

## INSIDE THIS ISSUE

- p2** Financial Services Opportunities - article by SFS Ltd, More Mortgage Business! by Philip Dearing, MD Mutual One
- p3** Mutual Insurers Work to Satisfy Appetite of UK Public
- p4** The Challenge for Friendly Societies
- p5** Staff Training, Diary Dates



Philip Dearing,  
Managing Director,  
Mutual One Limited

**Welcome**  
to the Spring Issue  
of Mutual Interests –  
I do hope you find  
it a good read

In this issue, we have some topical features for Building Societies, Friendly Societies and Mutual Insurers along with details of upcoming seminars and cost-effective, truly industry-related and relevant training modules designed by and for Mutuals.

We have now launched our new website [www.mutual-one.co.uk](http://www.mutual-one.co.uk) and this details not only the services available from the firm, but importantly, provides a no-cost weekly update to help you and your team stay abreast of regulatory developments. Our first podcast is also accessible via the website, and this new feature will be updated quarterly to enable you to listen to speakers discussing – and providing information on – topical issues across the mutual sector. So, for more information on Mutual One and how we can help your business, simply click on the 'contact us' page of our website.

Meanwhile, have a good Spring and, as ever, if there is anything you want to talk to me about personally, please don't hesitate to get in touch.

**Philip Dearing**  
Managing Director  
Mobile: 07861 290624  
Email: [philip.dearing@mutual-one.co.uk](mailto:philip.dearing@mutual-one.co.uk)

## Stop Press

### Mutual One Audit for Top 15 Building Society

Continuing the growth in Audit client numbers, Mutual One has recently provided specialist audit services to a top 15 Building Society when ranked by asset size. This involved working alongside that Society's own in-house audit team.

Peter Cook, Norwich & Peterborough Building Society's Head of Business Assurance commented, "When the Society had a need for IT audit resource to cover for long-term absence, we approached Mutual One who quickly provided us with a suitably qualified, experienced auditor. The Mutual One auditor worked with us while we resolved the absence issue. I would have no hesitation in using their skilled IT audit resource again if necessary, or recommending them to others."

For more information on the range of Mutual One Internal Audit Services, contact Andrew Gold on: 01756 705797; mobile: 07730 718205; or alternatively, email: [andrew.gold@mutual-one.co.uk](mailto:andrew.gold@mutual-one.co.uk)

# Financial Services Opportunities by SFS Ltd



SKIPTON FINANCIAL SERVICES

Listed above are just four of the many challenges that face providers of financial advice, but what is evident is that when done correctly the provision of advice, in the right way, can be of enormous benefit to all parties involved, whether this be the provider of the advice, the Mutual 'host' or, most importantly, the client who has a need for genuine advice about their financial affairs.

To find out more about how Mutual One in partnership with SFS Ltd can help, simply contact Karen Alexander, Business Support Manager on 07974 267412 or email: [karen.alexander@mutual-one.co.uk](mailto:karen.alexander@mutual-one.co.uk)

It is always vital for any Mutual whether big or small to make the most of other income opportunities away from its core business. Many Mutuels have been highly successful in developing different areas of income and one of the most lucrative areas can be the provision of financial services advice, be that through any existing branch network and amongst an ever increasing geographically disparate membership.

This area of financial services is, however, changing and those Mutuels who provide this form of advice or those who are considering entering this arena need to consider a number of factors when choosing method of delivery or partner.

These, amongst others include:

**Whole of Market vs Tied Advice** – it is likely that the income received per product sold by a mutual organisation from a tied relationship will outstrip that offered by a company that offers products across the whole of the market, mainly due to the extra income the larger insurance companies receive from the manufacturing of products. Although this additional income per sale is tempting, the impact on the client from this sort of relationship must be fully understood. There are some outstanding products available through a tied environment, however, no one company is good at everything, or in fact offers competitive products in all areas.

