

customer
impact

PHOENIX GROUP

Annual Report

2009

Welcome to our fourth annual Customer Impact Scheme report.

On 15 March 2010, Pearl Group changed its name to Phoenix Group Holdings and will now be known as “Phoenix Group.” The Group’s recent change of ownership, from private equity to listed market signals a fresh chapter in the life of the Group and the Board wished to give a voice to that change with the adoption of a new name.

The Group had already chosen the Phoenix name as the unifying brand for the Life Assurance Companies that we own and the Board felt that it was now an appropriate time to extend that name to the holding company level. Our Phoenix brand was founded in 1782 and we believe that its determination and resilience are excellent symbols of our desire to safeguard our policyholders futures.



Jonathan Moss
Group Chief Executive

PHOENIX GROUP

Throughout this report, we will now refer to the Pearl Group as the Phoenix Group.

Phoenix Group Holdings is a closed life fund consolidator that specialises in the management and acquisition of closed life and pension funds. The Phoenix Group of companies is made up of eight life companies and an asset management business. The Group has 7.65 million policies in force (as at 30 June 2009), and assets under management by its asset management company, Ignis, around £67 billion (as at 31 December 2009).

This report focuses on the opinion of customers from Pearl Assurance plc, London Life Limited, NPI Limited, National Provident Life Limited, Phoenix Life Limited and Phoenix and London Assurance Limited. Our asset management business and international brands are not included in this survey.

The Customer Impact Scheme is run by the Association of British Insurers (ABI), with the common goal being seen as a commitment across the financial services industry to improve customers experiences and to be openly held accountable for its performance. There are 33 companies that are members of this scheme.

For the Phoenix Group, putting our customer at the heart of our business and treating them fairly is an integral part of how we operate. We are working hard to achieve improved outcomes for all of our customers.

We are doing this with the help of our customers and listening to what they have to say. Not just through the Customer Impact Survey but also through our own ‘in house’ research programme where we want to understand what our customers think of our service and how we can make improvements for them. As with all research, the important thing is to listen and then act and this is what we plan to do.

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

An independent research company carried out the telephone surveys from August through to November 2009. 2,524 customers were surveyed from the customers of all our companies and from our full range of products and their product lifecycles. If you were one of our customers who participated in the survey – thank you!

Included within the survey were 25 questions, which 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 Poor, Fair, Good, Very Good or Excellent for each of the 25 questions they were asked.



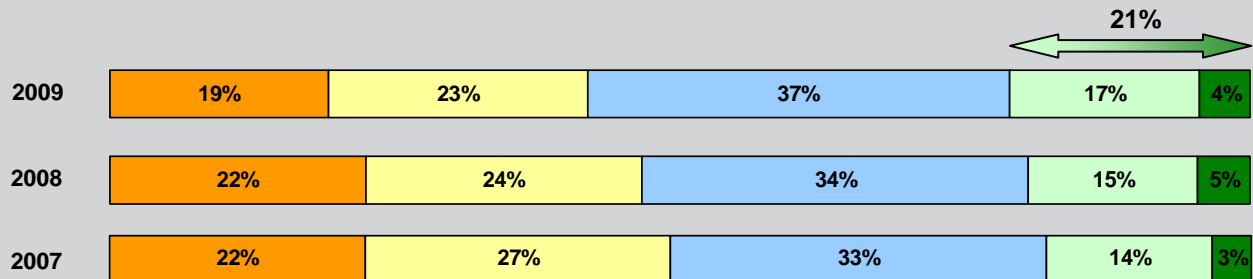
■ Poor ■ Fair ■ Good ■ Very Good ■ Excellent

As in other years, the results for 2009 were compared to the 2008 results so that we could measure progress in our customers satisfaction. The overall customer experience of those customers surveyed is shown as a percentage (%). 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

Commitment 1

Developing and promoting products and services, which meets customers' needs.



