



Association of British Insurers

customer  
impact

Meeting the customers'  
needs by putting them at  
the heart of our industry

# INDUSTRY REPORT

## 2006/07 CUSTOMER IMPACT SURVEY

February 2007

The Customer Impact Scheme has 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 be held accountable for our performance in doing so.

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## 1. Executive Summary

The Customer Impact Scheme was launched in March 2006, with the objective of improving outcomes for the customers of the UK's life, pensions and investment industry. Part of the Scheme is a regular annual survey of customer views. This report outlines the results of the first full survey.

- **Satisfaction with the Industry**

85% of customers 'agreed' or 'strongly agreed' that their company was 'easy to do business with' and 'treats customers fairly'. 53% of customers said they were 'extremely' or 'very satisfied' with the service they had received.

- **Customer Advocacy**

55% of customers said they would be 'extremely' or 'very likely' to recommend their company. 20% of customers said they would be 'not at all' or 'not very likely' to recommend their company.

- **Sales**

58% of customers rated the sales process overall as 'very good' or 'excellent'. Of the different aspects of a sale, customers rated best the time taken to arrange a policy. Clarity of information at point of sale scored least well.

- **Products**

43% of customers gave their product an overall rating of 'very good' or 'excellent'. Customers rated the choice of products available most favourably, while return on investment was viewed most negatively.

- **Complaints**

Around 4% of the customers surveyed had made a complaint to their provider in the past 12 months. 14% of these said the way the company had handled their complaint was 'very good' or 'excellent'. 50% said their complaint had been handled in a 'poor' way.

## 2. Introduction to the Customer Impact Scheme

### What is the Customer Impact Scheme?

The Customer Impact Scheme was launched in March 2006, with the objective of improving outcomes for the 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 be held accountable for our performance in doing so.

The Customer Impact Scheme comprises five main elements:

### Customer Impact Panel

The Customer Impact Panel (including non-industry figures) provides independent oversight of the Scheme.

### Customer Commitments

The board of each participating company adopts a formal resolution containing commitments designed to put customers at the heart of their business.

### Good Practice Guides

A series of Good Practice Guides helps companies deliver better customer experiences and fulfil their commitments.

### Customer Impact Survey

An annual customer survey measures how well companies are performing relative to those commitments.

### Annual Reporting

Participating companies make an annual public report on their delivery of the Customer Commitments.

The Scheme was designed to complement the FSA's Treating Customers Fairly initiative and the FSA's wider move towards more principles-based regulation.

### Who participates?

ABI member companies writing pensions, protection and investment business participate in the Scheme. At the Scheme's launch in March 2006, 26 companies had signed up. That has now risen to 32 companies\*, who collectively represent around 85% of the sector.

### What are the Customer Commitments?

The Customer Commitments are the foundation of the Customer Impact Scheme. They represent a concrete undertaking by companies to put customers at the heart of their thinking, for the duration of their relationship. This accords with the FSA's emphasis under TCF on consideration of the customer throughout the lifecycle of the product. The three Customer Commitments are:

**Developing and promoting products and services which meet the needs of customers.**

**Providing consumers with clear information and good service when they buy products.**

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

Company boards also undertake to keep their customers informed about how well they are meeting these commitments, and to work closely with their distributors (who are often separate companies) to ensure the commitments are met.

### What have companies been doing so far?

Since its launch, participating companies have been working to build the Scheme's objectives into their businesses. Most have established project teams and champions to steer the work, develop appropriate programmes within the company and raise awareness of the Scheme internally.

The Good Practice Guides published as part of the Scheme help companies identify areas where improvements should be made. During the course of 2006, Guides were produced on:

- claims handling;
- clear language and layout of documentation;
- reporting against the Customer Commitments;
- yearly statements;
- complaint handling; and
- responsibilities of providers and distributors.

Companies have been using these Guides to conduct reviews of their processes, to assess whether they need to make any changes to improve customer outcomes. More information on the Guides planned for 2007 is included in Chapter 9 of this report.

\* A list of companies participating in the Scheme is provided in Annex 1

### 3. The Customer Impact Survey

#### How does the survey work?

The annual survey is a key part of the Scheme. It is an extensive and in-depth exercise. Participating companies provide samples of customers in three groups:

- recent purchasers (people who have bought a product\* in the last 3-6 months);
- claims/payments customers (people who have received payment of claims or maturity, or started to receive regular payments, in the last six months); and
- general customers (people who have held a product for more than a year).