There is, in general, not an average member of a mutual with standard needs – their needs are varied and can only be truly satisfied by an offering which is diverse and competitive enough to meet these requirements enabling the mutual to truly be able to meet its members' needs and thus to be confident it is treating its members fairly. An offering that covers the whole of the available marketplace enables the mutual to deliver true member value.

**Retail Distribution Review (RDR)** – one of the major areas covered by the RDR is adviser education. It is vital to ensure that the Advisers will have sufficient qualifications by the eventual deadline to carry on providing 'professional advice'. Many Advisers currently fall short of the expected qualification requirement and therefore firms may have to commit high levels of investment in order to ensure their Advisers reach the required level. This will not be a cheap endeavour and therefore a partner with sufficient financial strength to fund this is a definite requirement.

Once Advisers are trained, their stock will be higher and therefore it will be important to put in place sufficient benefits to protect this valuable commodity. Once again this will cost and a company who has the financial strength but also the wherewithal to make the most of all business opportunities will be at a distinct advantage.

**Brand Protection** – many smaller Mutuels have incredibly strong brands within their target markets and it is necessary to protect this long-established asset at all costs. A financial services partner must understand the pressures and extra requirements for working in conjunction with a highly trusted but smaller deposit taker and the effect low levels of service and reputational damage can have on business levels.

**Staff** – are at the heart of any financial services offering. Many endeavours have failed in the past in an unsuccessful attempt to win the hearts and minds of the Mutual's staff to try different approaches with the customer at the counter. A high commitment and investment in training on a long-term basis is required, as quick fixes rarely work in this area. Experience highlights the fine line that is often trod between good customer service, fulfilling clients' needs and leaving both the client and the member of staff uncomfortable and unfulfilled.

## More Mortgage Business

By Philip Dearing, Managing Director, Mutual One Limited

### I guessed that header might get your attention!

I thought you might find it helpful if I penned a few words on how the Mortgage Origination & Distribution initiative is progressing.

First, a number of Societies have signed up to a common set of lending criteria – and very prudent they are too! The lending criteria was used by Societies in the recent distribution of a tranche of funds supporting a discount mortgage sold through London & Country. We are currently looking at two products – both base rate trackers – to be distributed again through London & Country. The same principle applies to a potential Buy-to-Let mortgage to be distributed on either a packaged or unpackaged basis through Pink Homeloans. These two firms have been selected as being specialist in their respective fields, along with being geared to handle multi-lenders offering the same product to quality applicants. If you would like to explore the possibility of participating in either of these tranches, then simply contact Karen Alexander, Business Support Manager (contact details above).

Mortgage asset trading has, of course, taken a bit of a back seat over the last six months, but clearly there are books of quality mortgage assets available – commercial, semi-commercial and residential – at a decent premium or even at par/discount. Will prices remain depressed? One potential buyer has already indicated that prices will continue to be squeezed downwards as the pressure continues to recycle cash.

The contrasting argument – and the more optimistic one – is that this is a good time to acquire a small tranche of assets across a variety of asset classes to bolster growth – particularly if liquidity is high. A good deal can be engineered using 'standard' legal documentation and, if a number of Societies want to club together to 'slice & dice' a book of assets, then this too can be achieved via Mutual One and this will help contain costs.

My personal guess is that asset sales will pick up later in the year, with the principal drivers being the need for growth in excess of the rate of inflation, continuing depressed book prices and the opportunity to 'cherry-pick' some asset classes. We'll see if I'm right in the Q4 issue of Mutual Interests!

Meanwhile, if you have any queries on asset trading please contact me personally on 07861 290624 or alternatively, email: [philip.dearing@mutual-one.co.uk](mailto:philip.dearing@mutual-one.co.uk)

t: 01756 705987 e: [enquiries@mutual-one.co.uk](mailto:enquiries@mutual-one.co.uk)

For a list of Mutual One Services, simply go to [www.mutual-one.co.uk](http://www.mutual-one.co.uk)

mutual one  
enhancing mutual values

# Mutual Insurers Work to Satisfy Appetite of UK Public



There is a new hunger in the mind of the UK consumer: Hungry for alternatives to the financial status quo, they are sceptical of the city and cautious of colossal corporates. For them, it is no longer acceptable to simply acquire a product or service; they seek to have a choice to purchase to reflect their own values, not those of the shareholder.