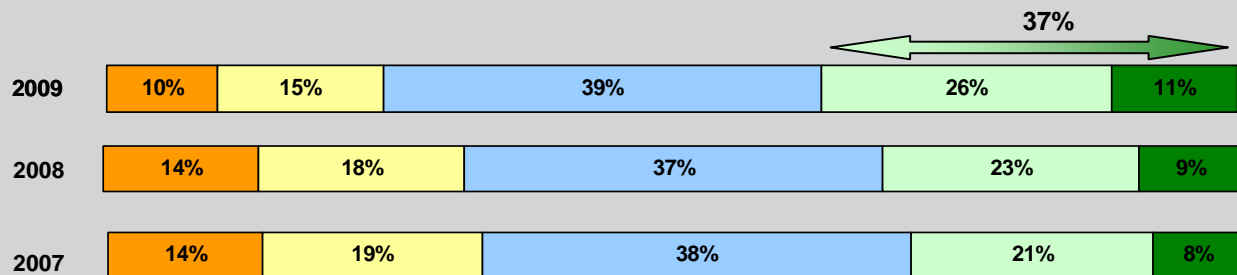
Industry satisfaction score for 'very good' and 'excellent' are shown below.

2009	28%
2008	30%
2007	31%

Phoenix Group – continued improvement, increase of 1% from last year to 21%

Commitment 3

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



Industry satisfaction score for 'very good' and 'excellent' are shown below.

2009	42%
2008	41%
2007	40%

Phoenix Group - continued improvement with an increase of 5% on last year to 37%.

We are pleased this year with the improvements that we have seen within the Phoenix Group across all areas of the survey. This has been particularly pleasing given the economic climate and a decline in some areas for the industry as a whole.

We acknowledge that we still have some improvements to make in order to match and then better the industry average and are fully committed to improving the experience that our customers have with us.

Highlights

This year the service that our customers received from our call centres was 10% higher with 48% of customers rating their experience as 'Excellent' or 'Very Good' compared to 38% in 2008.

The rating of key image statements has improved by 5% this year, which include:

- cares about its customers;
- is easy to do business with; and
- treats customers fairly.

Areas of improvement

In order to continue improving on the experience that we provide, we recognise that we need to share best practice across all of our brands.

For the last couple of years we reported that 'complaint handling' is an area that we still need to work on, to get it right for our customers who have reason to complain. We have seen a slight improvement in the percentage of customers rating their experience as 'Excellent' or 'Very good'. We recognise we still have work to do in this area and it remains a focus for us in 2010.

Complaint handling	1% increase from 7% to 8%
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We also reported over the last couple of years that managing customer expectations with respect to return on investment was one of our 'hot spots'. Despite the industry reducing their scores in this area, we are pleased that Phoenix Group has remained at the same level.

Looking at the results from both this survey and those of our monthly surveys, we have identified the speed in which we process claims and make payments to our customers as a further area for improvement. With that said, there has been an improvement in the Group score, up 7%.

What we have done about making improvements since our last report

- We have a comprehensive suite of Management Information, which helps us understand whether we are treating our customers fairly. The information is reviewed by senior management on a monthly basis to continually drive improved outcomes for our customers.
- Our customer survey process has been improved and now includes both in-depth face to face interviews and telephone interviews. This allows us to focus on what is important for the customer.
- A review of the time it takes us to respond to our customers has taken place. The outcome of which has been setting improved targets in this area.
- We signed up to the Origo Options initiative, which is sponsored by the ABI. The initiative reduces the processing times of transfer payments and Open Market Options across the industry. Results show that this has improved our customers' experience. We have already implemented Phase one (Open Market Options) during 2009 and are working to implement the next Phase over the course of 2010 (pension transfers).
- We have set up a monthly 'Best-practice' complaints forum to share good ideas across all brands. This will bring about consistency in how we deal with all of our customers and improve quality.
- We continue to support the ABI complaints work and have adopted the ABI Distress and Inconvenience Guide across all our brands. This ensures, where appropriate, the right levels of compensation are applied when we get things wrong.
- We have set up an online function to allow some of our customers to log into a secure area on our branded websites so they can view generic policy details (policy values), send us free format messages and make requests.

Our future plans

- We are working with our teams and the ABI to implement Origo Phase two. This will improve the experience when a customer completes a pension to pension transfer.
- We will continue to look at how we can improve our service and processing times.
- We continue to look at how we communicate with all of our customers, making sure we are as clear and jargon free as possible.
- When errors do occur we are looking at how we can improve the experience our customers get as we put things right.
- We continue to analyse each month, the number of complaints we receive and what has caused them. We work hard to learn from our mistakes in a bid to make sure we do not repeat them.
- We may not always be able to improve on our customers returns; however we seek to improve our explanations to our customers, ensuring they can make informed decisions when they need to.