Customers are asked twenty-five questions about their product, their company and the areas covered by the Customer Commitments. Companies receive the results from their own customers. All the individual company results are then aggregated to produce data for the industry as a whole. The industry results were compiled by ORC International.

#### How does the survey fit with the wider Scheme?

The survey gives a picture of customer experiences and perceptions. This helps to prioritise the areas which need most attention under the Scheme, and provides industry benchmarks against which firms can measure their individual results over time.

Companies use their individual survey results to target their own efforts on the areas where they most need to improve.

#### 2006/07 Survey

This year's survey is the first full survey to be conducted under the Customer Impact Scheme. A pilot survey was conducted before the launch of the Scheme in 2005/06, which provided valuable lessons. The scale of the 2006/07 survey is very different. The number of participating companies rose from 13 to 29, and the number of customers surveyed from 8,756 to 18,182. The 2006/07 exercise was one of the most comprehensive surveys of financial services customers ever undertaken in the UK.

For technical reasons, some of the smaller companies in the Scheme were unable to participate in the survey. One company not formally signed up to the Scheme did participate in the survey.

#### Presentation of survey results

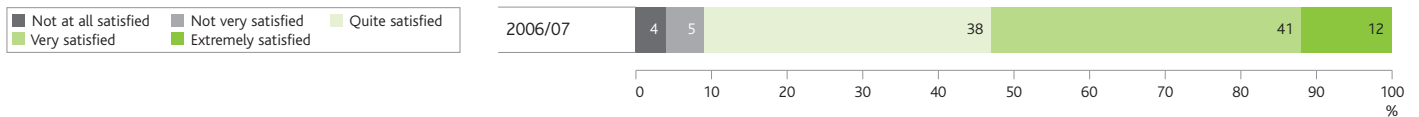
When considering the results we have intentionally concentrated on the strongest and weakest scores. We have focussed on the 'very good' and 'excellent' ratings, as this is what the industry aspires to. We hope to see these scores improve in successive surveys. The 'poor' and 'fair' ratings are also important as they give a clear indication of areas where the industry needs to improve. These scores will help us to target our work under the Scheme most effectively.

\* A full list of products included in the survey is provided in Annex 2

## 4. Overall Satisfaction with the Industry

Customers were asked several questions about their satisfaction with their provider's service and products, as well as how likely they would be to recommend their current company. The following charts show the aggregated answers to these questions, for all the companies participating in the survey.

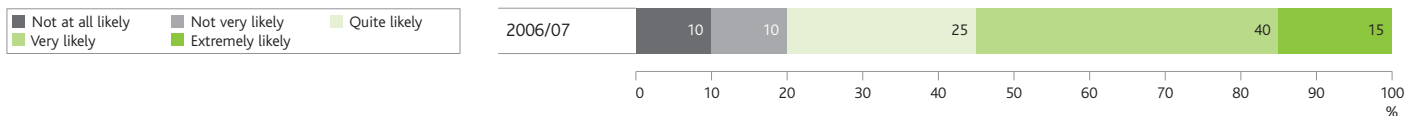
Chart 1 – Overall satisfaction with service



53% of customers said they were 'extremely' or 'very satisfied' with the service they had received from their product provider. 9% were 'not at all' or 'not very satisfied'.

Asking whether a customer would recommend a company to friends or family is a key indicator of trust and satisfaction. We refer to this as customer advocacy. As Chart 2 shows, 55% of customers said they would be 'extremely' or 'very likely' to recommend their company. 20% of customers said they would be 'not at all' or 'not very likely' to recommend their company.

Chart 2 – Customer advocacy



We have also combined the scores from the questions in the survey that are relevant to customer advocacy to develop a 'Customer Impact Index'. This provides a useful indicator of customers' overall satisfaction with the industry.

To produce the Index we combined the scores from questions asking about customer satisfaction with products and services, as well as the questions about companies' customer focus (see Chart 4)\*. We will use the Index as a benchmark against which to measure progress in future years.

