

Customer Impact Scheme

Halifax Life Annual Report 2010

Our commitment to our customers

The UK has continued to experience challenging economic conditions. Investment returns are starting to pick up, but the unstable and fast-moving environment has had a significant impact on the returns customers are receiving. We know that providing our customers with the best possible experience right now is more important than ever. This means developing the products they want, explaining them clearly and making our information relevant to them. It means looking after them and making sure their interests are at the heart of everything we do.

We do a lot of research to get customer feedback. This allows us to see how we are doing and what we can do better. To this end, four years ago the board of Halifax Life signed up to the Association of British Insurers' (ABI's) Customer Impact Scheme. This scheme helps pension and investment companies like us to improve the experience of our customers, and means we are accountable for our performance. We've adopted the scheme's three important commitments. These are:

- to develop and promote products and services which meet the needs of our customers
- to provide our customers with clear information and good service when they buy our products
- to maintain appropriate and effective relationships with our customers, providing them with a good service after they have bought our products.

We're proud to be part of this scheme. We'd like to share with you some of the things it's helped us to achieve over the last year.

Developing and promoting products and services which meet the needs of our customers

We want to develop pension and investment products that are tailored to the needs of our customers. So last year we:

- launched a Halifax Capital Protected ISA, in response to difficult economic conditions where investment security was paramount
- continued to carry out regular product reviews and monthly checks on performance measures to give us an ongoing picture of how well our products are meeting customer needs

- adapted our stocks and shares ISA so that customers over the age of 50 could take advantage of the new limits introduced in 2009 for customers over this age. It is now possible to invest up to £10,200 in our stocks and shares ISA
- provided extra training for our personal financial advisers. They are now even better equipped to help customers make an informed decision about longer-term investments in the current economic downturn
- improved our customer service by taking the time to ensure that surrendering customers are fully aware of their policy terms and details before surrendering. It's especially important, given the current economic climate, to make certain our customers are doing the right thing. This led to a reduction in the proportion of customers surrendering when it was inappropriate for them to do so.

Providing our customers with clear information and good service when they buy our products

Buying one of our products is a long-term commitment for customers and this needs even more consideration when times are hard. So we need to make sure that customers have clear and reasonable expectations when they buy them. We work hard to ensure that our communications are as good as they can be, to make them clear for customers and easy to understand. Last year we:

- redesigned our 'key features' documents to make them simpler and easier to read with clear next steps for our customers
- reviewed our product guides to assess their clarity for customers. All guides were subsequently rewritten in plain English making them easier to understand and more user-friendly for customers. We applied the ABI guidelines on clear language and layout
- gave our customer service staff extra training to improve the overall quality of customer letters.

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

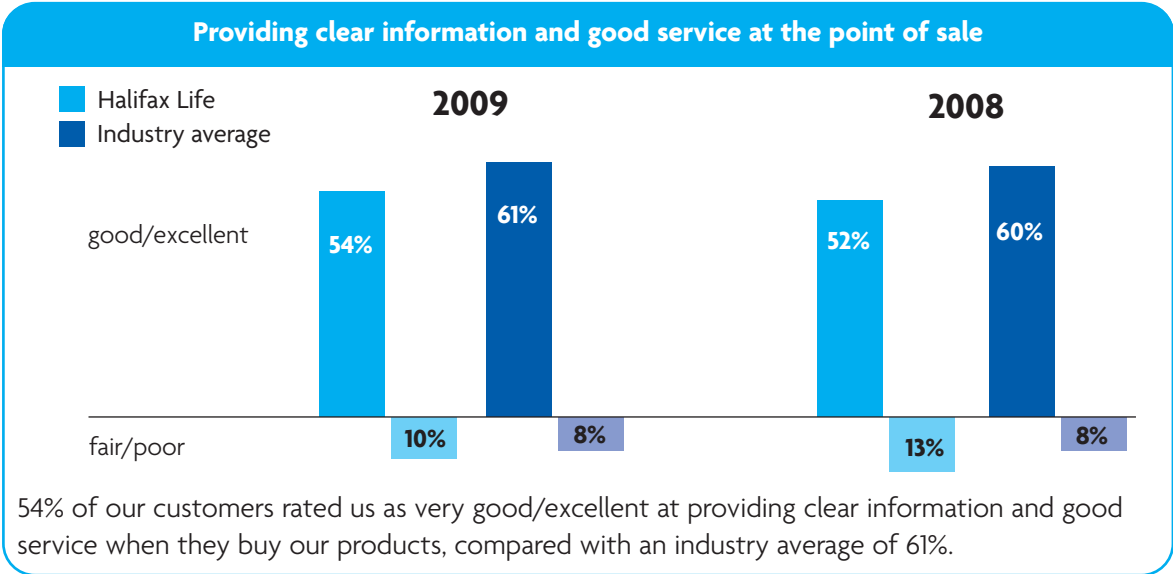
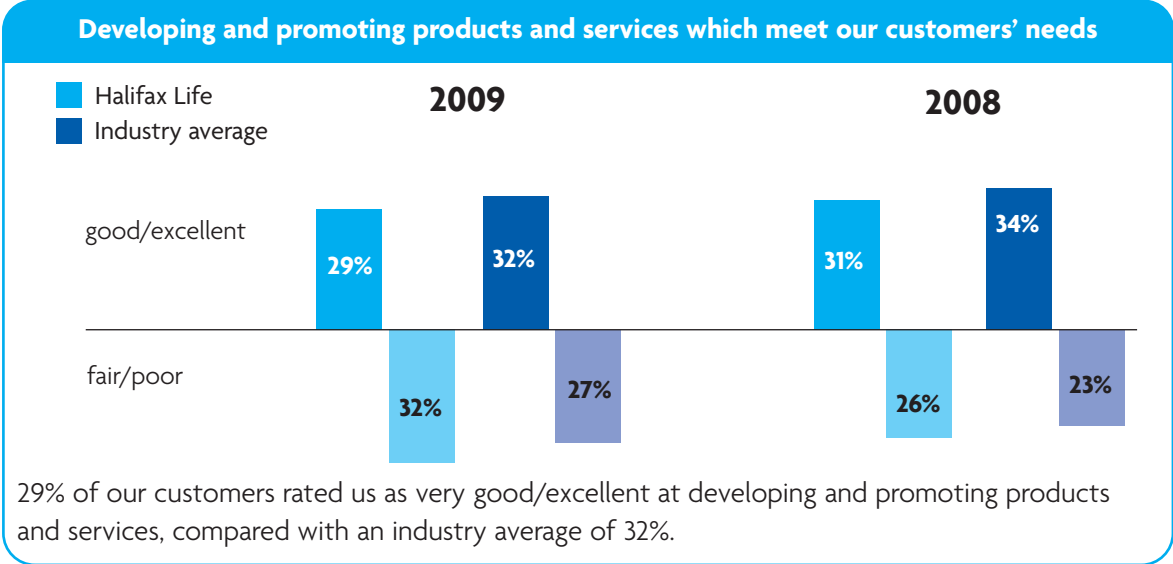
Due to the nature of our products, relationships we have with customers are several years or even decades long. We appreciate that we have responsibilities towards our customers for many years, and we believe in working hard to maintain effective relationships with them. We listen to our customers so that we can improve the service we offer, and we're proactive when it comes to providing information. This was particularly vital in what proved to be a testing year for all. So last year we:

