than ever for online management of accounts and policies, so we have continued to develop and promote our range of self-service options to enable you to manage certain elements of the policies yourself, whenever you want to.

- Developing our products and ongoing service

During 2007 we started to review our product development process, and as a consequence at the end of the first quarter of 2008 we introduced a much improved process, which goes far further than it used to in involving customers in the design of products and the support services you require. When it comes to Group Pensions, Friends Provident is a favourite for advisors to recommend based on both product pricing and service – we

maintain this position by continuing to invest in our offering.

Looking Forward

The start of 2008 saw the announcement of the outcome of a major strategic review for Friends Provident. Despite the significant changes the business has already started to implement, and will continue to do so throughout 2008, our focus on customers remains unchanged. In fact, as part of our new strategy, customer retention will be more important to us than ever. We believe that many of the process and communication improvements we plan to implement over the coming months to improve customer retention, will also enhance the experience we give you when you deal with us.

41% of our customers surveyed were members of Group Personal Pension Schemes compared with 9% for our competitors. We believe that this is a contributing factor to our lower than average score, as these customers have less direct contact with the company and therefore less of an affinity with the Friends Provident brand. This has, however, already been identified as a key area for us, and these scores underline our need to focus on engaging with those of you who are members of Group Personal Pension Schemes. In 2008 we plan to focus on improving the experience for members of group personal pension schemes – and indeed other customers who have come to us via intermediaries and therefore not had extensive first-hand experience of Friends – through a programme of activities.

As part of our increased focus on retention and customer engagement, there are a number of specific actions we plan to take during 2008, all of which we believe will give us an opportunity not only to improve our scores in future years' surveys, but even more importantly to ensure our customers receive a more positive experience from their interactions with us. These include:

- Treating Customers Fairly



We are already embracing Treating Customers Fairly (TCF) principles, and 2008 will see the importance of TCF increasing even further. The Financial Services Authority has a deadline by the end of December 2008 for firms to be able to

demonstrate that they are consistently treating their customers fairly. Having reviewed our measures and management information, we are making good progress towards ensuring that we can evidence that we have embedded a culture of treating customers fairly throughout the business. Currently, 84% of survey respondents agree or strongly agree that we treat customers fairly but there are still 7% who disagree or strongly disagree. We believe that the increased focus on TCF throughout the organisation will translate into improvements in the experience you have when dealing with us.

- More regular communication with you

We recognise that the only time many of you have contact with us is when you initially take up your product, when you make a claim, or on maturity. This understandably leaves you with little affinity with us, and you are unlikely to rate us highly in terms of communication and servicing in the interim period. During 2008, we plan to launch an electronic newsletter for group personal pension scheme members, and we will be piloting a regular letter

to protection customers. Of course it is not just about how often we do it but the quality of the communication. We have an internal 'Friends Experience' programme in full flow with the objective of improving all types of communication. Some of the principles of this programme include: -

- * Speaking and writing in plain conversational English
- * Ensuring we are on the same 'wavelength' as our you
- * Being warm and welcoming – making it easy to have a conversation
- * Getting it right first time – no one wants to have to ask again for clarification
- * Not only delivering on our promises, but also ensuring you can rely on this through the communication experience

- Review of post-sale communications

We plan to review all of our post-sale communications, including standard, system-generated letters, to ensure that they are clear and effective and reflect the experience we want you to have when dealing with us.

- Enhanced retirement process

We plan to enhance the retirements process for our pensions customers, and during 2008 we will be automating much of it, so that you experience a smoother process – just one example of how we will be able to differentiate on service through technology. We are also reviewing the literature that you receive from us when you start your pension, to ensure that the information is clear and straightforward. Similarly we will be reviewing our processes for moving money at other times (transfers), to make this easier for you.

- Helping more people get back to work

This year we are looking to help even more income protection customers wanting to return to work after illness or injury, by offering a range of rehabilitation options. This includes help with writing CVs and retraining, providing various therapies and rehabilitation support, counselling, medical investigations and, where it will help to speed up recovery, we have even helped with private medical treatment.

Conclusions

Our commitment and focus on customers has never been as high. We strive to ensure not only that we deliver to the expectations set by our products, but that we also make the customer experience a positive one and support you through the time of the claim - often a difficult and emotional time for all involved whether through the death of a loved one, illness or the minefield of retirement.

We do however acknowledge concerns regarding past investment performance that have coloured the way some of you perceive us. We can do more to help set appropriate expectations and ensure you understand the risks and rewards, but clearly we can't buck market trends. For many contracts we now offer a large number of alternative investment funds to provide choice and flexibility and have added the option for With Profit bonds to switch to other funds, something not allowed in the original policy conditions.



A dedicated group is focusing on why customers decide to cancel their policies early in order that we can ensure that this only happens when in your best interest, and that you do so in full knowledge of all the options available to you. Our Marketing department has put together a number of proposals for ensuring that the voice of the customer is represented in our decision making, across the business.

All in all, we know we have much to do, but this starts with a recognition that customers are the reason we exist. We will continue to look for ways to enhance the products and services we offer and value the feedback and focus that the Customer Impact survey provides.

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

A handwritten signature in blue ink, appearing to read 'Adrian Montague'. The signature is fluid and cursive.

Sir Adrian Montague
Chairman, FPLP Board