\* The list of questions used to develop the Index is provided in Annex 3  
The full questionnaire is available at [www.customerimpact.org.uk](http://www.customerimpact.org.uk)

Chart 3 shows the Customer Impact Index for the 2006/07 survey. There is a positive rating of 53%, and a negative rating of 18%.

**Chart 3 – Customer Impact Index**

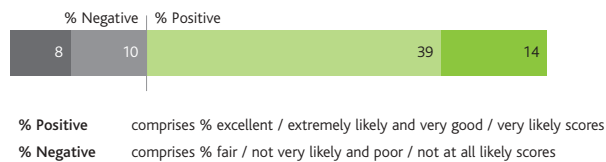
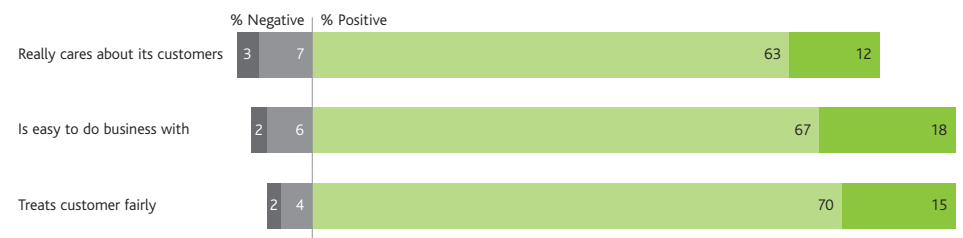


Chart 4 shows customer ratings of companies' customer focus. 85% of customers 'agreed' or 'strongly agreed' that their company was 'easy to do business with' and 'treats customers fairly'. 8% and 6% of people respectively 'disagreed' or 'strongly disagreed' with these statements. 75% of people 'agreed' or 'strongly agreed' that their company 'really cares about its customers'. 10% of people 'disagreed' or 'strongly disagreed' with this.

**Chart 4 – Agreement with statements about customer focus**



53% of customers said they were 'extremely' or 'very satisfied' with the service they had received from their product provider. 9% were 'not at all' or 'not very satisfied'.

## 5. Comparison of 2006/07 Results with Pilot Survey

This section compares the overall ratings from the 2006/07 survey with the equivalent results from the pilot survey run in 2005/06. All of the charts in this section show:

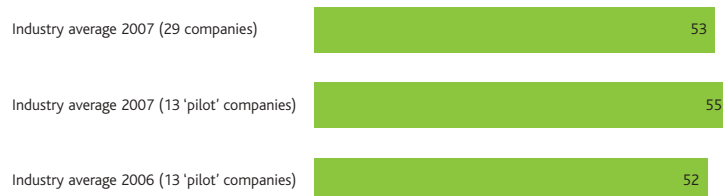
- the aggregated result for the 2006/07 survey;
- the aggregated result from the 2006/07 survey for the 13 companies who took part in the pilot survey; and
- the aggregated result from the pilot survey in 2005/06.

Given the difference in scale between the pilot and this year's survey, the two are not directly comparable. However, the overall figures for the 2006/07 survey have been included in the charts below for information.

Although the scores for the 13 companies involved in both the pilot survey and the full survey show a slight improvement, this is unlikely to be attributable to the Customer Impact Scheme at this point. The Scheme is still in its early stages and it will take several years to build up sufficiently robust evidence to show a sustained improvement in customer outcomes.

Chart 5 compares the 2006/07 ratings on overall satisfaction with providers' service with the pilot survey results.

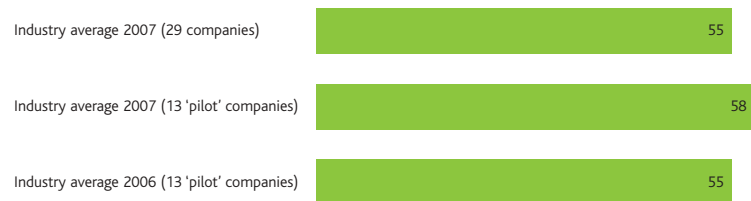
**Chart 5 – Comparison of overall satisfaction with service**



Overall, the picture is very similar. 52% of customers in the 2005/06 pilot survey said they were 'extremely' or 'very satisfied' with the service they received. This compares with 53% in the full survey in 2006/07. Comparing only those (13) companies which took part in both surveys, overall satisfaction increased slightly from 52% to 55%.

