

30 May 2007

### **Resolution in strategic partnership with Capita**

Following the review of policy administration announced last year, Resolution plc ("Resolution") has established a strategic partnership with Capita Group Plc ("Capita"), which contributes Resolution's customer service and IT functions to a jointly designed servicing model.

Through this partnership Resolution will invest £140 million over 4 years in a consolidation of its separate customer services processes and information technology to secure:

- Continuing rollout of customer service enhancements
- Significant 'de-risking' of the in-force cost base, through fixed per policy costs
- A scalable model with further reductions in policy unit costs from future acquisitions
- Further synergy benefits, above those already announced

This additional investment produces an internal rate of return of 13%.

Over the last 3 years Resolution has grown to a group that serves some 7 million policyholders and has been developing its strategic operating model designed to balance the aims of strong financial and risk management, excellent customer service, reduced cost that is variable with policy volumes and efficient scalability. Resolution has determined that a partnership which combines in-house delivery of control and oversight functions, asset management and strategic customer management, with outsource partners, for the delivery of customer service and IT functions to Resolution's specification, is the most effective way of delivering this model.

Resolution already successfully manages contracts with a number of outsource parties, including Capita, for the provision of services to its policyholders. Capita will deliver core aspects of customer servicing and policy administration to approximately 4.5 million policyholders, future new business customers and IT services to Resolution.

The partnership commits Capita to offer reduced unit costs as new policies are brought into the model, giving Resolution certainty about future synergy benefits from new transactions.

#### **Staff**

Under the partnership around 2,000 Resolution staff, predominantly from Customer Services and IT departments, based in Glasgow (1,550) and Birmingham (450) are to transfer to Capita with effect from 1 August 2007.

After careful analysis, Resolution has concluded that it is not appropriate to move any customer facing roles, voice contact or customer data to India. A number of other customer service and IT roles, will be moved to India over the next three years. Over the same period, Capita intends to concentrate Resolution's operations in Glasgow.

As work is transferred offshore, Capita is confident that, with natural staff turnover and a significant proportion of staff being redeployed within its existing UK operations, the number of potential redundancies will be fewer than 500 over a 3 year period.

## **Customer service improvements**

Resolution is committed to continually improving customer service for its policyholders and Capita has an excellent reputation for providing high quality customer service in the life sector. Resolution believes this partnership will deliver improvements in service quality and quicker turnaround times for its policyholders. Rigorous targets for improving customer service quality and efficiency are an integral part of the contract.

There will be no change to existing customers' policy terms and conditions, their premiums or the benefits they receive.

## **Financials**

The investment of £140 million over a 4 year period will deliver:

- A significant reduction in Resolution's long-term expense risk
- Additional cost savings, averaging £20 million per annum from 2010 for the following 25 years. This represents a:
  - 13% internal rate of return on the investment
  - net present value, at a 7% discount rate, of £80 million pre-tax

The cost savings are in addition to the previously announced £20 million per annum from the end of 2007 arising from the Britannic merger and £10 million per annum from the end of 2008 relating to the Abbey acquisition. Consistent with our previous announcements, we will also incur £9 million for the cost of delivering the final Britannic expense synergies, with a further £21 million being incurred to deliver the Abbey expense synergies.

Today's announcement will enhance Resolution's ability to achieve its target return on embedded value of at least 10% per annum and completes the process of preparing Resolution for future strategic developments.

## **Commenting on the transaction, Mike Biggs, Group Chief Executive said:**

"We are delighted to be partnering Capita with their excellent record in achieving high standards in customer service, IT delivery and support. This partnership will improve customer service and position Resolution for the larger scale consolidation opportunities we see ahead.

We are working very closely with Capita to ensure that any redundancy impact on our staff is minimised."

## **Enquiries:**

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## **Notes to editors**

### **Additional information about the partnership with Capita**

The outsourcing partnership with Capita includes customers in the Phoenix Life Assurance (former Abbey National Life), Scottish Mutual, Scottish Provident and Phoenix Life (former Britannic Assurance, Britannic Unit Linked Assurance, Britannic Retirement Solutions and Alba Life) funds.

Services to Scottish Mutual International and Scottish Provident International policyholders will continue to be operated by Resolution staff based in Dublin, Hong Kong and on the Isle of Man.

Future new business customers include those purchasing Phoenix Life Assurance (former Abbey National Life) and Scottish Provident products.

Resolution Asset Management is unaffected by the new arrangements.

### **Background on Resolution**

Resolution is the largest specialist manager of UK in-force life funds.

Resolution was formed on 6 September 2005 following the merger of Britannic Group plc (“Britannic”) and Resolution Life Group Limited (“RLG”).

RLG was formed for the purpose of buying and managing closed life funds. It acquired the Royal & Sun Alliance life companies in September 2004 for £850 million and Swiss Life UK for £205 million in March 2005.

Britannic itself had acquired the UK life operations of Allianz Cornhill in December 2004 for £115 million and the Century Group in March 2005 for £45 million.

Resolution completed the acquisition of the UK and offshore life insurance businesses of Abbey National plc on 1 September 2006.

Resolution entered the FTSE 100 on 18 September 2006.

Resolution is headquartered in London, with life divisions in Glasgow and Wythall (Birmingham). Asset management is also based in Glasgow. At the end of 2006, total staff numbers were approximately 3,500.

### **Background on Capita**

Capita Group Plc is the UK’s leading provider of integrated professional support service solutions. Capita Life and Pensions provide core administrative support to a number of UK and overseas life and pensions companies, including US giant Met Life, The Children’s Mutual, Lincoln Financial Group, Prudential and Zurich Financial Services. Including the Resolution strategic partnership, Capita Life & Pensions will be responsible for administering 15 million policies by the end of this year.