Introducing new ranges of products that allow customers to do just this is not new to the fast moving sector of retail, supermarkets were amongst the first to raise revenue through new ranges such as 'organic', 'healthy living' or 'locally sourced' products. However, in financial services the momentum to embrace the changing habits of the consumer continues to be slow and as a result opportunities are being lost. That is, however, until now.

The UK's mutual insurers are recognising the appetite that this new generation of consumer has and the potential to attract them with the values implicit in the mutual model. The thriving mutual insurance sector, which until now has largely only promoted its virtues to members, is beginning a campaign to the UK public to let them know that there is a very real alternative available to them in their search for, and purchase of, financial products.

The work is being carried out by the Association of Mutual Insurers (AMI), the trade body that acts as the voice of the mutual insurance sector. Representing 99% of UK Mutual Insurers and 32 organisations, AMI's members represent an impressive 15 million policyholders, 1 in 4 of the population. Despite being relatively new, AMI has trebled its membership since it was established in 2004. Like many trade bodies in the financial services industry, the areas of government and regulation take the majority of resource, but AMI has taken it one step further – it has identified the UK public as a key stakeholder group.

Over the past 18 months some significant work has been undertaken to evaluate and understand the scale of the appeal that the mutual model has in the minds of the UK consumer and the potential that is held by the sector. The work has been undertaken by the AMI Communications Committee which comprises seven senior directors of marketing and communications from AMI's membership and has the approval and authority of the Board.

The Communications Committee set out to understand just how much the term 'mutual' was understood by the UK public and they appointed George Street Research, a market research agency to carry out focus groups, representative of the UK population, in cities across the UK. The results were perhaps disappointing but not surprising. The term 'mutual' was widely known, however, not only was there a low degree of understanding, there was a widespread misunderstanding of the term. Banks and other large providers of financial services were being labelled as mutual.

A degree of misunderstanding and some confusion around the term 'mutual' was expected by the AMI Communications Committee but what was unexpected was the incredibly positive support for the mutual model that the results revealed. Once the meaning of 'mutual' was explained to each group, the enthusiasm for mutuality came alive; people left the focus groups determined to actively seek out this mutual option of insurance. Many of those who were considered financially savvy revealed they already had many products with mutual insurers and understood how the model was able to provide them with better returns. Mainstream savers and customers from the focus groups



Rachel Griffiths, Vice President Communications, AMI

Rachel Griffiths is vice-president of communications at the UK's Association of Mutual Insurers (AMI). Rachel is responsible for delivering the organisation's strategy including public affairs, policy, public relations and member services.

across the country largely agreed that, should the price be similar; they would choose a mutual insurer over a plc. The potential for the mutual insurance sector had been quantified. All the research groups had one issue that was highlighted without fail; they simply said, "Why didn't we know that mutual insurance is an option for us?"

The answer to that question is already appreciated within the AMI Communications Committee. There are 32 mutual insurers among AMI's membership, none of which have a common label such as 'building society' with which they can be easily identified by the public. Instead, a confused public is faced with 32 different brands each with their own identity – 32 different brands which collectively represent just 7% of the UK insurance market. Put simply, even if the consumer wished to satisfy their appetite by opting for a mutual insurer, it would take time and effort to distinguish which organisations matched their criteria.

It was clear that a common language was needed across all the mutual insurers, not an easy task that the Communications Committee had given itself. George Street Research was invited to present their findings to the AMI Board and a clear, candid picture of how the UK public perceived mutuality was presented to the 13 Chief Executives who comprise the AMI Board. Always pragmatic and progressive, and presented with such a clear and compelling case for promoting mutuality to the UK public, the AMI Board approved the Communications Committee's request for the next stage in the process; to agree a common language.