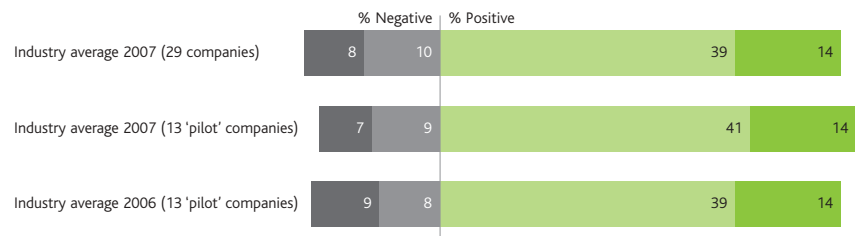
Chart 6 compares the customer advocacy scores from the two surveys. It shows that 55% of customers of the original 13 companies were 'extremely' or 'very likely' to recommend their company in 2005/06. There was an increase of 3% to 58% in the same companies' scores in the full 2006/07 survey.

**Chart 6 – Comparison of customer advocacy**



The results for the Customer Impact Index (see page 8 and Chart 3 above) from the two surveys are compared in Chart 7. Again, comparing the 13 companies which participated in both surveys, the positive score rose from 53% to 55%.

**Chart 7 – Comparison of Customer Impact Index**



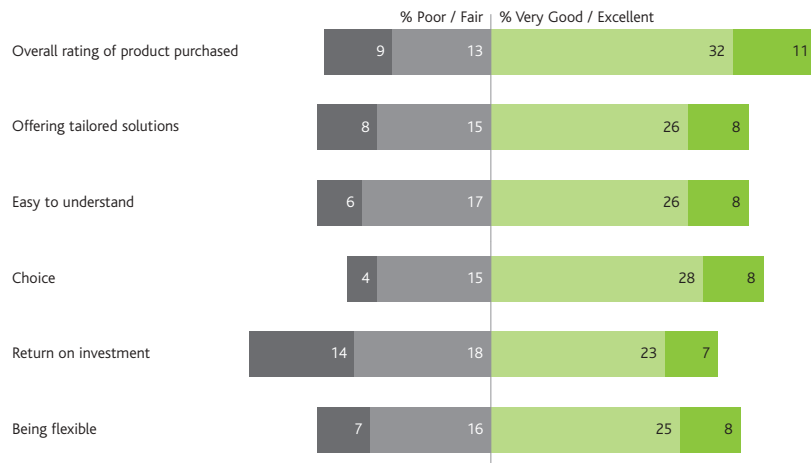
**% Positive** comprises % scores for excellent / extremely likely and very good / very likely scores  
**% Negative** comprises % scores for fair / not very likely and poor / not at all likely scores

## 6. Commitment 1 – ‘Developing and promoting products and services which meet the needs of customers’

The first commitment which companies make under the Customer Impact Scheme involves a promise to develop and promote products that meet customers’ needs. To gauge how well the industry is performing, the Customer Impact survey asks customers about the product they have purchased.

Chart 8 shows 43% of customers gave their product a ‘very good’ or ‘excellent’ rating. 22% of people rated their product as ‘poor’ or ‘fair’.

Chart 8 – How would you rate your provider on...?



Customers were also asked about specific product aspects. Companies scored highest on the choice they offer customers. 36% of customers felt the choice was ‘very good’ or ‘excellent’. 19% of customers thought the choice of products was ‘poor’ or ‘fair’. 30% of customers rated the return on their investment as ‘very good’ or ‘excellent’, and 32% rated it as ‘poor’ or ‘fair’.

## 7. Commitment 2 – 'Providing consumers with clear information and good service when they buy products'

The information that customers receive when they buy a product should help them make an informed purchase. Excellent service from providers during a sale is also a customer expectation. Recent purchasers were asked for their views on the sales process (around 25% of the total sample).

Chart 9 shows overall customer ratings of the sales process. 58% of customers rated the sales process overall as 'very good' or 'excellent'. 9% rated it as 'poor' or 'fair'.

Chart 9 – How would you rate the company's sales process for....?



The time taken to arrange the policy was given the highest positive rating, with 57% of customers rating it as 'very good' or 'excellent'. However, 11% of customers rated it as 'poor' or 'fair'. 50% of customers rated clarity of information as 'very good' or 'excellent', and 10% as 'poor' or 'fair'.