- continued our monthly customer panels to review literature. This ensures that we produce materials that make it easier for our customers to do business with us
- provided extra training for customer service staff. This training ensured an improvement in time to answer calls, more empathy, and higher level of product knowledge, resulting in a better call experience for our customers
- introduced withdrawal packs to Halifax Bonus Bond customers wishing to withdraw funds from their policy. This enables all Bonus Bond customers to make informed decisions and understand their options and the implications of making withdrawals.

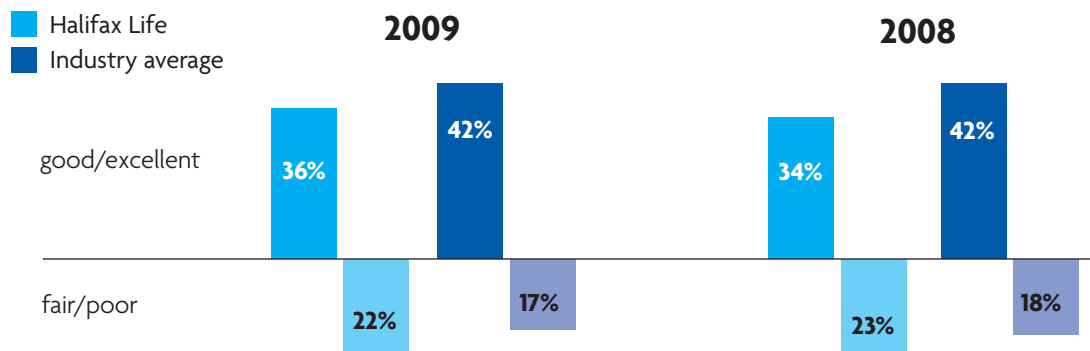
The 2009 Customer Impact Survey

A major part of the Customer Impact Scheme is an in-depth customer survey which we carry out every year. It's our chance to find out how well we're doing and where and how we could improve our service.

The results from 2009 show that we're slightly behind industry averages on a number of customer commitments. In 2008 we were broadly in line with industry averages.



Maintaining appropriate and effective relationships after sale



36% of our customers rated us as very good/excellent at maintaining appropriate and effective relationships and providing a good service after they have bought our product, below the industry average of 42%.

It's important to us that we're level or even ahead of industry averages on our key commitments. We believe that, despite the tough market conditions, the work we're doing will form a solid foundation for future improvements in 2010 and will help to rebuild customer confidence.

Last year's results also show that:

- 84% of our customers agree that we 'treat our customers fairly', in line with an industry average of 85%
- 86% of our customers agree that we're 'easy to do business with', level with the industry average
- 72% of our customers agree that we 'really care about our customers', which is down 2% on the year before, compared with an industry average of 76%
- 44% of our customers were satisfied with the 'overall quality of our product or service', 3% down on the year before and 5% below the industry average of 49%
- 51% of our customers were 'satisfied with our customer service centre', up 10% on last year and now just 3% below the industry average of 54%
- 45% of our customers would 'recommend us to someone else', compared to an industry average of 53%
- 39% of our customers were 'satisfied overall with the product they purchased', just below the industry average of 41%.

Listening to our customers tells us what we are doing well and where we need to focus our efforts to do better. We were able to make several improvements in 2009 that have really helped our customers. However, we recognise that we can still do better and that the recession is creating fresh issues for our customers. So this year, amongst a whole range of initiatives we're going to:

- provide surrender packs on more products for customers who are considering cashing in their policy, to help them in making an informed decision
- build upon the growing levels of customer service satisfaction. We'll continue to provide ongoing staff training, investigating more efficient processes and introduce more collaboration across all of our teams to give our customers the positive service experience they deserve
- we'll continue to review the information we send to customers, including the information we send with their statements. This will allow us to provide more detail on investment fund performance as well as more regular updates.



A handwritten signature in black ink that reads "Phil Loney".

Phil Loney
Managing Director, Halifax Life
June 2010