Eager to progress, the AMI Communications Committee approached one of the UK's leading branding agencies and specialists in financial services. Lucian Camp at cchm:ping has spent years assisting Nationwide to position themselves as 'not a bank'. By actively distancing themselves from the other financial service providers on the high street, Nationwide has achieved tremendous growth and attracted thousands of UK customers who see them as an alternative to a bank. With an appreciation of the marketing potential for mutual organisations and a passion to accompany his expertise, Lucian Camp created an expression of what a mutual meant which was purely designed for the customer.

In reality, what Lucian and the AMI Communications Committee had created was the very first 'consumer-facing' definition of exactly what being a mutual means.

Continued...

At the time of writing, research groups are being held in Glasgow, Birmingham and London. Customers and potential customers of mutual insurers across the UK are being presented with a consumer-friendly definition of what it means to be mutual. If the work is successful, the copy they are presented with will not only give the customer a clear and concise understanding of the mutual model, it will also portray the benefits mutuality will bring to them. Used across the sector, customers will begin to be aware that an alternative model exists. The AMI Communications Committee will have the tools they need to begin to convert the consumers' wish for an alternative in financial services to new business for the UK's mutual insurance sector. Only through cooperation, honesty, determination and teamwork between those on the AMI Board and the members of the AMI Communications Group has this been possible.

As the mutual insurance sector creates a consistent language with which to talk to the UK public, it is hoped that the wider mutual sector in the UK may also consider the importance of this project in order that the public, politicians and media can begin to hear a louder collective voice from the mutual and cooperative sector. This is pioneering work. The UK has already been approached by the French mutual trade association, which will be mirroring this work among the French public, for the benefit of the global mutual insurance sector it is hoped and expected that this will continue.

## Reducing Costs, Improving Customer Service, Remaining Compliant... the Challenge for Friendly Societies



Friendly Societies are something of a treasure in the field of Financial Services and when you look further into the comparative levels of investment returns, charges and customer satisfaction, the Friendly Societies really do have a lot to offer to the UK consumer:

Truly low cost endowments, viable Child Trust Fund (CTF) charging structures (interesting that nearly 50% of all CTF policies in issue are with Friendly Societies) and the commendable Holloway Income Protection insurance are just a few Friendly Society virtues. There is, however, the increasing burden of compliance, with the TCF initiative as well as the Retail Distribution Review causing firms to seriously reconsider their business model.

All the while the need to be able to process and administer business in an efficient, cost-effective way persists, in an environment where additional factors such as acquisition, mergers and market uncertainty are very unsettling. On the plus side, certain limits on Tax Exempt Savings Policies are changing from April, and this change offers fresh marketing stimulus to promote the tax-free offerings that Societies provide.

That said, this environment is forcing a sharper focus on achieving operational efficiency and to many Societies, it is now becoming clear that the drivers of stakeholder value are different in the context of managing the characteristics of various books of business. I'm referring to the 'closed' and 'open' books scenario where the relatively high costs of maintaining closed books cannot continue to be absorbed while contemporaneously to meeting customer service expectations.

Sapiens has extensive first hand experience of these problems, working as we do with some of the UK's most respected Friendly Societies, with whom we have driven down the cost of administration to sub £2 per policy per annum levels. Included in this figure are the very small premium Industrial Branch insurances as well as Ordinary Branch business.

To achieve this, we developed the Sapiens Closed Books INSIGHT software, a rules-based Life and Pensions Policy Administration system, specifically and uniquely aimed at providing a single, low-cost, strategic platform for all closed and, potentially, open book business. This has been implemented and proven to reduce the operational cost base as well as enabling service efficiency improvements.

All of the key functional areas, including party and policy administration, premium collection and claims are addressed, as are the broad range of life and pension products you would expect to encounter. Fine on its own, but you have to get the policy and client records onto the system to achieve these benefits, which is why Sapiens have also developed tools that enable rapid and clean migration of policies from various source systems. It's a good 'one in many out' cost saving story overall.