## 8. Commitment 3 – ‘Maintaining appropriate and effective relationships with customers, providing them with a good service after they have bought a product’

The industry provides long-term products which enable people to plan for their future. Customers therefore need to have good quality long-term relationships with their provider. The third commitment under the Customer Impact Scheme aims to help companies deliver this.

Customers in the survey were asked to rate the following elements of the after-sales relationship with companies:

- written communications;
- service centres;
- claims and payment processes; and
- complaint handling.

Chart 10 shows customer views of companies’ written communications.

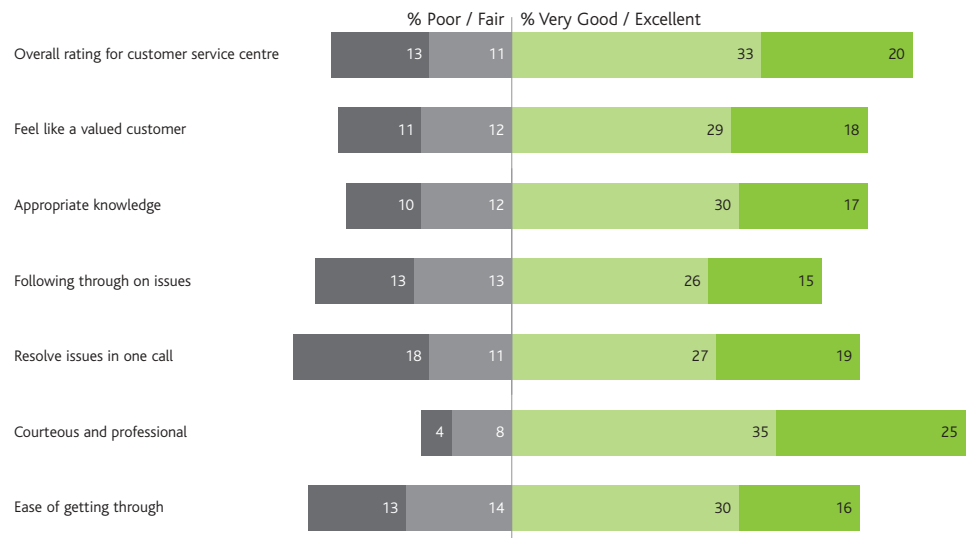
Chart 10 – How would you rate the statements and personalised letters for...?



42% of customers rated the statements and personalised letters they had received as ‘very good’ or ‘excellent’. 18% rated them as ‘poor’ or ‘fair’. Customers rated clarity of written communications highest. 39% of customers said clarity was ‘very good’ or ‘excellent’. The effectiveness of written communications in prompting customers to take action was rated lowest. 30% of customers felt written communications were ‘very good’ or ‘excellent’ at doing this, and 24% rated them as ‘poor’ or ‘fair’.

Customers who had called their company's telephone customer service centre in the last 6 months were asked to rate the service they had received (around 23% of the total sample). Chart 11 shows the results.

**Chart 11 – How would you rate the company's customer service centre....?**



53% of customers gave the service they had received a rating of 'very good' or 'excellent'. 24% rated it as 'poor' or 'fair'. The courtesy and professionalism of staff was the most highly rated aspect of service. 60% of customers rated this as 'very good' or 'excellent'. 12% rated it as 'poor' or 'fair'.

Customer service staff follow-through received the lowest positive rating. 41% of customers rated this as 'very good' or 'excellent'. 46% of customers rated the ability of staff to resolve queries in one call as 'very good' or 'excellent'. 29% rated it as 'poor' or 'fair'.

Customers who had made a claim or received a payment from their provider in the last six months were asked to rate their experience (around 23% of the total sample). Chart 12 shows these results.

Chart 12 – How would you rate your provider's claims and payments handling on...?



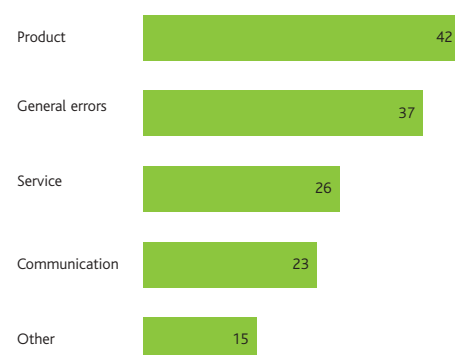
52% of customers rated the claims or payments processes as 'very good' or 'excellent'. 17% gave an overall rating of 'poor' or 'fair'. Customers rated the speed of payment by companies most positively. 58% rated this as 'very good' or 'excellent'. 14% of people rated it as 'poor' or 'fair'. Communication received the lowest rating. 46% of people rated it as 'very good' or 'excellent' and 17% rated it as 'poor' or 'fair'.

Although complaints are not the main focus of the survey, providers' complaint handling is an important element of the post-sale relationship. Those customers who had made a complaint in the past 12 months (around 4% of the sample) were asked about the subject of their complaint; whether their complaint was resolved to their satisfaction; and how they rated the way their complaint was handled. These results show there are important issues for the industry to address.

Although complaints are not the main focus of the survey, providers' complaint handling is an important element of the post-sale relationship.

Chart 13 shows the main reasons customers gave for complaining to their provider. The top three were problems with products (42%); general errors (37%); and poor service (26%).

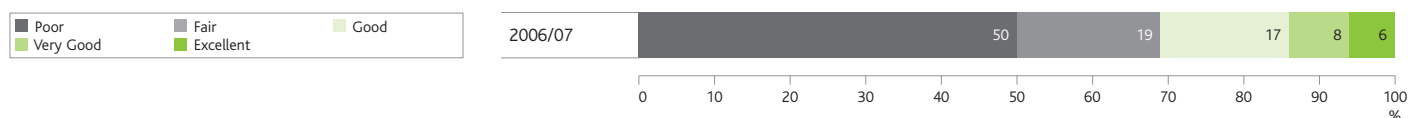
Chart 13 – What was your complaint about?



(Customers could choose more than one option for this question)

51% of customers who had made a complaint were satisfied with the outcome. However, as chart 14 shows, companies scored less well on how they handled a customer's complaint.

Chart 14 – How would you rate your provider for the way in which your complaint was handled?



14% of customers who had made a complaint said the way it had been handled was 'very good' or 'excellent'. 50% of customers said their complaint had been handled in a 'poor' way. This result shows that the industry has considerable work to do on complaints. The next chapter outlines work planned under the Scheme in 2007, particularly in areas, such as complaint handling, where the industry scored relatively poorly.

## 9. Next Steps

The aim of the annual Customer Impact Survey is to help the industry identify the areas where it needs to improve. This will in turn steer the work undertaken as part of the wider Scheme. It is likely to take several years before the full effect of this work can be seen. The survey results will enable the industry to chart its progress over time.

The results of the 2006/07 survey show that there are some areas where customers feel the industry performs relatively well, such as the sales process and claims handling. But the results also highlight the areas where customers are less satisfied: products; post-sale communications; and complaint handling. Outlined below is the work the ABI has planned to address these areas. Individual companies will also be analysing their own results to identify their weak areas and deal with these.

### Products

One of the five new Good Practice Guides planned under the Scheme in 2007 will be on product design. As with the other Guides, this will contain high-level principles for designing products; it will suggest possible approaches to achieve the principles; and will provide example key performance indicators to measure progress. The results from the survey questions on products will be used to ensure that the guide covers the issues causing customers to be most dissatisfied.

The survey results showed that customers were particularly dissatisfied with the return they received on their investments. While some of the issues around rates of return are out of the control of the industry, the way in which the industry communicates with its customers about the risks and returns associated with its products is key. The ABI will be working with stakeholders in 2007 to consider this in more detail.

### Post-sale communications

During 2006, we produced Good Practice Guides on clarity of language and layout of documentation, and yearly statements. In 2007 we will continue to work with members to help them implement the principles contained in these Guides, as well as reviewing the Guides to ensure they remain as relevant as possible.

Insurers are also considering the provision of help and guidance to existing policyholders, particularly those who may no longer be in contact with the adviser through whom they purchased the product. We plan to produce a Good Practice Guide in this area in 2007 and we are in discussions with member companies about consumer factsheets on specific topics.