Sapiens has purposely adopted a pragmatic no frills approach from conception to realisation, taking the view that a common set of processes will meet the requirements of all of the products to be administered, and this has worked very well especially in the closed book environment. We can discuss offering this potentially as a service to a collection of societies – for example via Mutual One – or as solution to any one in particular. However, what we do certainly have is an interesting proposition to help ensure Friendly Society members continue to benefit from low cost, innovative products and services into the future.

**To find out more about how Mutual One in partnership with Sapiens can help, simply contact Karen Alexander, Business Support Manager (contact details as previous).**

### Mutual One staff put best foot forward for Charity!

**Andrew Gold, Chief Operating Officer, and Office Manager, Karen Manger, along with her partner Brian Knowles, took part in a 10-mile sponsored walk recently in aid of the British Heart Foundation.**

**The trio completed the 10-mile walk raising over £1,400 in the process.**

**Andrew said,**

**"We would like to thank our friends, colleagues and Mutual One clients for their very generous sponsorship."**

## Diary Dates 2008

EVENT	DATE	CONTENT OVERVIEW
Compliance Officers' Discussion Group	21 May 2008 At Barnsdale Court, Leicester	An informal discussion on Data Security and Data Protection
Compliance Officers' Discussion Group	18 June 2008 At Barnsdale Court, Leicester	An informal discussion on TCF Management Information
Non-Executive Directors Seminar	24 June 2008 At Barnsdale Court, Leicester	An opportunity to hear current industry developments from a building society non-executive director perspective
IT – Fit for the Future? Seminar	9 July 2008 At Barnsdale Court, Leicester	An opportunity to discuss latest developments in technology and how they impact on day-to-day promotion, infrastructure and processing for building societies
Compliance Officers' Forum	TBC October 2008 At Barnsdale Court, Leicester	An opportunity for Building Society Compliance Officers to discuss current challenges and topical issues on compliance related matters

All the above provide an excellent opportunity to hear presentations from respected figures within the industry, as well as to meet with counterparts in similar organisations.

If you are interested in attending any of the above seminars, or wish to know more, please contact Karen Manger, Office Manager at Mutual One, on 01756 705987; email: karen.manger@mutual-one.co.uk or alternatively, complete the booking form on our website: [www.mutual-one.co.uk](http://www.mutual-one.co.uk)

## Staff Training

Mutual One provides a range of workshops which are delivered by qualified trainers and can be held at either Mutual One's office, or at a Mutual's premises (where numbers allow).

Workshops are attended by staff from a number of Mutuals which not only allows a great opportunity for sharing ideas and experiences, but also helps to contain costs: £99 (ex VAT) per person per day. The training will be reviewed on a regular basis to reflect attendees' feedback and requirements.

### The workshops cover a variety of topics including:

Basic IT Skills: Outlook, Word, Excel, PowerPoint	2 days
Business Communications: letters, email, using the telephone	1 day
Creating Customers for Life (more in-depth)	1 day
Selling Skills: lead generation, sales process including practice	3 days
Customer Care (basic)	1 day
Telesales	2 days
Coaching	2 days
Performance Management	1-2 days
Presentation Skills	2 days
Team Management	2 days

If you are interested in participating in any of the workshops please complete the enquiry form on our website [www.mutual-one.co.uk](http://www.mutual-one.co.uk); or, if you require further information on the content of the workshops, then simply contact Karen Alexander, Business Support Manager (contact details as previous).

## Mutual One is on the Move!

In May 2008, Mutual One is moving its Midlands Office to new premises within the prestigious Grove Business Park, Leicester. Grove Park provides easy access to road (J21 M1), rail and air networks making it the ideal location for hosting seminars, staff training and other discussion groups.

The new address is:

**4 Barnsdale Court,  
Leicester LE19 1SN**

For further information on the facilities available at Barnsdale Court, please contact Karen Alexander, Business Support Manager (contact details as previous).