While companies must endeavour to make their post-sale communications with customers as clear, fair and balanced as possible, strict regulation applies to the content and format of some documents. This is particularly true for yearly statements. The industry will therefore continue its dialogue with the Financial Services Authority, HM Treasury, the Department for Work and Pensions, the Pensions Regulator and representatives of the actuarial profession on simplifying and clarifying yearly statements to ensure they offer as much value to customers as possible.

### Complaint Handling

Customers rated companies' performance in this area relatively poorly. The ABI issued a revised complaint handling Good Practice Guide in October 2006. In 2007, we will hold a workshop to promote the Guide among companies participating in the Customer Impact Scheme and assist them in using it. We will also continue to promote the guide to member companies in other sectors.

The ABI has also been reviewing our work more generally on complaint handling. This should also help companies participating in the Customer Impact Scheme to improve. We will be refining our annual complaints benchmarking exercise, so that it is more effective in helping companies to identify their weakest areas. We also plan to work more closely with companies who are under-performing. We are considering whether further consumer research would be useful in this area.

## Annex 1 – Companies participating in the Customer Impact Scheme

AEGON Scottish Equitable  
AEGON Scottish Equitable International  
AXA  
B&CE Insurance  
Bright Grey  
BUPA Health Assurance  
Children's Mutual  
Clerical Medical  
Co-operative Insurance Society  
Forester Life  
Friends Provident  
Guardian  
Halifax Life  
Just Retirement  
Legal & General  
Liverpool Victoria  
NFU Mutual  
Norwich Union  
Partnership Assurance  
Pearl Assurance  
Police Mutual Assurance  
Prudential  
Resolution plc  
Royal London  
Scottish Friendly  
Scottish Legal Life  
Scottish Life  
Scottish Widows  
Standard Life  
Sun Life Financial of Canada  
UnumProvident  
Zurich Financial Services

## Annex 2 – List of products

### List of products included in survey

Annuities	Protection
1 Annuity (immediate, temporary and deferred)	1 Term assurance
2 Annuity (unit-linked and with-profit)	2 Whole of life (non-profit, unit-linked and with-profit)
3 Self-invested annuity	3 Long-term care (bond based)
4 Income drawdown	4 Long-term care (immediate care)
5 Self-invested income drawdown	5 Long-term care (risk based)
	6 Standalone critical illness
	7 Income protection

Individual Pensions	Regular Savings
1 Personal pension (unit-linked and with-profit)	1 Whole of life (unit-linked and with-profit)
2 Self-invested personal pension (SIPP)	2 Regular savings plan life (unit-linked and with-profit)
3 Free standing additional voluntary contributions (FSAVC)	3 Endowment
4 Personal pension transfer	4 Friendly Society plan life
5 Section 32 buy-out plan	5 Stakeholder savings
6 Rebate-only personal pension	6 Child Trust Fund
7 Stakeholder pension	
8 Individual executive pension	

Group pensions	Retail Collective Investment Schemes etc
1 Group personal pension (GPP)	1 Unit trust
2 Group stakeholder pension	2 OEIC
3 Group executive pension	3 Equity ISA
4 Small self-administered scheme (SSAS)	4 Personal equity plan (PEP) and ISA transfer
5 Funded unapproved retirement benefit scheme (FURBS)	5 Insurance ISA
	6 Self-invested ISA
	7 Investment trust share plan

Mortgage-related	Single Premium Bonds
1 Mortgage endowment	1 Bond (unit-linked and with-profit)
2 Mortgage ISA	2 Distribution bond
3 Mortgage term assurances	3 Guaranteed income bond
	4 Guaranteed equity bond
	5 Single premium endowment
	6 Friendly Society plan (unit-linked and with-profit)

### Annex 3 – Questions included in Customer Impact Index

- Q1 Customer's overall rating of the life, pensions or savings products and service provided by their company.
- Q2 Customer's view of whether their company:
- a really cares about its customers;
  - b is easy to do business with; and
  - c treats its customers fairly.
- Q3 Customer's overall rating of the life, pensions or savings product that they have purchased.
- Q5 Customer's overall rating of the written communication (statements and personalised letters) they have received from their company in the last 12 months.
- Q22 Customer's satisfaction with the service they have received from their company.
- Q24 How likely the customer would be to recommend their company.

## For more information, contact:

Association of British Insurers  
51 Gresham Street  
London EC2V 7HQ  
020 7600 3333

[www.abi.org.uk](http://www.abi.org.uk)